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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended August 31, 2007.

OR

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

For the transition period from to .

Commission file number 001-16583.

ACUITY BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**58-2632672**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
1170 Peachtree Street, N.E., Suite 2400, Atlanta, Georgia	**30309-7676**
(Address of principal executive offices)	**(Zip Code)**

(404) 853-1400
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of Each Class	Name of Each Exchange on which Registered
Common Stock ($0.01 Par Value)	**New York Stock Exchange**
Preferred Stock Purchase Rights	**New York Stock Exchange**

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

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark 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. ☒

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. (Check one):

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-accelerated Filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Based on the closing price of the Registrant's common stock of $55.37 as quoted on the New York Stock Exchange on February 28, 2007, the aggregate market value of the voting stock held by nonaffiliates of the registrant, was $2,398,789,471.

The number of shares outstanding of the registrant's common stock, $0.01 par value, was 42,246,456 shares as of October 26, 2007.

DOCUMENTS INCORPORATED BY REFERENCE

Location in Form 10-K	Incorporated Document
Part II, Item 5	Proxy Statement for 2007 Annual Meeting of Stockholders
Part III, Items 10, 11, 12, 13, and 14	Proxy Statement for 2007 Annual Meeting of Stockholders

ACUITY BRANDS, INC.

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PART I

Item 1. *Business*

Overview

Acuity Brands, Inc. ("Acuity Brands" or the "Company") is a holding company that owns and manages two businesses that serve distinctive markets—lighting equipment and specialty products. The Company was incorporated in 2001 under the laws of the State of Delaware. The lighting equipment segment designs, produces, and distributes a broad array of indoor and outdoor lighting fixtures for commercial and institutional, industrial, infrastructure, and residential applications for various markets throughout North America and select international markets. The specialty products segment is a producer, marketer, and service provider of a wide range of cleaning and maintenance solutions for commercial, industrial, institutional, and consumer end-markets primarily throughout North America and Europe. Of the Company's fiscal 2007 net sales of approximately $2.5 billion, the lighting equipment segment generated approximately 78% of total net sales while the specialty products segment provided the remaining 22%. Financial information relating to the Company's segments for the past three fiscal years is included in Note 13 of the *Notes to Consolidated Financial Statements* included in this report.

Specialty Products Business Spin-off

On July 23, 2007, the Company announced its intention to separate its lighting and specialty products businesses by spinning off the specialty products business of Acuity Specialty Products Group, Inc. into an independent, publicly traded company named Zep Inc. to Acuity Brands stockholders ("the spin-off"). The Board of Directors of Acuity Brands approved the completion of the spin-off on September 28, 2007, subject to the setting of the record date and the distribution date by the Executive Committee of the Board of Directors. The Executive Committee established the record date and distribution date for the spin-off on October 6, 2007.

Prior to the spin-off, the Company engaged in an internal restructuring, including a holding company reorganization. As part of the internal restructuring, the business that had previously been conducted by Acuity Specialty Products Group, Inc. was merged into the parent company and was subsequently transferred to Acuity Specialty Products, Inc. ("ASP"). ASP is now a wholly-owned subsidiary of Zep Inc., which is in turn a direct, wholly-owned subsidiary of Acuity Brands, Inc.

Acuity Brands expects to distribute pro rata to its stockholders all of the shares of Zep Inc. common stock by means of a stock dividend on October 31, 2007 ("the distribution"). The stock dividend of one share of Zep common stock for every two shares of Acuity Brands common stock will be paid pro rata to holders of Acuity Brands common stock who hold their shares at the close of business on October 17, 2007, which is the record date for the distribution. No fractional shares of Zep common stock will be distributed. Instead of fractional shares, Zep stockholders will receive cash. Following the distribution, Acuity Brands will not own any shares of Zep, and Zep will be an independent public company. The spin-off is intended to be tax-free to affected shareholders, and the Company has received a favorable ruling from the Internal Revenue Service as well as an opinion from its external counsel supporting the spin-off's tax-free status. The stock of Zep Inc. is to be listed on the New York Stock Exchange under the ticker symbol "ZEP".

Zep Inc. filed a registration statement on Form 10 with the Securities and Exchange Commission, which was declared effective on October 11, 2007. The financial presentation of Zep Inc. in the Form 10 differs from the financial presentation of the Acuity Specialty Products segment in Acuity Brands financial statements primarily due to adjustments made to reflect the allocation of corporate expenses. The basis of presentation herein remains unaffected by the decision to spin-off the specialty products business as the related distribution will not be transacted until October 31, 2007. However, after the October 31, 2007, distribution date, the Acuity Specialty Products segment will be reflected as discontinued operations in all periods presented within Acuity Brands' financial statements in accordance with Statements of Financial Standards No. 144: *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Business Segments

Acuity Brands Lighting

The lighting equipment business of Acuity Brands is operated by Acuity Brands Lighting ("ABL"). ABL is one of the world's leading providers of lighting fixtures for new construction, renovation, and facility maintenance applications. Products include a full range of indoor and outdoor lighting for commercial and institutional ("C&I"), industrial, infrastructure, and residential applications. ABL manufactures or procures lighting products in the United States, Mexico, Europe, and China. These products are marketed under numerous brand names, including Lithonia Lighting®, Holophane®, Gotham®, Hydrel®, Peerless®, Antique Street Lamps™, Carandini®, American Electric Lighting®, SpecLight®, Metal Optics®, and Mark Architectural Lighting®. ABL manufactures products in 14 plants in North America and three plants in Europe.

Principal customers include electrical distributors, retail home improvement centers, national accounts, electric utilities, municipalities, and lighting showrooms located in North America and select international markets. In North America, ABL's products are sold through independent sales agents and factory sales representatives who cover specific geographic areas and market segments. Products are delivered through a network of distribution centers, regional warehouses, and commercial warehouses using both common carriers and a company-owned truck fleet. To serve international customers, ABL employs a sales force that utilizes distribution methods to meet specific individual customer or country requirements. In fiscal 2007, North American sales accounted for approximately 96% of ABL's net sales. See Note 13 of the *Notes to Consolidated Financial Statements* for more information concerning the domestic and international net sales of the Company.

Industry Overview

The current size of the North American lighting fixture market is estimated at $10.6 billion. The North American lighting fixture market consists of non-portable lighting fixtures as defined by the National Electrical Manufacturers Association and lighting related products such as emergency lighting equipment, poles, controls, and modular wiring systems. The U.S. market represents approximately 87% of the North American market. The Company estimates that the top four manufacturers (including Acuity Brands Lighting) represent approximately 54% of the total North American lighting market. The remainder of the market is made up of an estimated 1,200 lighting manufacturers.

The primary demand driver for ABL's core businesses is non-residential construction, which includes a broad range of commercial, institutional, and industrial buildings. Construction spending on infrastructure projects such as highways, streets, and urban developments also has a material impact on the demand for ABL's infrastructure-focused products. Demand for ABL's retail lighting products is highly dependent on economic drivers such as consumer spending and discretionary income, along with housing construction and home improvement spending.

Based on industry data for 2007, new construction accounts for approximately 84% of non-residential contract award values, while renovations account for approximately 16%, though this mix can vary depending on economic conditions. Major trends that can impact the industry include the development of new technologies for lamps, ballasts, and electronic light sources, more effective optical designs, federal and state regulatory requirements for updated energy codes, energy tax legislation, and design technologies addressing environmental sustainability.

There has been a significant increase in the size and relative presence of the retail home improvement center segment in the past several years. In addition, imports of foreign-sourced lighting fixtures continue to grow, driven by both the foreign production of U.S. manufacturers and imports of low-cost fixtures primarily from Asian manufacturers. Consolidation remains a key trend in the electrical industry. Recent announcements of combinations among electrical distributors are evidence of this continuing trend.

Products

Acuity Brands Lighting produces a wide variety of lighting fixtures used in the following applications:

- ***Commercial & Institutional*** — Applications are represented by stores, hotels, offices, schools, and hospitals, as well as other government and public buildings. Products that serve these applications include recessed, surface and suspended fluorescent lighting products, recessed downlighting, and track lighting, as well as special application lighting products. The outdoor areas associated with these application products are addressed by a variety of outdoor lighting products, such as area and flood lighting, decorative site lighting, and landscape lighting.
- ***Industrial*** —Applications primarily include warehouses and manufacturing facilities. The lighting equipment business serves these applications with a variety of glass and acrylic high intensity discharge ("HID") and fluorescent lighting products.
- ***Infrastructure*** — Applications include highways, tunnels, airports, railway yards, and ports. Products that serve these applications include street, area, high-mast, off-set roadway, and sign lighting.
- ***Residential*** — Applications are addressed with a combination of decorative fluorescent and downlighting products, as well as utilitarian fluorescent products.
- ***Other Applications & Products*** — Other products include emergency lighting fixtures, which are primarily used in non-residential buildings, and lighting control and flexible wiring systems.

In addition to these product offerings, ABL provides services enabling customers to more effectively and efficiently manage their lighting assets. In fiscal 2007, ABL introduced the marketplace to Remote Operations Asset Management (ROAM™), an innovative service utilizing Machine to Machine (M2M) wireless network technology that allows utilities and municipalities to monitor and control their lighting systems and provide savings in energy and maintenance operations. ABL also offers turn-key labor renovation services that leverage ABL's technological advances to reduce the customer's operational lighting costs and financially justify the renovation of existing facilities with outdated lighting systems. These services are provided in the commercial, industrial, retail, manufacturing and warehousing markets.

Lighting fixtures for numerous applications in a multitude of industry segments accounted for approximately 66%, 67%, and 65% of total consolidated net sales for Acuity Brands in fiscal years 2007, 2006, and 2005, respectively. This does not include sales related to items such as wiring products, controls, and emergency lighting.

Sales and Marketing

Sales. ABL calls on customers in the North American market with separate sales forces targeted at delivering appropriate products and services to specific customer, channel, and geographic segments. These sales forces consist of approximately 220 company-employed salespeople and a network of approximately 160 independent sales agencies, each of which employs numerous salespeople. ABL also operates two separate European sales forces and an international sales group coordinating export sales outside of North America and Europe.

Marketing. ABL markets its products to a multitude of end users through a broad spectrum of marketing and promotional vehicles, including direct customer contact, trade shows, on-site training, print advertising in industry publications, product brochures, and other literature, as well as the internet and other electronic media. On-site training is conducted at dedicated product training facilities in Conyers, Georgia and Austin, Texas. Additionally, in fiscal 2007 Holophane relocated and expanded its Light and Vision training center in Ohio. Acuity Brands Lighting also opened its Center for Light + Space during fiscal 2007, a new direct sales and marketing office dedicated to serving the New York City lighting market. New York continues to grow in importance in the world of lighting, with its influence accelerating around the country and the world. New technologies, new products and new applications are changing the industry, and Acuity Brands Lighting now offers lighting designers, architects, engineers, contractors and distributors the most efficient service with this new direct-to-market structure designed exclusively for this key metro area.

Customers

Customers of Acuity Brands Lighting include electrical distributors, retail home improvement centers, national accounts, electric utilities, utility distributors, municipalities, contractors, catalogs, and lighting showrooms. In addition, there are a variety of other buying influences, which for any given project could represent a significant influence in the product specification process. These generally include contractors, engineers, architects, and lighting designers.

A single customer of Acuity Brands Lighting, The Home Depot, accounted for approximately 15% of net sales of ABL during fiscal years 2007, 2006, and 2005, respectively. Approximately 85% of product purchased by The Home Depot is resold to end-users in the home improvement market as ABL serves both residential and commercial consumer needs of this customer. The remainder of product sourced to The Home Depot is installed in that retail center's new and existing facilities. The loss of The Home Depot's business could temporarily adversely affect the Company's results of operations.

Manufacturing

Acuity Brands Lighting operates 17 manufacturing facilities, including eight facilities in the United States, six facilities in Mexico, and three facilities in Europe. ABL utilizes a blend of internal and outsourced manufacturing processes and capabilities to fulfill a variety of customer needs in the most cost-effective manner. Critical processes, such as reflector forming and anodizing and high-end glass production, are primarily performed at company-owned facilities, offering the ability to differentiate end-products through superior capabilities. Other critical components, such as lamps, sockets, and ballasts, are purchased primarily from outside vendors. Investment is focused on improving capabilities, product quality, and manufacturing efficiency. The integration of local suppliers' factories and warehouses also provides an opportunity to lower ABL-owned component inventory while maintaining high service levels through frequent just-in-time deliveries. ABL also utilizes contract manufacturing from U.S., Asian, and European sources for certain products and purchases certain finished goods, including poles, to complement its area lighting fixtures and a variety of residential and commercial lighting equipment. Net sales of product manufactured by others currently accounts for approximately 23% of the total net sales of ABL. Of total product manufactured by ABL, U.S. operations produce approximately 43%; Mexico produces approximately 53%; and Europe produces approximately 4%. ABL has one supplier of significance and purchased approximately $73.1 million in finished goods from this supplier in 2007. However, the Company believes that sourcing alternatives currently available to ABL serve to mitigate exposure that would otherwise exist due to ABL's utilization of this supplier.

During fiscal years 2002 through 2006, management focused on certain initiatives to make the Company more globally competitive. One of these initiatives at ABL related to enhancing its global supply chain and included the consolidation of certain manufacturing facilities into more efficient locations. During those years, ABL closed ten facilities as part of this initiative. This initiative, the Manufacturing Network Transformation ("MNT"), resulted in increased production in international locations, primarily Mexico, and greater sourcing from its network of worldwide vendors. Total square footage used for manufacturing at ABL was reduced by approximately 23% over those fiscal years as a result of MNT and other programs.

Distribution

Products are delivered through a network of strategically located distribution centers, regional warehouses, and commercial warehouses in North America using both common carriers and a company-owned truck fleet. For international customers, distribution methods are adapted to meet individual customer or country requirements.

Research and Development

Research and development efforts at ABL are targeted toward the development of products with an ever-increasing performance-to-cost ratio and energy efficiency, while close relationships with lamp, ballast, and LED manufacturers are maintained to understand technology enhancements and incorporate them in ABL's fixture designs. ABL operates five separate product development model facilities, incorporating eight photometers for testing and optimizing fixture photometric performance. The Conyers, Georgia lab is approved by the National Voluntary Laboratory Accreditation Program for both fluorescent and high intensity discharge fixtures. For fiscal years 2007, 2006, and 2005, research and development expense at ABL totaled $31.3 million, $30.0 million, and $27.1 million, respectively.

Competition

The lighting equipment industry served by ABL is highly competitive, with the largest suppliers serving many of the same markets and competing for the same customers. Competition is based on numerous factors, including brand name recognition, price, product quality, design and energy efficiency, customer relationships, and service capabilities. Primary competitors in the lighting industry include Cooper Industries Ltd., The Genlyte Group Incorporated, and Hubbell Incorporated. The Company estimates that the four largest lighting manufacturers (including ABL) have approximately a 54% share of the total North American lighting market.

Acuity Specialty Products

The specialty products business of Acuity Brands is operated by Acuity Specialty Products ("ASP"). ASP is a leading producer, marketer, and service provider of a wide range of cleaning and maintenance solutions for commercial, industrial, institutional, and consumer end-markets. ASP's product portfolio includes anti-bacterial and industrial hand care products, cleaners, degreasers, deodorizers, disinfectants, floor finishes, sanitizers, and pest and weed control products. ASP's products and services are marketed under well recognized and established brand names, such as Zep®, Zep Commercial®, Enforcer®, and Selig™, some of which have been in existence for more than 70 years. Customers are reached through an experienced, international organization composed of approximately 1,600 sales representatives, supported by highly skilled research and development and technical services teams, who collectively provide creative solutions for ASP's customers' diverse cleaning and maintenance needs by utilizing their extensive product expertise and providing customized value-added services that the Company believes distinguish ASP among its competitors.

Through ASP's direct sales organization, convenient, highly effective cleaning and maintenance solutions are provided to approximately 350,000 customers in a broad array of commercial, industrial, and institutional end-markets, including transportation, food processing and service, manufacturing, government, and housekeeping. These customers include government entities and businesses ranging from small sole proprietorships to large corporations. In addition, ASP's products are sold to contractors, small business owners, and homeowners who want to purchase professional strength cleaning products through large and small home improvement retailers. The home improvement channel is supported by sales and management personnel who focus on customers such as The Home Depot, Wal-Mart, Ace Hardware, True Value, Lowe's, and Menard's. In fiscal 2007, North American sales accounted for approximately 92% of ASP's net sales. See Note 13 of the *Notes to Consolidated Financial Statements* for more information concerning the domestic and international net sales of the Company.

Industry Overview

According to the 2006 Kline Group report, the United States commercial, industrial, and institutional cleaning chemicals market is an estimated $9.6 billion market. The Company believes it is one of the top four market leaders, which together hold slightly more than 40% of the total market share. The market is highly fragmented and is served by hundreds of regional and niche participants who sell either directly to end-users or

through distributors. Approximately two-thirds of the market is currently served through distributors while one-third of the market is currently served through direct sales. ASP is a market leader in the direct sales channel and the significant majority of the specialty products business' historical revenues have come from this channel. In general, the commercial, industrial, and institutional end-market enjoys growth consistent with GDP due to favorable end-market demographics, increasing government regulations, health and safety concerns, and consumer demand for cleanliness.

Additionally, based on company estimates and industry research, ASP estimates that the total size of the retail cleaning chemicals market is approximately $5.5 billion. This market is served through channels including grocery, mass merchandisers, home improvement, drug, and other specialty retailers. ASP primarily sells through the home improvement channel, which only serves a portion of the overall retail cleaning chemicals market. The Company believes sales through the home improvement channel are experiencing above market growth as customers diversify their purchasing locations.

While consumption of cleaning and maintenance products is somewhat discretionary, in health-driven, sophisticated markets such as North America and Western Europe, health and safety regulations and customer expectations buffer demand downturns. Increased legislation regulating food, health, and safety requires increased frequency of use, thus fueling increases in demand. Health and safety regulations are also shrinking the pool of available chemicals. Together, these trends are driving demand and development of improved product formulations and application methods. Also, the Company believes end-users in ASP's markets are beginning to demand more effective and efficient products. Additionally, many corporate buyers are increasing centralized corporate buying activities and consolidating their respective purchases and suppliers.

Products

ASP produces a wide range of cleaning and maintenance solutions for commercial, industrial, institutional, and consumer customers with more than 2,300 unique formulations that are used in manufacturing products for its customers. These include:

- ***Transportation*** — Applications include products for automotive repair facilities, car washes, public transport, car rental facilities and trains, among others.
- ***Food Processing and Preparation*** — Applications include products for farms, meat processing facilities, bakeries, grocery stores, and full and quick-serve restaurants.
- ***Manufacturing*** — Applications include products for professional maintenance and engineering staff in manufacturing, pharmaceutical and mining industries.
- ***Government*** — Applications include products for federal, state and local government agencies, including cities, school districts, military, and police and fire departments.
- ***Housekeeping*** — Applications include products for hospitality, healthcare, entertainment, and other janitorial housekeeping products.
- ***Contractors and Small Business Owners*** — Applications include products for small business owners, contractors, and homeowners.

Sales of specialty chemical products, excluding items sold to facilitate the use of chemicals, accounted for approximately 19% of total consolidated net sales for Acuity Brands during fiscal years 2007 and 2006, and 20% of total consolidated net sales during fiscal year 2005.

Sales and Services

***Sales*.** The sales organization at ASP consists of approximately 1,600 sales representatives worldwide. The compensation model is primarily commission-based. Net sales are largely dependent on the hiring, training, and retention of the commissioned sales representatives.

The ASP sales organization covers the U.S., Canada, Italy, Belgium, Luxemburg, and the Netherlands, and certain other smaller markets. The commercial, industrial, and institutional end-markets are serviced primarily through approximately 1,174 sales representatives in the United States, 142 sales representatives in Canada and 268 sales representatives throughout Europe, supplemented by a complement of customer and technical service personnel. ASP's customers in the home improvement channel are served by approximately 50 salaried sales and management personnel.

Services. The specialty products business has a well-trained and experienced sales team, supported by their highly skilled research and development, and technical services teams that provide creative customized solutions for their customers' diverse cleaning and maintenance needs. ASP provides value-added services to customers on application uses, safety aspects, product selection, specific formulations, inventory management, customer employee training, and equipment and dispensers. Accordingly, ASP's customers benefit from a more effective solution that includes a total cost of ownership for their cleaning and maintenance needs that the Company believes is superior to their competitors' offerings.

Customers

ASP sells cleaning and maintenance solutions directly to approximately 350,000 customers. Customers focused in the commercial, industrial, and institutional end markets are responsible for approximately 85% of ASP's net sales. The remainder of ASP's net sales are attributable to customers accessed through the home improvement retail channel. ASP's commercial, industrial, and institutional customers include government entities and businesses ranging from small sole proprietorships to the largest corporations in the U.S. These customers operate within various markets, including food processing and preparation, transportation, industrial, hospitality, government, and contractors. In addition, ASP's cleaning and maintenance solutions are sold to contractors, small business owners, and homeowners who want to purchase professional strength cleaning products through home improvement retailers such as The Home Depot, Wal-Mart, Ace Hardware, True Value, Lowe's, and Menard's.

A single customer of Acuity Specialty Products, The Home Depot, accounted for approximately 13% of net sales of ASP during fiscal year 2007, and 12% of net sales during fiscal years 2006 and 2005, respectively. The loss of that customer could temporarily adversely affect ASP's results of operations.

Manufacturing

ASP manufactures products at six facilities located in the United States, Canada, the Netherlands, and Italy. The three U.S. facilities produce approximately 89% of manufactured product; the Canadian facility produces approximately 7%; and the two European facilities produce approximately 4%. Certain finished goods purchased from contract manufacturers and finished goods suppliers supplement the manufactured product line. Sales of outsourced product currently account for approximately 19% of the net sales volume of ASP. Outsourced product is predominately manufactured in the U.S. Management does not believe the loss of any one supplier of outsourced product would have a material adverse impact on the results of operations of ASP.

Distribution

Products sold to commercial, industrial, and institutional end-markets are shipped from 46 strategically located branch warehouses throughout North America and Europe, which are supplied directly from ASP's production facilities and by one large distribution center in Atlanta, Georgia. The products sold to home improvement retailers are distributed nationwide from the Emerson, Georgia plant and one other warehouse. Products are primarily delivered through common and local carriers.

Research and Development

At ASP, research and development is directed at developing product systems that provide comprehensive solutions for broad-based customer applications. Additionally, efforts to enhance existing formulations by utilizing new raw materials or combinations of raw materials have resulted in both new and improved products.

Special emphasis has been placed on the development of “green” products based on renewable and environmentally preferred raw materials. Technical expertise is employed to move proven technologies into new applications. Research and development expense at ASP for fiscal years 2007, 2006, and 2005, excluding technical services, was $2.3 million, $2.3 million, and $2.2 million, respectively.

Competition

The cleaning and maintenance solutions industry served by ASP is highly competitive. Overall, competition is fragmented in the commercial, industrial, and institutional end-markets, with numerous local and regional operators selling directly to customers, distributors, and a few national competitors. Many of these competitors offer products in some, but not all, of the markets served by ASP. Competition is based primarily on brand name recognition, price, product quality, and customer service. Competitors in the commercial, industrial, and institutional end-market include but are not limited to Ecolab, Inc., JohnsonDiversey, Inc., NCH Corporation, Rochester Midland Corporation, and State Chemical Manufacturing Company. Many companies compete within the broader retail market for cleaning chemical products including but not limited to Church & Dwight Co., Inc., Procter and Gamble, Reckitt Benckiser plc, S.C. Johnson & Sons, Inc., Sunshine Makers, Inc., and The Clorox Company. ASP also competes in the home improvement channel with pest control companies such as Bayer, A.G., Spectrum Brands, Inc., and The Scott’s Company. Furthermore, barriers to entry and expansion in the industry are low, which may lead to additional competitive pressure in the future.

Environmental Regulation

The operations of the Company are subject to numerous comprehensive laws and regulations relating to the generation, storage, handling, transportation, and disposal of hazardous substances as well as solid and hazardous wastes, and to the remediation of contaminated sites. In addition, permits and environmental controls are required for certain of the Company’s operations to limit air and water pollution, and these permits are subject to modification, renewal, and revocation by issuing authorities. On an ongoing basis, Acuity Brands allocates considerable resources including investments in capital and operating costs relating to environmental compliance. Environmental laws and regulations have generally become stricter in recent years. The cost of responding to future changes may be substantial. See Item 3: *Legal Proceedings* for a discussion of certain environmental matters.

Raw Materials

The products produced by Acuity Brands require certain raw materials, including aluminum, plastics, electrical components, solvents, surfactants, other petroleum-based materials and components, and certain grades of steel. For example, Acuity Brands Lighting purchases approximately 116,000 tons of steel and aluminum on an annual basis depending on various factors including product mix. The use of steel and aluminum is not integral to the manufacturing processes of Acuity Specialty Products. The Company estimates that on a consolidated basis approximately 8% of purchased raw materials are petroleum-based. Acuity Brands purchases most raw materials on the open market and relies on third parties for the sourcing of some finished goods. Accordingly, the cost of products sold may be affected by changes in the market price of the above-mentioned raw materials or the sourcing of finished goods. Due to the mix of purchases (raw materials, components parts, and finished goods), timing of price increases, and other economic and competitive forces within the supply chain, it is not possible to determine the financial impact of changes in the market price of these raw materials.

Acuity Brands does not expect to engage in significant commodity hedging transactions for raw materials, though the Company has and will continue to commit to purchase certain materials for a period of up to twelve months. Significant increases in the prices of Acuity Brands’ products due to increases in the cost of raw materials could have a negative effect on demand for products and on profitability. While the Company has generally been able to pass along these increases in cost in the form of higher selling prices for its products, the higher selling prices have lagged behind the increases in cost as seen in fiscal 2005. There can be no assurance that future disruptions in either supply or price of these materials will not negatively affect future results.

Each business constantly monitors and investigates alternative suppliers and materials based on numerous attributes including quality, service, and price. Additionally, each business has conducted internet auctions as a method of competitive bidding. The Company's ongoing efforts to improve the cost effectiveness of its products and services may result in a reduction in the number of its suppliers. A reduction in the number of suppliers could cause increased risk associated with reliance on a limited number of suppliers for certain raw materials, component parts (such as ballasts), and finished goods.

Backlog Orders

The Company produces and stocks quantities of inventory at key distribution centers and warehouses throughout North America. ASP satisfies a significant portion of customer demand within 24 to 48 hours from the time a customer's order is placed and, therefore, sales order backlogs for the specialty products business are not material. ABL ships approximately 40% of sales orders during the month that those orders are placed. Sales order backlogs of the lighting equipment business, believed to be firm as of August 31, 2007 and 2006, were $180.6 million and $176.0 million, respectively. This increase in backlog is net of a decrease in past due backlog resulting from improved delivery performance.

Patents, Licenses and Trademarks

Acuity Brands owns or has licenses to use various domestic and foreign patents and trademarks related to its products, processes, and businesses. These intellectual property rights, particularly the trademarks relating to the products of Acuity Brands, are important factors for its businesses. To protect these proprietary rights, Acuity Brands relies on copyright, patent, trade secret, and trademark laws. Despite these protections, unauthorized parties may attempt to infringe on the intellectual property of Acuity Brands. Management of Acuity Brands is not aware of any such material unauthorized use or of any pending claims where Acuity Brands does not have the right to use any intellectual property material to the businesses of Acuity Brands. While patents and patent applications in the aggregate are important to the competitive position of Acuity Brands, no single patent or patent application is material to the Company.

Seasonality and Cyclicality

The businesses of Acuity Brands exhibit some seasonality, with net sales being affected by the impact of weather and seasonal demand on construction and installation programs, as well as the annual budget cycles of major customers. Because of these seasonal factors, Acuity Brands has experienced, and generally expects to experience, its highest sales in the last two quarters of each fiscal year.

A significant portion of the net sales of ABL relates to customers in the new construction and renovation industries, primarily for commercial and institutional applications. The new construction industry is cyclical in nature and subject to changes in general economic conditions. Volume has a major impact on the profitability of ABL and Acuity Brands as a whole. In addition, net sales at ASP are dependent on the retail, wholesale, and industrial markets and demand for these markets is generally associated with GDP in the United States. Economic downturns and the potential decline in key construction markets and demand for specialty chemicals may have a material adverse effect on the net sales and operating income of Acuity Brands.

International Operations

Acuity Brands manufactures and assembles products at numerous facilities, some of which are located outside the United States. Approximately 57% and 11% of the products manufactured by the lighting equipment and specialty products segments, respectively, are manufactured outside the United States.

Of total product manufactured by ABL, approximately 53% is produced in Mexico. Most of these operations are authorized to operate as Maquiladoras by the Ministry of Economy of Mexico. Maquiladora status allows Acuity Brands to import certain items from the United States into Mexico duty-free, provided that such items, after processing, are re-exported from Mexico within 18 months. Maquiladora status, which is renewed

every year, is subject to various restrictions and requirements, including compliance with the terms of the Maquiladora program and other local regulations. Many companies have established Maquiladora operations, increasing demand for labor, particularly skilled labor and professionals. This increase in demand, from new and existing Maquiladora operations, has resulted in increased labor costs and could result in increased labor costs in the future. Acuity Brands may be required to make additional investments in automated equipment to partially offset potential increase in labor and wage costs.

The Company's initiatives to become more globally competitive include streamlining each segment's global supply chain by reducing the number of manufacturing facilities and enhancing the Company's worldwide procurement and sourcing capabilities. Management believes these initiatives will result in increased production in international locations, primarily Mexico, and will result in increased worldwide procurement and sourcing of certain raw materials, component parts, and finished goods. As a consequence, economic, political, military, or other events in a country where the Company manufactures, procures, or sources a significant amount of raw materials, component parts, or finished goods, could interfere with the Company's operations and negatively impact the Company's business.

For fiscal year 2007, net sales outside the U.S. represented approximately 11% and 20% of the total net sales of the lighting equipment and specialty products businesses, respectively. See Note 13 of the *Notes to Consolidated Financial Statements* for additional information regarding the geographic distribution of net sales, operating profit, and long-lived assets.

Information Concerning Acuity Brands

The Company makes its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K (and all amendments to these reports), together with all reports filed pursuant to Section 16 of the Securities Exchange Act of 1934 by the Company's officers, directors, and beneficial owners of 10% or more of the Company's common stock, available free of charge through the "SEC Filings" link on the Company's website, located at www.acuitybrands.com, as soon as reasonably practicable after they are filed with or furnished to the SEC. Information included on the Company's website is not incorporated by reference into this Annual Report on Form 10-K. The Company's reports are also available at the Securities and Exchange Commission's Public Reference Room at 100 F. Street, NE, Washington, DC 20549 or on their website at www.sec.gov.

Additionally, the Company has adopted a written Code of Ethics and Business Conduct that applies to all of the Company's directors, officers, and employees, including its principal executive officer and senior financial officers. This Code of Ethics and Business Conduct is being filed as Exhibit 14 to this Annual Report on Form 10-K. The Code of Ethics and Business Conduct and the Company's Corporate Governance Guidelines are available free of charge through the "Corporate Governance" link on the Company's website. Additionally, the Statement of Responsibilities of Committees of the Board and the Statement of Rules and Procedures of Committees of the Board, which contain the charters for the Company's Audit Committee, Compensation Committee, and Governance Committee, and the rules and procedures relating thereto, are available free of charge through the "Corporate Governance" link on the Company's website. Each of the Code of Ethics and Business Conduct, the Corporate Governance Guidelines, the Statement of Responsibilities of Committees of the Board, and the Statement of Rules and Procedures of Committees of the Board is available in print to any stockholder of the Company that requests such document by contacting the Company's Investor Relations department.

Employees

Acuity Brands employs approximately 10,000 people, of whom approximately 6,400 are employed in the United States, 2,700 in Mexico, 350 in Canada, and 550 in other international locations, including Europe and the Asia/Pacific region. Union recognition and collective bargaining arrangements are in place, covering approximately 4,400 persons (including approximately 2,100 in the United States). The Company believes that it has a good relationship with both its unionized and non-unionized employees.

Item 1a. ***Risk Factors***

This filing contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. A variety of risks and uncertainties could cause Acuity Brands' actual results to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. See "Cautionary Statement Regarding Forward-Looking Statements" on page 42. The risks and uncertainties include risks related to the spin-off of the specialty products business as well as risks related to the Company's continuing operations both prior to and following the spin-off. These risks include, without limitation:

Risks Related to the Spin-off of Acuity Specialty Products Group, Inc.

Failure of the distribution to qualify as a tax-free transaction could result in substantial liability.

Acuity Brands has received a private letter ruling from the Internal Revenue Service to the effect that, among other things, the spin-off (including certain related transactions) qualifies as tax-free to Acuity Brands, Zep Inc., and Acuity Brands stockholders for United States federal income tax purposes under section 355 and related provisions of the Internal Revenue Code. Although a private letter ruling generally is binding on the Internal Revenue Service, if the factual assumptions or representations made in the private letter ruling request are untrue or incomplete in any material respect, then Acuity Brands will not be able to rely on the ruling. Moreover, the Internal Revenue Service will not rule on whether a distribution of shares satisfies certain requirements necessary to obtain tax-free treatment under section 355 of the Internal Revenue Code. Rather, the private letter ruling is based upon representations by Acuity Brands that those requirements have been satisfied, and any inaccuracy in those representations could invalidate the ruling.

Acuity Brands has received an opinion of King & Spalding LLP, counsel to Acuity Brands, to the effect that, with respect to the requirements referred to above on which the Internal Revenue Service will not rule, those requirements will be satisfied. The opinion is based on, among other things, certain assumptions and representations as to factual matters made by Acuity Brands and Zep Inc. which, if untrue or incomplete in any material respect, could jeopardize the conclusions reached by counsel in its opinion. The opinion is not binding on the Internal Revenue Service or the courts, and the Internal Revenue Service or the courts may not agree with the opinion.

If the spin-off fails to qualify for tax-free treatment, a substantial corporate tax would be payable by Acuity Brands, measured by the difference between (1) the aggregate fair market value of the shares of Zep common stock on the date of the spin-off and (2) Acuity Brands' adjusted tax basis in the shares of Zep common stock on the date of the spin-off. The corporate level tax would be payable by Acuity Brands. However, Zep has agreed under certain circumstances to indemnify Acuity Brands for this tax liability. In addition, under the applicable Treasury regulations, each member of Acuity Brands' consolidated group at the time of the spin-off (including Zep) is severally liable for such tax liability.

Furthermore, if the spin-off does not qualify as tax-free, each Acuity Brands stockholder generally would be taxed as if he or she had received a cash distribution equal to the fair market value of the shares of Zep common stock on the date of the spin-off.

Even if the spin-off otherwise qualifies as tax-free, Acuity Brands nevertheless could incur a substantial corporate tax liability under section 355(e) of the Internal Revenue Code, if 50 percent or more of the stock of Acuity Brands or Zep were to be acquired as part of a "plan (or a series of related transactions)" that includes the distribution. For this purpose, any acquisitions of the stock of Acuity Brands or of Zep stock that occur within two years before or after the spin-off are presumed to be part of such a plan, although Acuity Brands may be able to rebut that presumption. If such an acquisition of the stock of Acuity Brands or of Zep stock triggers the application of section 355(e), Acuity Brands would recognize taxable gain as described above, but the spin-off would generally remain tax-free to the Acuity Brands stockholders. If acquisitions of Zep's stock trigger the application of section 355(e), Zep would be obligated to indemnify Acuity Brands for the resulting corporate-level tax liability.

The combined post-spin-off value of Acuity Brands and Zep shares may not equal or exceed the pre-spin-off value of Acuity Brands shares.

After the spin-off, Acuity Brands common stock will continue to be listed and traded on the New York Stock Exchange. Zep will also list its common stock on the New York Stock Exchange. There can be no assurances that the combined trading prices of Acuity Brands common stock and Zep common stock after the spin-off, as adjusted for any changes in the combined capitalization of both companies, will be equal to or greater than the trading price of Acuity Brands common stock prior to the spin-off. Until the market has fully evaluated the business of Acuity Brands without Zep's business, the price at which Acuity Brands common stock trades may fluctuate significantly. Similarly, until the market has fully evaluated Zep's business, the price at which Zep common stock trades may fluctuate significantly, and shareholders may not realize the full benefit of the spin-off.

Risks Related to the Business of Acuity Brands, Inc.

General business and economic conditions may affect the Company's results from operations.

The Company operates in a highly competitive environment that is affected by a number of factors. Demand for its product offerings is sensitive to both volatility within the non-residential construction and other industrial markets, and to the effect of consolidation of the Company's competitors. Changes in interest and foreign currency exchange rates could impair the Company's ability to effectively access capital markets. The Company's primary competitors have the ability to drive both pricing and product innovation within the marketplace. These competitive pressures may affect the Company's ability to achieve desired volume growth and profitability levels under its current pricing models, which could adversely impact results from operations.

Acuity Brands is subject to risks related to operations outside the United States.

The Company has substantial operations outside the United States. Net sales outside the United States represented approximately 13% of the Company's total net sales for the fiscal year ended August 31, 2007. Furthermore, as of August 31, 2007, approximately 57% of ABL's and 11% of ASP's products were manufactured outside the United States. The Company's operations as well as those of key vendors are therefore subject to regulatory, economic, political, military, and other events in countries where these operations are located. In addition to the risks that are common to both the Company's U.S. and non-U.S. operations, the Company faces risks related to its foreign operations including but not limited to foreign currency fluctuations; unstable political, economic, financial, and market conditions; trade restrictions; and increases in tariffs and taxes. Some of these risks have affected the business of Acuity Brands in the past and may have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows in the future.

Acuity Brands is subject to a broad range of environmental, health, and safety laws and regulations in the jurisdictions in which it operates, and the Company may be exposed to substantial environmental, health, and safety costs and liabilities.

Acuity Brands is subject to a broad range of environmental, health, and safety laws and regulations in the jurisdictions in which the Company operates. These laws and regulations impose increasingly stringent environmental, health, and safety protection standards and permitting requirements regarding, among other things, air emissions, wastewater storage, treatment, and discharges, the use and handling of hazardous or toxic materials, waste disposal practices, and the remediation of environmental contamination and working conditions for the Company's employees. Some environmental laws, such as Superfund, the Clean Water Act, and comparable laws in U.S. states and other jurisdictions world-wide, impose joint and several liability for the cost of environmental remediation, natural resource damages, third party claims, and other expenses, without regard to the fault or the legality of the original conduct, on those persons who contributed to the release of a hazardous substance into the environment. These laws may impact the manufacture and distribution of the Company's products and place restrictions on the products the Company can sell in certain geographical locations.

The costs of complying with these laws and regulations, including participation in assessments and remediation of contaminated sites and installation of pollution control facilities, have been, and in the future could be, significant. In addition, these laws and regulations may also result in substantial environmental liabilities associated with divested assets, third party locations, and past activities. The Company has established reserves for environmental remediation activities and liabilities where appropriate. However, the cost of addressing environmental matters (including the timing of any charges related thereto) cannot be predicted with certainty, and these reserves may not ultimately be adequate, especially in light of potential changes in environmental conditions, changing interpretations of laws and regulations by regulators and courts, the discovery of previously unknown environmental conditions, the risk of governmental orders to carry out additional compliance on certain sites not initially included in remediation in progress, the Company's potential liability to remediate sites for which provisions have not previously been established and the adoption of more stringent environmental laws. Such future developments could result in increased environmental costs and liabilities and could require significant capital and other ongoing expenditures, any of which could have a material adverse effect on the Company's financial condition or results. In addition, the presence of environmental contamination at the Company's properties could adversely affect its ability to sell property, receive full value for a property, or use a property as collateral for a loan.

Acuity Brands may develop unexpected legal contingencies or lose insurance coverage.

Acuity Brands is subject to various claims, including legal claims arising in the normal course of business. The Company is insured up to specified limits for certain types of claims with a self-insurance retention of $0.5 million per occurrence, including toxic tort and other product liability claims, and is fully self-insured for certain other types of claims, including employment practices, environmental, product recall, commercial disputes, patent infringement, and errors and omissions. Acuity Brands establishes reserves for legal claims when the costs associated with the claims become probable and can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the amounts reserved for such claims. In the event of unexpected future developments, it is possible that the ultimate resolutions of such matters, if unfavorable, could have a material adverse effect on the Company's results of operations, financial position or cash flows. In addition, Acuity Brands cannot guarantee that it will be able to maintain current levels of insurance coverage for all matters that are currently insured for costs that the Company considers to be reasonable. The Company's insurance coverage is negotiated on an annual basis, and insurance policies in the future may have coverage exclusions that could cause claim related costs to rise.

Acuity Brands' results may be adversely affected by fluctuations in the cost or availability of raw materials.

The Company utilizes a variety of raw materials and components in its production process including petroleum based chemicals, steel, copper, ballasts, and aluminum. For example, Acuity Brands Lighting purchases approximately 116,000 tons of steel and aluminum on an annual basis depending on various factors including ABL's product mix. The Company estimates that approximately 8% of the raw materials purchased are petroleum-based. Failure to effectively manage future increases in the costs of these items could adversely affect the ability to achieve operating margins acceptable to shareholders. There can be no assurance that future raw material price increases will be successfully passed through to customers. The Company sources these goods from a number of suppliers and is, therefore, reasonably insulated from risks affecting any one supplier. Profitability and volume could be negatively impacted by limitations inherent within the supply chain of certain of these materials, including competitive, governmental, legal, natural disasters, and other events that could impact both supply and price.

Acuity Brands may pursue future growth through strategic acquisitions which may not yield anticipated benefits.

The Company has previously endeavored, and may again endeavor to improve the business through strategic acquisitions. The Company will gain from such activity only to the extent that it can effectively leverage the assets, including personnel, and operating processes of the acquired businesses. Uncertainty is inherent within the acquisition process, and unforeseen circumstances arising from future acquisitions could offset their anticipated benefits. Any of these factors could adversely affect the Company's results of operations, including its ability to generate positive operating cash flows.

Technological developments by competitors could affect the Company's operating profit margins and sales volume.

Acuity Brands Lighting is highly engaged in the investigation, development, and implementation of new technologies. Securing key partnerships and alliances, including having access to technologies generated by others and the obtaining of appropriate patents, play a significant role in protecting Acuity Brands' intellectual property and development activities. However, the continual development of new technologies (e.g., LEDs and lamp ballast systems) by existing and new source suppliers looking for either direct market access or partnership with competing large manufacturers, coupled with significant associated exclusivity and/or patent activity, could adversely affect the Company's, and specifically ABL's, ability to sustain operating profit margin and desirable levels of volume.

Acuity Brands may be unable to sustain significant customer relationships.

Relationships forged with customers, including The Home Depot, which represent approximately 15% and 13% of the total net sales from ABL and ASP, respectively, are directly impacted by the Company's ability to deliver high quality products and service. Acuity Brands does not have a written contract obligating The Home Depot to purchase its products. The loss of or substantial decrease in the volume of purchases by The Home Depot would harm the Company's sales and profitability. Innovation in design and technology achieved by competitors could have a negative impact on customer acceptance of the Company's products. Additionally, the Company sources many materials and components used in its production processes from third-party suppliers. The Company has recently incurred recall costs associated with faulty items purchased from third-party suppliers. While the Company anticipates reimbursement for the majority of the recall costs, the inability to effectively manage customer relationships during the recall process could have an adverse effect on the Company's ability to maintain desired levels of profitability and volume.

If Acuity Brands products are improperly manufactured, packaged, or labeled or become adulterated, it may need to recall those items and may experience product liability claims if consumers are injured.

Acuity Brands may need to recall some of its products if they are improperly manufactured, packaged, or labeled or if they become adulterated. The Company's quality control procedures relating to the raw materials, including packaging, that it receives from third-party suppliers as well as the Company's quality control procedures relating to its products after those products are designed, manufactured or formulated and packaged may not be sufficient. Acuity Brands has previously initiated product recalls as a result of potentially faulty components, assembly, installation, and packaging of its products, and widespread product recalls could result in significant losses due to the costs of a recall, the destruction of product inventory, and lost sales due to the unavailability of product for a period of time. Acuity Brands may also be liable if the use of any of its products causes injury, and could suffer losses from a significant product liability judgment against the Company. A significant product recall or product liability case could also result in adverse publicity, damage to the Company's reputation, and a loss of consumer confidence in its products, which could have a material adverse effect on the Company's business, financial results, and cash flow.

Acuity Brands could be adversely affected by disruptions of its operations.

Breakdown of equipment or other events, including catastrophic events such as war or natural disasters, leading to production interruptions in the Company's plants could have a material adverse effect on its financial results. Further, because many of the Company's customers are, to varying degrees, dependent on planned deliveries from the Company's plants, those customers that have to reschedule their own production or delay opening a facility due to the Company's missed deliveries could pursue financial claims against Acuity Brands. The Company may incur costs to correct any of these problems, in addition to facing claims from customers. Further, the Company's reputation among actual and potential customers may be harmed, resulting in a loss of business. While the Company maintains insurance policies covering, among other things, physical damage, business interruptions and product liability, these policies may not cover all losses and the Company could incur uninsured losses and liabilities arising from such events, including damage to its reputation, loss of customers, and suffer substantial losses in operational capacity, any of which could have a material adverse effect on its financial results and cash flow.

The Company's lighting equipment business is heavily dependent on the strength of construction activity.

Sales activity within the lighting equipment industry depends significantly on the level of activity in new construction, additions, and renovations. Demand for non-residential construction is driven by many factors, including but not limited to the availability of credit, fluctuation of interest rates, accessibility to public financing, and trends in vacancy rates and rent values. Demand for new residential construction and remodeling is also affected by the fluctuation of interest rates and the availability of credit as well as the supply of existing homes, price appreciation, and household formation rates. Significant decreases in either residential or non-residential construction activity could significantly impact the Company's results of operations.

Acuity Brands is heavily dependent on the strength of construction activity, and this dependency will increase with the spin-off of its specialty products business.

Of Acuity Brands' fiscal 2007 net sales of approximately $2.5 billion, the lighting equipment segment generated approximately 78% of total net sales while the specialty products segment provided the remaining 22%. Sales activity within the lighting equipment industry depends significantly on the level of activity in new construction, additions and renovations. Demand for non-residential construction is driven by many factors, including but not limited to general economic activity, the availability of credit, fluctuation of interest rates, and trends in vacancy rates and rent values. Demand for new residential construction and remodeling is also affected by the fluctuation of interest rates and the availability of credit as well as the supply of existing homes, price appreciation and household formation rates.

Acuity Brands' exposure to the above listed trends affecting its lighting business has, to a degree, been buffered by the operations of its specialty products business. While some seasonality is inherent to the specialty products business, ASP's performance remains generally unaffected by trends isolated to construction markets. Acuity Brands announced plans in July 2007 to separate the lighting and specialty chemical businesses by spinning off Acuity Specialty Products into an independent public company. During the past five years, ASP's annual contribution to its parent's operating cash flows, net of investing activity, has averaged approximately $37 million. The specialty products business has been responsible for approximately 22-25% of the consolidated parent company's revenues over that period. Additionally, the specialty products business has contributed to the profitability of the consolidated entity; the specialty products group's operating profit and operating profit margins during the previous five years have averaged approximately $41 million and 7.7%, respectively, excluding any allocation of corporate costs. In fiscal 2008, Acuity Brands, with Acuity Brands Lighting as its sole operating subsidiary, will proceed without the benefit from operations previously conducted by ASP. Therefore, Acuity Brands' exposure to activity within the non-residential and residential construction markets will no longer be mitigated, to any extent, by the operations of its chemical business. Significant decreases non-residential construction activity and, to a lesser extent, retail construction activity could significantly impact the Company's future results of operations.

Risks Related to Ownership of Acuity Brands Common Stock

The market price and trading volume of the Company's shares may be volatile.

The market price of the Company's common shares could fluctuate significantly for many reasons, including for reasons unrelated to the Company's specific performance, such as reports by industry analysts, investor perceptions, or negative announcements by customers, competitors or suppliers regarding their own performance, as well as general economic and industry conditions. For example, to the extent that other large companies within Acuity Brands' industries experience declines in their share price, the Company's share price may decline as well. In addition, when the market price of a company's shares drops significantly, shareholders often institute securities class action lawsuits against the company. A lawsuit against us could cause us to incur substantial costs and could divert the time and attention of the Company's management and other resources.

Item 2. *Properties*

The general corporate offices of Acuity Brands are located in Atlanta, Georgia. Because of the diverse nature of operations and the large number of individual locations, it is neither practical nor meaningful to describe each of the operating facilities owned or leased by the Company. The following listing summarizes the significant facility categories by business:

Division	Owned	Leased	Nature of Facilities
Lighting Equipment	12	5	Manufacturing Facilities
	—	7	Warehouses
	1	5	Distribution Centers
	7	25	Offices
Specialty Products	4	2	Manufacturing Facilities
	3	38	Warehouses/Branches
	—	2	Distribution Centers
	—	7	Offices

The following table provides additional geographic information related to Acuity Brands' manufacturing facilities:

	United States	Canada	Mexico	Europe	Total
Lighting Equipment					
Owned	6	—	5	1	12
Leased	2	—	1	2	5
Specialty Products					
Owned	3	—	—	1	4
Leased	—	1	—	1	2
Total	11	1	6	5	23

None of the individual properties of Acuity Brands is considered to have a value that is significant in relation to the assets of Acuity Brands as a whole. Though a loss at certain facilities could have an impact on the Company's ability to serve the needs of its customers, the Company believes that the financial impact would be partially mitigated by various insurance programs in place. Acuity Brands believes that its properties are well maintained and are in good operating condition and that its properties are suitable and adequate for its present needs. The Company believes that it has additional capacity available at most of its production facilities and that it could increase production without substantial capital expenditures. As noted above, initiatives related to enhancing the global supply chain in the lighting equipment segment may continue to result in the consolidation

of certain manufacturing facilities. However, the Company believes that the remaining facilities will have sufficient capacity to serve the current and projected needs of the customers of ABL.

Item 3. ***Legal Proceedings***

General

Acuity Brands is subject to various legal claims arising in the normal course of business, including patent infringement and product liability claims. Acuity Brands is self-insured up to specified limits for certain types of claims, including product liability, and is fully self-insured for certain other types of claims, including employment practices, environmental, product recall, and patent infringement. Based on information currently available, it is the opinion of management that the ultimate resolution of pending and threatened legal proceedings will not have a material adverse effect on the financial condition, results of operations, or cash flows of Acuity Brands. However, in the event of unexpected future developments, it is possible that the ultimate resolution of any such matters, if unfavorable, could have a material adverse effect on the financial condition, results of operations, or cash flows of Acuity Brands in future periods. Acuity Brands establishes reserves for legal claims when the costs associated with the claims become probable and can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher than the amounts reserved for such claims. However, the Company cannot make a meaningful estimate of actual costs to be incurred that could possibly be higher or lower than the amounts reserved.

Environmental Matters

The operations of the Company are subject to numerous comprehensive laws and regulations relating to the generation, storage, handling, transportation, and disposal of hazardous substances as well as solid and hazardous wastes and to the remediation of contaminated sites. In addition, permits and environmental controls are required for certain of the Company's operations to limit air and water pollution, and these permits are subject to modification, renewal, and revocation by issuing authorities. On an ongoing basis, Acuity Brands invests capital and incurs operating costs relating to environmental compliance. Environmental laws and regulations have generally become stricter in recent years. The cost of responding to future changes may be substantial. Acuity Brands establishes reserves for known environmental claims when the costs associated with the claims become probable and can be reasonably estimated. The actual cost of environmental issues may be substantially higher or lower than that reserved due to difficulty in estimating such costs.

In June 2007, ASP reached a final resolution of the investigation by the United States Department of Justice ("DOJ") of certain environmental issues at ASP's primary manufacturing facility, located in Atlanta, Georgia. The DOJ's investigation focused principally on past conduct involving the inaccurate reporting of certain wastewater sampling results to the City of Atlanta ("City") and conduct that interfered with the City's efforts to sample ASP's wastewater pretreatment plant effluent. Consistent with the tentative resolution of this matter announced in April 2007, ASP entered a guilty plea to one felony count of failure to comply with its wastewater permit, agreed to pay a fine of $3.8 million, and be subject to a three-year probation period incorporating a compliance agreement with the Environmental Protection Agency ("EPA"); however, effective upon the spin-off, Zep Inc. will be substituted for Acuity Brands, Inc. in the compliance agreement and Acuity Brands, Inc. will have no further obligations thereunder. Under the compliance agreement, the Company will be required to maintain an enhanced compliance program relating to ASP. The Company recorded an additional $1.8 million charge in the second quarter of fiscal 2007 to reflect the entire $3.8 million fine. The resolution of this matter is not expected to lead to a material loss of ASP's business, any disruption of ASP's production, or materially higher operating costs at ASP. However, in the event of a material breach of the compliance agreement by ASP, those consequences could occur.

ASP is currently a party to, or otherwise involved in, legal proceedings in connection with state and federal Superfund sites. With respect to each of the currently active sites which it does not own and where it has been

named as a responsible party or a potentially responsible party ("PRP"), the Company believes its liability is immaterial, based on information currently available, due to its limited involvement at the site and/or the number of viable PRPs.

With respect to the only active site involving property which ASP does own and where it has been named as a PRP—a property on Seaboard Industrial Boulevard in Atlanta, Georgia—the Company and the current and former owners of adjoining properties have reached agreement to share the expected costs and responsibilities of implementing an approved corrective action plan under the Georgia Hazardous Response Act ("HSRA") to periodically monitor the property for a period of five years ending in 2009. Subsequently, in connection with the DOJ investigation, the EPA and the Company each analyzed samples taken from certain sumps at the Seaboard facility. The sample results from some of the sump tests indicated the presence of certain hazardous substances. As a result, the Company notified the Georgia Environmental Protection Division and is conducting additional soil and groundwater studies pursuant to HSRA.

Based on the results to date of the above-mentioned soil and groundwater studies, ASP plans to conduct voluntary remediation of the site. ASP's current estimate is it will expend between $1.0 million and $7.5 million for the voluntary remediation of the site over approximately the next five years, and in May 2007 accrued a pre-tax liability of $5.0 million representing its best estimate of costs associated with remediation and other related groundwater issues. Further sampling and engineering studies could cause ASP to revise the current estimate. ASP believes that additional expenditures after five years of remediation may be necessary and that those expenditures could range up to an additional $10.0 million during the subsequent twenty-five year period. It may be appropriate to capitalize certain of the expenditures that might be incurred in this twenty-five year period. ASP arrived at the current estimates on the basis of preliminary studies prepared by two, independent third party environmental consulting firms. The actual cost of remediation will vary depending upon the results of additional testing and geological studies, the success of initial remediation efforts in the first five years addressing the most significant areas of contamination, the rate at which site conditions may change, and the requirements of the Environmental Protection Division of the State of Georgia.

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

No matters were submitted for a vote of the security holders during the three months ended August 31, 2007.

PART II

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

The common stock of Acuity Brands is listed on the New York Stock Exchange under the symbol "AYI." At October 26, 2007, there were 4,976 stockholders of record. The following table sets forth the New York Stock Exchange high and low sale prices and the dividend payments for Acuity Brands' common stock for the periods indicated.

	Price per Share		Dividends Per Share
	High	Low	
2007			
First Quarter	$54.48	$42.31	$ 0.15
Second Quarter	$60.18	$48.71	$ 0.15
Third Quarter	$62.16	$51.57	$ 0.15
Fourth Quarter	$66.89	$46.95	$ 0.15
2006			
First Quarter	$31.96	$26.75	$ 0.15
Second Quarter	$40.42	$31.00	$ 0.15
Third Quarter	$44.35	$37.91	$ 0.15
Fourth Quarter	$45.18	$35.31	$ 0.15

The information required by this item with respect to equity compensation plans is included under the caption *Disclosure with Respect to Equity Compensation Plans* in the Company's proxy statement for the annual meeting of stockholders to be held January 10, 2008, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

The following table reflects activity related to equity securities purchased by the Company during the quarter ended August 31, 2007:

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
6/01/07 – 6/30/07	—	$ —	—	368,300
7/01/07 – 7/31/07	—	$ —	—	368,300
8/01/07 – 8/31/07	376,900	$ 52.40	376,900	1,991,400
Total	376,900	$ 52.40	376,900	1,991,400

(1) On August 14, 2007, the Company received authorization from the Board of Directors for the repurchase of up to an additional two million shares of the Company's common stock. Of the 376,900 shares purchased during the fourth quarter of fiscal 2007, 270,000 shares were purchased under the Company's 10b5-1 stock purchase plans at an average price of $53.75. Unless terminated earlier by resolution of the Board of Directors, the program will expire when the Company has purchased all shares authorized for repurchase under the program.

Item 6. ***Selected Financial Data***

The following table sets forth certain selected consolidated financial data of Acuity Brands which have been derived from the *Consolidated Financial Statements* of Acuity Brands for each of the five years in the period ended August 31, 2007. The historical information may not be indicative of the Company's future performance. The information set forth below should be read in conjunction with *Management's Discussion and Analysis of Financial Condition and Results of Operations* and the *Consolidated Financial Statements* and the notes thereto. Prior to November 30, 2001, Acuity Brands was a wholly-owned subsidiary of National Service Industries, Inc. ("NSI") owning and operating the lighting equipment and specialty products businesses. Acuity Brands was spun off from NSI into a separate publicly traded company with its own management and Board of Directors through a tax-free distribution ("Distribution") of 100% of the outstanding shares of common stock of Acuity Brands on November 30, 2001.

	Years Ended August 31,				
	2007	2006	2005	2004	2003
	(In thousands, except per-share data)				
Net sales	$ 2,530,668	$ 2,393,123	$ 2,172,854	$ 2,104,167	$ 2,049,308
Net income	148,054	106,562	52,229	67,214	47,782
Basic earnings per share	3.48	2.43	1.21	1.60	1.15
Diluted earnings per share	3.37	2.34	1.17	1.56	1.15
Cash and cash equivalents	222,816	88,648	98,533	14,135	16,053
Total assets	1,612,508	1,444,116	1,442,215	1,356,452	1,284,113
Long-term debt (less current maturities)	371,027	371,252	371,736	390,210	391,469
Total debt	371,323	371,895	372,303	395,721	445,808
Stockholders' equity	671,966	542,259	541,793	477,977	408,294
Cash dividends declared per common share	0.60	0.60	0.60	0.60	0.60

On July 23, 2007, the Company announced its intention to separate its lighting and specialty products businesses by spinning off the specialty products business of Acuity Specialty Products Group, Inc. into an independent, publicly traded company named Zep Inc. to Acuity Brands stockholders ("the spin-off"). The Board of Directors of Acuity Brands approved the completion of the spin-off on September 28, 2007, subject to the setting of the record date and the distribution date by the Executive Committee of the Board of Directors. The Executive Committee established the record date and distribution date for the spin-off on October 6, 2007.

Prior to the spin-off, the Company engaged in an internal restructuring, including a holding company reorganization. As part of the internal restructuring, the business that had previously been conducted by Acuity Specialty Products Group, Inc. was merged into its parent company and was subsequently transferred to Acuity Specialty Products, Inc. ("ASP"). ASP is now a wholly-owned subsidiary of Zep Inc., which is in turn a direct, wholly-owned subsidiary of Acuity Brands, Inc.

Zep Inc. filed a registration statement on Form 10 with the Securities and Exchange Commission, which was declared effective on October 11, 2007. The financial presentation of Zep Inc. in the Form 10 differs from the financial presentation of the Acuity Specialty Products segment in Acuity Brands financial statements primarily due to adjustments made to reflect the allocation of corporate expenses. The basis of presentation herein remains unaffected by the decision to spin-off the specialty products business as the related distribution will not be transacted until October 31, 2007. However, after the October 31, 2007 distribution date, the Acuity Specialty Products segment will be reflected as discontinued operations in all periods presented within Acuity Brands' financial statements in accordance with Statements of Financial Standards No. 144: *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion should be read in conjunction with the *Consolidated Financial Statements* and related notes included within this report. References made to years are for fiscal year periods. Dollar amounts are in thousands, except share and per-share data and as indicated.

The purpose of this discussion and analysis is to enhance the understanding and evaluation of the results of operations, financial position, cash flows, indebtedness, and other key financial information of Acuity Brands and its subsidiaries for the years ended August 31, 2007, 2006, and 2005. For a more complete understanding of this discussion, please read the *Notes to Consolidated Financial Statements* included in this report.

Overview

Company

Acuity Brands, Inc. ("Acuity Brands" or the "Company") is a holding company that owns and manages two businesses that serve distinctive markets—lighting equipment and specialty products. The lighting equipment segment designs, produces, and distributes a broad array of indoor and outdoor lighting fixtures for commercial and institutional, industrial, infrastructure, and residential applications for various markets throughout North America and select international markets. The specialty products segment is a producer, marketer, and service provider of a wide range of cleaning and maintenance solutions for commercial, industrial, institutional, and consumer end-markets primarily throughout North America and Europe. Acuity Brands, with its principal office in Atlanta, Georgia, employs approximately 10,000 people worldwide.

Acuity Brands Lighting ("ABL"), produces a broad array of indoor and outdoor lighting fixtures for commercial and institutional, industrial, infrastructure, and residential applications for various markets throughout North America and select international markets. ABL is one of the world's leading providers of lighting fixtures, with a broad, highly configurable product offering, consisting of roughly 500,000 active products as part of over 2,000 product groups that are sold to approximately 5,000 customers. ABL operates 23 factories and distribution facilities along with seven warehouses to serve its extensive customer base. Acuity Specialty Products ("ASP") is a leading producer of specialty chemical products including cleaners, deodorizers, sanitizers, and pesticides for industrial and institutional, commercial, and residential applications primarily for various markets throughout North America and Europe. ASP has more than 2,300 unique formulations that are used in manufacturing products for its customers, operates six plants, and serves over 350,000 customers through a network of distribution centers and warehouses. While Acuity Brands has been publicly held as a stand-alone company for more than five years, the two segments that make up the Company have long histories and well-known brands.

Specialty Products Business Spin-off

The Board of Directors and management of Acuity Brands regularly review business conducted by Acuity Brands to ensure that resources are deployed and activities are pursued in the best interests of its stockholders. Management of Acuity Brands began discussing potential divestiture strategies relating to Acuity Brands' specialty products business, including a potential sale of the business or a spin-off, in the fall of 2006. On July 23, 2007, the Company announced its intention to separate its lighting and specialty products businesses by spinning off the business of Acuity Specialty Products Group, Inc. into an independent, publicly traded company to Acuity Brands shareholders ("the spin-off"). The Board of Directors of Acuity Brands approved the completion of the previously announced spin-off on September 28, 2007, subject to the setting of the record date and the distribution date by the Executive Committee of the Board of Directors. The Executive Committee established the record date and distribution date for the spin-off on October 6, 2007. Plans to spin-off Acuity Specialty Products were ultimately pursued to allow the lighting and chemical businesses of Acuity Brands the financial and operational flexibility to separately take advantage of significant growth opportunities facing their respective businesses, which the Company believes is in the best interest of its stockholders.

Prior to the spin-off, the Company engaged in an internal restructuring, including a holding company reorganization. As part of the internal restructuring, the business that had previously been conducted by Acuity Specialty Products Group, Inc. was merged into its parent company and was subsequently transferred to Acuity Specialty Products, Inc. ("ASP"). ASP is now a wholly-owned subsidiary of Zep Inc., which is in turn a direct, wholly-owned subsidiary of Acuity Brands, Inc.

Zep Inc. ("Zep") will be listed on the New York Stock Exchange under the ticker symbol "ZEP." Acuity Brands expects to distribute pro rata to its stockholders all of the shares of Zep common stock by means of a stock dividend on October 31, 2007. The stock dividend of one share of Zep common stock for every two shares of Acuity Brands common stock will be paid pro rata to holders of Acuity Brands common stock who hold their shares at the close of business on October 17, 2007, which is the record date for the distribution. No fractional shares of Zep common stock will be distributed. Instead of fractional shares, Zep stockholders will receive cash. Following the distribution, Acuity Brands will not own any shares of Zep, and Zep will be an independent public company. The spin-off is intended to be tax free to affected shareholders, and the Company has received a favorable ruling from the Internal Revenue Service as well as a favorable opinion of external tax counsel supporting the spin-off's tax-free status. To facilitate the separation of Zep Inc. from its parent, Acuity Brands will provide certain services to Zep Inc. during a transition period following completion of the spin-off. Additionally, the Company and Zep Inc. will enter into commercially reasonable service agreements in the normal course of business. As of August 31, 2007, Acuity Brands has incurred $2.1 million of incremental professional fees associated with the spin-off.

Zep Inc. filed a registration statement on Form 10 with the Securities and Exchange Commission, which was declared effective on October 11, 2007. The financial presentation of Zep Inc. in the Form 10 differs from the financial presentation of the Acuity Specialty Products segment in Acuity Brands financial statements primarily due to adjustments made to reflect the allocation of corporate expenses. The basis of presentation herein remains unaffected by the decision to spin-off the specialty products business as the related distribution will not be transacted until October 31, 2007. However, after the October 31, 2007 distribution date, the Acuity Specialty Products segment will be reflected as discontinued operations in all periods presented within Acuity Brands' financial statements in accordance with Statements of Financial Standards No. 144: *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Strategy

Throughout 2007, Acuity Brands made significant progress towards key initiatives designed to enhance and streamline its operations, including its product development and service capabilities, to create a stronger, more effective organization that is capable of consistently achieving its long-term financial goals, which are as follows:

- Generating consolidated operating margins in excess of 10%;
- Growing earnings per share in excess of 15% per annum;
- Providing a return on stockholders' equity of 20% or better;
- Maintaining the Company's debt to total capitalization ratio below 40%; and
- Generating cash flow from operations less capital expenditures that is in excess of net income.

Acuity Brands, with ABL as its lone operating subsidiary after the spin-off, will pursue the above-stated goals on a continuing operations basis. To increase the probability for the Company to achieve these financial goals, management will continue to implement programs to enhance its capabilities at providing unparalleled customer service, creating a globally competitive cost structure by eliminating non-value added activities, lowering transaction costs, improving productivity, and introducing new and innovative products more rapidly and cost effectively. In addition, the Company has invested considerable resources to teach and train associates to utilize tools and techniques that accelerate success in these key areas as well as to create a culture that demands excellence through continuous improvement. The expected outcome of these activities will be to better position the Company to deliver on its full potential, to provide a platform for future growth opportunities, and to allow the Company to achieve its long-term financial goals. See the *Outlook* section below for additional information.

Liquidity and Capital Resources

Principal sources of liquidity for the Company are operating cash flows generated primarily from its business segments and various sources of borrowings. The ability of the Company to generate sufficient cash flow from operations and access certain capital markets, including banks, is necessary for the Company to fund its operations, to pay dividends, to meet its obligations as they become due, and to maintain compliance with covenants contained in its financing agreements. The Company's ongoing liquidity will depend on a number of factors, including available cash resources, cash flow from operations, compliance with covenants contained in certain of its financing agreements, and its ability to access capital markets.

Based on its cash on hand, availability under existing financing arrangements, and current projections of cash flow from operations, the Company believes that it will be able to meet its liquidity needs over the next twelve months. These needs will include funding its operations as currently planned, making anticipated capital investments, funding foreseen improvement initiatives, repaying borrowings as currently scheduled, paying quarterly stockholder dividends as currently anticipated, making required contributions into the Company's benefit plans, and repurchasing shares of the Company's outstanding common stock as authorized by the Company's Board of Directors. The Company's Board of Directors has authorized the repurchase of eight million shares of the Company's outstanding common stock, of which approximately six million had been acquired as of August 31, 2007. The Company, with ABL as its sole operating subsidiary, currently expects to invest approximately $35.0 million to $40.0 million for equipment, tooling, and new and enhanced information technology capabilities during fiscal 2008. The Company expects to contribute approximately $3.4 million in fiscal 2008 to fund its defined benefit plans.

Looking beyond fiscal 2008, the Company has $160.0 million of public notes scheduled to mature during January 2009 and $200.0 million of public notes scheduled to mature eighteen months later during 2010. The Company believes that it will be able to either refinance or retire these notes as they come due based on current cash balances; the recently executed $250.0 million 5-year Revolving Credit Facility maturing in October 2012; its $75.0 million Receivables Facility, which may be renewed annually; and future cash provided by operations.

Cash Flow

Acuity Brands uses available cash and cash flow from operations as well as proceeds from the exercise of stock options to fund operations and capital expenditures, to repurchase stock, to fund acquisitions, and to pay dividends. The Company applied $43.5 million of available cash towards acquisitions during fiscal year 2007. While the Company received $26.5 million in cash from stock issuances during fiscal year 2007, these receipts were more than offset by returns to shareholders in the form of repurchases of the Company's common stock of $45.0 million and the payment of $26.4 million in dividends. In spite of these events, cash and cash equivalents at fiscal year-end totaled $222.8 million, an increase of $134.2 million since the beginning of the fiscal year.

In fiscal 2007, cash flow provided by operating activities totaled $241.2 million compared with $155.9 million and $137.1 million reported in 2006 and 2005, respectively. Cash flow provided by operating activities increased in 2007 compared with 2006 by $85.3 million or 54.7% due primarily to higher net income of $41.5 million, increased accrued liabilities of $49.1 million, and a $15.7 million decrease in cash required to fund consolidated operating working capital needs (operating working capital is calculated by adding accounts receivable, net, plus inventories, and subtracting accounts payable). The increase in accrued liabilities was due to several factors, the largest of which are as follows: greater accrued compensation of $14.9 million, which includes commissions and bonuses associated with positive operating performance; increased accrued taxes payable of $12.4 million, which was attributable to greater earnings and the timing of related payments; increased costs related to certain environmental matters totaling $5.0 million; increased costs of $3.7 million related to the Company's property and casualty insurance programs; and other legal and professional fees primarily related to the spin-off of Acuity Specialty Products. Fluctuations in operating working capital are discussed below.

Management believes that investing in assets and programs that will over time increase the overall return on its invested capital is a key factor in driving stockholder value. The Company spent $36.9 million and $28.6 million in 2007 and 2006, respectively, primarily for new tooling, machinery, equipment, and information technology. The Company continues to invest appropriately in these items primarily to improve productivity and

product quality, increase manufacturing efficiencies, and enhance customer service capabilities in each segment. As noted above, the Company, with ABL as its sole operating subsidiary, expects capital spending in 2008 to range between $35.0 million and $40.0 million, due primarily to greater anticipated investment in equipment and tooling for new products as well as for further enhancement of its information technology capabilities. The Company believes that these investments will enhance its operations and financial performance in the future. In the fourth quarter of fiscal 2007 the Company applied $43.5 million of available cash towards acquiring substantially all of the assets and assuming certain liabilities of Mark Lighting Fixture Company, Inc. This transaction is discussed further in Note 9 of the *Notes to the Consolidated Financial Statements*.

Consolidated working capital at August 31, 2007 was $397.6 million compared with $309.9 million at August 31, 2006, an increase of $87.7 million. The increase in working capital in 2007 compared with 2006 was due primarily to the $134.2 million increase in cash and cash equivalents, partially offset by a $17.2 million decrease in inventory and a $28.7 million increase in other current liabilities. Almost half of the increase in other current liabilities was attributable to taxes payable, and the primary components of the remainder of the difference have been discussed above. The decrease in inventory was achieved through the successful implementation of certain inventory management initiatives at select locations of both the lighting and chemical businesses, and was aided by record selling performance in the last quarter of fiscal 2007. Operating working capital decreased by approximately $11.8 million to $333.5 million at August 31, 2007 from $345.3 million at August 31, 2006. Decreased operating working capital levels resulted from the successful implementation of inventory and payables management initiatives coupled with continued favorable development of receivables collections. Operating working capital as a percentage of net sales at the end of fiscal 2007 decreased to 13.2% from 14.4% in fiscal 2006. At August 31, 2007, the current ratio (calculated as total current assets divided by total current liabilities) of the Company was 1.8 compared with 1.7 at August 31, 2006.

During the course of the previous five years, Acuity Specialty Products' annual contribution to its parent company's aggregate operating and investing cash flows has averaged $37 million (amount is net of estimated corporate overhead costs). On October 31, 2007 (the "distribution date"), Acuity Brands will enter into a distribution agreement with Zep Inc. The distribution agreement will provide for the principal corporate transactions required to affect the spin-off. Pursuant to this distribution agreement, Zep Inc. will draw upon its credit facilities and remit a dividend to Acuity Brands in the amount of $62.5 million on the distribution date. Acuity Brands intends to use proceeds from this dividend to fund currently authorized share repurchases or to reduce its outstanding indebtedness. The distribution agreement further provides that after the spin-off, Acuity Brands will remit to Zep Inc. an amount equal to the positive net cash flow generated by Zep Inc. during the period from September 1, 2007 until the distribution date (less any cash in excess of $5.0 million held by Zep Inc. on the distribution date). Therefore, effective September 1, 2007, Acuity Brands will cease to benefit from positive operating cash flow generated by its specialty products business.

Contractual Obligations

The following table summarizes the Company's contractual obligations at August 31, 2007:

		Payments Due by Period			
	Total	Less than One Year	1 to 3 Years	4 to 5 Years	After 5 Years
Long-Term Debt (1)	$ 371,323	$ 296	$ 359,869	$ —	$ 11,158
Interest Obligations (2)	162,509	33,761	59,028	18,792	50,928
Operating Leases (3)	92,461	23,181	33,694	21,381	14,205
Purchase Obligations (4)	107,874	103,391	3,832	651	—
Other Long-term Liabilities (5)	52,309	4,605	12,055	12,242	23,407
Total	$ 786,476	$ 165,234	$ 468,478	$ 53,066	$ 99,698

(1) These amounts (which represent the amounts outstanding at August 31, 2007) are included in the Company's *Consolidated Balance Sheets*. See Note 4: Long-Term Debt and Lines of Credit for additional information regarding debt and other matters.

(2) These amounts represent the expected future interest payments on debt held by the Company at August 31, 2007 and the Company's loans related to its corporate-owned life insurance policies ("COLI"). The substantial majority of interest payments on debt included in this table is based on a fixed rate. COLI-related interest payments included in this table are estimates. These estimates are based on various assumptions, including age at death, loan interest rate, and tax bracket. The amounts in this table do not include COLI-related payments after ten years due to the difficulty in calculating a meaningful estimate that far in the future. Note that payments related to debt and the COLI are reflected on the Company's *Consolidated Statements of Cash Flows*.

(3) The Company's operating lease obligations are described in Note 7: Commitments and Contingencies.

(4) Purchase obligations include commitments to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including open purchase orders.

(5) These amounts are included in the Company's *Consolidated Balance Sheets* and largely represent other liabilities for which the Company is obligated to make future payments under certain long-term incentive programs. Estimates of the amounts and timing of these amounts are based on various assumptions, including expected return on plan assets, interest rates, stock price fluctuations, and other variables. The amounts in this table do not include amounts related to future funding obligations under the defined benefit pension plans. The amount and timing of these future funding obligations are subject to many variables and also depend on whether or not the Company elects to make contributions to the pension plans in excess of those required under ERISA. Such voluntary contributions may reduce or defer the funding obligations absent those contributions. See Note 3: Pension and Profit Sharing Plans for additional information.

Capitalization

The current capital structure of the Company is comprised principally of senior notes and the equity of its stockholders. As of August 31, 2007, the Company had no amounts outstanding under its asset-backed securitization program or borrowings under the Revolving Credit Facility discussed below. Total debt outstanding at August 31, 2007, was $371.3 million compared with $371.9 million at August 31, 2006, and consisted mainly of fixed rate, long-term debt.

The Company maintains an agreement ("Receivables Facility") to borrow, on an ongoing basis, funds secured by undivided interests in a defined pool of trade accounts receivable of ABL and ASP. There were no outstanding borrowings at August 31, 2007 and 2006 under the Receivables Facility, which expired in October 2007. On October 19, 2007, the Company entered into separate Receivables Facility agreements (the "ABL Receivables Facility" and the "Zep Receivables Facility", together referred to as the "Receivables Facilities") in preparation of the spin-off of Zep Inc. The Receivables Facilities are for a one-year period with similar terms and conditions as the previous Receivables Facility. The ABL Receivables Facility allows for borrowings of funds up to $75.0 million, on an ongoing basis, secured by undivided interests in a defined pool of trade accounts receivable of ABL. The Zep Receivables Facility allows for borrowings of funds up to $40.0 million, on an ongoing basis, secured by undivided interests in a defined pool of trade accounts receivable of ASP.

On April 2, 2004, the Company executed a $200.0 million revolving credit facility ("Revolving Credit Facility"), which matures in January 2009. The Company was in compliance with all financial covenants and had no outstanding borrowings at August 31, 2007 and 2006 under the Revolving Credit Facility. On October 19, 2007, the Company executed both a $250.0 million revolving credit facility ("Acuity Revolving Credit Facility") and a $100.0 million revolving credit facility ("Zep Revolving Credit Facility"). The revolving credit facilities were executed to facilitate the spin-off of Zep Inc. The revolving credit facilities replaced the Company's $200.0 million revolving credit facility which was scheduled to mature in January 2009. The Company will write-off approximately $0.3 million of deferred financing costs in connection with this replacement. The new revolving credit facilities both mature in October 2012. Both revolving credit facilities contain financial covenants including a leverage ratio ("Maximum Leverage Ratio") of total indebtedness to EBITDA (earnings before interest, taxes, depreciation and amortization expense), as such terms are defined in the Acuity Revolving Credit Facility agreement and the Zep Revolving Credit Facility agreement, and a minimum interest coverage ratio. These ratios are computed at the end of each fiscal quarter for the most recent 12-month period. Both the Zep Receivables Facility and the Zep Revolving Credit Facility will be assigned to and fully assumed by Zep Inc. upon the execution of the spin-off of Acuity Brands' specialty products segment.

Acuity Brands has $160.0 million of public notes scheduled to mature during January 2009 and $200.0 million of public notes scheduled to mature eighteen months later during 2010. As of August 31, 2007, Acuity Brands, ABL, and ASP were each obligors under the notes. In connection with the subsidiary reorganization transactions, Acuity Specialty Products Group, Inc. has subsequently been released from its obligations under the notes. The Company believes that it will be able to either refinance or retire these notes as they come due based on current cash balances; the recently executed $250.0 million 5-year Revolving Credit Facility maturing in October 2012; its $75.0 million ABL Receivables Facility, which may be renewed annually; and future cash provided by operations. See Note 4 of the *Notes to the Consolidated Financial Statements* where each of the Company's credit facilities is discussed in further detail.

During 2007, the Company's consolidated stockholders' equity increased $129.7 million, or 23.9%, to $672.0 million compared with $542.3 million in the prior year. Stockholders' equity increased primarily due to increased net income earned in the current year period, the effect of which was partially offset by the impact of net stock activity and the payment of dividends. The Company's debt to total capitalization ratio (calculated by dividing total debt by the sum of total debt and total stockholders' equity) as of August 31, 2007 was 35.6% compared with 40.7% as of August 31, 2006. The ratio of debt, net of cash, to total capitalization, net of cash, was 18.1% at August 31, 2007, and 34.3% at August 31, 2006. The aforementioned spin-off of the Company's specialty products business will affect the resulting Acuity Brands' debt to equity relationship. Post-spin and assuming the proceeds from the spin related dividend are applied toward share repurchases, Acuity Brands' debt to total capitalization ratio could approximate 40%, and its debt, net of cash, to total capitalization, net of cash, could approximate 21%.

Dividends

The Company paid cash dividends on common stock of $26.4 million ($0.60 per share) during 2007 compared with $26.9 million ($0.60 per share) in 2006. Acuity Brands has announced that it plans to pay quarterly dividends on its common stock at an initial annual rate of $0.52 per share following the spin-off. After taking into account the distribution ratio of one share of Zep common stock for every two shares of Acuity Brands common stock, the combined initial post-distribution dividend rates for Zep shares and Acuity Brands shares is identical to the dividend rate paid on Acuity Brands shares in the quarter ended August 31, 2007. All decisions regarding the declaration and payment of dividends by Acuity Brands are at the discretion of the Board of Directors of Acuity Brands and will be evaluated from time to time in light of Acuity Brands' financial condition, earnings, growth prospects, funding requirements, applicable law, and any other factors the Company's board deems relevant.

Results of Operations

Fiscal 2007 Compared with Fiscal 2006

The following table sets forth information comparing the components of net income for the year ended August 31, 2007 with the year ended August 31, 2006:

(in millions)	Years Ended August 31, 2007	2006	Percent Change
Net Sales	$2,530.7	$2,393.1	5.7%
Gross Profit	1,069.9	970.0	10.3%
Percent of net sales	*42.3%*	*40.5%*	
Operating Profit	256.9	197.4	30.2%
Percent of net sales	*10.2%*	*8.2%*	
Income before Provision for Taxes	227.9	163.8	39.2%
Percent of net sales	*9.0%*	*6.8%*	
Net Income	$ 148.1	$ 106.6	38.9%

Consolidated Results

Consolidated net sales were $2,530.7 million in 2007 compared with $2,393.1 million reported in 2006, an increase of $137.5 million, or 5.7%. For the year ended August 31, 2007, the Company reported net income of $148.1 million compared with $106.6 million earned in 2006. Diluted earnings per share were $3.37 in 2007 as compared with $2.34 reported in 2006, an increase of 44.0%.

Consolidated Net Sales

Net sales increased approximately 6.7% and 2.5% at ABL and ASP, respectively. The growth in net sales was due primarily to favorable pricing at both the lighting and specialty products businesses, greater shipments of products offered by the lighting business, and benefits from foreign currency fluctuation. Improved pricing and an enhanced mix of products sold accounted for more than three quarters of the $137.5 million increase in consolidated net sales. Favorable fluctuation in foreign currency exchange rates contributed $12.1 million to net sales in fiscal 2007. Sales generated by both business units in the third and fourth quarters of fiscal 2007 outpaced those generated in the first half of the fiscal year due to the seasonal nature of the Company's business. Also, second quarter net sales generated by both business units are typically adversely impacted by the decreased demand associated with inventory rebalancing efforts routinely undertaken by certain of the Company's distribution and retail customers towards the end of those customers' fiscal years.

Consolidated Gross Profit

(in millions)	Years Ended August 31, 2007	2006	Increase (Decrease)	Percent Change
Net Sales	$2,530.7	$2,393.1	$ 137.5	5.7%
Cost of Products Sold	1,460.8	1,423.1	37.7	2.6%
Percent of net sales	*57.7%*	*59.5%*		
Gross Profit	$1,069.9	$ 970.0	$ 99.9	10.3%
Percent of net sales	*42.3%*	*40.5%*		

Consolidated gross profit margins increased to 42.3% of net sales in 2007 from 40.5% reported in 2006. Gross profit increased $99.9 million, or 10.3% to $1,069.9 million in 2007 compared with $970.0 million in 2006. The improvement in gross profit and gross profit margin was largely attributable to improved pricing at

both segments, incremental margins on overall volume growth, and a better mix of products sold at ABL including new, more energy efficient products introduced over the last three years. These gains more than offset increases in raw materials and component costs as well as increases associated with employee wages and related benefits. Costs associated with raw materials and component parts increased more than $24 million during 2007 compared with the prior year.

Consolidated Operating Profit

(in millions)	Years Ended August 31, 2007	2006	Increase (Decrease)	Percent Change
Gross Profit	$1,069.9	$970.0	$ 99.9	10.3%
Percent of net sales	*42.3%*	*40.5%*		
Selling, Distribution, and Administrative Expenses	813.0	772.3	40.6	5.3%
Impairment Charge	—	0.3	(0.3)	(100)%
Operating Profit	$ 256.9	$197.4	$ 59.5	30.2%
Percent of net sales	*10.2%*	*8.2%*		

Consolidated operating expenses were $813.0 million in fiscal 2007 compared with $772.3 million in 2006, which represented an increase of $40.6 million. Operating expenses that typically vary directly with sales, such as commissions paid to the Company's sales force, bonuses designed to reward the profitable growth of revenues, and freight pertaining to shipments to customers increased approximately $30 million in 2007 from the prior year. Operating expenses were also negatively affected by merit based and inflationary wage increases of approximately $10.5 million as well as an increase in the cost of the Company's property and casualty insurance programs.

Additionally, operating expenses were impacted by four partially offsetting events occurring during fiscal 2007. In April 2007, ABL received a $6.6 million pre-tax cash payment (net of related legal costs) as settlement for a commercial dispute involving reimbursement of warranty and product liability costs associated with a product line purchased from a third party in fiscal year 2001 (the "commercial dispute"). In May 2007, ASP recorded a $5.0 million pre-tax charge representing the Company's best estimate of costs associated with a company-initiated remediation plan for groundwater contamination identified at ASP's primary manufacturing facility located in Atlanta, Georgia. In June 2007, the Company reached final resolution with regard to a previously disclosed investigation into certain of ASP's environmental practices, and a $1.8 million charge was recorded during the year by the specialty products business in connection with this settlement. Environmental matters affecting the Company are discussed further in Note 7 of the *Notes to Consolidated Financial Statements.* Finally, professional fees incurred as of August 31, 2007, related to the spin-off of the Company's specialty products totaled $2.1 million. While operating costs in total increased during fiscal 2007 compared with fiscal 2006, operating expenses as a percentage of net sales declined 20 basis points to 32.1% from 32.3% in the prior year.

Consolidated operating profit was $256.9 million (10.2% of net sales) in fiscal 2007 compared with $197.4 million (8.2% of net sales) reported in 2006, an increase of $59.5 million, or 200 basis points. The increase in operating profit in 2007 was due primarily to the increase in gross profit, partially offset by higher operating expenses as described above.

Consolidated Income Before Provision for Taxes

(in millions)	Years Ended August 31, 2007	2006	Increase (Decrease)	Percent Change
Operating Profit	$256.9	$197.4	$ 59.5	30.2%
Percent of net sales	*10.2%*	*8.2%*		
Other Expense (Income)				
Interest Expense, net	30.1	33.2	(3.1)	(9.3)%
Miscellaneous Expense (Income)	(1.1)	0.4	(1.5)	(356.9)%
Total Other Expense (Income)	29.0	33.7	(4.6)	13.7%
Income before Provision for Taxes	$227.9	$163.8	$ 64.1	39.2%
Percent of net sales	*9.0%*	*6.8%*		

Other expense for Acuity Brands was made up primarily of interest expense. Interest expense, net, was $30.1 million and $33.2 million in 2007 and 2006, respectively. Interest expense, net, decreased 9.3% in 2007 compared with 2006 due primarily to greater interest income earned on higher invested cash balances.

Consolidated Provision for Income Taxes and Net Income

(in millions)	Years Ended August 31, 2007	2006	Increase (Decrease)	Percent Change
Income before Provision for Taxes	$227.9	$163.8	$ 64.1	39.2%
Percent of net sales	*9.0%*	*6.8%*		
Provision for Income Taxes	79.8	57.2	22.6	39.6%
Effective tax rate	*35.0%*	*34.9%*		
Net Income	$148.1	$106.6	$ 41.5	38.9%

Net income for 2007 increased $41.5 million to $148.1 million from $106.6 million reported in 2006. The increase in net income resulted primarily from the above-noted increase in operating profit, partially offset by higher tax expense.

The effective income tax rate reported by the Company was 35.0% and 34.9% in 2007 and 2006, respectively. The current period tax rate was adversely affected by an increase in certain costs that are not deductible when computing taxable income including professional fees associated with the anticipated spin-off of the specialty products business as well as fines associated with the settlement of certain environmental matters. The tax rate of Acuity Brands, with ABL as its sole operating subsidiary, is expected to approximate 35% following the spin-off.

Acuity Brands Lighting

Net Sales

Acuity Brands Lighting reported net sales of approximately $1,964.8 million and $1,841.0 million for the years ending August 31, 2007, and 2006, respectively, an increase of $123.7 million, or 6.7%. The increase in net sales was due primarily to higher selling prices, enhanced mix of products sold, sales of new products, and increased shipments due largely to volume growth in key non-residential markets. More than three quarters of the increase in net sales was due to improved pricing and an enhanced mix of product sold. Pricing actions taken by ABL were made necessary by increases in raw material and component costs as well as inflationary cost increases. Net sales also benefited from favorable foreign currency fluctuation of $7.4 million. Additionally, operations of the newly acquired Mark Lighting contributed $3.5 million to the growth of ABL's net sales in fiscal 2007. The purchase of Mark Lighting is discussed further in Note 9 of the *Notes to Consolidated Financial Statements.* The backlog at ABL of $180.6 million at August 31, 2007 represented an increase of $4.6 million

over the prior year and was reflective of continued strength in order rates resulting from improved market conditions and successful pricing strategies. This increase in backlog is net of a decrease in past due backlog resulting from improved delivery performance.

Gross Profit

Gross profit margins at ABL increased to 37.9% of net sales in 2007 from 35.5% in 2006. Gross profit increased $91.5 million, or 14.0% to $744.3 million in 2007 compared with $652.8 million in 2006. The improvement in gross profit and gross profit margin was largely attributable to ABL's improved pricing, incremental margins on overall volume growth, and a better mix of products sold including new, more energy efficient products introduced over the last three years. These gains more than offset raw materials and component costs increases in excess of $20 million as well as increases in costs associated with employee wages and related benefits.

Operating Profit

Operating profit at ABL increased $69.7 million, or 38.4% in 2007 to $251.1 million from $181.4 million reported in 2006. Operating profit margins advanced more than 290 basis points to 12.8% in 2007 from 9.9% in 2006. In addition to the increase in gross profit discussed above, operating profit and margin were favorably impacted during fiscal 2007 by a $6.6 million (amount is net of related legal costs) cash settlement pertaining to a commercial dispute involving reimbursement of warranty and product liability costs associated with a product line purchased from a third party in fiscal year 2001. All amounts received and legal costs incurred in connection with this cash settlement were recorded within *Selling, Distribution, and Administrative Expenses* on the *Consolidated Statements of Operations*. These gains were partially offset by a $25.0 million increase in costs that typically vary with sales including commissions paid to ABL's sales force, bonuses designed to reward profitable growth of revenues, and freight pertaining to shipments to customers; by the more than $20 million increase in costs associated with raw materials and components; and by increased costs related to efforts to improve productivity and customer service.

Acuity Specialty Products

Net Sales

Net sales at ASP were $565.9 million in 2007 compared with $552.1 million in 2006, representing an increase of $13.8 million or 2.5%. The increase in net sales was due to more favorable price realization captured in all of ASP's markets, and, to a lesser extent the effect of foreign currency translation on international sales. Higher selling prices and foreign currency fluctuation favorably impacted net sales in 2007 by approximately $11.9 million and $4.7 million, respectively. These benefits were partially offset by lower overall unit volume of approximately $3.4 million as greater shipments to ASP's European customer base were more than offset by volume declines in its domestic markets. Volume within the domestic commercial, industrial, and institutional end market was negatively impacted by softening demand from customers concentrated in the transportation and food industries. Demand from home improvement retail channel customers was adversely affected by those customers' inventory rebalancing efforts.

Gross Profit

Gross profit at ASP increased $8.4 million, or 2.6% to $325.6 million in fiscal 2007 compared with $317.2 million in the year-ago period. Improvement in gross profit was driven primarily by the pricing gains that resulted in $11.9 million of the total increase in net sales. The benefits from higher sales were partially offset by raw material and related freight cost increases of almost $4 million compared with the same period in fiscal 2006. While the cost of raw materials increased compared with the same period in the previous year, the rate of increase decelerated during fiscal 2007. Gross profit margin of 57.5% in fiscal 2007 remained consistent with that of the prior fiscal year.

Operating Profit

Operating profit at ASP decreased $9.2 million, or 18.8%, in 2007 to $39.6 million from $48.8 million reported in 2006. Operating profit margins were 7.0% in 2007 compared with 8.8% in 2006. While gross profit increased during the current year, these gains were more than offset by several items affecting operating profit. Operating profit and margins in 2007 were adversely impacted by costs associated with environmental matters affecting ASP. In May 2007, ASP recorded a $5.0 million pre-tax charge representing the Company's best estimate of costs associated with a company-initiated remediation plan for groundwater contamination identified at ASP's primary manufacturing facility located in Atlanta, Georgia. In June 2007, the Company reached final resolution with regard to a previously disclosed investigation into certain of ASP's environmental practices, and a $1.8 million charge was recorded during the year by the specialty products business in connection with this settlement. Environmental matters affecting the Company are discussed further in Note 7 of the *Notes to Consolidated Financial Statements*. Additionally, operating profit was negatively affected by a $3.7 million increase in the cost of the ASP's property and casualty insurance programs; by the almost $4 million increase in costs associated with raw materials and components; and by a $3.1 million increase in costs that typically vary with sales including commissions paid to ASP's sales force, bonuses designed to reward profitable growth of revenues, and freight pertaining to shipments to customers. The adverse impact of these increased expenses on operating profit was only partially offset by the benefits of higher net sales.

Corporate

Corporate expenses increased approximately $1.0 million or 3.0% to $33.7 million in 2007 from the $32.8 million reported in 2006. Prior to June 2006, several of the Company's share-based award programs were subject to variable accounting treatment, which resulted in the recording of additional expense during periods of significant stock price appreciation. During the fourth quarter of fiscal 2006, the Company amended these programs, and by doing so is no longer required to record additional expense related to stock price appreciation. The savings associated with amending these programs was more than offset by an approximate $2.5 million increase in professional fees (of which $2.1 million were incurred in connection with the anticipated spin-off of Acuity Specialty Products) and by an increase in incentive compensation that is designed to compensate individuals who contribute to the positive performance of the Company.

Fiscal 2006 Compared with Fiscal 2005

The following table sets forth information comparing the components of net income for the year ended August 31, 2006 with the year ended August 31, 2005:

(in millions)	**Years Ended August 31,**		**Percent Change**
	2006	**2005**	
Net Sales	$2,393.1	$2,172.9	10.1%
Gross Profit	970.0	848.5	14.3%
Percent of net sales	*40.5%*	*39.1%*	
Operating Profit	197.4	106.7	84.9%
Percent of net sales	*8.2%*	*4.9%*	
Income before Provision for Taxes	163.8	74.8	118.8%
Percent of net sales	*6.8%*	*3.4%*	
Net Income	$ 106.6	$ 52.2	104.0%

Consolidated Results

Consolidated net sales were $2,393.1 million in 2006 compared with $2,172.9 million reported in 2005, an increase of $220.3 million, or 10.1%. For the year ended August 31, 2006, the Company reported net income of $106.6 million compared with $52.2 million earned in 2005. Diluted earnings per share were $2.34 in 2006 as compared with $1.17 reported in 2005, an increase of 100%.

Consolidated Net Sales

Net sales increased approximately 12.4% and 3.2% at ABL and ASP, respectively, in spite of soft economic conditions in certain key markets, particularly for the first half of the year. More than half of the growth in net sales at ABL resulted from volume expansion and new product introductions, with the remainder attributable to improved pricing and product mix. Favorable fluctuation in foreign currency exchange rates contributed $6.8 million to net sales in fiscal 2006. At ASP, the increase in net sales was due primarily to higher selling prices in both the commercial, industrial, and institutional end-market and retail end-market. Sales generated by both business units in the third and fourth quarters of fiscal 2006 outpaced those generated in the first half of the fiscal year due to the seasonal nature of the Company's business. Also, second quarter net sales generated by both business units are typically adversely impacted by the decreased demand associated with inventory rebalancing efforts routinely undertaken by certain of the Company's distribution and retail customers towards the end of those customers' fiscal years.

Consolidated Gross Profit

(in millions)	**Years Ended August 31,**		**Increase (Decrease)**	**Percent Change**
	2006	**2005**		
Net Sales	$2,393.1	$2,172.9	$ 220.3	10.1%
Cost of Products Sold	1,423.1	1,324.3	98.8	7.5%
Percent of net sales	*59.5%*	*60.9%*		
Gross Profit	$ 970.0	$ 848.5	$ 121.5	14.3%
Percent of net sales	*40.5%*	*39.1%*		

Consolidated gross profit margins increased to 40.5% of net sales in 2006 from 39.1% reported in 2005. Gross profit increased $121.5 million, or 14.3% to $970.0 million in 2006 compared with $848.5 million in 2005 due primarily to the additional profit contribution from greater shipments, higher pricing, and improved productivity. Pricing actions taken by the Company over the last twelve months, improved productivity, and a better mix of products sold have allowed the Company to restore gross profit and margin to historical levels following previous declines that resulted primarily from rapidly rising costs, including for materials, which preceded these pricing actions. The Company experienced rising costs for many items including healthcare, freight, insurance, and compensation. Additionally, costs associated with raw materials and component parts increased more than $30 million in 2006 as compared with 2005.

Consolidated Operating Profit

(in millions)	**Years Ended August 31,**		**Increase (Decrease)**	**Percent Change**
	2006	**2005**		
Gross Profit	$970.0	$848.5	$ 121.5	14.3%
Percent of net sales	*40.5%*	*39.1%*		
Selling, Distribution, and Administrative Expenses	772.3	718.1	54.2	7.5%
Special Charge	—	23.0	(23.0)	—
Impairment Charge	0.3	0.7	(0.4)	(56.0)%
Operating Profit	$197.4	$106.7	$ 90.7	84.9%
Percent of net sales	*8.2%*	*4.9%*		

Consolidated operating expenses were $772.6 million (32.3% of net sales) compared with $741.8 million (34.1% of net sales) in 2005. Operating expenses for the year-ago period included a pretax special charge of $23.0 million, reflecting costs of programs to streamline operations, improve customer service, and reduce transaction costs. The Company believes that it has generally realized its targeted annualized savings rate of

$50.0 million at the end of fiscal 2006 with regard to these programs. Operating expenses in 2006 increased from the prior year primarily as a result of a $43.2 million increase in costs that typically vary directly with sales, such as commissions paid to the Company's sales force, bonuses designed to reward the profitable growth of revenues, and freight pertaining to shipments to customers. Also contributing to the increase were expenses related to incentive compensation, including costs associated with share-based compensation, as well as costs related to efforts to improve productivity and customer service and training and development for associates. While total operating expenses in 2006 increased compared with 2005, operating expense as a percentage of net sales in 2006 declined 180 basis points to 32.3% from 34.1% in the prior year.

Consolidated operating profit was $197.4 million (8.2% of net sales) in 2006 compared with $106.7 million (4.9% of net sales) reported in 2005, an increase of $90.7 million, or 84.9%. Operating profit in 2005 included the aforementioned $23.0 million special charge. The increase in operating profit in 2006 was due primarily to the increase in gross profit, partially offset by higher operating expenses as described above.

Consolidated Income Before Provision for Taxes

(in millions)	Years Ended August 31, 2006	2005	Increase (Decrease)	Percent Change
Operating Profit	$197.4	$106.7	$ 90.7	84.9%
Percent of net sales	*8.2%*	*4.9%*		
Other Expense (Income)				
Interest Expense, net	33.2	35.7	(2.5)	(7.0)%
Miscellaneous Expense (Income)	0.4	(3.8)	4.2	111.1%
Total Other Expense (Income)	33.7	31.9	1.7	5.5%
Income before Provision for Taxes	$163.8	$ 74.8	$ 88.9	118.8%
Percent of net sales	*6.8%*	*3.4%*		

Other expense for Acuity Brands was made up primarily of interest expense. Interest expense, net, was $33.2 million and $35.7 million in 2006 and 2005, respectively. Interest expense, net, decreased 7.0% in 2006 compared with 2005 due to lower debt balances over the course of the year in comparison with 2005 and greater interest income due to an increase in invested cash balances, partially offset by a higher weighted-average interest rate.

Consolidated Provision for Income Taxes and Net Income

(in millions)	Years Ended August 31, 2006	2005	Increase (Decrease)	Percent Change
Income before Provision for Taxes	$163.8	$74.8	$ 88.9	118.8%
Percent of net sales	*6.8%*	*3.4%*		
Provision for Income Taxes	57.2	22.6	34.6	153.0%
Effective tax rate	*34.9%*	*30.2%*		
Net Income	$106.6	$52.2	$ 54.4	104.0%

Net income for 2006 increased $54.4 million to $106.6 million from $52.2 million reported in 2005, which included the pre-tax special charge of $23.0 million. The increase in net income resulted primarily from the above noted increase in operating profit, partially offset by higher tax expense.

The effective income tax rate reported by the Company was 34.9% and 30.2% in 2006 and 2005, respectively. The fiscal 2005 tax rate included the benefit of certain non-recurring credits associated with both the

Company's Mexican operations and state tax benefits. The fiscal 2006 tax rate was affected by certain long- term tax strategies involving the Company's Mexican operations as well as by the current year repatriation of undistributed earnings from certain of the Company's foreign subsidiaries done as part of the American Jobs Creation Act of 2004.

Acuity Brands Lighting

Net Sales

Acuity Brands Lighting reported net sales of approximately $1,841.0 million and $1,637.9 million for the years ending August 31, 2006, and 2005, respectively, an increase of $203.1 million, or 12.4%. The increase in net sales during 2006 was due primarily to greater unit volume, better pricing, and a more favorable mix of products sold. More than half of the increase in net sales was due to greater shipments resulting from improved customer service levels, new product introductions, and increased demand in the non-residential construction market. The effect of foreign currency fluctuation favorably impacted net sales in the current year by $4.2 million. The backlog at ABL of $176.0 million at August 31, 2006 represented an increase of $23.8 million over the prior year and was reflective of continued strength in order rates resulting from improved market conditions and successful pricing strategies. This increase in backlog is net of a decrease in past due backlog resulting from improved delivery performance.

Gross Profit

Gross profit margins at ABL increased to 35.5% of net sales in 2006 from 32.8% in 2005. Gross profit increased $116.1 million, or 21.6% to $652.8 million in 2006 compared with $536.7 million in 2005 due primarily to the additional profit contribution from greater shipments, higher pricing that more than offset increased costs for certain raw materials and component parts, and improved productivity. The Company experienced rising costs for many items including healthcare, freight, insurance, and compensation. Additionally, costs associated with raw materials and component parts increased more than $22 million in 2006 as compared with 2005.

Operating Profit

Operating profit at ABL increased $86.8 million, or 91.8% in 2006 to $181.4 million from $94.6 million reported in 2005. Operating profit margins improved to 9.9% in 2006 from 5.8% in 2005. Operating profit in 2005 included $15.7 million of the above noted special charge. In addition to the absence of the special charge, operating profit in 2006 was positively impacted by profit contribution from the greater shipments and improved pricing and mix mentioned above as well as benefits from programs implemented to streamline operations, improve customer service, and reduce transaction costs. These benefits were partially offset by a $35.5 million increase in costs that typically vary with sales including commissions paid to ABL's sales force, bonuses designed to reward profitable growth of revenues, and freight pertaining to shipments to customers; by the more than $22 million increase in costs associated with raw materials and components; and by increased costs related to efforts to improve productivity and customer service.

Acuity Specialty Products

Net Sales

Net sales at ASP were $552.1 million in 2006 compared with $535.0 million in 2005, representing an increase of $17.1 million, or 3.2%. The increase in net sales was due to higher selling prices in the domestic industrial and institutional and retail channels, and, to a lesser extent the effect of foreign currency translation on international sales. Higher selling prices and foreign currency fluctuation favorably impacted net sales in fiscal year 2006 by approximately $20.5 million and $2.6 million, respectively. These benefits were partially offset by overall lower unit volume of approximately $3.5 million, which was experienced primarily in the commercial, industrial, and institutional end-market. Volume within this end-market was affected by the Company's separation from certain lower margin customers.

Gross Profit

Gross profit at ASP increased $5.4 million, or 1.7%, to $317.2 million in 2006 compared with $311.8 million in 2005. Gross profit benefited from the contributions of higher selling prices that resulted in ASP's overall $17.1 million increase in net sales. Gross profit margins declined 80 basis points to 57.5% of net sales in fiscal 2006 from 58.3% reported in 2005. In fiscal 2006 gross profit and gross profit margin were negatively affected by continuing raw material and related freight cost increases. Costs associated with raw materials and related freight increased approximately $9 million in fiscal 2006 compared with fiscal 2005. These increased costs followed a fiscal year during which the costs of certain commodities utilized in ASP's manufacturing process had already reached record highs. Also, increased costs for labor, waste disposal, and utilities adversely impacted gross profit and related margin by $2.1 million in fiscal 2006 compared with the prior fiscal year. Although the total dollar amount of the impact of certain of these factors was offset by higher selling prices, the gross profit margin percentage was reduced due to the magnitude of the above mentioned increases.

Operating Profit

Operating profit at ASP increased $6.5 million, or 15.4%, in 2006 to $48.8 million from $42.3 million reported in 2005. Operating profit margins improved to 8.8% in 2006 from 7.9% in 2005. Operating profit in 2005 included $3.6 million of the above mentioned special charge. In addition to the absence of the special charge, operating profit was positively impacted by the $20.5 million profit contribution from pricing, benefits from programs implemented to streamline operations, and benefits from cost containment programs. The pricing actions taken by ASP were necessary to offset increases in raw material and component part costs of almost $9 million. The benefits of higher selling prices and the aforementioned programs were further offset by a $4.7 million increase in costs that typically vary with sales including commissions paid to ASP's sales force, bonuses designed to reward profitable growth of revenues, and freight pertaining to shipments to customers; by increased consulting fees of $2.3 million related to ASP's productivity improvement initiatives; by increased legal expenses of $1.6 million related to environmental matters; and by a pre-tax charge of $1.2 million related to a product recall due to defective containers purchased from a vendor.

Corporate

Corporate expenses increased to $32.8 million in 2006 from $30.2 million reported in 2005 (which included $3.8 million of the special charge discussed above). The benefit from the absence of the special charge was more than offset by an increase in incentive compensation, including expense related to share-based compensation. The increase in share-based compensation expense was due primarily to the effect of higher current year stock price appreciation on Company-wide restricted stock incentives and other share-based programs and to increased expense related to the Company's adoption of SFAS No. 123(R). During the fourth quarter of fiscal year 2006, the Company amended its share-based award programs subject to variable accounting treatment, and by doing so will no longer be required to record additional expense related to stock price appreciation. See further information in Note 6 of *Notes to Consolidated Financial Statements*.

Financial Impact of Spin-off of Specialty Products Business

In 2007 Acuity Brands acted upon a key objective to create greater strategic clarity by narrowing the focus of the organization to markets where it enjoys clear competitive advantages and where it believes it can more effectively allocate its considerable resources to fully capitalize on opportunities within those markets. With that goal in mind, Acuity Brands announced plans in July 2007 to separate the lighting and specialty chemical businesses by spinning off Acuity Specialty Products into an independent public company. During the past five years, Acuity Specialty Products annual contribution to its parent's operating cash flows, net of investing activity, has averaged approximately $37 million. The specialty products business has been responsible for approximately 22-25% of the consolidated parent company's revenues over that period. Additionally, the Acuity Specialty Products business has contributed to the profitability of the consolidated entity; the specialty products group's operating profit and operating profit margins during the previous five years have averaged approximately $41 million and 7.7%, respectively excluding any allocation of corporate costs. In 2008 Acuity Brands, with

Acuity Brands Lighting as its sole operating subsidiary, will proceed without the benefit from operations previously conducted by Acuity Specialty Products. However, Acuity Brands believes that by separating its lighting and chemical businesses, each business will be better able to tailor its own investment strategy to its individual cash flows and capital structure, while creating tighter alignment between the performance of each business and the expectations of its stockholders.

On October 31, 2007 (the "distribution date"), Acuity Brands will enter into a distribution agreement with Zep Inc. The distribution agreement will provide for the principal corporate transactions required to affect the spin-off. Pursuant to this distribution agreement, Zep Inc. will draw upon its credit facilities and remit a dividend to Acuity Brands in the amount of $62.5 million on the distribution date. Acuity Brands intends to use proceeds from this dividend to fund currently authorized share repurchases or to reduce its outstanding indebtedness. The distribution agreement further provides that after the spin-off, Acuity Brands will remit to Zep Inc. an amount equal to the positive net cash flow generated by Zep Inc. during the period from September 1, 2007 until the distribution date (less any cash in excess of $5.0 million held by Zep Inc. on the distribution date). Therefore, effective September 1, 2007, Acuity Brands will cease to benefit from positive operating cash flow generated by the specialty products business.

As a result of the spin-off of the specialty products business, certain corporate costs previously incurred by Acuity Brands, Inc. will be eliminated. Additionally, subsequent to the distribution, the Company, with ABL as its sole operating subsidiary, intends to simplify its structure with the intent to reduce certain consolidated costs of the corporate office and ABL. The Company expects to record a special charge in the first quarter of fiscal year 2008 related to this simplification of organizational structure, due primarily to the reduction of personnel and the early termination costs associated with vacating leased office space. While the amount of the charge has not yet been finalized, it is expected to total at least $8 million on a pre-tax basis. The Company estimates that, on an annual basis, cost reductions resulting from the spin-off and the simplification of the organizational structure will be at least $14 million. The benefit from these measures will most likely not be fully realized until two years following the spin-off. Management expects to conclude this review of its organizational structure, along with associated costs and benefits, during the first quarter of fiscal 2008. Also, the Company expects to incur in the first quarter of fiscal 2008 additional professional fees and other non-recurring costs related to the spin-off of approximately $4.5 million.

Outlook

The consolidated results of Acuity Brands for the year ended August 31, 2007, reflect benefits from favorable pricing strategies required to offset continued increases in costs, including certain raw materials and component parts, as well as programs designed to improve customer service and productivity; additional sales of higher margin products; and greater sales volume. Acuity Brands' ability to successfully execute these programs along with other continuous improvement initiatives allowed the Company to again deliver record operating results to its shareholders.

Looking forward to fiscal 2008 and beyond, management is optimistic about the future prospects of Acuity Brands, with Acuity Brands Lighting as its sole operating subsidiary. However, in the shorter term the Company expects to face challenges such as continued cost pressures for certain raw materials, component parts, fuel, and employee related matters including health care. Also, Acuity Brands is highly dependent on the non-residential, and, to a lesser degree, the residential construction markets, which may be significantly impacted by the turmoil in the global credit markets during the summer and fall of 2007. A key factor in delivering positive results in 2008 while facing these external challenges will be management's ability to continue to execute on and realize benefit from investments in programs intended to drive future profitable growth, including those that enhance customer service, improve productivity, expand access to market, and allow for the innovation of new products.

While these shorter term challenges may be considerable, management continues to be optimistic regarding its continued ability to deliver increasing value to shareholders in 2008 through the profitable growth

opportunities at Acuity Brands Lighting, its sole operating business. A number of existing factors support the position that volume within the non-residential construction market could grow in the low single digits during fiscal 2008. For example, the recent rebound in non-residential building awards and other measures such as the Architecture Billings Index suggest demand for lighting fixtures will continue it positive trend. Other current conditions supporting a positive long-term growth trend in the non-residential construction market include, but are not limited to, favorable trends in commercial vacancy and rent rates, as well as increased government spending on infrastructure projects such as highways, though these have recently begun to level off. Acuity Brands Lighting is encouraged by success attained in and the opportunity afforded by the retrofit market as its commercial, retail, and industrial customers become increasingly interested in more efficient lighting fixtures that serve to reduce energy consumption while creating an enhanced aesthetic environment. Management will continue to proactively position Acuity Brands Lighting to better leverage ABL's market presence through investments that enhance its go-to-market programs and strengthen its geographic footprint, which should aid in generating new unit sales volume. With proper execution and the continuation of positive growth within the non-residential construction sector, Acuity Brands expects to continue to grow in key markets by accelerating new product introductions and improving service and quality. Assuming no dramatic change in the current condition of the Company's key markets, management expects in fiscal 2008 to meet or exceed its long-term financial goals of generating consolidated operating profit margins in excess of 10%, growing diluted earnings per share in excess of 15%, providing a return on stockholder's equity of 20% or better, and generating cash flow from operations less capital expenditures in excess of net income.

Accounting Standards Yet to Be Adopted

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS No. 159"). SFAS No. 159 permits companies, at their election, to measure specified financial instruments and warranty and insurance contracts at fair value on a contract-by-contract basis, with changes in fair value recognized in earnings each reporting period. The election, called the "fair value option," will enable some companies to reduce the volatility in reported earnings caused by measuring related assets and liabilities differently, and it is easier than using the complex hedge-accounting requirements in SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, to achieve similar results. Subsequent changes in fair value for designated items will be required to be reported in earnings in the current period. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and is therefore effective for the Company beginning in fiscal year 2009. The Company is currently assessing the effect of implementing this guidance, which is dependent upon the nature and extent of eligible items elected to be measured at fair value upon initial application of the standard. However, Acuity Brands does not expect the adoption of SFAS No. 159 to have a material impact on the Company's results of operations and financial position.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 establishes a single authoritative definition of fair value, establishes a framework for measuring fair value, and expands disclosure requirements pertaining to fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years, and is therefore effective for the Company beginning in fiscal 2009. The Company is currently evaluating the impact that this guidance will have on its results of operations and financial position.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a recognition threshold and measurement attribute for the financial statement implications of tax positions taken or expected to be taken in a company's tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure of such positions. FIN 48 is effective for fiscal years beginning after December 15, 2006, and is therefore effective for the Company in fiscal 2008. Acuity Brands is in the process of finalizing its evaluation of the impact that adopting FIN 48 will have on the Company's results of operations, however at this time the Company does not expect the impact to materially affect its operations.

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments* ("SFAS No. 155"), which amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133") and SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ("SFAS No. 140"). SFAS No. 155 simplifies the accounting for certain derivatives embedded in other financial instruments by allowing them to be accounted for as a whole if the holder elects to account for the instrument on a fair value basis. SFAS No. 155 also clarifies and amends certain other provisions of SFAS No. 133 and SFAS No. 140. SFAS No. 155 is effective for all financial instruments acquired, issued, or subject to a remeasurement event occurring in fiscal years beginning after September 15, 2006, and is therefore effective for the Company in fiscal year 2008. Earlier adoption is permitted, provided companies have not yet issued financial statements, including interim periods, for that fiscal year. The Company does not expect the adoption of SFAS No. 155 to have a material impact on the Company's results of operations and financial position.

Accounting Standards Adopted in Fiscal 2007

In June 2006, the FASB issued Emerging Issues Task Force ("EITF") 06-03, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation)* ("EITF 06-03"). The consensus reached in EITF 06-03 provides that the presentation of taxes assessed by a governmental authority that are directly imposed on revenue-producing transactions (e.g. sales, use, value added and excise taxes) between a seller and a customer on either a gross basis (included in revenues and costs) or on a net basis (excluded from revenues) is an accounting policy decision that should be disclosed. In addition, for any such taxes that are reported on a gross basis, the amounts of those taxes should be disclosed in interim and annual financial statements for each period for which an income statement is presented if those amounts are significant. EITF 06-03 is effective for interim and annual reporting periods beginning after December 15, 2006, and thus became effective for Acuity Brands during the third quarter of fiscal 2007. As a matter of accounting policy, the Company records all taxes within the scope of EITF 06-03 on a net basis.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("SFAS No. 158"). SFAS No. 158 requires an employer to: (a) recognize in its statement of financial position the funded status of a benefit plan; (b) measure defined benefit plan assets and obligations as of the end of the employer's fiscal year (with limited exceptions); and (c) recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise but are not recognized as components of net periodic benefit costs pursuant to prior existing guidance. The provisions governing recognition of the funded status of a defined benefit plan and related disclosures became effective for the Company at the end of fiscal year 2007. For additional information about the impact of SFAS 158 on the Company's defined pension and profit sharing plans, refer to Note 3 of the *Notes to Consolidated Financial Statements.* The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008, and is therefore effective for the Company in fiscal year 2009. The Company measures the funded status of its employee benefit plans as of May 31 each year, and does not anticipate the future change in measurement date to August 31 will have a material impact on the Company's results of operations and financial position.

Critical Accounting Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations addresses the financial condition and results of operations as reflected in the Company's C*onsolidated Financial Statements*, which have been prepared in accordance with U.S. generally accepted accounting principles. As discussed in Note 1 of the *Notes to Consolidated Financial Statements*, the preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date

of the financial statements and reported amounts of revenue and expense during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to inventory valuation; depreciation, amortization and the recoverability of long-lived assets, including intangible assets; share-based compensation expense; medical, product warranty, and other reserves; litigation; and environmental matters. Management bases its estimates and judgments on its substantial historical experience and other relevant factors, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Management discusses the development of accounting estimates with the Company's Audit Committee. See Note 2 of the *Notes to Consolidated Financial Statements* for a summary of the accounting policies of Acuity Brands.

The management of Acuity Brands believes the following represent the Company's critical accounting estimates:

Inventories

Inventories include materials, direct labor, and related manufacturing overhead, and are stated at the lower of cost (on a first-in, first-out or average-cost basis) or market. Management reviews inventory quantities on hand and records a provision for excess or obsolete inventory primarily based on estimated future demand and current market conditions. A significant change in customer demand or market conditions could render certain inventory obsolete and thus could have a material adverse impact on the Company's operating results in the period the change occurs.

Long-Lived and Intangible Assets and Goodwill

Acuity Brands reviews goodwill and intangible assets with indefinite useful lives for impairment on an annual basis or on an interim basis if an event occurs that might reduce the fair value of the long-lived asset below its carrying value. All other long-lived and intangible assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss would be recognized based on the difference between the carrying value of the asset and its estimated fair value, which would be determined based on either discounted future cash flows or other appropriate fair value methods. The evaluation of goodwill and intangibles with indefinite useful lives for impairment requires management to use significant judgments and estimates including, but not limited to, projected future net sales, operating results, and cash flow of each of the Company's businesses.

Although management currently believes that the estimates used in the evaluation of goodwill and intangibles with indefinite lives are reasonable, differences between actual and expected net sales, operating results, and cash flow could cause these assets to be deemed impaired. If this were to occur, the Company would be required to charge to earnings the write-down in value of such assets, which could have a material adverse effect on the Company's results of operations and financial position, but not its cash flow from operations.

Specifically, Acuity Brands has three unamortized trade names with an aggregate carrying value of approximately $67.0 million. Management estimates the fair value of these unamortized trade names using a fair value model based on discounted future cash flows. Future cash flows associated with each of the Company's unamortized trade names are calculated by applying a theoretical royalty rate a willing third party would pay for use of the particular trade name to estimated future net sales. The present value of the resulting after-tax cash flow is management's current estimate of the fair value of the trade names. This fair value model requires management to make several significant assumptions, including estimated future net sales, the royalty rate, and the discount rate.

Differences between expected and actual results can result in significantly different valuations. If future operating results are unfavorable compared with forecasted amounts, the Company may be required to reduce the theoretical royalty rate used in the fair value model. A reduction in the theoretical royalty rate would result in lower expected, future after-tax cash flow in the valuation model. Accordingly, an impairment charge would be

recorded at that time. At August 31, 2007, the estimated fair value of the Company's trade names significantly exceeds the aggregate carrying values of those assets.

Self-Insurance

It is the policy of Acuity Brands to self-insure, up to certain limits, traditional risks including workers' compensation, comprehensive general liability, and auto liability. The Company's self-insured retention for each claim involving workers' compensation, comprehensive general liability (including toxic tort and other product liability claims), and auto liability is limited to $0.5 million per occurrence of such claims. A provision for claims under this self-insured program, based on the Company's estimate of the aggregate liability for claims incurred, is revised and recorded annually. The estimate is derived from both internal and external sources including but not limited to the Company's independent actuary. Acuity Brands is also self-insured up to certain limits for certain other insurable risks, primarily physical loss to property ($0.5 million per occurrence) and business interruptions resulting from such loss lasting three days or more in duration. Insurance coverage is maintained for catastrophic property and casualty exposures as well as those risks required to be insured by law or contract. Acuity Brands is fully self-insured for certain other types of liabilities, including employment practices, environmental, product recall, and patent infringement and errors and omissions. The actuarial estimates are subject to uncertainty from various sources, including, among others, changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, and economic conditions. Although Acuity Brands believes that the actuarial estimates are reasonable, significant differences related to the items noted above could materially affect the Company's self-insurance obligations, future expense and cash flow.

The Company is also self-insured for the majority of its medical benefit plans. The Company estimates its aggregate liability for claims incurred by applying a lag factor to the Company's historical claims and administrative cost experience. The appropriateness of the Company's lag factor is evaluated and revised, if necessary, annually. Although management believes that the current estimates are reasonable, significant differences related to claim reporting patterns, plan designs, legislation, and general economic conditions could materially affect the Company's medical benefit plan liabilities, future expense and cash flow.

Share-Based Compensation Expense

On September 1, 2005, the Company adopted SFAS No. 123(R), which requires compensation cost relating to share-based payment transactions be recognized in the financial statements based on the estimated fair value of the equity or liability instrument issued. The Company adopted SFAS No. 123(R) using the modified prospective method and applied it to the accounting for the Company's stock options and restricted shares, and share units representing certain deferrals into the Director Deferred Compensation Plan or the Supplemental Deferred Savings Plan (both of which are discussed further in Note 6 of *Notes to Consolidated Financial Statements*). Under the modified prospective method, share-based expense recognized after adoption includes: (a) share-based expense for all awards granted prior to, but not yet vested as of September 1, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, and (b) share-based expense for all awards granted subsequent to September 1, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). The Company recorded $13.3 million, $14.0 million, and $9.4 million of share-based expense for the years ended August 31, 2007, 2006, and 2005, respectively. Prior to September 1, 2005, as permitted by SFAS 123, the Company accounted for share-based payments to employees using Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25") and, therefore, recorded no share-based expense for employee stock options. Results for prior periods have not been restated. The Company continues to account for any awards with graded vesting on a straight-line basis.

SFAS No. 123(R) does not specify a preference for a type of valuation model to be used when measuring fair value of share-based payments, and the Company continues to employ the Black-Scholes model in deriving the fair value estimates of such awards. SFAS No. 123(R) requires forfeitures of share-based awards to be estimated at time of grant and revised in subsequent periods if actual forfeitures differ from initial estimates.

Therefore, expense related to share-based payments recognized in fiscal 2006 and 2007 has been reduced for estimated forfeitures. The Company's assumptions used in the Black-Scholes model remain otherwise unaffected by the implementation of this pronouncement. As of August 31, 2007, there was $28.7 million of total unrecognized compensation cost related to unvested restricted stock. That cost is expected to be recognized over a weighted-average period of 2.6 years. As of August 31, 2007, there was $2.6 million of total unrecognized compensation cost related to unvested options. That cost is expected to be recognized over a weighted-average period of two years. The cumulative effect of adoption of SFAS No. 123(R) in fiscal 2006 was insignificant to the Company's results of operations. Forfeitures are estimated based on historical experience. If factors change causing different assumptions to be made in future periods, compensation expense recorded pursuant to SFAS No. 123(R) may differ significantly from that recorded in the current period. See Notes 2 and 6 of *Notes to Consolidated Financial Statements* for more information regarding the assumptions used in estimating the fair value of stock options as well as for the financial implications associated with the adoption of SFAS No. 123(R).

Product Warranty

Acuity Brands records an allowance for the estimated amount of future warranty costs when the related revenue is recognized, primarily based on historical experience of identified warranty claims. Excluding costs related to recalls due to faulty components provided by third parties, historical warranty costs have been within expectations. However, there can be no assurance that future warranty costs will not exceed historical amounts. If actual future warranty costs exceed historical amounts, additional allowances may be required, which could have a material adverse impact on the Company's operating results and cash flow in future periods.

Litigation

Acuity Brands recognizes expense for legal claims when payments associated with the claims become probable and can be reasonably estimated. Due to the difficulty in estimating costs of resolving legal claims, actual costs may be substantially higher or lower than the amounts reserved.

Environmental Matters

The Company recognizes expense for known environmental claims when payments associated with the claims become probable and the costs can be reasonably estimated. The actual cost of resolving environmental issues may be higher or lower than that reserved primarily due to difficulty in estimating such costs and potential changes in the status of government regulations. The Company is self-insured for most environmental matters.

Cautionary Statement Regarding Forward-Looking Information

This filing contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Statements made herein that may be considered forward-looking include statements incorporating terms such as "expects," "believes," "intends," "anticipates" and similar terms that relate to future events, performance, or results of the Company, including, without limitation, statements made relating to: (a) the expected lack of engagement in significant commodity hedging transactions for raw materials and advanced purchases of certain materials; (b) the expected impact of increases in the cost of raw materials or a reduction in the number of suppliers on the Company's operations; (c) the seasonality of the business; (d) the expected impact of the Company's initiatives to become more globally competitive; (e) the activities that will be implemented to help the Company achieve its long-term goals, the expected outcome of these activities, and the Company's progress towards those goals; (f) the potential impact of the loss of certain of the Company's facilities and the related impact of various insurance programs in place; (g) the ability to increase production without substantial capital expenditures; (h) the Company's expectations regarding liquidity and availability under its financing arrangements to fund its operations as currently planned and its anticipated capital investment and profit improvement initiatives, debt payments, dividend payments, potential repurchase of up to an additional million shares of the Company's outstanding common stock, and required contributions into its defined benefit plans; (i) the planned spending of approximately $40 million to $45 million for new plant and equipment and new and enhanced information technology capabilities at both businesses during 2008; (j) the expected contribution by the Company to fund its defined benefit plans and the planned payment of annual dividends in 2008 consistent with those paid in 2007; (k) the expected realization of benefits from the additional actions to

accelerate its efforts to streamline and improve its operations and to enhance the efficiencies of its facilities, the timing of the realization of those benefits, and the impact on fiscal 2008; (l) the expected effective income tax rate in fiscal 2008; (m) external forecasts that are projecting unit volume growth in calendar 2007 in the non-residential construction industry and the impact on the Company's unit volume; (n) the impact of accounting standards yet to be adopted on the results of operations and financial position; (o) the impact of changes in critical accounting estimates on the results of operations; and (p) the expected benefits to the Company and its stockholders of the spin-off; (q) the tax-free nature of the distribution of Zep common stock to stockholders of Acuity Brands in the spin-off; (r) the intention to simplify the Company's structure subsequent to the spin-off of its specialty products business, and any estimates pertaining to potential costs and/or savings from these actions; (s) statements estimating the amount of professional expected to be incurred in fiscal 2008 in connection with the spin-off; (t) statements regarding the Company's debt to equity relationship subsequent to the spin-off; (u) the optimism surrounding Acuity Brands' future prospects after the spin-off; (v) the non-residential and residential construction markets susceptibility to turmoil in the global credit markets; (w) the Company's belief that key to delivering positive results in 2008 will be the ability to continue to execute on and realize benefit from investments in various programs; (x) the Company's belief that conditions exist that could lead to growth in the non-residential construction market in 2008; (y) management's intent to proactively position ABL to better leverage ABL's market presence; (z) the belief that opportunity exists within the retrofit market; (aa) the expectation for Acuity Brands' growth in key markets by accelerating new product introductions and improving service and quality; (bb) management's expectations to meet or exceed its long-term financial goals assuming no dramatic change in the current condition of the Company's key markets. You are cautioned not to place undue reliance on any forward looking statements, which speak only as of the date of this annual report. Except as required by law, the Company undertake no obligation to publicly update or release any revisions to these forward-looking statements to reflect any events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events. A variety of risks and uncertainties could cause the Company's actual results to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. A number of those risks are discussed above in Item 1a.: *Risk Factors*.

Item 7a. *Quantitative and Qualitative Disclosures about Market Risk*

General. Acuity Brands is exposed to market risks that may impact the *Consolidated Balance Sheets*, *Consolidated Statements of Operations*, and *Consolidated Statements of Cash Flows* due primarily to changing interest rates and foreign exchange rates. The following discussion provides additional information regarding the market risks of Acuity Brands.

Interest Rates. Interest rate fluctuations expose the variable-rate debt of Acuity Brands to changes in interest expense and cash flows. The variable-rate debt of Acuity Brands, primarily long-term industrial revenue bonds, amounted to $11.5 million at August 31, 2007. Based on outstanding borrowings at year end, a 10% increase in market interest rates at August 31, 2007, would have resulted in a de minimus amount of additional annual after-tax interest expense. A fluctuation in interest rates would not affect interest expense or cash flows related to the $359.9 million publicly traded fixed-rate notes, the Company's primary debt. A 10% increase in market interest rates at August 31, 2007, would have decreased the fair value of these notes by approximately $4.4 million. See Note 4 of the *Notes to Consolidated Financial Statements*, contained in this Form 10-K, for additional information regarding the Company's long-term debt.

Foreign Exchange Rates. The majority of net sales, expense, and capital purchases of Acuity Brands are transacted in U.S. dollars. However, exposure with respect to foreign exchange rate fluctuation exists due to the Company's operations in Canada, where a portion of products sold are sourced from the United States. A hypothetical decline in the Canadian dollar of 10% would negatively impact operating profit by approximately $8.0 million. Also, a portion of the goods sold in the United States are manufactured in Mexico. A hypothetical 10% increase in the Mexican peso would negatively impact operating profits by approximately $4.9 million. The impact of these hypothetical currency fluctuations has been calculated in isolation from any response the Company would undertake to address such exchange rate changes in the Company's foreign markets.

Item 8. ***Financial Statements and Supplementary Data***

Index to Consolidated Financial Statements

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

ACUITY BRANDS, INC.

The management of Acuity Brands, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of August 31, 2007. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework. Based on this assessment, management believes that, as of August 31, 2007, the Company's internal control over financial reporting is effective.

The Company's independent registered public accounting firm has issued an audit report on this assessment of the Company's internal control over financial reporting. This report dated October 25, 2007 appears on page 48 of this Form 10-K.

/s/ Vernon J. Nagel	/s/ Richard K. Reece
Vernon J. Nagel Chairman, President, and Chief Executive Officer	Richard K. Reece Executive Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Acuity Brands, Inc.

We have audited the accompanying consolidated balance sheets of Acuity Brands, Inc. as of August 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended August 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Acuity Brands, Inc. at August 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the three years in the period ended August 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 3 to the consolidated financial statements, during the year ended August 31, 2007, the Company adopted the recognition and disclosure provisions of Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statement Nos. 87, 88, 106, and 132(R)."

As discussed in Note 2 to the consolidated financial statements, during the year ended August 31, 2006, the Company began recording share-based expense in accordance with Statement of Financial Accounting Standards No. 123(R) "Share-Based Payment".

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Acuity Brands, Inc.'s internal control over financial reporting as of August 31, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated October 25, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
October 25, 2007

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

The Board of Directors and Stockholders
Acuity Brands, Inc.

We have audited Acuity Brands, Inc.'s internal control over financial reporting as of August 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Acuity Brands, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Acuity Brands, Inc. maintained, in all material respects, effective internal control over financial reporting as of August 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Acuity Brands, Inc. as of August 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended August 31, 2007 of Acuity Brands, Inc. and our report dated October 25, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
October 25, 2007

ACUITY BRANDS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per-share data)

	August 31, 2007	August 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 222,816	$ 88,648
Accounts receivable, less reserve for doubtful accounts of $4,864 at August 31, 2007, and $6,205 at August 31, 2006	388,646	379,622
Inventories	192,070	209,319
Deferred income taxes	21,772	22,456
Prepayments and other current assets	42,681	37,600
Total current assets	867,985	737,645
Property, plant, and equipment, at cost:		
Land	12,562	12,436
Buildings and leasehold improvements	172,620	167,488
Machinery and equipment	391,961	396,874
Total property, plant, and equipment	577,143	576,798
Less accumulated depreciation and amortization	363,405	365,529
Property, plant, and equipment, net	213,738	211,269
Other assets:		
Goodwill	384,809	346,188
Intangible assets	118,892	120,287
Deferred income taxes	2,165	5,752
Defined benefit plan intangible assets	2,587	693
Other long-term assets	22,332	22,282
Total other assets	530,785	495,202
Total assets	$ 1,612,508	$ 1,444,116
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 296	$ 643
Accounts payable	247,176	243,593
Accrued compensation	79,835	69,360
Accrued pension liabilities, current	1,268	1,120
Other accrued liabilities	141,821	113,078
Total current liabilities	470,396	427,794
Long-term debt, less current maturities	371,027	371,252
Accrued pension liabilities, less current portion	22,043	28,448
Deferred income taxes	12,491	12,974
Self-insurance reserves, less current portion	16,404	14,774
Other long-term liabilities	48,181	46,615
Commitments and contingencies (see *Note 7*)		
Stockholders' equity:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, none issued	—	—
Common stock, $0.01 par value, 500,000,000 shares authorized; 49,323,225 issued and 43,314,625 outstanding at August 31, 2007; and 48,062,506 issued and 43,062,506 outstanding at August 31, 2006	493	481
Paid-in capital	611,701	560,973
Retained earnings	313,850	192,155
Accumulated other comprehensive loss items	(9,513)	(16,492)
Treasury stock, at cost, 6,008,600 shares at August 31, 2007	(244,565)	(194,858)
Total stockholders' equity	671,966	542,259
Total liabilities and stockholders' equity	$ 1,612,508	$ 1,444,116

The accompanying *Notes to Consolidated Financial Statements* are an integral part of these statements.

ACUITY BRANDS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per-share data)

	Years Ended August 31,		
	2007	2006	2005
Net Sales	$ 2,530,668	$ 2,393,123	$ 2,172,854
Cost of Products Sold	1,460,775	1,423,096	1,324,311
Gross Profit	1,069,893	970,027	848,543
Selling, Distribution, and Administrative Expenses	812,958	772,326	718,134
Special Charge	—	—	23,000
Impairment Charge	—	292	664
Operating Profit	256,935	197,409	106,745
Other Expense (Income):			
Interest expense, net	30,140	33,231	35,731
Gain on sale of businesses	—	—	(538)
Miscellaneous (income) expense, net	(1,092)	425	(3,280)
Total Other Expense	29,048	33,656	31,913
Income before Provision for Income Taxes	227,887	163,753	74,832
Provision for Income Taxes	79,833	57,191	22,603
Net Income	$ 148,054	$ 106,562	$ 52,229
Earnings Per Share:			
Basic Earnings per Share	$ 3.48	$ 2.43	$ 1.21
Basic Weighted Average Number of Shares Outstanding	42,585	43,884	43,135
Diluted Earnings per Share	$ 3.37	$ 2.34	$ 1.17
Diluted Weighted Average Number of Shares Outstanding	43,897	45,579	44,752
Dividends Declared per Share	$ 0.60	$ 0.60	$ 0.60

The accompanying *Notes to Consolidated Financial Statements* are an integral part of these statements.

ACUITY BRANDS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended August 31,		
	2007	2006	2005
Cash Provided by (Used for) Operating Activities:			
Net income	$148,054	$ 106,562	$ 52,229
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation and amortization	38,405	39,012	41,075
Excess tax benefits from share-based payments	(15,360)	(17,282)	—
Loss (gain) on the sale of property, plant, and equipment	(207)	1,041	(1,871)
Gain on sale of business	—	—	(538)
Deferred income taxes	3,400	1,473	(2,239)
Other non-cash charges	8,958	7,287	9,110
Change in assets and liabilities, net of effect of acquisitions and divestitures -			
Accounts receivable	(5,514)	(33,853)	(12,869)
Inventories	18,627	6,169	6,670
Prepayments and other current assets	(5,065)	(4,590)	2,213
Accounts payable	2,593	21,749	14,657
Other current liabilities	49,139	23,191	19,518
Other	(1,869)	5,124	9,132
Net Cash Provided by Operating Activities	241,161	155,883	137,087
Cash Provided by (Used for) Investing Activities:			
Purchases of property, plant, and equipment	(36,869)	(28,560)	(32,636)
Proceeds from the sale of property, plant, and equipment	1,745	4,751	2,987
Sale of business	164	151	251
Acquisition of business	(43,523)	—	—
Net Cash Used for Investing Activities	(78,483)	(23,658)	(29,398)
Cash Provided by (Used for) Financing Activities:			
Repayments of revolving credit facility, net	—	—	(4,000)
Repayments of long-term debt	(648)	(473)	(19,486)
Employee stock purchase plan issuances	741	272	1,589
Stock options exercised	25,756	61,202	25,519
Repurchases of common stock	(44,963)	(194,858)	—
Excess tax benefits from share-based payments	15,360	17,282	—
Dividends	(26,359)	(26,854)	(26,342)
Net Cash Used for Financing Activities	(30,113)	(143,429)	(22,720)
Effect of Exchange Rate Changes on Cash	1,603	1,319	(571)
Net Change in Cash and Cash Equivalents	134,168	(9,885)	84,398
Cash and Cash Equivalents at Beginning of Year	88,648	98,533	14,135
Cash and Cash Equivalents at End of Year	$222,816	$ 88,648	$ 98,533
Supplemental Cash Flow Information:			
Income taxes paid during the year	$ 51,356	$ 40,946	$ 27,147
Interest paid during the year	34,304	34,184	36,517

The accompanying *Notes to Consolidated Financial Statements* are an integral part of these statements.

ACUITY BRANDS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME
(In thousands, except share and per-share data)

	Compre-hensive Income	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss) Items: Minimum Pension Liability	Accumulated Other Comprehensive Income (Loss) Items: Forward Contracts	Accumulated Other Comprehensive Income (Loss) Items: Currency Translation Adjustment	Treasury Stock	Unearned Compen-sation on Restricted Stock	Total
Balance, August 31, 2004	—	426	425,807	86,560	(22,991)	(54)	(6,162)	—	(5,609)	477,977
Comprehensive income:										
Net income	$ 52,229	—	—	52,229	—	—	—	—	—	52,229
Other comprehensive income (loss):										
Foreign currency translation adjustment (net of tax expense of $1,169)	6,131	—	—	—	—	—	6,131	—	—	6,131
Forward contracts adjustment	54	—	—	—	—	54	—	—	—	54
Minimum pension liability adjustment (net of tax benefit of $6,801)	(11,580)	—	—	—	(11,580)	—	—	—	—	(11,580)
Other comprehensive income (loss)	(5,395)									
Comprehensive income	$ 46,834									
Amortization, issuance, and forfeitures of restricted stock grants	—	6	14,941	—	—	—	—	—	(6,927)	8,020
Employee Stock Purchase Plan issuances	—	1	1,588	—	—	—	—	—	—	1,589
Cash dividends of $0.60 per share paid on common stock	—	—	—	(26,342)	—	—	—	—	—	(26,342)
Stock options exercised	—	17	25,502	—	—	—	—	—	—	25,519
Tax effect on stock options and restricted stock	—	—	8,196	—	—	—	—	—	—	8,196
Balance, August 31, 2005	—	450	476,034	112,447	(34,571)	—	(31)	—	(12,536)	541,793
Comprehensive income:										
Net income	$ 106,562	—	—	106,562	—	—	—	—	—	106,562
Other comprehensive income (loss):										
Foreign currency translation adjustment (net of tax expense of $146)	5,387	—	—	—	—	—	5,387	—	—	5,387
Minimum pension liability adjustment (net of tax benefit of $7,708)	12,723	—	—	—	12,723	—	—	—	—	12,723
Other comprehensive income (loss)	18,110									
Comprehensive income	$ 124,672									
Amortization, issuance, and forfeitures of restricted stock grants	—	1	18,749	—	—	—	—	—	—	18,750
Reversal of prior recorded Unearned Compensation on Restricted Stock	—	—	(12,536)	—	—	—	—	—	12,536	—
Employee Stock Purchase Plan issuances	—	—	272	—	—	—	—	—	—	272
Cash dividends of $0.60 per share paid on common stock	—	—	—	(26,854)	—	—	—	—	—	(26,854)
Stock options exercised	—	30	61,172	—	—	—	—	—	—	61,202
Repurchases of common stock	—	—	—	—	—	—	—	(194,858)	—	(194,858)
Tax effect on stock options and restricted stock	—	—	17,282	—	—	—	—	—	—	17,282
Balance, August 31, 2006		$ 481	$560,973	$ 192,155	$ (21,848)	$ —	$ 5,356	$(194,858)	$ —	$ 542,259
Comprehensive income:										
Net income	$ 148,054	—	—	148,054	—	—	—	—	—	148,054
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—
Foreign currency translation adjustment (net of tax expense of $0)	4,550	—	—	—	—	—	4,550	—	—	4,550
Minimum pension liability adjustment (net of tax of $6,415)	11,404	—	—	—	11,404	—	—	—	—	11,404
Other comprehensive income (loss)	15,954									
Comprehensive income	$ 164,008									
Impact of adopting SFAS 158 (net of tax of $5,015)					(8,975)					(8,975)
Amortization, issuance, and forfeitures of restricted stock grants	—	(1)	8,884	—	—	—	—	—	—	8,883
Employee Stock Purchase Plan issuances	—	—	741	—	—	—	—	—	—	741
Cash dividends of $0.60 per share paid on common stock	—	—	—	(26,359)	—	—	—	—	—	(26,359)
Stock options exercised	—	13	25,743	—	—	—	—	—	—	25,756
Repurchases of common stock	—	—	—	—	—	—	—	(49,707)	—	(49,707)
Tax effect on stock options and restricted stock	—	—	15,360	—	—	—	—	—	—	15,360
Balance, August 31, 2007		$ 493	$611,701	$ 313,850	$ (19,419)	$ —	$ 9,906	$(244,565)	$ —	$ 671,966

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except share and per-share data and as indicated)

Note 1: Description of Business and Basis of Presentation

Acuity Brands, Inc. ("Acuity Brands" or the "Company") is a holding company that owns and manages two businesses that serve distinctive markets—lighting equipment and specialty products. The lighting equipment segment designs, produces, and distributes a broad array of indoor and outdoor lighting fixtures for commercial and institutional, industrial, infrastructure, and residential applications for various markets throughout North America and select international markets. The specialty products segment formulates, produces, and distributes specialty chemical products including cleaners, deodorizers, sanitizers, and pesticides for industrial and institutional, commercial, and residential applications, primarily for various markets throughout North America and Europe.

The *Consolidated Financial Statements* have been prepared by the Company in accordance with U.S. generally accepted accounting principles and present the financial position, results of operations, and cash flows of Acuity Brands and its wholly-owned subsidiaries, including Acuity Lighting Group, Inc. ("Acuity Brands Lighting" or "ABL") and Acuity Specialty Products Group, Inc. ("Acuity Specialty Products" or "ASP"), and their respective subsidiaries, all of which are wholly-owned.

On July 23, 2007, the Company announced its intention to separate its lighting and specialty products businesses by spinning off the business of Acuity Specialty Products Group, Inc. into an independent, publicly traded company to Acuity Brands shareholders ("the spin-off"). Prior to the spin-off, the Company engaged in an internal restructuring, including a holding company reorganization. As part of the internal restructuring, the business that had previously been conducted by Acuity Specialty Products Group, Inc. was merged into its parent company and was subsequently transferred to Acuity Specialty Products, Inc. ("ASP"). ASP is now a wholly-owned subsidiary of Zep Inc., which is in turn a direct, wholly-owned subsidiary of Acuity Brands, Inc.

Zep Inc. filed a registration statement on Form 10 with the Securities and Exchange Commission, which was declared effective on October 11, 2007. The financial presentation of Zep Inc. in the Form 10 differs from the financial presentation of the Acuity Specialty Products segment in Acuity Brands financial statements primarily due to adjustments made to reflect the allocation of corporate expenses. The basis of presentation herein remains unaffected by the decision to spin-off the specialty products business as the related distribution will not be transacted until October 31, 2007. However, after the October 31, 2007 distribution date, the Acuity Specialty Products segment will be reflected as discontinued operations in all periods presented within Acuity Brands' financial statements in accordance with Statements of Financial Standards ("SFAS") No. 144: *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation

The *Consolidated Financial Statements* include the accounts of Acuity Brands and its wholly-owned subsidiaries after elimination of significant intercompany transactions and accounts.

Revenue Recognition

Acuity Brands records revenue when the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the Company's price to the customer is fixed and determinable, and collectibility is reasonably assured. Delivery is not considered to have occurred until the customer assumes the risks and rewards of ownership. Customers take delivery at the time of shipment for terms designated free on board shipping point. For sales designated free on board destination, customers take delivery when the product is delivered to the customer's delivery site. Provisions for certain rebates, sales incentives, product returns, and discounts to customers are recorded in the same period the related revenue is recorded. The Company also maintains one-time

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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or on-going marketing and trade-promotion programs with certain customers that require the Company to estimate and accrue the expected costs of such programs. These arrangements include cooperative marketing programs, merchandising of the Company's products, and introductory marketing funds for new products and other trade-promotion activities conducted by the customer. Costs associated with these programs are reflected within the Company's *Consolidated Statements of Operations* in accordance with Emerging Issues Task Force Issue No. 01-09: *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*, which in most instances requires such costs be recorded as a reduction of revenue.

The Company provides for limited product return rights to certain distributors and customers primarily for slow moving or damaged items subject to certain defined criteria. The Company monitors product returns and records, at the time revenue is recognized, a provision for the estimated amount of future returns based primarily on historical experience and specific notification of pending returns. Although historical product returns generally have been within expectations, there can be no assurance that future product returns will not exceed historical amounts. A significant increase in product returns could have a material impact on the Company's operating results in future periods.

Use of Estimates

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash in excess of daily requirements is invested in time deposits and marketable securities and is included in the accompanying balance sheets at fair value. Acuity Brands considers time deposits and marketable securities purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

The Company records accounts receivable at net realizable value. This value includes an allowance for estimated uncollectible accounts to reflect losses anticipated on accounts receivable balances. The allowance is based on historical write-offs, an analysis of past due accounts based on the contractual terms of the receivables, and economic status of customers, if known. Management believes that the allowance is sufficient to cover uncollectible amounts; however, there can be no assurance that unanticipated future business conditions of customers will not have a negative impact on the Company's results of operations.

Concentrations of Credit Risk

Concentrations of credit risk with respect to receivables, which are typically unsecured, are generally limited due to the wide variety of customers and markets using Acuity Brands' products, as well as their dispersion across many different geographic areas. Receivables from The Home Depot were approximately $60.9 million and $66.5 million at August 31, 2007 and 2006, respectively. No other single customer accounted for more than 10% of consolidated receivables at August 31, 2007. Additionally, net sales to The Home Depot through ABL and ASP accounted for approximately 14% of consolidated net sales of Acuity Brands in fiscal years 2007, 2006, and 2005.

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollar amounts in thousands, except share and per-share data and as indicated)

Reclassifications

Certain prior-period amounts have been reclassified to conform to current year presentation. In accordance with the Company's adoption of SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, ("SFAS No. 158") amounts related to the funded status of the Company's pension and profit sharing plans have been separately reflected on the *Consolidated Balance Sheets*, whereas these amounts were previously recorded within other assets and other liabilities on those statements. See Note 3 of *Notes to Consolidated Financial Statements* for further detail regarding the adoption of SFAS No. 158.

Inventories

Inventories include materials, direct labor, and related manufacturing overhead, are stated at the lower of cost (on a first-in, first-out or average cost basis) or market, and consist of the following:

	August 31,	
	2007	2006
Raw materials and supplies	$ 70,231	$ 70,839
Work in progress	12,922	14,613
Finished goods	120,231	135,518
	203,384	220,970
Less: Reserves	(11,314)	(11,651)
	$192,070	$209,319

Goodwill and Other Intangibles

Summarized information for the Company's acquired intangible assets is as follows:

	August 31, 2007		August 31, 2006	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Trademarks	$ 13,030	$ (3,521)	$ 13,030	$ (3,087)
Distribution network	53,000	(14,284)	53,000	(12,520)
Other	11,857	(7,995)	11,857	(7,007)
Total	$ 77,887	$ (25,800)	$ 77,887	$ (22,614)
Unamortized trade names:				
Balance as of August 31, 2006	$ 65,014		$ 65,014	
Mark Lighting Acquisition (1)	1,791		—	
Balance as of August 31, 2007	$ 66,805		$ 65,014	

The Company amortizes trademarks associated with specific products with finite lives and the distribution network over their estimated useful lives of 30 years. Other amortized intangible assets consist primarily of patented technology that is amortized over its estimated useful life of 12 years. Unamortized intangible assets consist of trade names that are expected to generate cash flows indefinitely. The Company tests unamortized intangible assets for impairment on an annual basis or more frequently as facts and circumstances change, as required by SFAS No. 142, *Goodwill and Other Intangible Assets*. This analysis did not result in an impairment charge during fiscal years 2007, 2006, or 2005. The Company recorded amortization expense of $3.2 million

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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related to intangible assets with finite lives during fiscal years 2007, 2006, and 2005. Amortization expense is not anticipated to fluctuate materially during the next five years.

The changes in the carrying amount of goodwill during the year are summarized as follows:

	ABL	ASP	Total
Goodwill:			
Balance as of August 31, 2006	$ 314,633	$ 31,555	$ 346,188
Mark Lighting Acquisition (1)	37,226	—	37,226
Currency translation adjustments	1,086	309	1,395
Balance as of August 31, 2007	$ 352,945	$ 31,864	$ 384,809

(1) On July 17, 2007, Acuity Brands acquired substantially all the assets and assumed certain liabilities of Mark Lighting Fixture Company, Inc. (“Mark Lighting”). The operating results of Mark Lighting have been included in the Company’s consolidated financial statements since the date of acquisition. Management continues to gather additional information about the fair value of Mark Lighting’s acquired assets and liabilities. Accordingly, the related amounts reflected in the Company’s August 31, 2007, financial statements are preliminary, including those amounts recorded as intangible assets, and could change as the purchase price allocation is finalized. The purchase of Mark Lighting is discussed further in Note 9 of the *Notes to Consolidated Financial Statements.*

The Company tests goodwill for impairment at the reporting unit level on an annual basis in the fiscal fourth quarter or sooner if events or changes in circumstances indicate that the carrying amount of goodwill may exceed its fair value. The Company’s reporting units are ABL and ASP. The goodwill impairment test has two steps. The first step identifies potential impairments by comparing the fair value of a reporting unit with its carrying value, including goodwill. The fair value of ABL and ASP are determined based on a combination of valuation techniques including the expected present value of future cash flows, a market multiple approach, and a comparable transaction approach. If the calculated fair value of a reporting unit exceeds the carrying value, goodwill is not impaired and the second step is not necessary. If the carrying value of a reporting unit exceeds the fair value, the second step calculates the possible impairment loss by comparing the implied fair value of goodwill with the carrying value. If the implied fair value of the goodwill is less than the carrying value, an impairment charge is recorded. This analysis did not result in an impairment charge during fiscal years 2007, 2006, or 2005.

Other Long-Term Assets

Other long-term assets consist of the following:

	August 31,	
	2007	2006
Long-term investments (1)	$ 12,079	$ 14,718
Note receivable, net	52	1,006
Debt issue costs	429	948
Assets held for sale	3,989	4,364
Miscellaneous (2)	5,783	1,246
	$ 22,332	$ 22,282

(1) Long-term investments—The Company maintains certain investments that generate returns that offset changes in certain liabilities related to deferred compensation arrangements. The investments primarily

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollar amounts in thousands, except share and per-share data and as indicated)

consist of marketable equity securities and fixed income securities, are stated at fair value, and are classified as trading in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Realized and unrealized gains and losses are included in the *Consolidated Statements of Operations* and generally offset the change in the deferred compensation liability. The decrease since August 31, 2006 was due primarily to payments made to certain participants in these deferred compensation arrangements.

(2) Miscellaneous—In fiscal 2007 ABL began capitalizing certain costs associated with the development of marketable light monitoring and control service technologies in accordance with SFAS No. 86, *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed*. ABL also capitalized costs associated with securing the right to use intellectual property developed by others in connection with these service technologies. The majority of the increase in the miscellaneous line item depicted in the above listed tabular disclosure is reflective of capitalizable costs incurred on behalf of these initiatives.

Other Long-Term Liabilities

Other long-term liabilities consist of the following:

	August 31, 2007	August 31, 2006
Deferred compensation and postretirement benefits other than pensions (1)	$ 45,275	$ 45,256
Director deferred compensation plan	504	408
Postemployment benefit obligation (2)	421	421
Miscellaneous	1,981	530
	$ 48,181	$ 46,615

(1) Postretirement benefits other than pensions—The Company maintains several non-qualified retirement plans for the benefit of eligible employees, primarily deferred compensation plans. The deferred compensation plans provide for elective deferrals of an eligible employee's compensation and, in some cases, matching contributions by the Company. In addition, one plan provides for an automatic contribution by the Company of 3% of an eligible employee's compensation. The Company maintains certain long-term investments that offset a portion of the deferred compensation liability. The Company maintains life insurance policies on certain current and former officers and other key employees as a means of satisfying a portion of these obligations. See Note 6 to the *Notes to Consolidated Financial Statements* for more information regarding these plans.

(2) Postemployment benefit obligation—SFAS No. 112, *Employers' Accounting for Postemployment Benefits*, requires the accrual of the estimated cost of benefits provided by an employer to former or inactive employees after employment but before retirement. Acuity Brands' accrual relates primarily to the liability for life insurance coverage for certain eligible employees.

Shipping and Handling Fees and Costs

The Company includes shipping and handling fees billed to customers in *Net Sales*. Shipping and handling costs associated with inbound freight and freight between manufacturing facilities and distribution centers are generally recorded in *Cost of Products Sold*. Other shipping and handling costs are included in *Selling, Distribution, and Administrative Expenses* and totaled $120.3 million, $120.8 million, and $104.1 million in fiscal years 2007, 2006, and 2005, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollar amounts in thousands, except share and per-share data and as indicated)

Share-Based Compensation

Effective September 1, 2005, the Company adopted Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*. SFAS No. 123(R) requires that compensation cost relating to share-based payment transactions be recognized in financial statements and that this cost be measured based on the estimated fair value of the equity or liability instrument issued. SFAS No. 123(R) also requires that forfeitures be estimated over the vesting period of the instrument. The Company adopted SFAS No. 123(R) using the modified prospective method and applied it to the accounting for the Company's stock options and restricted shares, and share units representing certain deferrals into the Director Deferred Compensation Plan or the Supplemental Deferred Savings Plan (see Note 6 of *Notes to Consolidated Financial Statements* for further discussion of these plans). Under the modified prospective method, share-based expense recognized after adoption includes: (a) share-based expense for all awards granted prior to, but not yet vested as of September 1, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, and (b) share-based expense for all awards granted subsequent to September 1, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). Prior to September 1, 2005, as permitted by SFAS No. 123, the Company accounted for share-based payments to employees using Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* and, therefore, recorded no share-based expense for employee stock options. Results for prior periods have not been restated.

Had share-based expense for the Company's stock option plans and employee stock purchase plans been determined based on a calculated fair value using the Black-Scholes model at the grant date for awards subsequent to the Distribution (see definition of Distribution in the *Long-Term Debt* section of Note 4 of *Notes to Consolidated Financial Statements*), consistent with the recognition provisions of SFAS No. 123(R), the Company's net income and earnings per share would have been impacted as follows for the year ended August 31, 2005:

	Year Ended August 31, 2005
Net income, as reported	$ 52,229
Less: Compensation expense related to the Employee Stock Purchase Plan, net of tax	218
Less: Stock-based compensation determined under fair value based method for stock option awards, net of tax	2,531
Net income, pro forma	$ 49,480
Earnings per share:	
Basic earnings per share – as reported	$ 1.21
Basic earnings per share – pro forma	$ 1.14
Diluted earnings per share – as reported	$ 1.17
Diluted earnings per share – pro forma	$ 1.10

The pro forma effect of applying SFAS No. 123(R) may not be representative of the effect on reported net income in future years because options vest over several years, and varying amounts of awards are generally made each year. Employee contributions to the Acuity Brands, Inc. Employee Stock Purchase Plan were suspended at the end of the third quarter of fiscal 2005. The Company began accepting contributions under new terms in the third quarter of fiscal 2006. The new terms allow this plan to be considered non-compensatory under SFAS No. 123(R).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Prior to the adoption of SFAS No. 123(R), the Company recognized the full fair value of restricted stock awards upon issuance within stockholders' equity. At the end of fiscal 2005, approximately $12.5 million of deferred compensation costs had been recognized in paid-in capital, offset by an equal amount recorded in unearned compensation on restricted stock. Pursuant to the adoption of SFAS No. 123(R) in fiscal 2006, the Company reversed previously recorded deferred compensation costs, and recognized equity instruments pertaining to restricted stock awards in accordance with the related awards' vesting provisions.

Share-based expense includes expense related to restricted stock and options issued, as well as share units deferred into either the Director Deferred Compensation Plan or the Supplemental Deferred Savings Plan. The Company recorded $13.3 million, $14.0 million, and $9.4 million of share-based expense for the years ending August 31, 2007, 2006, and 2005, respectively. The total income tax benefit recognized in the income statement for share-based compensation arrangements was $4.7 million, $4.9 million, $2.8 million for the years ended August 31, 2007, 2006, and 2005, respectively. The Company did not capitalize any expense related to share-based payments and has recorded share-based expense in *Selling, Distribution, and Administrative Expenses*. The Company accounts for any awards with graded vesting on a straight-line basis.

On November 10, 2005, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 123(R)-3, *Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards.* The Company has elected to adopt the alternative transition method permissible under this FASB Staff Position for calculating the tax effects of stock-based compensation pursuant to SFAS No. 123(R). The alternative transition method simplifies establishment of the beginning balance of the additional paid-in capital pool related to the tax effects of employee stock-based compensation. SFAS No. 123(R) requires that the benefit of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as required under prior guidance. Excess tax benefits of $15.4 million and $17.3 million were included in financing activities in the Company's *Statements of Cash Flows* for the years ended August 31, 2007 and 2006.

See Note 6 of *Notes to Consolidated Financial Statements* for more information.

Depreciation

For financial reporting purposes, depreciation is determined principally on a straight-line basis using estimated useful lives of plant and equipment (10 to 40 years for buildings and related improvements and 5 to 15 years for machinery and equipment) while accelerated depreciation methods are used for income tax purposes. Leasehold improvements are amortized over the life of the lease or the useful life of the improvement, whichever is shorter.

Research and Development

Research and development costs, which are included in *Selling, Distribution, and Administrative Expenses* in the Company's *Consolidated Statements of Operations*, are expensed as incurred. Research and development expenses amounted to $33.6 million, $32.3 million, and $29.3 million during the fiscal years 2007, 2006, and 2005, respectively.

Advertising

Advertising costs are expensed as incurred and are included within *Selling, Distribution, and Administrative Expenses* in the Company's *Consolidated Statements of Operations*. These costs totaled $8.3 million, $9.6 million, and $8.7 million during fiscal years 2007, 2006, and 2005, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollar amounts in thousands, except share and per-share data and as indicated)

Service Arrangements with Customers

Acuity Brands Lighting maintains a service program with one of its retail customers that affords the Company certain in-store benefits, including lighting display maintenance. Costs associated with this program totaled $5.4 million, $5.6 million, and $4.9 million in fiscal years 2007, 2006, and 2005, respectively. These costs have been included within the *Selling, Distribution, and Administrative Expenses* line item of the Company's *Consolidated Statements of Operations* in accordance with EITF Issue 01-09: *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*.

Foreign Currency Translation

The functional currency for the foreign operations of Acuity Brands is the local currency. The translation of foreign currencies into U.S. dollars is performed for balance sheet accounts using exchange rates in effect at the balance sheet dates and for revenue and expense accounts using a weighted average exchange rate each month during the year. The gains or losses resulting from the translation are included in *Comprehensive Income* in the *Consolidated Statements of Stockholders' Equity and Comprehensive Income* and are excluded from net income.

Gains or losses resulting from foreign currency transactions are included in *Miscellaneous expense (income), net* in the *Consolidated Statements of Operations* and were insignificant in fiscal years 2007, 2006, and 2005.

Interest Expense, Net

Interest expense, net, is comprised primarily of interest expense on long-term debt, revolving credit facility borrowings, short-term borrowings, and loans collateralized by assets related to the Acuity Brands company-owned life insurance program, partially offset by interest income on cash and cash equivalents.

The following table summarizes the components of interest expense, net:

	Years Ended August 31,		
	2007	2006	2005
Interest expense	$34,649	$34,535	$36,735
Interest income	(4,509)	(1,304)	(1,004)
Interest expense, net	$30,140	$33,231	$35,731

Miscellaneous Expense (Income), Net

Miscellaneous expense (income), net, is composed primarily of gains or losses on foreign currency transactions.

Accounting Standards Yet to Be Adopted

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS No. 159"). SFAS No. 159 permits companies, at their election, to measure specified financial instruments and warranty and insurance contracts at fair value on a contract-by-contract basis, with changes in fair value recognized in earnings each reporting period. The election, called the "fair value option," will enable some companies to reduce the volatility in reported earnings caused by measuring related assets and liabilities differently, and it is easier than using the complex hedge-accounting requirements in SFAS No. 133, *Accounting*

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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for Derivative Instruments and Hedging Activities, to achieve similar results. Subsequent changes in fair value for designated items will be required to be reported in earnings in the current period. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and is therefore effective for the Company beginning in fiscal year 2009. The Company is currently assessing the effect of implementing this guidance, which is dependent upon the nature and extent of eligible items elected to be measured at fair value upon initial application of the standard. However, Acuity Brands does not expect the adoption of SFAS No. 159 to have a material impact on the Company's results of operations and financial position.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 establishes a single authoritative definition of fair value, establishes a framework for measuring fair value, and expands disclosure requirements pertaining to fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years, and is therefore effective for the Company beginning in fiscal year 2009. The Company is currently evaluating the impact that this guidance will have on its results of operations and financial position.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a recognition threshold and measurement attribute for the financial statement implications of tax positions taken or expected to be taken in a company's tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure of such positions. FIN 48 is effective for fiscal years beginning after December 15, 2006, and is therefore effective for the Company in fiscal year 2008. Acuity Brands is in the process of finalizing its evaluation of the impact that adopting FIN 48 will have on the Company's results of operations, however at this time the Company does not expect the impact to materially affect its operations.

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments* ("SFAS No. 155"), which amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133") and SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ("SFAS No. 140"). SFAS No. 155 simplifies the accounting for certain derivatives embedded in other financial instruments by allowing them to be accounted for as a whole if the holder elects to account for the instrument on a fair value basis. SFAS No. 155 also clarifies and amends certain other provisions of SFAS No. 133 and SFAS No. 140. SFAS No. 155 is effective for all financial instruments acquired, issued, or subject to a remeasurement event occurring in fiscal years beginning after September 15, 2006, and is therefore effective for the Company in fiscal year 2008. Earlier adoption is permitted, provided companies have not yet issued financial statements, including interim periods, for that fiscal year. The Company does not expect the adoption of SFAS No. 155 to have a material impact on the Company's results of operations and financial position.

Accounting Standards Adopted in Fiscal 2007

In June 2006, the FASB issued Emerging Issues Task Force ("EITF") 06-03, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation)* ("EITF 06-03"). The consensus reached in EITF 06-03 provides that the presentation of taxes assessed by a governmental authority that are directly imposed on revenue-producing transactions (e.g. sales, use, value added and excise taxes) between a seller and a customer on either a gross basis (included in revenues and costs) or on a net basis (excluded from revenues) is an accounting policy decision that should be disclosed. In addition, for any such taxes that are reported on a gross basis, the amounts of those taxes should be disclosed in interim and annual financial statements for each period for which an income statement is

presented if those amounts are significant. EITF 06-03 is effective for interim and annual reporting periods beginning after December 15, 2006, and thus became effective for Acuity Brands during the third quarter of fiscal 2007. As a matter of accounting policy, the Company records all taxes within the scope of EITF 06-03 on a net basis.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("SFAS No. 158"). SFAS No. 158 requires an employer to: (a) recognize in its statement of financial position the funded status of a benefit plan; (b) measure defined benefit plan assets and obligations as of the end of the employer's fiscal year (with limited exceptions); and (c) recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise but are not recognized as components of net periodic benefit costs pursuant to prior existing guidance. The provisions governing recognition of the funded status of a defined benefit plan and related disclosures became effective for the Company at the end of fiscal year 2007. For additional information about the impact of SFAS 158 on the Company's defined pension and other postretirement benefit plans, refer to Note 3 of the *Notes to Consolidated Financial Statements.* The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008, and is therefore effective for the Company in fiscal year 2009. The Company measures the funded status of its employee benefit plans as of May 31 each year, and does not anticipate the future change in measurement date to August 31 will have a material impact on the Company's results of operations and financial position.

Note 3: Pension and Profit Sharing Plans

Acuity Brands has several pension plans covering certain hourly and salaried employees. Benefits paid under these plans are based generally on employees' years of service and/or compensation during the final years of employment. Acuity Brands makes annual contributions to the plans to the extent indicated by actuarial valuations and required by ERISA. Plan assets are invested primarily in equity and fixed income securities.

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(Dollar amounts in thousands, except share and per-share data and as indicated)

Effective August 31, 2007, the Company adopted the recognition and disclosure provisions of SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("SFAS No. 158"). The following tables reflect the status of Acuity Brands' domestic (U.S. based) and international pension plans at August 31, 2007 and 2006, subsequent to the adoption of SFAS No. 158. The values of the below listed amounts were measured as of May 31, 2007 and 2006, respectively:

	Domestic Plans August 31,		International Plans August 31,	
	2007	2006	2007	2006
Change in Benefit Obligation:				
Benefit obligation at beginning of year	$103,610	$117,864	$35,029	$ 28,627
Service cost	2,420	2,779	71	55
Interest cost	6,275	6,035	1,804	1,409
Plan amendments	—	22	—	—
Actuarial loss (gain)	5,807	(16,983)	(920)	3,443
Benefits paid	(7,324)	(6,107)	(484)	(351)
Other	—	—	2,051	1,846
Benefit obligation at end of year	$110,788	$103,610	$37,551	$ 35,029
Change in Plan Assets:				
Fair value of plan assets at beginning of year	$ 83,719	$ 77,298	$23,699	$ 17,605
Actual return on plan assets	13,318	7,206	3,683	3,992
Employer contributions	8,168	5,322	1,234	1,130
Benefits paid	(7,324)	(6,107)	(415)	(305)
Other	—	—	1,533	1,277
Fair value of plan assets at end of year	$ 97,881	$ 83,719	$29,734	$ 23,699
Funded status at August 31, 2007:				
Net amount recognized in Consolidated Balance Sheets	$ (12,907)	$ (19,891)	$ (7,817)	$(11,330)
Amounts Recognized in the Consolidated Balance Sheets Consist of:				
Non-current assets	$ 2,587	N/A(1)	$ —	N/A(1)
Current liabilities	(1,194)	N/A(1)	(74)	N/A(1)
Non-current liabilities	(14,300)	N/A(1)	(7,743)	N/A(1)
Net amount recognized in Consolidated Balance Sheets	$ (12,907)	N/A(1)	$ (7,817)	N/A(1)
Accumulated Benefit Obligation	$108,928	$102,993	$35,214	$ 33,817
Amounts in accumulated other comprehensive income:				
Prior service cost	$ (436)	N/A(1)	$ —	N/A(1)
Net actuarial loss	(24,387)	N/A(1)	(9,400)	N/A(1)
Accumulated other comprehensive income	$ (24,823)	N/A(1)	$ (9,400)	N/A(1)

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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	Domestic Plans August 31,		International Plans August 31,	
	2007	2006	2007	2006
Estimated amounts that will be amortized from accumulated comprehensive income over the next fiscal year:				
Prior service cost	$ 24	N/A(1)	$ —	N/A(1)
Net actuarial loss (gain)	884	N/A(1)	380	N/A(1)
Incremental effect of adopting SFAS No. 158:				
Increase in assets	$ 2,410	N/A(1)	$ —	N/A(1)
Increase in liabilities	1,116	N/A(1)	2,282	N/A(1)
Decrease in accumulated other comprehensive income	11,720	N/A(1)	2,270	N/A(1)
Increase in deferred tax asset	4,379	N/A(1)	636	N/A(1)

(1) These disclosures are required by and the underlying amounts have been measured in accordance with SFAS No. 158, which the Company adopted during fiscal 2007. The disclosures after adoption are not applicable for periods preceding the adoption of this pronouncement.

The fair value of plan assets associated with certain of the Company's domestic defined benefit plans did not exceed those plans' projected and accumulated benefit obligations in fiscal 2007. The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for domestic defined benefit pension plans with both projected and accumulated benefit obligations in excess of plan assets were $59.5 million, $57.6 million, and $43.4 million, respectively. Prior to fiscal 2007 both the projected and accumulated benefit obligations associated with all of the Company's domestic defined benefit plans exceeded those plans' respective plan assets. The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for domestic defined benefit pension plans with both projected and accumulated benefit obligations in excess of plan assets were, as of August 31, 2006, and $103.6 million, $102.9 million, and $83.7 million, respectively. The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for international defined benefit pension plans with both projected and accumulated benefit obligations in excess of plan assets were $37.6 million, $35.2 million, and $29.7 million, respectively, as of August 31, 2007, and $35.0 million, $33.8 million, and $23.7 million, respectively, as of August 31, 2006.

The following table summarizes information about the Company's employee benefit plans prior to the adoption of SFAS No. 158:

	Domestic Plans 2006	International Plans 2006
Amounts Recognized in the Consolidated Balance Sheets Consist of:		
Accrued benefit liability	$ (19,357)	$ (10,211)
Intangible asset	693	—
Accumulated other comprehensive loss	25,182	9,209
Net amount recognized at end of year	$ 6,518	$ (1,002)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Components of net periodic pension cost for the fiscal years ended August 31, 2007, 2006, and 2005 included the following:

	Domestic Plans			International Plans		
	2007	2006	2005	2007	2006	2005
Service cost	$ 2,420	$ 2,779	$ 2,396	$ 71	$ 55	$ 743
Interest cost	6,275	6,035	6,121	1,804	1,409	1,517
Expected return on plan assets	(7,099)	(6,444)	(6,089)	(1,777)	(1,145)	(1,183)
Amortization of prior service cost	26	52	89	—	—	—
Amortization of transitional asset	—	(108)	(131)	—	—	—
Recognized actuarial loss	1,051	2,255	1,428	599	579	368
Net periodic pension cost	$ 2,673	$ 4,569	$ 3,814	$ 697	$ 898	$ 1,445

Weighted average assumptions used in computing the benefit obligation are as follows:

	Domestic Plans		International Plans	
	2007	2006	2007	2006
Discount rate	6.0%	6.3%	5.4%	5.0%
Rate of compensation increase	5.5%	5.5%	4.1%	3.8%

Weighted average assumptions used in computing net periodic benefit cost are as follows:

	Domestic Plans			International Plans		
	2007	2006	2005	2007	2006	2005
Discount rate	6.3%	5.3%	6.5%	5.0%	5.0%	5.8%
Expected return on plan assets	8.5%	8.5%	8.5%	7.3%	6.8%	7.3%
Rate of compensation increase	5.5%	5.5%	5.5%	3.8%	3.5%	4.8%

It is the Company's policy to adjust, on an annual basis, the discount rate used to determine the projected benefit obligation to approximate rates on high-quality, long-term obligations. The Company estimates that each 100 basis point reduction in the discount rate would result in additional net periodic pension cost, the Company's primary pension obligation, of approximately $1.1 million for domestic plans. The Company's discount rate used in computing the net periodic benefit cost for its domestic plans increased by 100 basis points in 2007, which contributed to the decrease in net periodic pension cost associated with those plans. The discount rate used in computing the net periodic pension cost for the Company's international plans remained consistent with that of the prior year. The larger of these two plans was frozen during fiscal 2005 and replaced with a defined contribution plan. The expected return on plan assets is derived from a periodic study of long-term historical rates of return on the various asset classes included in the Company's targeted pension plan asset allocation. The Company estimates that each 100 basis point reduction in the expected return on plan assets would result in additional net periodic pension cost of $1.0 million and $0.3 million for domestic plans and international plans, respectively. The rate of compensation increase is also evaluated and is adjusted by the Company, if necessary, annually.

The Company's investment objective for U.S. plan assets is to earn a rate of return sufficient to match or exceed the long-term growth of the Plans' liabilities without subjecting plan assets to undue risk. The plan assets

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are invested primarily in high quality equity and debt securities. The Company conducts a periodic strategic asset allocation study to form a basis for the allocation of pension assets between various asset categories. Specific allocation percentages are assigned to each asset category with minimum and maximum ranges established for each. The assets are then managed within these ranges. During 2007, the U.S. targeted asset allocation was 55% equity securities, 40% fixed income securities, and 5% real estate securities. The Company's investment objective for the international plan assets is also to add value by matching or exceeding the long-term growth of the Plans' liabilities. During 2007, the international asset target allocation was 86% equity securities, 12% fixed income securities, and 2% real estate securities.

Acuity Brands' pension plan asset allocation at August 31, 2007 and 2006 by asset category is as follows:

	% of Plan Assets			
	Domestic Plans		International Plans	
	2007	2006	2007	2006
Equity securities	54.7%	59.2%	83.1%	83.9%
Fixed income securities	38.8%	34.5%	14.8%	14.1%
Real estate	6.5%	6.3%	2.1%	2.0%
Total	100.0%	100.0%	100.0%	100.0%

The Company expects to contribute approximately $2.1 million and $1.3 million to its domestic and international defined benefit plans, respectively, during 2008. These amounts are based on the total contributions needed during 2008 to satisfy current legal minimum funding requirements.

Benefit payments are made primarily from funded benefit plan trusts. Benefit payments are expected to be paid as follows for the years ending August 31:

	Domestic	International
2008	$ 6,100	$ 477
2009	5,839	498
2010	6,001	520
2011	6,238	578
2012	6,515	658
2013-2017	37,760	5,110

Acuity Brands also has defined contribution plans to which both employees and the Company make contributions. The cost to Acuity Brands for these plans was $8.3 million in 2007, $7.1 million in 2006, and $6.6 million in 2005. Effective February 2002, participants in all of the Company's defined contribution plans were permitted to direct the investments of all funds in their respective plan, thereby eliminating the nonparticipant-directed funds. Employer matching amounts are allocated in accordance with the participants' investment elections for elective deferrals. At August 31, 2007, assets of the domestic defined contribution plans included shares of the Company's common stock with a market value of approximately $20.9 million, which represented approximately 5.0% of the total fair market value of the assets in the Company's domestic defined contribution plans.

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Note 4: Long-Term Debt and Lines of Credit

Long-Term Debt

The Company's long-term debt at August 31, 2007 and 2006, consisted of the following:

	2007	2006
6% notes due February 2009 with an effective interest rate of 6.04%, net of unamortized discount of $59 in 2007 and $101 in 2006	$ 159,941	$ 159,899
8.375% notes due August 2010 with an effective interest rate of 8.398%, net of unamortized discount of $72 in 2007 and $96 in 2006	199,928	199,904
Other notes	11,454	12,092
	371,323	371,895
Less – Amounts payable within one year included in current liabilities	296	643
	$ 371,027	$ 371,252

Future annual principal payments of long-term debt are as follows for fiscal years ending August 31:

	Amount
2008	$ 296
2009	159,941
2010	199,928
2011	—
2012	—
Thereafter	11,158
	$ 371,323

Prior to November 30, 2001, Acuity Brands was a wholly-owned subsidiary of National Service Industries, Inc. ("NSI") owning and operating the lighting equipment and specialty products businesses. Acuity Brands was spun off from NSI into a separate publicly traded company with its own management and Board of Directors through a tax-free distribution ("Distribution") of 100% of the outstanding shares of common stock of Acuity Brands on November 30, 2001.

In January 1999, NSI issued $160.0 million in ten-year publicly traded notes bearing a coupon rate of 6.0%. In August 2000, NSI issued $200.0 million in ten-year publicly traded notes bearing a coupon rate of 8.375%. Pursuant to a supplemental indenture executed in contemplation of the Distribution, Acuity Brands and its principal operating subsidiaries have become the obligors of the notes, and NSI, effective as of the Distribution, was relieved of all obligations with respect to the notes. Because the $160.0 million and the $200.0 million notes trade infrequently, it is difficult to obtain an accurate fair market value of the notes. However, based on comparison of notes of similar size, ratings, and tenor, the fair values of the $160.0 million and $200.0 million notes are believed to approximate $160.2 million and $214.2 million, respectively at August 31, 2007. Excluding the $160.0 million and $200.0 million notes, long-term debt recorded in the accompanying *Consolidated Balance Sheets* approximates fair value based on similar instruments with similar terms and average maturities. As of August 31, 2007, the notes were guaranteed by the subsidiaries, Acuity Brands Lighting, Inc. and Acuity Specialty Products Group, Inc. The guarantees of the subsidiaries were full and unconditional and joint and several. Acuity Brands has no independent assets or operations (as defined by Regulation S-X 3-10(h)(5)), and

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each subsidiary of Acuity Brands, other than Acuity Brands Lighting, Inc. and Acuity Specialty Products Group, Inc., is "minor" (as defined by Regulation S-X 3-10(h)(6)). Furthermore, there are no significant restrictions on the ability of Acuity Brands or any guarantor to obtain funds from its subsidiaries by dividend or loan.

In September 2007, the Company reorganized by creating a new holding company structure and completed the reorganizations of its subsidiaries to facilitate the anticipated spin-off of Zep Inc. As a result of the reorganizations, Acuity Specialty Products Group, Inc. was relieved of all obligations with respect to the publicly traded notes.

In October 2002, Acuity Brands entered into a three-year loan agreement ("Term Loan") secured by certain land and buildings of the Company. Proceeds from the Term Loan were used to reduce borrowings under the revolving credit facility then in effect and to provide the Company additional liquidity. The Term Loan was paid in full in July 2005.

Other notes consist primarily of two industrial revenue bonds (a $7.2 million bond maturing in 2018 and a $4.0 million bond maturing in 2021) and a five-year note with an outstanding balance of approximately $0.3 million at August 31, 2007. The industrial revenue bonds are tax-exempt variable rate instruments that reset on a weekly basis. The interest rates were approximately 3.7% and 3.5% for the $4.0 million bond and 3.7% and 3.4% for the $7.2 million bond at August 31, 2007 and 2006, respectively. The five-year note is denominated in Euros and bears interest at a variable rate, which was 5.0% and 4.8% at August 31, 2007 and 2006, respectively. Principal payments are made in equal semi-annual installments. In September 2007, the $7.2 million industrial revenue bond maturing in 2018 and the $0.3 million five-year note were assigned to and assumed by Acuity Specialty Products, Inc.

Lines of Credit

The Company maintains an agreement ("Receivables Facility") to borrow, on an ongoing basis, funds secured by undivided interests in a defined pool of trade accounts receivable of ABL and ASP. Effective September 28, 2006, the Company renewed the $100.0 million Receivables Facility for a one-year period with similar terms and conditions. Net trade accounts receivable pledged as security for borrowings under the Receivables Facility totaled $325.7 million at August 31, 2007. There were no outstanding borrowings at August 31, 2007 and 2006 under the Receivables Facility. Interest rates under the Receivables Facility vary with commercial paper rates plus an applicable margin. During fiscal years 2007 and 2006, commitment fees were computed respectively at rates of 0.125% and 0.175% per annum on the average unused balances for each of those years. Commitment fees paid during the years ended August 31, 2007 and 2006 were $0.1 million and $0.2 million, respectively.

On October 19, 2007, the Company entered into separate Receivables Facility agreements (the "ABL Receivables Facility" and the "Zep Receivables Facility", together referred to as the "Receivables Facilities") in preparation of the spin-off of Zep Inc. The Receivables Facilities are for a one-year period with similar terms and conditions as the previous Receivables Facility. The ABL Receivables Facility allows for borrowings of funds up to $75 million, on an ongoing basis, secured by undivided interests in a defined pool of trade accounts receivable of ABL The ASP Receivables Facility allows for borrowings of funds up to $40 million, on an ongoing basis, secured by undivided interests in a defined pool of trade accounts receivable of ASP. Interest rates under the Receivables Facilities vary with asset-backed commercial paper rates plus an applicable margin. The commitment fees on the Receivables Facilities are 0.125% per annum on the average unused balances.

On April 2, 2004, the Company executed a $200.0 million revolving credit facility ("Revolving Credit Facility"), which matures in January 2009. The Revolving Credit Facility contains financial covenants including

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a leverage ratio ("Maximum Leverage Ratio") of total indebtedness to EBITDA (earnings before interest, taxes, depreciation and amortization expense), as such terms are defined in the Revolving Credit Facility agreement, and a minimum interest coverage ratio. These ratios are computed at the end of each fiscal quarter for the most recent 12-month period. The Revolving Credit Facility allows for a Maximum Leverage Ratio of 3.50, subject to certain conditions defined in the financing agreement. The Company was in compliance with all financial covenants and had no outstanding borrowings at August 31, 2007 and 2006 under the Revolving Credit Facility. At August 31, 2007, the Company had additional borrowing capacity under the Revolving Credit Facility of $187.0 million under the most restrictive covenant in effect at the time, which represents the full amount of the Revolving Credit Facility less outstanding letters of credit of $13.0 million discussed below. The Revolving Credit Facility bears interest at the option of the borrower based upon either (1) the higher of the JPMorganChase Bank prime rate and the federal funds effective rate plus 0.50%, or (2) the Eurodollar Rate ("LIBOR") plus the Applicable Margin (a margin as determined by Acuity Brands' leverage ratio). Based upon Acuity Brands' leverage ratio, as defined in the Revolving Credit Facility agreement, as of August 31, 2007 and 2006, the Applicable Margin was 0.50% and 0.50%, respectively. During fiscal years 2007 and 2006, commitment fees were computed at a rate of 0.125% and 0.125%, respectively, and commitment fees paid during each of those years were $0.3 million.

On October 19, 2007, the Company executed both a $250.0 million revolving credit facility ("Acuity Revolving Credit Facility") and a $100.0 million revolving credit facility ("Zep Revolving Credit Facility"). The revolving credit facilities were executed to facilitate the spin-off of Zep Inc. The revolving credit facilities replaced the Company's $200.0 million revolving credit facility which was scheduled to mature in January 2009. The Company will write-off approximately $0.3 million in deferred financing costs in connection with this replacement. The new revolving credit facilities both mature in October 2012. Both revolving credit facilities contain financial covenants including a leverage ratio ("Maximum Leverage Ratio") of total indebtedness to EBITDA (earnings before interest, taxes, depreciation and amortization expense), as such terms are defined in the Acuity Revolving Credit Facility agreement and the Zep Revolving Credit Facility agreement, and a minimum interest coverage ratio. These ratios are computed at the end of each fiscal quarter for the most recent 12-month period. The Acuity Revolving Credit Facility and the Zep Revolving Credit Facility allow for a Maximum Leverage Ratio of 3.50x and 3.25x, respectively. The revolving credit facilities bear interest at the option of the borrower based upon either (1) the higher of the JPMorganChase Bank prime rate and the federal funds effective rate plus 0.50%, or (2) the Eurodollar Rate ("LIBOR") plus the Applicable Margin. The Applicable Margin for the Acuity Revolving Credit Facility is based on the Company's leverage ratio excluding the operations of Zep Inc. and its subsidiaries. The Applicable Margin for the Zep Revolving Credit Facility is based on the leverage ratio of the operations of Zep Inc. and its subsidiaries. Upon execution of the new revolving credit facilities, the Applicable Margin for the Acuity Revolving Credit Facility was 0.41%, and the Applicable Margin for the Zep Revolving Credit Facility was 0.60%. Upon execution of the new revolving credit facilities, the commitment fees on the Acuity Revolving Credit Facility were 0.09% and the commitment fees on the Zep Revolving Credit Facility were 0.15%.

The Receivables Facilities and the Zep Revolving Credit Facility each contain ongoing "Material Adverse Effect" provisions. Generally, if the businesses were to experience an event causing a material adverse effect on the businesses' financial condition, operations, or properties, as defined in the agreements, additional future borrowings under the facilities could be denied and payments on outstanding borrowings could be accelerated. The Acuity Revolving Credit Facility does not contain an ongoing "Material Adverse Effect" provision.

At August 31, 2007, the Company had outstanding letters of credit totaling $24.7 million primarily for the purpose of securing collateral requirements under the casualty insurance programs for Acuity Brands and for providing credit support for the Company's industrial revenue bonds. At August 31, 2007, a total of $13.0

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million of the letters of credit were issued under the Revolving Credit Facility, thereby reducing the total availability under the facility by such amount.

None of the Company's existing debt instruments, neither short-term nor long-term, include provisions that would require an acceleration of repayments based solely on changes in the Company's credit ratings.

Note 5: Common Stock and Related Matters

Stockholder Protection Rights Agreement

The Company's Board of Directors has adopted a Stockholder Protection Rights Agreement (the "Rights Agreement"). The Rights Agreement contains provisions that are intended to protect the Company's stockholders in the event of an unsolicited offer to acquire the Company, including offers that do not treat all stockholders equally and other coercive, unfair, or inadequate takeover bids and practices that could impair the ability of the Company's Board of Directors to fully represent stockholders' interests. Pursuant to the Rights Agreement, the Company's Board of Directors declared a dividend of one "Right" for each outstanding share of the Company's common stock as of November 16, 2001. The Rights will be represented by, and trade together with, the Company's common stock until and unless certain events occur, including the acquisition of 15% or more of the Company's common stock by a person or group of affiliated or associated persons (with certain exceptions, "Acquiring Persons"). Unless previously redeemed by the Company's Board of Directors, upon the occurrence of one of the specified triggering events, each Right that is not held by an Acquiring Person will entitle its holder to purchase one share of common stock or, under certain circumstances, additional shares of common stock at a discounted price. The Rights will cause substantial dilution to a person or group that attempts to acquire the Company on terms not approved by the Company's Board of Directors. Thus, the Rights are intended to encourage persons who may seek to acquire control of the Company to initiate such an acquisition through negotiation with the Board of Directors.

Common Stock

Changes in common stock for the years ended August 31, 2005, 2006, and 2007 were as follows:

	Common Stock (in thousands)	
	Shares	Amount
Balance, August 31, 2004	42,596	$ 426
Issuance of restricted stock grants, net of forfeitures	603	6
Employee stock purchase plan issuances	77	1
Stock options exercised	1,701	17
Balance, August 31, 2005	44,977	450
Issuance of restricted stock grants, net of forfeitures	128	1
Employee stock purchase plan issuances	7	—
Stock options exercised	2,951	30
Balance, August 31, 2006	48,063	481
Issuance of restricted stock grants, net of forfeitures	(3)	(1)
Stock options exercised	1,263	13
Balance, August 31, 2007	49,323	$ 493

During fiscal 2006, the Company's Board of Directors authorized a stock repurchase program whereby 6.0 million shares of the Company's outstanding common stock were approved for repurchase. At August, 31, 2006, the Company had repurchased 5.0 million shares at a cost of $194.9 million. During fiscal 2007, the

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Company's Board of Directors authorized additional share repurchases of 2.0 million shares under this program. At August, 31, 2007, the Company had purchased a total of 6.0 million shares under the authorized repurchase program at a cost of $239.8 million. All repurchased shares were accounted for at cost and were recorded as treasury stock at current fiscal year-end.

Preferred Stock

The Company has 50,000,000 shares of preferred stock authorized, 5,000,000 of which have been reserved for issuance under the Stockholder Protection Rights Agreement. No shares of preferred stock had been issued at August 31, 2007 and 2006.

Earnings per Share

The Company computes earnings per share in accordance with SFAS No. 128, *Earnings per Share*. Under this Statement, basic earnings per share is computed by dividing net earnings available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed similarly but reflects the potential dilution that would occur if dilutive options were exercised and restricted stock awards were vested.

The following table calculates basic earnings per common share and diluted earnings per common share for the years ended August 31, 2007, 2006, and 2005:

	Years Ended August 31,		
	2007	2006	2005
Basic earnings per share:			
Net income	$ 148,054	$ 106,562	$ 52,229
Basic weighted average shares outstanding	42,585	43,884	43,135
Basic earnings per share	$ 3.48	$ 2.43	$ 1.21
Diluted earnings per share:			
Net income	$ 148,054	$ 106,562	$ 52,229
Basic weighted average shares outstanding	42,585	43,884	43,135
Common stock equivalents (stock options and restricted stock)	1,312	1,695	1,617
Diluted weighted average shares outstanding	43,897	45,579	44,752
Diluted earnings per share	$ 3.37	$ 2.34	$ 1.17

Note 6: Share-Based Payments

Long-term Incentive and Directors' Equity Plans

Effective November 30, 2001, Acuity Brands adopted the Acuity Brands, Inc. Long-Term Incentive Plan (the "Plan") for the benefit of officers and other key management personnel ("Participants"). An aggregate of 8.1 million shares was originally authorized for issuance under that plan. In October 2003, the Board of Directors approved the Acuity Brands, Inc. Amended and Restated Long-Term Incentive Plan (the "Amended Plan"), including an increase of 5.0 million in the number of shares available for grant. However, the Board of Directors subsequently committed that not more than 3.0 million would be available without further shareholder approval. In December 2003, the shareholders approved the Amended Plan. The Amended Plan provides for issuance of

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share-based awards, including stock options and performance-based and time-based restricted stock awards. In addition to the Amended Plan, in November 2001 the Company adopted the Acuity Brands, Inc. 2001 Directors' Stock Option Plan (the "Directors' Plan"), under which 300,000 shares are authorized for issuance.

As stated in Note 1 of *Notes to the Consolidated Financial Statements*, Acuity Brands has announced its intention to separate its lighting and specialty products businesses by spinning off the business of Acuity Specialty Products Group, Inc. into an independent, publicly traded company to Acuity Brands shareholders ("the spin-off"). The effect that this transaction will have on the Company's stock option and restricted stock awards is summarized at the end of this Note 6.

Restricted Stock Awards

Under the Amended Plan, in September 2006 the Company awarded approximately 408,000 shares of restricted stock to officers and other key employees. The shares vest over a four-year period. At August 31, 2007, approximately 385,000 shares were outstanding under this award. Compensation expense recognized related to this award was $4.0 million in fiscal 2007.

In December 2003, the Company awarded approximately 420,000 shares of restricted stock to officers and other key employees under the Amended Plan. The shares vest over a four-year period. Participants could elect to defer payments under this time-based restricted stock plan into a separate deferred compensation plan. If shares were deferred into the deferred compensation plan, the value of the restricted shares was converted to share units that ultimately would be paid in cash. Approximately 150,000 shares were deferred into the deferred compensation plan. As discussed further in the *Share Units* section of this footnote, effective June 2006, deferrals will be distributed in shares of Common Stock rather than in cash. At August 31, 2007, approximately 187,000 shares were outstanding under this award. Compensation expense recognized related to this award was $1.8 million, $1.8 million, and $2.3 million in fiscal 2007, 2006 and 2005, respectively.

Under the Amended Plan, in December 2005 the Company awarded approximately 132,000 shares of restricted stock to officers and other key employees. The shares vest over a four-year period. At August 31, 2007, approximately 83,000 shares were outstanding under this award. Compensation expense recognized related to this award was $1.0 million and $0.6 million in fiscal 2007 and 2006, respectively.

In January 2005, the Company awarded approximately 306,000 shares of restricted stock to certain officers and other key employees under the Amended Plan. The shares vest over a four-year period. At August 31, 2007, approximately 117,000 shares were outstanding under this award. Compensation expense recognized related to this award was $1.5 million, $1.5 million, and $1.3 million in fiscal 2007, 2006, and 2005, respectively.

In December 2002, the Company reserved approximately 490,000 shares of performance-based restricted stock for issuance to officers and other key employees under the Plan. The shares are issued in 25% increments upon the achievement of at least two of three progressive defined performance measures and the completion of related target years (as defined in the agreement). The performance measures relate to specified levels of debt reduction, cumulative earnings per share measured at each fiscal quarter-end for the trailing four quarters, and stock price targets. The shares vest at the later of (a) determination by the Compensation Committee of the Board of Directors that at least two of the three performance measures are achieved or (b) November 30 of the specified target year. Originally, approximately two-thirds of the value of the restricted shares at the vesting date was paid to the participants in unrestricted shares of the Company and the remainder was paid in cash to offset taxes on the award. This provision was eliminated in August 2005 by an amendment to the award agreement that provides for the entire award to be payable in shares. Participants could elect to defer payments under this performance-based

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restricted stock plan into a separate deferred compensation plan. If shares were deferred into the deferred compensation plan, the value of the restricted shares was converted to share units that ultimately would be paid in cash. Approximately 110,000 shares were deferred into the deferred compensation plan. As discussed further in the *Share Units* section of this footnote, effective June 2006 deferrals, will be distributed in shares of Common Stock rather than in cash. As of August 31, 2007, approximately 325,000 shares were outstanding under this award, of which approximately 120,000 were subsequently cancelled and used to offset taxes. Compensation expense recognized related to this award was $0.1 million, $2.1 million, and $2.6 million in fiscal 2007, 2006 and 2005, respectively.

In October 2000, NSI reserved approximately 240,000 shares of performance-based restricted stock for issuance to officers and other key employees. Under this award, restricted shares are granted in 20% increments when the Company's stock price equals or exceeds certain stock price targets for thirty consecutive calendar days (the vesting start date) and vest ratably in four equal annual installments beginning one year from the vesting start date. At the time of the Distribution and in accordance with the employee benefits agreement, each employee of Acuity Brands holding outstanding shares of NSI restricted stock received a dividend of one Acuity Brands restricted share for each NSI restricted share held. Acuity Brands restricted shares received as a dividend on NSI restricted stock are subject to the same restrictions and terms, including vesting provisions, of the NSI restricted stock. Restricted share awards that had not reached a vesting start date, and their related stock price targets, were converted to Acuity Brands restricted share awards in the same manner as stock options. Shares that have not reached a vesting start date expire five years from the date of the grant. All other terms of the converted grants remain the same as those in effect immediately prior to the Distribution. As of August 31, 2007, approximately 187,000 shares were outstanding under this award. Compensation expense recognized related to this award was $0.4 million, $1.9 million, and $1.2 million in fiscal 2007, 2006, and 2005, respectively.

Additionally, the Company awarded restricted stock to certain employees on an individual basis in fiscal 2007, 2006, and 2005. As of August 31, 2007, approximately 129,000 shares related to these awards were outstanding. Compensation expense recognized related to these awards was $1.5 million, $0.4 million, and $0.5 million in fiscal 2007, 2006, and 2005, respectively.

Restricted stock transactions for the restricted stock agreements during the years ended August 31, 2007 were as follows:

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value
Outstanding at August 31, 2006	786	$ 25.32
Granted	497	$ 47.50
Vested	(251)	$ 22.22
Forfeited	(80)	$ 32.66
Outstanding at August 31, 2007	952	$ 36.56

As of August 31, 2007, there was $28.7 million of total unrecognized compensation cost related to unvested restricted stock. That cost is expected to be recognized over a weighted-average period of 2.6 years. The total fair value of shares vested during the years ended August 31, 2007 and 2006, was approximately $12.9 million and $11.7 million, respectively.

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Stock Options

NSI stock options held by employees of Acuity Brands were converted to, and replaced by, Acuity Brands stock options at the time of the Distribution using an agreed-upon conversion ratio. All other terms of the converted stock options remain the same as those in effect immediately prior to the Distribution. Accordingly, no compensation expense resulted from the replacement of the options.

Options issued under the Plan are generally granted with an exercise price equal to the fair market value of the Company's stock on the date of grant and expire 10 years from the date of grant. These options generally vest and become exercisable over a three-year period. The stock options granted under the Directors' Plan vest and become exercisable one year from the date of grant. These options have an exercise price equal to the fair market value of the Company's stock on the date of the grant and expire 10 years from that date. As of August 31, 2007, approximately 120,000 shares had been granted under the Director's Plan. Shares available for grant under all plans were approximately 1,700,000 at August 31, 2007, with additional shares available upon further shareholder approval. Shares available for grant under all plans were 2,200,000 at August 31, 2006 and 2005. Forfeited shares and shares that are exchanged to offset taxes are returned to the pool of shares available for grant. The Director Stock Option Plan has been frozen with respect to future awards effective January 1, 2007.

The fair value of each option was estimated on the date of grant using the Black-Scholes model. The dividend yield was calculated based on annual dividends paid and the trailing 12 month average closing stock price at the time of grant. Expected volatility was based on historical volatility of the Company's stock over the preceding number of years equal to the expected life of the options. The risk-free interest rate was based on the U.S. Treasury yield for a term equal to the expected life of the options at the time of grant. The Company used historical exercise behavior data of similar employee groups to determine the expected life of options. All inputs into the Black-Scholes model are estimates made at the time of grant. Actual realized value of each option grant could materially differ from these estimates, though without impact to future reported net income.

The following weighted average assumptions were used to estimate the fair value of stock options granted in the fiscal years ended August 31:

	2007	2006	2005
Dividend yield	1.6%	2.2%	2.3%
Expected volatility	35.0%	43.0%	42.4%
Risk-free interest rate	4.6%	4.4%	4.2%
Expected life of options	5 years	5 years	6 years
Weighted-average fair value of options granted	$ 15.01	$ 12.21	$ 10.89

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Stock option transactions for the stock option plans and stock option agreements during the years ended August 31, 2005, 2006, and 2007 were as follows:

	Outstanding (share data in thousands)		Exercisable (share data in thousands)	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at August 31, 2004	7,424	$ 20.32	4,936	$ 20.62
Granted	212	$ 28.54		
Exercised	(1,892)	$ 16.36		
Cancelled	(187)	$ 28.67		
Outstanding at August 31, 2005	5,557	$ 21.70	4,604	$ 20.87
Granted	140	$ 33.10		
Exercised	(2,992)	$ 21.16		
Cancelled	(49)	$ 28.60		
Outstanding at August 31, 2006	2,656	$ 22.78	2,028	$ 21.31
Granted	155	$ 45.62		
Exercised	(1,298)	$ 21.50		
Cancelled	(15)	$ 31.30		
Outstanding at August 31, 2007	1,498	$ 26.18	1,196	$ 23.08
Range of option exercise prices:				
$10.00 – $15.00 (average life – 4.2 years)	257	$ 13.91	257	$ 13.91
$15.01 – $20.00 (average life – 3.1 years)	148	$ 16.63	148	$ 16.63
$20.01 – $25.00 (average life – 5.5 years)	280	$ 23.71	280	$ 23.71
$25.01 – $30.00 (average life – 6.6 years)	389	$ 27.71	304	$ 27.30
$30.01 – $40.00 (average life – 7.7 years)	424	$ 37.15	207	$ 32.03

The total intrinsic value of options exercised during the years ended August 31, 2007 and 2006 was $41.5 million and $47.2 million, respectively. The total intrinsic value of options outstanding, expected to vest, and exercisable as of August 31, 2007 was $39.5 million, $38.8 million, and $35.2 million, respectively. As of August 31, 2007, there was $2.6 million of total unrecognized compensation cost related to unvested options. That cost is expected to be recognized over a weighted-average period of approximately two years.

Employee Stock Purchase Plan

In November 2001, the Company adopted the Acuity Brands, Inc. Employee Stock Purchase Plan for the benefit of eligible employees. Under the plan, employees could purchase, through payroll deduction, the Company's common stock at a 15% discount. Shares were purchased quarterly at 85% of the lower of the fair market value of the Company's common stock on the first business day of the quarterly plan period or the last business day of the quarterly plan period. Employee contributions to this plan were suspended at the end of the third quarter of fiscal 2005. The Company resumed accepting contributions during the third quarter of fiscal 2006 under new terms. Under the revised plan, employees are able to purchase common stock at a 5% discount on a monthly basis. There were 1,500,000 shares of the Company's common stock reserved for purchase under the plan, of which approximately 1,100,000 shares remain available as of August 31, 2007. Employees may participate at their discretion.

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Share Units

The Company requires its Directors to defer at least 50% of their annual retainer into the Directors' Deferred Compensation Plan. Under this plan, until June 29, 2006, the deferred cash was converted into share units using the average of the high and low prices for the five days prior to the deferral date. The share units were adjusted to current market value each month and earned dividend equivalents. Upon retirement, the Company distributed cash to the retiree in a lump sum or five annual installments. The distribution amount was calculated as share units times the average of the high and low prices for the five days prior to distribution (defined as "fair market value" in the Directors' Deferred Compensation Plan). On June 29, 2006, the Board of Directors amended this plan to convert existing share units and future deferrals to cash-based, interest bearing deferrals at fair market value or stock-based deferrals, with distribution only in the elected form upon retirement. Existing share deferrals will be valued at the fair market value at the date of election and future share deferrals will be calculated at fair market value at the date of the deferral and will no longer vary with fluctuations in the Company's stock price. As of August 31, 2007, approximately 120,000 share units were accounted for in this plan.

Additionally, the Company allowed employees to defer a portion of restricted stock awards granted in fiscal 2003 and fiscal 2004 into the Supplemental Deferred Savings Plan as share units. Those share units were adjusted to the current market value at the end of each month. On June 29, 2006, the Board of Directors amended this plan to distribute those share unit deferrals in stock rather than cash. The shares will be valued at the closing stock price on the date of conversion and expense related to these shares will no longer vary with fluctuations in the Company's stock price. As of August 31, 2007 approximately 141,000 fully vested share units were accounted for in this plan.

Treatment of Stock Options, Restricted Stock Awards, and Restricted Stock Units pursuant to the Spin-off of Acuity Specialty Products

The employee benefits agreement entered into between Acuity Brands, Inc. and Zep Inc. provides that at the time of the spin-off, Acuity Brands stock options held by Zep's current employees (but not former employees) will generally be converted to, and replaced by, Zep stock options in accordance with a conversion ratio such that the intrinsic value of the underlying awards remains unaffected by the spin-off. The employee benefits agreement also provides that, at the time of the spin-off, Acuity Brands stock options held by current and former Acuity Brands employees and former Zep employees will be adjusted with regard to the exercise price of and number of Acuity Brands shares underlying the Acuity Brands stock options to maintain the intrinsic value of the options, pursuant to the applicable Acuity Brands long-term incentive plan.

Each of Acuity Brands and Zep's current and former employees holding unvested shares of restricted stock of Acuity Brands will receive a dividend of one share of Zep restricted stock for each two shares of Acuity Brands unvested restricted stock held. The shares of Zep stock so received as a dividend will be subject to the same restrictions and terms as the Acuity Brands restricted stock. The shares of Zep common stock will be fully paid and non-assessable and the holders thereof will not be entitled to preemptive rights.

Effective immediately after the spin-off of the specialty products business, the number of shares represented by restricted stock units will be converted in the same manner as the above mentioned stock option awards.

Note 7: Commitments and Contingencies

Self-Insurance

It is the policy of Acuity Brands to self-insure, up to certain limits, traditional risks including workers' compensation, comprehensive general liability, and auto liability. The Company's self-insured retention for each

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claim involving workers' compensation, comprehensive general liability (including toxic tort and other product liability claims), and auto liability is limited to $0.5 million per occurrence of such claims. A provision for claims under this self-insured program, based on the Company's estimate of the aggregate liability for claims incurred, is revised and recorded annually. The estimate is derived from both internal and external sources including but not limited to the Company's independent actuary. Acuity Brands is also self-insured up to certain limits for certain other insurable risks, primarily physical loss to property ($0.5 million per occurrence) and business interruptions resulting from such loss lasting three days or more in duration. Insurance coverage is maintained for catastrophic property and casualty exposures as well as those risks required to be insured by law or contract. Acuity Brands is fully self-insured for certain other types of liabilities, including employment practices, environmental, product recall, patent infringement, and errors and omissions. The actuarial estimates are subject to uncertainty from various sources, including, among others, changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, and economic conditions. Although Acuity Brands believes that the actuarial estimates are reasonable, significant differences related to the items noted above could materially affect the Company's self-insurance obligations, future expense and cash flow. The Company is also self-insured for the majority of its medical benefit plans. The Company estimates its aggregate liability for claims incurred by applying a lag factor to the Company's historical claims and administrative cost experience. The appropriateness of the Company's lag factor is evaluated and revised annually, as necessary.

Leases

Acuity Brands leases certain of its buildings and equipment under noncancelable lease agreements. Minimum lease payments under noncancelable leases for years subsequent to August 31, 2007, are as follows: 2008—$23.2 million; 2009—$18.6 million; 2010—$15.1 million; 2011—$12.4 million; 2012—$9.0 million; after 2012—$14.2 million.

Total rent expense was $26.3 million in 2007, $26.9 million in 2006, and $27.7 million in 2005.

Purchase Obligations

The Company has incurred purchase obligations in the ordinary course of business that are enforceable and legally binding. Obligations for years subsequent to August 31, 2007 are as follows: 2008—$103.4 million; 2009—$1.9 million; 2010—$1.9 million; and 2011—$0.7 million As of August 31, 2007, the Company had no purchase obligations extending beyond August 31, 2011.

Collective Bargaining Agreements

Approximately 44% of the Company's total work force is covered by collective bargaining agreements. Collective bargaining agreements representing approximately 10% of the Company's work force will expire within one year.

Litigation

Acuity Brands is subject to various legal claims arising in the normal course of business, including patent infringement and product liability claims. Acuity Brands is self-insured up to specified limits for certain types of claims, including product liability, and is fully self-insured for certain other types of claims, including employment practices, environmental, product recall, and patent infringement. Based on information currently available, it is the opinion of management that the ultimate resolution of pending and threatened legal proceedings will not have a material adverse effect on the financial condition, results of operations, or cash flows of Acuity Brands. However, in the event of unexpected future developments, it is possible that the ultimate

resolution of any such matters, if unfavorable, could have a material adverse effect on the financial condition, results of operations, or cash flows of Acuity Brands in future periods. Acuity Brands establishes reserves for legal claims when the costs associated with the claims become probable and can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher than the amounts reserved for such claims. However, the Company cannot make a meaningful estimate of actual costs to be incurred that could possibly be higher or lower than the amounts reserved.

Environmental Matters

The operations of the Company are subject to numerous comprehensive laws and regulations relating to the generation, storage, handling, transportation, and disposal of hazardous substances, as well as solid and hazardous wastes, and to the remediation of contaminated sites. In addition, permits and environmental controls are required for certain of the Company's operations to limit air and water pollution, and these permits are subject to modification, renewal, and revocation by issuing authorities. On an ongoing basis, Acuity Brands invests capital and incurs operating costs relating to environmental compliance. Environmental laws and regulations have generally become stricter in recent years. The cost of responding to future changes may be substantial. Acuity Brands establishes reserves for known environmental claims when the costs associated with the claims become probable and can be reasonably estimated. The actual cost of environmental issues may be substantially higher or lower than that reserved due to difficulty in estimating such costs.

In June 2007, ASP reached a final resolution of the investigation by the United States Department of Justice ("DOJ") of certain environmental issues at ASP's primary manufacturing facility, located in Atlanta, Georgia. The DOJ's investigation focused principally on past conduct involving the inaccurate reporting of certain wastewater sampling results to the City of Atlanta ("City") and conduct that interfered with the City's efforts to sample ASP's wastewater pretreatment plant effluent. Consistent with the tentative resolution of this matter announced in April 2007, ASP entered a guilty plea to one felony count of failure to comply with its wastewater permit, agreed to pay a fine of $3.8 million, and be subject to a three-year probation period incorporating a compliance agreement with the Environmental Protection Agency ("EPA"); however, effective upon the spin-off, Zep Inc. will be substituted for Acuity Brands, Inc. in the compliance agreement and Acuity Brands, Inc. will have no further obligations thereunder. Under the compliance agreement, the Company will be required to maintain an enhanced compliance program relating to ASP. The Company recorded an additional $1.8 million charge in the second quarter of fiscal 2007 to reflect the entire $3.8 million fine. The resolution of this matter is not expected to lead to a material loss of ASP's business, any disruption of ASP's production, or materially higher operating costs at ASP. However, in the event of a material breach of the compliance agreement by ASP, those consequences could occur.

ASP is currently a party to, or otherwise involved in, legal proceedings in connection with state and federal Superfund sites. With respect to each of the currently active sites which it does not own and where it has been named as a responsible party or a potentially responsible party ("PRP"), the Company believes its liability is immaterial, based on information currently available, due to its limited involvement at the site and/or the number of viable PRPs.

With respect to the only active site involving property which ASP does own and where it has been named as a PRP—a property on Seaboard Industrial Boulevard in Atlanta, Georgia—the Company and the current and former owners of adjoining properties have reached agreement to share the expected costs and responsibilities of implementing an approved corrective action plan under the Georgia Hazardous Response Act ("HSRA") to periodically monitor the property for a period of five years ending in 2009. Subsequently, in connection with the DOJ investigation, the EPA and the Company each analyzed samples taken from certain sumps at the Seaboard

facility. The sample results from some of the sump tests indicated the presence of certain hazardous substances. As a result, the Company notified the Georgia Environmental Protection Division and is conducting additional soil and groundwater studies pursuant to HSRA.

Based on the results to date of the above-mentioned soil and groundwater studies, ASP plans to conduct voluntary remediation of the site. ASP's current estimate is that it will expend between $1.0 million and $7.5 million for the voluntary remediation of the site over approximately the next five years, and in May 2007 accrued a pre-tax liability of $5.0 million representing its best estimate of costs associated with remediation and other related groundwater issues. Further sampling and engineering studies could cause ASP to revise the current estimate. ASP believes that additional expenditures after five years of remediation may be necessary and that those expenditures could range up to an additional $10.0 million during the subsequent twenty-five year period. It may be appropriate to capitalize certain of the expenditures that might be incurred in this twenty-five year period. ASP arrived at the current estimates on the basis of preliminary studies prepared by two, independent third party environmental consulting firms. The actual cost of remediation will vary depending upon the results of additional testing and geological studies, the success of initial remediation efforts in the first five years addressing the most significant areas of contamination, the rate at which site conditions may change, and the requirements of the Environmental Protection Division of the State of Georgia.

Guarantees and Indemnities

The Company is a party to contracts entered into in the normal course of business in which it is common for the Company to agree to indemnify third parties for certain liabilities that may arise out of or relate to the subject matter of the contract. In most cases, the Company cannot estimate the potential amount of future payments under these indemnities until events arise that would result in a liability under the indemnities. In connection with the sale of assets and the divestiture of businesses, the Company has from time to time agreed to indemnify the purchaser from liabilities relating to events occurring prior to the sale and conditions existing at the time of the sale. The indemnities generally include potential environmental liabilities, general representations and warranties concerning the asset or business, and certain other liabilities not assumed by the purchaser. Indemnities associated with the divestiture of businesses are generally limited in amount to the sales price of the specific business or are based on a lower negotiated amount and expire at various times, depending on the nature of the indemnified matter, but in some cases do not expire until the applicable statute of limitations expires. The Company does not believe that any amounts that it may be required to pay under these indemnities will be material to the Company's results of operations, financial position, or cash flow.

In conjunction with the separation of their businesses (the "Distribution"), Acuity Brands and National Service Industries, Inc. ("NSI") entered into various agreements that addressed the allocation of assets and liabilities and defined the Company's relationship with NSI after the Distribution, including a distribution agreement and a tax disaffiliation agreement. The distribution agreement provides that Acuity Brands will indemnify NSI for pre-Distribution liabilities related to the businesses that comprise Acuity Brands and previously owned businesses in the lighting equipment and specialty products segments. The tax disaffiliation agreement provides that Acuity Brands will indemnify NSI for certain taxes and liabilities that may arise related to the Distribution and, generally, for deficiencies, if any, with respect to federal, state, local, or foreign taxes of NSI for periods before the Distribution. Liabilities determined under the tax disaffiliation agreement terminate upon the expiration of the applicable statutes of limitation for such liabilities. There is no stated maximum potential liability included in the tax disaffiliation agreement or the distribution agreement. The Company does not believe that any amounts it is likely to be required to pay under these indemnities will be material to the Company's results of operations, financial position, or liquidity. The Company cannot estimate the potential amount of future payments under these indemnities because claims that would result in a liability under the indemnities are not fully known.

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Product Warranty and Recall Costs

Acuity Brands records an allowance for the estimated amount of future warranty claims when the related revenue is recognized, primarily based on historical experience of identified warranty claims. Excluding costs related to faulty components provided by third parties as discussed below, warranty costs as a percentage of net sales have generally been consistent for the last several years. However, there can be no assurance that future warranty costs will not exceed historical experience. If actual future warranty costs exceed historical amounts, additional allowances may be required, which could have a material adverse impact on the Company's results of operations and cash flows in future periods.

The Company, in cooperation with the United States Consumer Product Safety Commission ("CPSC"), conducted a voluntary product recall involving high intensity discharge ("HID") lighting fixtures manufactured by ABL that may have incorporated faulty capacitors produced by The General Electric Company ("GE"), one of ABL's former suppliers of capacitors. The Company completed its corrective action plan regarding this matter during fiscal year 2007, and the CPSC has closed its file with respect to the Company's corrective action plan. The CPSC will reopen this file, however, if it finds that the Company's corrective actions do not adequately protect the public from the risk of injury presented by this product.

At August 31, 2007, the Company had an accrued liability of $1.1 million with respect to remaining costs anticipated under the capacitor-related recall. The actual cost of these matters could be substantially different than the liability recorded by the Company. The Company expects to be reimbursed by GE for substantially all product recall expenses and additional warranty expenses regarding the capacitor-related matter.

The Company, in cooperation with the CPSC, also conducted a voluntary product recall involving indoor HID lighting fixtures that may utilize faulty cords manufactured by one of ABL's suppliers. The Company also completed its corrective action plan in this matter during fiscal 2007, and the CPSC closed its file with respect to the Company's corrective action plan. The CPSC will reopen this file, however, if it finds that the Company's corrective actions do not adequately protect the public from the risk of injury presented by this product. At August 31, 2007, the Company had an accrued liability of $0.2 million with respect to the cord-related recall. The actual cost of this recall could be substantially different than the liability recorded by the Company. The Company successfully pursued the recovery of costs associated with the cord-related product recall and received reimbursement for a portion of the costs incurred during fiscal 2007.

In October of 2007, the Company received information indicating that connections between the back-up battery and the wire connector to the circuit board in certain of its emergency lighting fixtures may be loose and may cause affected units to not remain illuminated for the full specified period when operating in emergency mode. The batteries and fixtures at issue are sourced from other parties, and the Company is working with those parties to determine whether any product recall or other corrective action will be required. The likelihood and extent of any claims or costs of corrective action related to this issue are uncertain as the Company continues to gather information. Until further information is known, the Company cannot make a meaningful estimate of actual costs to be incurred. At this time, the Company does not anticipate future costs associated with this issue will be material.

The Company, in cooperation with the CPSC, initiated a voluntary product recall in May 2006 involving two ASP products packaged in approximately 15,000 five-gallon plastic pails manufactured by an outside supplier. The supplier informed ASP of the possibility that a crack could develop in the bottom of the pails. The two ASP products, which are potentially harmful in the event of skin contact, could leak from the cracked pails. During the third quarter of fiscal 2007, Acuity Brands was reimbursed for a portion of the costs incurred in connection with the recall by the manufacturer of the pails, and does not anticipate future costs associated with

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the recall will have a material impact on the operating costs of the Company. The changes in product warranty and recall reserves are summarized as follows during the year ended:

	2007	2006	2005
Balance, beginning of year	$ 7,013	$10,038	$11,694
Adjustments to warranty and recall reserve	3,687	1,985	4,143
Payments made during the year	(6,307)	(5,010)	(5,799)
Balance, end of year	$ 4,393	$ 7,013	$10,038

On April 19, 2007, Acuity Brands negotiated a favorable settlement of a commercial dispute. The settlement involved reimbursement of warranty and product liability costs associated with a product line purchased from a third party in fiscal 2001. The Company received a cash payment of $6.6 million (net of related legal costs) in April 2007 as a result of this settlement. All amounts received and legal costs incurred in connection with the settlement were recorded within *Selling, Distribution, and Administrative Expense*s on the *Consolidated Statements of Operations*.

Note 8: Special Charge and Impairment Charge

On February 22, 2005, the Company announced additional actions to accelerate its efforts to streamline and improve the effectiveness of its operations. As part of this program, the Company recorded a pretax charge of $23.0 million in the second quarter of 2005 to reflect the costs associated with the elimination of approximately 1,100 positions worldwide. This number is comprised of approximately 500 hourly and 600 salaried personnel. This Company-wide streamlining effort included facility consolidations and process improvement initiatives and involved ABL, ASP, and the corporate office. The charges included severance and related employee benefits.

The changes in the special charge reserve (included in *Accrued compensation* on the *Consolidated Balance Sheets*) during the year ended August 31, 2007 are summarized as follows:

Balance as of August 31, 2006	$ 5,737
Payments made during the period	(4,100)
Non-cash items	(289)
Balance as of August 31, 2007	$ 1,348

As part of ABL's ongoing initiative to enhance its global supply chain through the consolidation of certain manufacturing facilities the Company recognized approximately $0.5 million in impairment charges on assets held for sale related to these facilities in fiscal 2005 and none in fiscal 2006 or 2007. As of August 31, 2007, the Company had one facility classified as held for sale whose carrying amount totaled $4.0 million.

Note 9: Acquisitions

On July 17, 2007, Acuity Brands acquired substantially all the assets and assumed certain liabilities of Mark Lighting Fixture Company, Inc. ("Mark Lighting"). Mark Lighting, located in Edison, New Jersey, is a specification-oriented manufacturer of high-quality lighting products. The acquisition gives Acuity Brands Lighting a stronger presence in the Northeast, particularly the New York City metropolitan area, and is a complement to the Center for Light+Space, the recently opened Acuity Brands Lighting sales and marketing office in New York City. Mark Lighting, with fiscal 2006 sales of over $22 million, will continue operations in its existing facility, focusing on key customers and competencies. Mark Lighting contributed $3.5 million to ABL's net sales during the fourth quarter of fiscal 2007. The operating results of Mark Lighting have been included in the Company's consolidated financial statements since the date of acquisition. Management

(Dollar amounts in thousands, except share and per-share data and as indicated)

continues to gather additional information about the fair value of Mark Lighting's acquired assets and liabilities. Accordingly, the related amounts reflected in the Company's August 31, 2007, financial statements are preliminary, including those amounts recorded as intangible assets, and could change as the purchase price allocation is finalized. Pro forma results and other expanded disclosures required by SFAS No. 141, *Business Combinations*, have not been presented as the purchase of Mark Lighting does not represent a material acquisition as defined by that pronouncement.

Note 10: Derivative Financial Instruments

During fiscal 2004, the Company entered into certain foreign currency contracts to hedge its exposure to variability in exchange rates on certain anticipated intercompany transactions with a Canadian business unit. At August 31, 2007 and 2006, the Company had no foreign currency contracts outstanding.

The Company accounts for these contracts in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 137, SFAS No. 138, and SFAS No. 149*. The Company's foreign currency contracts were designated as foreign currency cash flow hedges and, accordingly, gains or losses resulting from changes in the fair value of these contracts were included in *Accumulated other comprehensive loss items* until the hedged transaction occurs, at which time the related gains or losses were recognized.

Note 11: Income Taxes

Acuity Brands accounts for income taxes using the asset and liability approach as prescribed by SFAS No. 109, *Accounting for Income Taxes ("SFAS No. 109")*. This approach requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Using the enacted tax rates in effect for the year in which the differences are expected to reverse, deferred tax liabilities and assets are determined based on the differences between the financial reporting and the tax basis of an asset or liability.

The provision for income taxes consists of the following components:

	Years Ended August 31,		
	2007	2006	2005
Provision for current federal taxes	$67,035	$40,573	$ 24,910
Provision for current state taxes	6,009	2,668	1,392
Provision for current foreign taxes	9,644	9,468	7,890
(Benefit)/Provision for deferred taxes	(2,855)	4,482	(11,589)
Total provision for income taxes	$79,833	$57,191	$ 22,603

A reconciliation from the federal statutory rate to the total provision for income taxes is as follows:

	Years Ended August 31,		
	2007	2006	2005
Federal income tax computed at statutory rate	$79,760	$57,314	$26,191
State income tax, net of federal income tax benefit	3,807	2,073	722
Foreign permanent differences and rate differential	(1,173)	(936)	(951)
Other, net	(2,561)	(1,260)	(3,359)
Total provision for income taxes	$79,833	$57,191	$22,603

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollar amounts in thousands, except share and per-share data and as indicated)

Components of the net deferred income tax asset at August 31, 2007 and 2006 include:

	August 31, 2007	August 31, 2006
Deferred Income Tax Liabilities:		
Depreciation	$ 3,183	$ 3,128
Goodwill and intangibles	52,086	53,193
Other liabilities	1,593	1,979
Total deferred income tax liabilities	56,862	58,300
Deferred Income Tax Assets:		
Self-insurance	(9,551)	(8,909)
Pension	(8,521)	(6,084)
Deferred compensation	(32,330)	(31,977)
Bonuses	(1,110)	(942)
Foreign tax losses	(163)	(380)
Other accruals not yet deductible	(13,532)	(17,154)
Other assets	(3,888)	(9,776)
Total deferred income tax assets	(69,095)	(75,222)
Valuation allowance	787	1,688
Net deferred income tax asset	$(11,446)	$(15,234)

On October 22, 2004, the American Jobs Creation Act of 2004 (“Jobs Creation Act”) was signed into law. The Jobs Creation Act created a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85% dividends received deduction for certain dividends from its foreign subsidiaries. In August 2006, Acuity Brands repatriated a total of $9.2 million in previously undistributed foreign earnings and basis under the Jobs Creation Act. The total income tax provision associated with the repatriation was approximately $0.5 million, which affected the current year’s effective tax rate by less than 1.0%. The repatriation executed under the Jobs Creation Act was done in response to the temporary benefit afforded by this legislation, which is not available in future periods.

With the exception of Acuity Holdings, which is comprised of certain of the Company’s Canadian entities, Acuity Brands currently intends to indefinitely reinvest all undistributed earnings of and original investments in foreign subsidiaries, which amounted to approximately $49.9 million at August 31, 2007; however, this amount could fluctuate due to changes in business, economic, or other conditions. If these earnings were distributed to the U.S. in the form of dividends or otherwise, or if the shares of the relevant foreign subsidiaries were sold or otherwise transferred, the Company would be subject to additional U.S. income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes. Determination of the amount of unrecognized deferred income tax liability related to these earnings or investments is not practicable. The Company does anticipate future repatriation of undistributed earnings generated by Acuity Holdings, and has adjusted its deferred tax liability and provision for income taxes in accordance with SFAS No. 109.

Deferred tax assets were partially offset by valuation allowances of $0.8 million and $1.7 million at August 31, 2007 and August 31, 2006, respectively. These allowances are required to reflect the net realizable value of certain foreign temporary differences and state tax credit carryforwards.

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollar amounts in thousands, except share and per-share data and as indicated)

At August 31, 2007, foreign net operating loss carryforwards, which have no expiration, were approximately $0.6 million. Additionally, the Company has state tax credit carryforwards of approximately $1.6 million, which will expire between 2011 and 2016.

Note 12: Quarterly Financial Data (Unaudited)

	Net Sales	Gross Profit	Income Before Taxes	Net Income	Basic Earnings Per Share	Diluted Earnings Per Share
2007						
1st Quarter	$ 614,488	$ 259,018	$ 51,702	$ 33,567	$ 0.80	$ 0.77
2nd Quarter	575,384	239,502	37,176	24,358	0.57	0.55
3rd Quarter	647,826	273,494	60,479	38,676	0.90	0.88
4th Quarter	692,970	297,879	78,530	51,453	1.20	1.16
2006						
1st Quarter	$ 565,852	$ 225,223	$ 33,664	$ 21,976	$ 0.50	$ 0.48
2nd Quarter	549,555	215,255	22,035	14,507	0.33	0.32
3rd Quarter	603,265	249,042	43,814	28,712	0.65	0.63
4th Quarter	674,451	280,507	64,240	41,367	0.96	0.93

The quarterly net income per share amounts will not necessarily add to the net income per share computed for the year because of the method used in calculating per share data.

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollar amounts in thousands, except share and per-share data and as indicated)

Note 13: Business Segment Information

	Years ended August 31,		
	2007	2006	2005
Net Sales:			
ABL	$ 1,964,782	$ 1,841,039	$ 1,637,902
ASP	565,886	552,084	534,952
Total Net Sales	$ 2,530,668	$ 2,393,123	$ 2,172,854
Gross Profit:			
ABL	$ 744,315	$ 652,837	$ 536,704
ASP	325,578	317,190	311,839
Total Gross Profit	$ 1,069,893	$ 970,027	$ 848,543
Operating (Loss) Profit:			
ABL	$ 251,085	$ 181,410	$ 110,267
Special Charge*	—	—	(15,652)
ASP	39,593	48,769	45,901
Special Charge*	—	—	(3,595)
Corporate	(33,743)	(32,770)	(26,423)
Special Charge*	—	—	(3,753)
Total Operating Profit	$ 256,935	$ 197,409	$ 106,745
Depreciation:			
ABL	$ 27,959	$ 27,227	$ 28,470
ASP	7,030	8,298	8,947
Corporate	176	295	473
Total Depreciation	$ 35,165	$ 35,820	$ 37,890
Amortization:			
ABL	$ 3,212	$ 3,166	$ 3,159
ASP	28	26	26
Corporate	—	—	—
Total Amortization	$ 3,240	$ 3,192	$ 3,185
Capital Expenditures:			
ABL	$ 31,539	$ 23,439	$ 19,787
ASP	5,412	5,117	12,505
Corporate	(82)	4	344
Total Capital Expenditures	$ 36,869	$ 28,560	$ 32,636

* *See further discussion of Special Charge in Note 8.*

	Total Assets	
	August 31, 2007	August 31, 2006
ABL	$ 1,156,800	$ 1,110,602
ASP	234,102	231,668
Corporate	221,606	101,846
	$ 1,612,508	$ 1,444,116

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollar amounts in thousands, except share and per-share data and as indicated)

The geographic distribution of Acuity Brands' net sales, operating profit, and long-lived assets is summarized in the following table for the years ended August 31:

	2007	2006	2005
Net sales (1)			
Domestic (2)	$ 2,213,439	$ 2,105,328	$ 1,915,904
International	317,229	287,795	256,950
	$ 2,530,668	$ 2,393,123	$ 2,172,854
Operating profit			
Domestic (2)	$ 226,281	$ 168,535	$ 84,776
International	30,654	28,874	21,969
	$ 256,935	$ 197,409	$ 106,745
Long-lived assets (3)			
Domestic (2)	$ 191,992	$ 188,033	$ 199,950
International	48,830	51,963	56,182
	$ 240,822	$ 239,996	$ 256,132

(1) Net sales are attributed to each country based on the selling location.
(2) Domestic amounts include net sales, operating profit, and long-lived assets for U.S. based operations.
(3) Long-lived assets include net property, plant, and equipment, defined benefit plan intangible assets, long-term deferred income tax assets, and other long-term assets.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9a. ***Controls and Procedures***

Disclosure controls and procedures are controls and other procedures that are designed to reasonably ensure that information required to be disclosed in the reports filed or submitted by the Company under the Securities Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to reasonably ensure that information required to be disclosed by the Company in the reports filed under the Securities Exchange Act is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

As required by SEC rules, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of August 31, 2007. This evaluation was carried out under the supervision and with the participation of management, including the principal executive officer and principal financial officer. Based on this evaluation, these officers have concluded that the design and operation of the Company's disclosure controls and procedures are effective at a reasonable assurance level. However, because all disclosure procedures must rely to a significant degree on actions or decisions made by employees throughout the organization, such as reporting of material events, the Company and its reporting officers believe that they cannot provide absolute assurance that all control issues and instances of fraud or errors and omissions, if any, within the Company will be detected. Limitations within any control system, including the Company's control system, include faulty judgments in decision-making or simple errors or mistakes. In addition, controls can be circumvented by an individual, by collusion between two or more people, or by management override of the control. Because of these limitations, misstatements due to error or fraud may occur and may not be detected.

Management's annual report on the Company's internal control over financial reporting and the independent registered public accounting firm's attestation report are included in the Company's 2007 Financial Statements in Item 8 of this Annual Report on Form 10-K, under the headings, "Management's Report on Internal Control over Financial Reporting" and "Report of Independent Registered Public Accounting Firm", respectively, and are incorporated herein by reference.

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's most recent completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

CEO and CFO Certifications

The Company's Chief Executive Officer as well as the Executive Vice President and Chief Financial Officer have filed with the Securities and Exchange Commission the certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1 and 31.2 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2007. In addition, on February 12, 2007, the Company's CEO certified to the New York Stock Exchange that he was not aware of any violation by the Company of the NYSE corporate governance listing standards.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

The information required by this item, with respect to directors, is included under the captions *Director Nominees for Terms Expiring at the 2008 or 2010 Annual Meetings* and *Directors with Terms Expiring at the 2008 or 2009 Annual Meetings* of the Company's proxy statement for the annual meeting of stockholders to be held January 10, 2008, to be filed with the Commission pursuant to Regulation 14A, and is incorporated herein by reference.

The information required by this item, with respect to executive officers, is included under the caption *Management—Executive Officers* of the Company's proxy statement for the annual meeting of stockholders to be held January 10, 2008, to be filed with the Commission pursuant to Regulation 14A, and is incorporated herein by reference.

The information required by this item, with respect to beneficial ownership reporting, is included under the caption *Section 16(a) Beneficial Ownership Reporting Compliance* of the Company's proxy statement for the annual meeting of stockholders to be held January 10, 2008, to be filed with the Commission pursuant to Regulation 14A, and is incorporated herein by reference.

Item 11. ***Executive Compensation***

The information required by this item is included under the captions *Compensation of Directors*, *Information Concerning the Board and Its Committees*, *Compensation Committee Interlocks and Insider Participation*, *Fiscal 2007 Summary Compensation Table*, *Fiscal 2007 Grants of Plan-Based Awards*, *Outstanding Equity Awards at Fiscal 2007 Year-End*, *Option Exercises and Stock Vested in Fiscal 2007*, *Pension Benefits in Fiscal 2007*, *Fiscal 2007 Nonqualified Deferred Compensation*, *Employment Contracts*, *Severance Agreements*, *Change in Control Agreements*, *Equity Award Agreements and Deferred Compensation Plans* of the Company's proxy statement for the annual meeting of stockholders to be held January 10, 2008, to be filed with the Commission pursuant to Regulation 14A, and is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this item is included under the captions *Beneficial Ownership of the Company's Securities* and *Disclosure with Respect to Equity Compensation Plans* of the Company's proxy statement for the annual meeting of stockholders to be held January 10, 2008, to be filed with the Commission pursuant to Regulation 14A, and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions***

The information required by this item is included under the caption *Certain Relationships and Related Party Transactions* of the Company's proxy statement for the annual meeting of stockholders to be held January 10, 2008, to be filed with the Commission pursuant to Regulation 14A, and is incorporated herein by reference.

Item 14. ***Principal Accounting Fees and Services***

The information required by this item is included under the caption *Fees Billed by Independent Registered Public Accounting Firm* of the Company's proxy statement for the annual meeting of stockholders to be held January 10, 2008, to be filed with the Commission pursuant to Regulation 14A, and is incorporated herein by reference.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) The following documents are filed as a part of this report:

(1) Management's Report on Internal Control over Financial Reporting

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of August 31, 2007 and 2006

Consolidated Statements of Operations for the years ended August 31, 2007, 2006, and 2005

Consolidated Statements of Cash Flows for the years ended August 31, 2007, 2006, and 2005

Consolidated Statements of Stockholders' Equity and Comprehensive Income for the years ended

August 31, 2007, 2006, and 2005

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules:

Schedule II Valuation and Qualifying Accounts

Any of Schedules I through V not listed above have been omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

(3) Exhibits filed with this report (begins on next page):

Copies of exhibits will be furnished to stockholders upon request at a nominal fee. Requests should be sent to Acuity Brands, Inc., Investor Relations Department, 1170 Peachtree Street, N.E., Suite 2400, Atlanta, Georgia 30309-7676.

INDEX TO EXHIBITS

EXHIBIT 2		Agreement and Plan of Merger among Acuity Brands, Inc., Acuity Merger Sub, Inc. and Acuity Holdings, Inc., dated September 25, 2007.	Reference is made to Exhibit 10.1 of registrant's Form 8-K as filed with the Commission on September 26, 2007, which is incorporated herein by reference
EXHIBIT 3	(a)	Certificate of Incorporation of Acuity Brands, Inc. (formerly Acuity Brands Holdings, Inc.), dated as of September 26, 2007	Reference is made to Exhibit 3.1 of registrant's Form 8-K as filed with the Commission on September 26, 2007, which is incorporated herein by reference.
	(b)	Certificate of Amendment of Acuity Brands, Inc. (formerly Acuity Brands Holdings, Inc.), dated as of September 26, 2007	Reference is made to Exhibit 3.2 of registrant's Form 8-K as filed with the Commission on September 26, 2007, which is incorporated herein by reference.
	(c)	Amended and Restated Bylaws of Acuity Brands, Inc., dated as of September 26, 2007.	Reference is made to Exhibit 3.3 of registrant's Form 8-K as filed with the Commission on September 26, 2007, which is incorporated herein by reference.
EXHIBIT 4	(a)	Form of Certificate representing Acuity Brands, Inc. Common Stock.	Reference is made to Exhibit 4.1 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
	(b)	Stockholder Protection Rights Agreement between Acuity Brands, Inc. (formerly Acuity Brands Holdings, Inc.) and The Bank of New York, dated as of September 25, 2007.	Reference is made to Exhibit 4.2 of registrant's Form 8-K as filed with the Commission on September 26, 2007, which is incorporated herein by reference.
	(c)	Letter Agreement appointing Successor Rights Agent.	Reference is made to Exhibit 4(c) of registrant's Form 10-Q as filed with the Commission on July 14, 2003, which is incorporated herein by reference.
	(d)	First Supplemental Indenture, dated as of October 23, 2001, to Indenture dated January 26, 1999, between National Service Industries, Inc., L&C Spinco, Inc.*, L&C Lighting Group, Inc., The Zep Group, Inc. and SunTrust Bank.	Reference is made to Exhibit 10.10 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
	(e)	Indenture dated as of January 26, 1999.	Reference is made to Exhibit 10.11 to Amendment No. 2 to the Registration Statement on Form 10, filed by L&C Spinco, Inc.* on September 6, 2001, which is incorporated herein by reference.
	(f)	Form of 6% Note due February 1, 2009.	Reference is made to Exhibit 10.12 to Amendment No. 2 to the Registration Statement on Form 10, filed by L&C Spinco, Inc.* on September 6, 2001, which is incorporated herein by reference.
	(g)	Form of 8.375% Note due August 1, 2010.	Reference is made to Exhibit 10.13 to Amendment No. 2 to the Registration Statement on Form 10, filed by L&C Spinco, Inc.* on September 6, 2001, which is incorporated herein by reference.

	(h) Second Supplemental Indenture between Acuity Brands, Inc. Acuity Brands Holdings, Inc. and Bank of New York, dated as of September 26, 2007.	Reference is made to Exhibit 4.1 of registrant's Form 8-K as filed with the Commission on September 26, 2007, which is incorporated herein by reference.
EXHIBIT 10(i)A	(1) Deed to Secure Debt and Security Agreement, dated as of October 11, 2002.	Reference is made to Exhibit 10(i)A(12) of the registrant's Form 10-K as filed with the Commission on November 12, 2002, which is incorporated by reference.
	(2) Promissory Note, dated as of October 11, 2002.	Reference is made to Exhibit 10(i)A(13) of the registrant's Form 10-K as filed with the Commission on November 12, 2002, which is incorporated by reference.
	(3) Amended and Restated 364-Day Revolving Credit Agreement dated as of April 4, 2003 among Acuity Brands, Inc., the Subsidiary Borrowers from time to time hereto, the Lenders from time to time parties hereto, Bank One, NA, as Administrative Agent, and Wachovia Bank, N.A. as Syndication Agent.	Reference is made to Exhibit 10(i)A(1) of the registrant's Form 10-Q as filed with the Commission on April 14, 2003, which is incorporated by reference.
	(4) First Modification to Deed to Secure Debt and Security Agreement.	Reference is made to Exhibit 10(i)A(3) of the registrant's Form 10-Q as filed with the Commission on July 14, 2003, which is incorporated by reference.
	(5) Letter Agreement amending Agreement and Plan of Distribution.	Reference is made to Exhibit 10(i)A(4) of the registrant's Form 10-Q as filed with the Commission on July 14, 2003, which is incorporated by reference.
	(6) Agreement and Consent Relating to Tax Disaffiliation Agreement.	Reference is made to Exhibit 10(i)A(5) of the registrant's Form 10-Q as filed with the Commission on July 14, 2003, which is incorporated by reference.
	(7) Credit and Security Agreement dated as of September 2, 2003 among Acuity Enterprise, Inc. and Acuity Unlimited Inc., as Borrowers, Acuity Lighting Group, Inc. and Acuity Specialty Products Group, Inc., as Servicers, Blue Ridge Asset Funding Corporation, the Liquidity Banks from time to time party hereto and Wachovia Bank, National Association, as Agent.	Reference is made to Exhibit 10(i)A(19) of the registrant's Form 10-K as filed with the Commission on October 31, 2003, which is incorporated by reference.
	(8) Receivables Sale and Contribution Agreement dated as of September 2, 2003 between Acuity Specialty Products Group, Inc., as Seller, and Acuity Enterprise, Inc., as Buyer.	Reference is made to Exhibit 10(i)A(20) of the registrant's Form 10-K as filed with the Commission on October 31, 2003, which is incorporated by reference.

(9)	Amended and Restated Receivables Sale and Contribution Agreement dated as of September 2, 2003 between Acuity Lighting Group, Inc., successor to National Service Industries, Inc., as Seller, and Acuity Unlimited, Inc., formerly known as L&C Funding, Inc., as Buyer.	Reference is made to Exhibit 10(i)A(21) of the registrant's Form 10-K as filed with the Commission on October 31, 2003, which is incorporated by reference.
(10)	Performance Undertaking dated as of September 2, 2003, executed by Acuity Brands, Inc. in favor of Acuity Unlimited, Inc.	Reference is made to Exhibit 10(i)A(22) of the registrant's Form 10-K as filed with the Commission on October 31, 2003, which is incorporated by reference.
(11)	Performance Undertaking dated as of September 2, 2003, executed by Acuity Brands, Inc. in favor of Acuity Enterprise, Inc.	Reference is made to Exhibit 10(i)A(23) of the registrant's Form 10-K as filed with the Commission on October 31, 2003, which is incorporated by reference.
(12)	5-Year Revolving Credit Agreement, dated as of April 2, 2004 among Acuity Brands, Inc., the Subsidiary Borrowers from time to time parties thereto, the Lenders from time to time parties thereto, Bank One, NA (Main Office Chicago), Wachovia Bank, N.A. and LaSalle Bank National Association and Key Bank National Association, Banc One Capital Markets, Inc.	Reference is made to Exhibit 10(i)A-1(1) of the registrant's Form 10-Q as filed with the Commission on April 6, 2004, which is incorporated by reference.
(13)	Reimbursement Agreement between Acuity Brands and The General Electric Company, dated February 27, 2004.	Reference is made to Exhibit 10(iii)A-(1) of the registrant's Form 10-Q as filed with the Commission on April 6, 2004, which is incorporated by reference.
(14)	Tax Disaffiliation Agreement, dated as of October 7, 2005, by and between National Service Industries, Inc. and Acuity Brands, Inc.	Reference is made to Exhibit 10(i)A(17) of the registrant's Form 10-K as filed with the Commission on November 1, 2005, which is incorporated by reference.
(15)	Amendment to Receivables Facility, dated as of September 29, 2005.	Reference is made to Exhibit 10(i)A(18) of the registrant's Form 10-K as filed with the Commission on November 1, 2005, which is incorporated by reference.
(16)	Amendment No. 4 to Receivables Facility, dated as of September 28, 2006.	Reference is made to Exhibit 10(i)A(19) of the registrant's Form 10-K as filed with the Commission on November 2, 2006, which is incorporated by reference.

	(17)	5-Year Revolving Credit Agreement, dated as of October 19, 2007 among Acuity Brands, Inc., the Subsidiary Borrowers from time to time parties hereto, the Lenders from time to time parties hereto, JPMorgan Chase Bank, National Association; Wachovia Bank, National Association; Bank of America, N.A.; Keybank National Association; Wells Fargo Bank, N.A.; and Branch Banking and Trust Company.	Filed with the Commission as part of this Form 10-K
	(18)	Amended and Restated Credit and Security Agreement dated as of October 19, 2007 among Acuity Unlimited Inc., as Borrower; Acuity Brands Lighting, Inc., as Servicer; Variable Funding Capital Company, the Liquidity Banks from time to time party hereto; and Wachovia Bank National Association, as Agent.	Filed with the Commission as part of this Form 10-K
EXHIBIT 10(iii)A		Management Contracts and Compensatory Arrangements:	
	(1)	Acuity Brands, Inc. 2001 Nonemployee Directors' Stock Option Plan.	Reference is made to Exhibit 10.6 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
	(2)	Amendment No. 1 to Acuity Brands, Inc. Nonemployee Directors' Stock Option Plan, dated December 20, 2001.	Reference is made to Exhibit 10(iii)A(3) of registrant's Form 10-Q as filed with the Commission on January 14, 2002, which is incorporated herein by reference.
	(3)	Form of Indemnification Agreement.	Reference is made to Exhibit 10.7 to the Registration Statement on Form 10, filed by L&C Spinco, Inc.* with the Commission on July 3, 2001, which is incorporated herein by reference.
	(4)	Form of Severance Protection Agreement.	Reference is made to Exhibit 10.8 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
	(5)	Acuity Brands, Inc. Supplemental Deferred Savings Plan.	Reference is made to Exhibit 10.14 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
	(6)	Acuity Brands, Inc. Executives' Deferred Compensation Plan.	Reference is made to Exhibit 10.15 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
	(7)	Acuity Brands, Inc. Senior Management Benefit Plan.	Reference is made to Exhibit 10.16 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.

(8)	Acuity Brands, Inc. Executive Benefits Trust.	Reference is made to Exhibit 10.18 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
(9)	Acuity Brands, Inc. Supplemental Retirement Plan for Executives.	Reference is made to Exhibit 10.19 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
(10)	Acuity Brands, Inc. Benefits Protection Trust.	Reference is made to Exhibit 10.21 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
(11)	Assumption Letter of Acuity Brands, Inc. with respect to Employment Letter Agreement between National Service Industries, Inc. and Joseph G. Parham, Jr.	Reference is made to Exhibit 10.22(b)(i) of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
(12)	Employment Letter Agreement between National Service Industries, Inc. and Joseph G. Parham, Jr. dated May 3, 2000.	Reference is made to Exhibit 10(iii)A(2) of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
(13)	Employment Letter Agreement between National Service Industries, Inc. and Vernon J. Nagel, dated as of October 30, 2001.	Reference is made to Exhibit 10(iii)A(20) of the Form 10-Q of National Service Industries, Inc. for the quarter ended January 14, 2002, which is incorporated herein by reference.
(14)	Form of Acuity Brands, Inc., Letter regarding Bonuses.	Reference is made to Exhibit 10.25 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
(15)	Amended Acuity Brands, Inc. Management Compensation and Incentive Plan.	Reference is made to Exhibit A of registrant's proxy statement for the Annual Meeting of Stockholders as filed with the Commission on November 12, 2002, which is incorporated herein by reference.
(16)	Amendment No. 1 to Acuity Brands, Inc. Supplemental Deferred Savings Plan.	Reference is made to Exhibit 10(iii)A(2) of registrant's Form 10-Q as filed with the Commission on January 14, 2003, which is incorporated by reference.
(17)	Amendment No. 1 to Acuity Brands, Inc. Executives' Deferred Compensation Plan.	Reference is made to Exhibit 10(iii)A(3) of the registrant's Form 10-Q as filed with the Commission on January 14, 2003, which is incorporated by reference.
(18)	Amendment No. 1 to Acuity Brands, Inc. Supplemental Retirement Plan for Executives.	Reference is made to Exhibit 10(iii)A(2) of the registrant's Form 10-Q as filed with the Commission on April 14, 2003, which is incorporated by reference.

(19)	Acuity Brands, Inc. 2002 Supplemental Executive Retirement Plan.	Reference is made to Exhibit 10(iii)A(3) of the registrant's Form 10-Q as filed with the Commission on April 14, 2003, which is incorporated by reference.
(20)	Letter Agreement relating to Supplemental Executive Retirement Plan between Acuity Brands, Inc. and James H. Heagle.	Reference is made to Exhibit 10(iii)A(3) of the registrant's Form 10-Q as filed with the Commission on July 14, 2003, which is incorporated by reference.
(21)	Letter Agreement relating to Supplemental Executive Retirement Plan between Acuity Brands, Inc. and Vernon J. Nagel.	Reference is made to Exhibit 10(iii)A(4) of the registrant's Form 10-Q as filed with the Commission on July 14, 2003, which is incorporated by reference.
(22)	Letter Agreement relating to Supplemental Executive Retirement Plan between Acuity Brands, Inc. and Joseph G. Parham, Jr.	Reference is made to Exhibit 10(iii)A(5) of the registrant's Form 10-Q as filed with the Commission on July 14, 2003, which is incorporated by reference.
(23)	Letter Agreement relating to Supplemental Executive Retirement Plan between Acuity Brands, Inc. and Kenyon W. Murphy.	Reference is made to Exhibit 10(iii)A(6) of the registrant's Form 10-Q as filed with the Commission on July 14, 2003, which is incorporated by reference.
(24)	Amendment No. 2 to Acuity Brands, Inc. Supplemental Deferred Savings Plan.	Reference is made to Exhibit 10(iii)A(8) of the registrant's Form 10-Q as filed with the Commission on July 14, 2003, which is incorporated by reference.
(25)	Form of Severance Agreement.	Reference is made to Exhibit 10(iii)A(32) of the registrant's Form 10-K as filed with the Commission on October 31, 2003, which is incorporated by reference.
(26)	Severance Agreement between Acuity Brands, Inc. and James H. Heagle.	Reference is made to Exhibit 10(iii)A of the registrant's Form 10-Q as filed with the Commission on January 14, 2004, which is incorporated by reference.
(27)	Amended and Restated Acuity Brands, Inc. Long-Term Incentive Plan.	Reference is made to Exhibit A of registrant's proxy statement for the Annual Meeting of Stockholders as filed with the Commission on November 7, 2003, which is incorporated herein by reference.
(28)	Letter Agreement between Acuity Brands, Inc. and Vernon J. Nagel, dated June 29, 2004.	Reference is made to Exhibit 10(III)A(1) of the registrant's Form 10-Q as filed with the Commission on July 6, 2004, which is incorporated by reference.
(29)	Amended and Restated Severance Agreement, entered into as of January 20, 2004, by and between Acuity Brands, Inc. and Vernon J. Nagel.	Reference is made to Exhibit 10(III)A(2) of the registrant's Form 10-Q as filed with the Commission on July 6, 2004, which is incorporated by reference.

(30)	Letter Agreement between Acuity Brands, Inc. and John K. Morgan, dated June 24, 2004.	Reference is made to Exhibit 10(III)A(3) of the registrant's Form 10-Q as filed with the Commission on July 6, 2004, which is incorporated by reference.
(31)	Amended and Restated Severance Agreement, entered into as of January 20, 2004, by and between Acuity Brands, Inc. and John K. Morgan.	Reference is made to Exhibit 10(III)A(4) of the registrant's Form 10-Q as filed with the Commission on July 6, 2004, which is incorporated by reference.
(32)	Letter Agreement between Acuity Brands, Inc. and Wesley E. Wittich, dated June 17, 2004.	Reference is made to Exhibit 10(III)A(5) of the registrant's Form 10-Q as filed with the Commission on July 6, 2004, which is incorporated by reference.
(33)	Amendment No. 3 to Acuity Brands, Inc. Supplemental Deferred Savings Plan.	Reference is made to Exhibit 10(iii)A(36) of the registrant's Form 10-K as filed with the Commission on October 29, 2004, which is incorporated by reference.
(34)	Acuity Brands, Inc. Management Compensation and Incentive Plan Fiscal Year 2005 Plan Rules for Executive Officers.	Reference is made to Exhibit 10(III)A(2) of the registrant's Form 10-Q as filed with the Commission on January 6, 2005, which is incorporated by reference.
(35)	Form of Incentive Stock Option Agreement for Executive Officers.	Reference is made to Exhibit 10(III)A(3) of the registrant's Form 10-Q filed with the Commission on January 6, 2005 incorporated by reference.
(36)	Form of Nonqualified Stock Option Agreement for Executive Officers.	Reference is made to Exhibit 10(III)A(4) of the registrant's Form 10-Q as filed with the Commission on January 6, 2005, which is incorporated by reference.
(37)	Premium-Priced Nonqualified Stock Option Agreement for Executive Officers between Acuity Brands, Inc. and Vernon J. Nagel.	Reference is made to Exhibit 10(III)A(5) of the registrant's Form 10-Q as filed with the Commission on January 6, 2005, which is incorporated by reference.
(38)	Form of Restricted Stock Award Agreement for Executive Officers.	Reference is made to Exhibit 10(III)A(6) of the registrant's Form 10-Q as filed with the Commission on January 6, 2005, which is incorporated by reference.
(39)	Acuity Brands, Inc. Long-Term Incentive Plan Fiscal Year 2005 Plan Rules for Executive Officers.	Reference is made to Exhibit 10(III)A(7) of the registrant's Form 10-Q as filed with the Commission on January 6, 2005, which is incorporated by reference.

(40)	Acuity Brands, Inc. Matching Gift Program.	Reference is made to Exhibit 10(III)A(1) of the registrant's Form 10-Q as filed with the Commission on April 4, 2005, which is incorporated by reference.
(41)	Letter Agreement dated April 26, 2005 between Acuity Brands, Inc. and Edward H. Bastian.	Reference is made to Exhibit 10.1 of registrant's Form 8-K as filed with the Commission on April 27, 2005, which is incorporated herein by reference.
(42)	Amended and Restated Severance Agreement, entered into as of August 1, 2005, by and between Acuity Brands, Inc. and John K. Morgan.	Reference is made to Exhibit 10(iii)A(46) of registrant's Form 10-K as filed with the Commission on November 1, 2005, which is incorporated by reference.
(43)	Acuity Brands, Inc. Long-Term Incentive Plan Fiscal Year 2006 Plan Rules for Executive Officers.	Reference is made to Exhibit 10(iii)A(47) of registrant's Form 10-K as filed with the Commission on November 1, 2005, which is incorporated by reference.
(44)	Acuity Brands, Inc. Management Compensation and Incentive Plan Fiscal Year 2006 Plan Rules for Executive Officers.	Reference is made to Exhibit 10(iii)A(48) of registrant's Form 10-K as filed with the Commission on November 1, 2005, which is incorporated by reference.
(45)	Amendment to Severance Protection Agreement entered into as of August 1, 2005, by and between Acuity Brands, Inc. and John K. Morgan.	Reference is made to Exhibit 10(iii)A(49) of registrant's Form 10-K as filed with the Commission on November 1, 2005, which is incorporated by reference.
(46)	Letter Agreement dated August 1, 2005 between Acuity Brands, Inc. and John K. Morgan.	Reference is made to Exhibit 10(iii)A(50) of registrant's Form 10-K as filed with the Commission on November 1, 2005, which is incorporated by reference.
(47)	Letter Agreement dated November 16, 2005 between Acuity Brands, Inc. and Richard K. Reece.	Reference is made to Exhibit 10.1 of registrant's Form 8-K filed with the Commission on November 18, 2005, which is incorporated herein by reference.
(48)	Form of Nonqualified Stock Option Agreement for Executive Officers.	Reference is made to Exhibit 99.1 of registrant's Form 8-K filed with the Commission on December 2, 2005, which is incorporated herein by reference.
(49)	Form of Acuity Brands, Inc. Long-Term Incentive Plan Restricted Stock Award.	Reference is made to Exhibit 99.2 of registrant's Form 8-K filed with the Commission on December 2, 2005, which is incorporated herein by reference.

(50)	Form of Severance Agreement.	Reference is made to Exhibit 99.2 of registrant's Form 8-K filed with the Commission on April 27, 2006, which is incorporated herein by reference.
(51)	Amendment dated April 21, 2006 to the Amended and Restated Severance Agreement between Acuity Brands, Inc. and Vernon J. Nagle.	Reference is made to Exhibit 99.3 of registrant's Form 8-K filed with the Commission on April 27, 2006, which is incorporated herein by reference.
(52)	Amendment dated April 21, 2006 to Amended and Restated Severance Agreement between Acuity Brands, Inc. and John K. Morgan.	Reference is made to Exhibit 99.4 of registrant's Form 8-K filed with the Commission on April 27, 2006, which is incorporated herein by reference.
(53)	Amendment dated April 21, 2006 to Amended and Restated Severance Agreement between Acuity Brands, Inc. and James H. Heagle.	Reference is made to Exhibit 99.5 of registrant's Form 8-K filed with the Commission on April 27, 2006, which is incorporated herein by reference.
(54)	Letter Agreement dated May 8, 2006 between Acuity Brands, Inc. and William A. Holl.	Reference is made to Exhibit 99.1 of registrant's Form 8-K filed with the Commission on June 7, 2006, which is incorporated herein by reference.
(55)	Acuity Brands, Inc. Nonemployee Director Deferred Compensation Plan as Amended and Restated Effective June 29, 2006 (formerly known as the "Nonemployee Director Deferred Stock Unit Plan").	Reference is made to Exhibit 99.1 of registrant's Form 8-K filed with the Commission on July 6, 2006, which is incorporated herein by reference.
(56)	Amendment No. 4 to Acuity Brands, Inc. Supplemental Deferred Savings Plan.	Reference is made to Exhibit 99.2 of registrant's Form 8-K filed with the Commission on July 6, 2006, which is incorporated herein by reference.
(57)	Long-Term Incentive Plan Rules for Executive Officers for Fiscal Year 2007.	Reference is made to Exhibit 99.1 of registrant's Form 8-K filed with the Commission on August 29, 2006, which is incorporated herein by reference.
(58)	Management Compensation and Incentive Plan for Executive Officers for Fiscal Year 2007.	Reference is made to Exhibit 99.2 of registrant's Form 8-K filed with the Commission on August 29, 2006, which is incorporated herein by reference.
(59)	2005 Supplemental Deferred Savings Plan.	Reference is made to Exhibit 10.1 of registrant's Form 8-K filed with the Commission on October 5, 2006, which is incorporated herein by reference.
(60)	Amendment No. 1 to Stock Option Agreement for Nonemployee Director dated October 25, 2006.	Reference is made to Exhibit 99.1 of registrant's Form 8-K filed with the Commission on October 27, 2006, which is incorporated herein by reference.

(61)	Acuity Brands, Inc. 2002 Executives' Deferred Compensation Plan as Amended on December 30, 2002 and as Amended and Restated January 1, 2005.	Reference is made to Exhibit 10(iii)A(61) of the registrant's Form 10-K as filed with the Commission on November 2, 2006, which is incorporated by reference.
(62)	Amendment No. 1 to Acuity Brands, Inc. Long-Term Incentive Plan dated September 29, 2006.	Reference is made to Exhibit 10(iii)A(62) of the registrant's Form 10-K as filed with the Commission on November 2, 2006, which is incorporated by reference.
(63)	Acuity Brands, Inc. 2002 Supplemental Executive Retirement Plan as Amended and Restated Effective January 1, 2005.	Reference is made to Exhibit 10(iii)A(63) of the registrant's Form 10-K as filed with the Commission on November 2, 2006, which is incorporated by reference.
(64)	Form of Amended and Restated Change in Control Agreement.	Reference is made to Exhibit 99.1 of registrant's Form 8-K filed with the Commission on April 27, 2006, which is incorporated herein by reference
(65)	Amendment No. 1 to Acuity Brands, Inc. 2002 Supplemental Executive Retirement Plan.	Reference is made to Exhibit 99.1 of registrant's Form 8-K as filed with the Commission on June 29, 2007, which is incorporated herein by reference.
(66)	Amendment No. 1 to Acuity Brands, Inc. 2005 Supplemental Deferred Savings Plan.	Reference is made to Exhibit 99.2 of registrant's Form 8-K as filed with the Commission on June 29, 2007, which is incorporated herein by reference.
(67)	Amended and Restated Employment Letter with John K. Morgan.	Filed with the Commission as part of this Form 10-K.
(68)	Restricted Stock Award Agreement with John K. Morgan.	Filed with the Commission as part of this Form 10-K.
(69)	Amendment to Restricted Stock Award Agreements with John K. Morgan.	Filed with the Commission as part of this Form 10-K.
(70)	Amendment No. 1 to Amended and Restated Change in Control Agreement with John K. Morgan.	Filed with the Commission as part of this Form 10-K.
(71)	Amendment No. 2 to Acuity Brands, Inc. Amended and Restated Severance Agreement with John K. Morgan.	Filed with the Commission as part of this Form 10-K.
(72)	Confidentiality and Restrictive Covenants Agreement with John K. Morgan.	Filed with the Commission as part of this Form 10-K.
(73)	Amendment No. 3 to Acuity Brands, Inc. 2001 Nonemployee Directors' Stock Option Plans.	Reference is made to Exhibit 10(iii)A(3) of registrant's Form 10-Q as filed with the Commission on July 10, 2007, which is incorporated herein by reference.
(74)	Amendment No. 2 to Acuity Brands, Inc. Long-Term Incentive Plan.	Reference is made to Exhibit 10(iii)A(4) of registrant's Form 10-Q as filed with the Commission on July 10, 2007, which is incorporated herein by reference.

	(75)	Amendment No. 1 to Acuity Brands, Inc. Senior Benefit Plan.	Reference is made to Exhibit 10(iii)A(5) of registrant's Form 10-Q as filed with the Commission on July 10, 2007, which is incorporated herein by reference.
	(76)	Amendment No. 5 to Acuity Brands, Inc. Supplemental Deferred Savings Plan.	Reference is made to Exhibit 10(iii)A(6) of registrant's Form 10-Q as filed with the Commission on July 10, 2007, which is incorporated herein by reference.
	(77)	Amendment No. 2 to Acuity Brands, Inc. Amended and Restated Severance Agreement.	Reference is made to Exhibit 10(iii)A(2) of registrant's Form 10-Q as filed with the Commission on January 4, 2007, which is incorporated herein by reference.
	(78)	Amendment No. 2 to Acuity Brands, Inc. 2001 Non-employee Directors' Stock Option Plan.	Reference is made to Exhibit 10(iii)A(2) of registrant's Form 10-Q as filed with the Commission on April 4, 2007, which is incorporated herein by reference.
	(79)	Amendment No. 1 to Nonemployee Director Stock Option Plan.	Reference is made to Exhibit 99.1 of registrant's Form 8-K as filed with the Commission on October 27, 2006, which is incorporated herein by reference.
EXHIBIT 14		Code of Ethics and Business Conduct.	Reference is made to Exhibit 14 of registrant's Form 8-K as filed with the Commission on January 12, 2005, which is incorporated herein by reference.
EXHIBIT 21		List of Subsidiaries.	Filed with the Commission as part of this Form 10-K.
EXHIBIT 23		Consent of Independent Registered Public Accounting Firm.	Filed with the Commission as part of this Form 10-K.
EXHIBIT 24		Powers of Attorney.	Filed with the Commission as part of this Form 10-K.
EXHIBIT 31	(a)	Rule 13a-14(a)/15d-14(a) Certification, signed by Vernon J. Nagel.	Filed with the Commission as part of this Form 10-K.
EXHIBIT 31	(b)	Rule 13a-14(a)/15d-14(a) Certification, signed by Richard K. Reece.	Filed with the Commission as part of this Form 10-K.
EXHIBIT 32	(a)	Section 1350 Certification, signed by Vernon J. Nagel.	Filed with the Commission as part of this Form 10-K.
EXHIBIT 32	(b)	Section 1350 Certification, signed by Richard K. Reece.	Filed with the Commission as part of this Form 10-K.

* Acuity Brands, Inc. operated under the name L&C Spinco, Inc. from July 27, 2001 – November 9, 2001.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ACUITY BRANDS, INC.

Date: October 30, 2007

By: /s/ VERNON J. NAGEL
Vernon J. Nagel
Chairman, President, and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ VERNON J. NAGEL **Vernon J. Nagel**	Chairman, President, and Chief Executive Officer	October 30, 2007
/S/ RICHARD K. REECE **Richard K. Reece**	Executive Vice President and Chief Financial Officer	October 30, 2007
* **Peter C. Browning**	Director	October 30, 2007
* **John L. Clendenin**	Director	October 30, 2007
* **Earnest W. Deavenport, Jr.**	Director	October 30, 2007
* **Robert F. McCullough**	Director	October 30, 2007
* **Julia B. North**	Director	October 30, 2007
* **Ray M. Robinson**	Director	October 30, 2007
* **Neil Williams**	Director	October 30, 2007
*BY: /S/ KENYON W. MURPHY **Kenyon W. Murphy**	Attorney-in-Fact	October 30, 2007

Schedule II

Acuity Brands, Inc.

Valuation and Qualifying Accounts
for the Years Ended August 31, 2007, 2006, and 2005
(In thousands)

	Balance at Beginning of Year	Additions and Reductions Charged to		Deductions	Balance at End of Year
		Costs and Expenses	Other Accounts (1)		
Year Ended August 31, 2007:					
Reserve for doubtful accounts	$ 6,205	1,774	320	3,435	$ 4,864
Reserve for estimated warranty and recall costs	$ 7,013	3,687	—	6,307	$ 4,393
Reserve for estimated returns and allowances	$ 7,618	70,047	—	69,462	$ 8,203
Self-insurance reserve (2)	$ 20,601	17,176	—	14,080	$ 23,697
Year Ended August 31, 2006:					
Reserve for doubtful accounts	$ 6,999	1,918	141	2,853	$ 6,205
Reserve for estimated warranty and recall costs	$ 10,038	4,534	(2,549)	5,010	$ 7,013
Reserve for estimated returns and allowances	$ 6,570	75,472	—	74,424	$ 7,618
Self-insurance reserve (2)	$ 21,315	13,019	—	13,733	$ 20,601
Year Ended August 31, 2005:					
Reserve for doubtful accounts	$ 8,285	4,570	194	6,050	$ 6,999
Reserve for estimated warranty and recall costs	$ 11,694	4,143	—	5,799	$ 10,038
Reserve for estimated returns and allowances	$ 5,343	74,695	—	73,468	$ 6,570
Self-insurance reserve (2)	$ 23,057	10,166	—	11,908	$ 21,315

(1) Includes recoveries and adjustments credited to the reserve.
(2) Includes reserves for workers' compensation, auto, product, and general liability claims.

5-YEAR REVOLVING CREDIT AGREEMENT

DATED AS OF OCTOBER 19, 2007

AMONG

ACUITY BRANDS, INC.,

THE SUBSIDIARY BORROWERS
FROM TIME TO TIME PARTIES HERETO,

THE LENDERS FROM TIME TO TIME PARTIES HERETO,

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION,
as Administrative Agent,

WACHOVIA BANK, NATIONAL ASSOCIATION
and
BANK OF AMERICA, N.A.,
as Co-Syndication Agents

and

KEYBANK NATIONAL ASSOCIATION, WELLS FARGO BANK, N.A. and
BRANCH BANKING AND TRUST COMPANY,
as Co-Documentation Agents

J.P. MORGAN SECURITIES INC.,
as Lead Arranger and Sole Book Runner

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EXHIBITS

SCHEDULES

5-YEAR REVOLVING CREDIT AGREEMENT

This 5-Year Revolving Credit Agreement, dated as of October 19, 2007, is among ACUITY BRANDS, INC., a Delaware corporation, ACUITY BRANDS LIGHTING, INC., a Delaware corporation, and one or more other Subsidiary Borrowers from time to time parties hereto (whether now existing or hereafter formed), the institutions from time to time parties hereto as Lenders (whether by execution of this Agreement or an assignment pursuant to Section 13.3), JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, as Swing Line Lender, LC Issuer and Administrative Agent, WACHOVIA BANK, NATIONAL ASSOCIATION and BANK OF AMERICA, N.A., as Co-Syndication Agents and KEYBANK NATIONAL ASSOCIATION, WELLS FARGO BANK, N.A. and BRANCH BANKING & TRUST COMPANY, as Co-Documentation Agents. The parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.1. **Certain Defined Terms.** As used in this Agreement:

"**Accounting Changes**" is defined in Section 10.8 hereof.

"**Acquisition**" means any transaction, or any series of related transactions, consummated on or after the Closing Date, by which the Company or any of its Subsidiaries (i) acquires any going business or all or substantially all of the assets of any firm, corporation or limited liability company, or division thereof, whether through purchase of assets, merger or otherwise or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage of voting power) of the outstanding ownership interests of a partnership, limited liability company or any Person.

"**Administrative Agent**" means JPMorgan in its capacity as contractual representative of the Lenders pursuant to Article XI, and not in its individual capacity as a Lender, and any successor Administrative Agent appointed pursuant to Article XI.

"**Advance**" means a borrowing hereunder consisting of the aggregate amount of the several Loans (i) made by some or all of the Lenders on the same Borrowing Date, or (ii) converted or continued by the Lenders on the same date of conversion or continuation, consisting, in either case, of the aggregate amount of the several Loans of the same Type and, in the case of Eurocurrency Loans, in the same Agreed Currency and for the same Interest Period. The term "Advance" shall include Swing Line Loans unless otherwise expressly provided.

"**Affected Foreign Subsidiary**" means any Foreign Subsidiary to the extent such Foreign Subsidiary acting as a Guarantor would cause a Deemed Dividend Problem.

"**Affected Lender**" is defined in Section 2.20.

"**Affiliate**" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control

another Person if the controlling Person is the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of twenty percent (20%) or more of any class of voting securities (or other voting interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of voting securities, by contract or otherwise.

"**Agent**" means any of the Administrative Agent, a Co-Syndication Agent or a Co-Documentation Agent, as appropriate, and "Agents" means, collectively, the Administrative Agent, the Co-Syndication Agents and the Co-Documentation Agents.

"**Aggregate Commitment**" means the aggregate of the Commitments of all the Lenders, as may be adjusted from time to time pursuant to the terms hereof. The initial Aggregate Commitment is Two Hundred Fifty Million and 00/100 Dollars ($250,000,000).

"**Aggregate Outstanding Credit Exposure**" means, at any time, the aggregate of the Outstanding Credit Exposure of all the Lenders.

"**Agreed Currencies**" means (i) Dollars, (ii) euro, (iii) Canadian Dollars, (iv) Pounds Sterling, and (v) any other Foreign Currency agreed to by the Administrative Agent and each of the Lenders.

"**Agreement**" means this 5-Year Revolving Credit Agreement, as it may be amended, restated, supplemented or otherwise modified and as in effect from time to time.

"**Agreement Accounting Principles**" means generally accepted accounting principles as in effect in the United States from time to time, applied in a manner consistent with that used in preparing the financial statements of the Company referred to in Section 5.4; *provided*, *however*, that except as provided in Section 10.8, with respect to the calculation of financial ratios and other financial tests required by this Agreement, "Agreement Accounting Principles" means generally accepted accounting principles as in effect in the United States as of the Closing Date, applied in a manner consistent with that used in preparing the financial statements of the Company referred to in Section 5.4 hereof.

"**Alternate Base Rate**" means, for any day, a fluctuating rate of interest per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of (a) the Federal Funds Effective Rate for such day and (b) one-half of one percent (0.5%) per annum.

"**Applicable Facility Fee Rate**" means, at any time, the percentage rate per annum at which Facility Fees are accruing on the Aggregate Commitment at such time as set forth in the Pricing Schedule.

"**Applicable Margin**" means, with respect to Eurocurrency Advances at any time, the percentage rate per annum which is applicable at such time with respect to Eurocurrency Advances as set forth in the Pricing Schedule.

"**Approved Fund**" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"**Approximate Equivalent Amount**" of any currency with respect to any amount of Dollars shall mean the Equivalent Amount of such currency with respect to such amount of Dollars on or as of such date, rounded up to the nearest whole unit of such currency as determined by the Administrative Agent from time to time.

"**Arranger**" means J.P. Morgan Securities Inc. and its successors, in its capacity as Lead Arranger and Sole Book Runner.

"**Article**" means an article of this Agreement unless another document is specifically referenced.

"**Assignment Agreement**" is defined in Section 13.3.1.

"**Assumption Letter**" means a letter of a Subsidiary of the Company addressed to the Administrative Agent and the Lenders, and acknowledged by the Administrative Agent, in substantially the form of Exhibit H hereto, pursuant to which such Subsidiary agrees to become a "Subsidiary Borrower" and agrees to be bound by the terms and conditions hereof.

"**Authorized Officer**" means any of the chief executive officer, president, chief operating officer, chief financial officer, or treasurer of the Company, acting singly.

"**Available Aggregate Commitment**" means, at any time, the Aggregate Commitment then in effect minus the Aggregate Outstanding Credit Exposure at such time.

"**Board**" means the Board of Governors of the Federal Reserve System of the United States of America.

"**Borrower**" means, as applicable, any of the Company or any of the Subsidiary Borrowers, together with their respective permitted successors and assigns, and "**Borrowers**" means, collectively, the Company and the Subsidiary Borrowers.

"**Borrowing Date**" means a date on which an Advance is made hereunder.

"**Borrowing Notice**" is defined in Section 2.9.1.

"**Business Day**" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurocurrency Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in Agreed Currencies in the London interbank market or the principal financial center of the country in which payment or purchase of such Agreed Currency can be made (and, if the Advances or the payment under a Facility LC which are the subject of a borrowing, drawing, payment, reimbursement or rate selection are denominated in euro, the term "Business Day" shall also exclude any day on which the TARGET payment system is not open for the settlement of payments in euro).

"**Buying Lender**" is defined in Section 2.23(ii).

"**Canadian Dollars**" means the lawful currency of Canada.

"**Capitalized Lease**" of a Person means any lease of Property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"**Capitalized Lease Obligations**" of a Person means the amount of the obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"**Capital Stock**" means (i) in the case of a corporation, corporate stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a limited liability company, membership interests, (iv) in the case of a partnership, partnership interests (whether general or limited) and (v) 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.

"**Change**" is defined in Section 3.2.

"**Change in Control**" means (i) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of thirty five percent (35%) or more of the outstanding shares of voting stock of the Company; (ii) the majority of the Board of Directors of the Company fails to consist of Continuing Directors; or (iii) any Subsidiary Borrower shall cease to be a Wholly-Owned Subsidiary of the Company.

"**Closing Date**" means October 19, 2007.

"**Co-Documentation Agent**" means each of KeyBank National Association, Wells Fargo Bank, N.A. and Branch Banking and Trust Company in its capacity as a co-documentation agent for the Lenders pursuant to Article XI, and not in its individual capacity as a Lender, and any successor Co-Documentation Agent appointed pursuant to Article XI.

"**Code**" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time, and any rule or regulation issued thereunder.

"**Collateral Shortfall Amount**" means, as of any date of determination, an amount equal to the difference of (x) the amount of LC Obligations at such time, less (y) the amount on deposit in the Facility LC Collateral Account at such time which is free and clear of all rights and claims of third parties and has not been applied against the Obligations in accordance with the terms and conditions of this Agreement.

"**Commitment**" means, for each Lender, the obligation of such Lender to make Revolving Loans to, and participate in Facility LCs issued upon the application of, a Borrower in an aggregate amount not exceeding the amount set forth on the Commitment Schedule or in an Assignment Agreement executed pursuant to Section 13.3, as it may be modified as a result of any assignment that has become effective pursuant to Section 13.3.2 or as otherwise modified from time to time pursuant to the terms hereof.

"**Commitment Increase Notice**" is defined in Section 2.23(i).

"**Commitment Schedule**" means the Schedule identifying each Lender's Commitment as of the Closing Date attached hereto and identified as such.

"**Company**" means Acuity Brands, Inc., a Delaware corporation, and its permitted successors and assigns (including, without limitation, a debtor-in-possession on its behalf).

"**Computation Date**" is defined in Section 2.3.1.

"**Consolidated Net Income**" means, with reference to any period, the net after-tax income (or loss) of the Company and its Subsidiaries calculated on a consolidated basis for such period determined in accordance with Agreement Accounting Principles, excluding minority interests and including only dividends actually received by the Company from any entity which is not a Subsidiary.

"**Consolidated Net Worth**" means at any time the consolidated stockholders' equity of the Company and its Subsidiaries calculated on a consolidated basis as of such time in accordance with Agreement Accounting Principles.

"**Consolidated Total Assets**" means the total amount of all assets of the Company and its consolidated Subsidiaries, and including amounts attributable to minority interests in Affiliates of the Company to the extent deducted in calculating the Consolidated Total Assets of the Company and its Subsidiaries but only to the extent such Affiliate shall be a Guarantor hereunder, calculated on a consolidated basis as of such time in accordance with Agreement Accounting Principles.

"**Continuing Director**" means, with respect to any Person as of any date of determination, any member of the board of directors of such Person who (i) was a member of such board of directors on the Closing Date, or (ii) was nominated for election or elected to such board of directors with the approval of the required majority of the Continuing Directors who were members of such board at the time of such nomination or election; *provided* that any individual who is so elected or nominated in connection with a merger, consolidation, acquisition or similar transaction shall not be a Continuing Director unless such individual was a Continuing Director prior thereto.

"**Contractual Obligation**" means, for any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking under which such Person is obligated or by which it or any of the property owned by it is bound.

"**Controlled Group**" means all members of a controlled group of corporations or other business entities and all trades or businesses (whether or not incorporated) under common control which, together with the Company or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"**Conversion/Continuation Notice**" is defined in Section 2.10.

"**Co-Syndication Agent**" means each of Wachovia Bank, National Association and Bank of America, N.A. in its capacity as a co-syndication agent for the Lenders pursuant to Article XI, and not in its individual capacity as a Lender, and any successor Co-Syndication Agent appointed pursuant to Article XI.

"**Credit Extension**" means the making of an Advance or the issuance of a Facility LC hereunder.

"**Credit Extension Date**" means the Borrowing Date for an Advance or the issuance date for a Facility LC.

"**Deemed Dividend Problem**" means, with respect to any Foreign Subsidiary, such Foreign Subsidiary's accumulated and undistributed earnings and profits being deemed to be repatriated to

the Company or the applicable parent Domestic Subsidiary under Section 956 of the Code and the effect of such repatriation causing materially adverse tax consequences to the Company or such parent Domestic Subsidiary, in each case as determined by the Company in its commercially reasonable judgment acting in good faith and in consultation with its legal and tax advisors.

"**Default**" means an event described in Article VII.

"**Disqualified Stock**" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is ninety-one (91) days after the Facility Termination Date.

"**DOL**" means the United States Department of Labor and any successor department or agency.

"**Dollar Amount**" of any currency at any date shall mean (i) the amount of such currency if such currency is Dollars or (ii) the Equivalent Amount of Dollars if such currency is any currency other than Dollars.

"**Dollars**" and "**$**" means the lawful currency of the United States of America.

"**Domestic Subsidiary**" means a Subsidiary of the Company organized under the laws of a jurisdiction located in the United States of America.

"**EBIT**" means, for any period for the Company and its consolidated Subsidiaries, the sum of the amounts for such period, without duplication, calculated in each case in accordance with Agreement Accounting Principles, of (i) Net Income, plus (ii) Interest Expense to the extent deducted in computing Net Income, plus (iii) charges against income for foreign, federal, state and local taxes to the extent deducted in computing Net Income, plus (iv) any other non-recurring non-cash charges to the extent deducted in computing Net Income, plus (v) non-cash expenses associated with the Company's stock compensation programs, plus (vi) any extraordinary non-recurring cash charges not to exceed $15,000,000 during the term of this Agreement to the extent deducted in computing Net Income, and minus (vii) any non-recurring non-cash credits to the extent added in computing Net Income.

"**EBITDA**" means, for any period for the Company and its consolidated Subsidiaries, the sum of the amounts for such period, without duplication, calculated in each case in accordance with Agreement Accounting Principles, of (i) EBIT, plus (ii) depreciation expense to the extent deducted in computing Net Income, plus (iii) amortization expense, including, without limitation, amortization of goodwill and other intangible assets to the extent deducted in computing Net Income.

"**Effective Commitment Amount**" is defined in Section 2.23(i).

"**Environmental Laws**" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to (i) the protection of the environment, (ii) the effect of the environment on human health, (iii) emissions, discharges or releases of pollutants, contaminants, hazardous substances or wastes

into surface water, ground water or land, or (iv) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous substances or wastes or the clean-up or other remediation thereof.

"**Equivalent Amount**" of any currency at any date shall mean the equivalent in Dollars of such currency, calculated on the basis of the arithmetic mean of the buy and sell spot rates of exchange of the Administrative Agent or an Affiliate of the Administrative Agent in the London interbank market (or other market where the Administrative Agent's foreign exchange operations in respect of such currency are then being conducted) for such other currency at or about 11:00 a.m. (local time applicable to the transaction in question) on the date on which such amount is to be determined, rounded up to the nearest amount of such currency as determined by the Administrative Agent from time to time; provided, however, that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent or an Affiliate of the Administrative Agent may use any reasonable method it deems appropriate (after consultation with the Company) to determine such amount, and such determination shall be conclusive absent manifest error.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended from time to time, including (unless the context otherwise requires) any rules or regulations promulgated thereunder.

"**EU**" means the European Union.

"**euro**" and/or "**EUR**" means the single currency of the participating member states of the EU.

"**Eurocurrency**" means any Agreed Currency.

"**Eurocurrency Advance**" means an Advance which, except as otherwise provided in Section 2.12, bears interest at a Eurocurrency Rate requested by a Borrower pursuant to Sections 2.9 and 2.10.

"**Eurocurrency Base Rate**" means, with respect to any Eurocurrency Advance for any Interest Period, the rate appearing on, in the case of Dollars, Reuters BBA Libor Rates Page 3750 and, in the case of any Foreign Currency, the appropriate page of such service which displays British Bankers Association Interest Settlement Rates for deposits in such Foreign Currency (or, in each case, on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in the relevant Agreed Currency in the London interbank market) at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period, as the rate for deposits in the relevant Agreed Currency with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "Eurocurrency Base Rate" with respect to such Eurocurrency Advance for such Interest Period shall be the rate at which deposits in the relevant Agreed Currency in an Equivalent Amount of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period.

"**Eurocurrency Loan**" means a Loan which, except as otherwise provided in Section 2.12, bears interest at a Eurocurrency Rate requested by a Borrower pursuant to Sections 2.9 and 2.10.

"**Eurocurrency Payment Office**" of the Administrative Agent shall mean, for each Foreign Currency, the office, branch, affiliate or correspondent bank of the Administrative Agent for such currency as specified from time to time by the Administrative Agent to the Company and each Lender.

"**Eurocurrency Rate**" means, with respect to a Eurocurrency Advance for the relevant Interest Period, the sum of (i) the quotient of (a) the Eurocurrency Base Rate applicable to such Interest Period, *divided by* (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, *plus* (ii) the then Applicable Margin, changing as and when the Applicable Margin changes, *plus* (iii) in the case of Loans by a Lender from its office or branch in the United Kingdom, the Mandatory Cost.

"**Excluded Taxes**" means, in the case of each Lender or applicable Lending Installation and each Agent, taxes imposed on its overall net income, and franchise or branch office taxes imposed on it, by (i) the jurisdiction under the laws of which such Lender or Agent is incorporated or organized or any political combination or subdivision or taxing authority thereof or (ii) the jurisdiction in which such Agent's or Lender's principal executive office or such Lender's applicable Lending Installation is located or in which, other than as a result of the transaction evidenced by this Agreement, such Agent or Lender otherwise is, or at any time was, engaged in business (or any political combination or subdivision or taxing authority thereof).

"**Exhibit**" refers to an exhibit to this Agreement, unless another document is specifically referenced.

"**Existing Credit Agreement**" means that certain 5-Year Revolving Credit Agreement dated as of April 2, 2004 among the initial Borrowers, the lenders parties thereto, and JPMorgan Chase Bank, National Association (successor by merger to Bank One, NA (Main Office Chicago)), as administrative agent, as the same has been amended or otherwise modified from time to time.

"**Facility Fee**" is defined in Section 2.6.1.

"**Facility LC**" is defined in Section 2.21.1.

"**Facility LC Application**" is defined in Section 2.21.3.

"**Facility LC Collateral Account**" is defined in Section 2.21.11.

"**Facility Termination Date**" means October 19, 2012.

"**Federal Funds Effective Rate**" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"**Financial Contract**" of a Person means (i) any exchange-traded or over-the-counter futures, forward, swap or option contract or other financial instrument with similar characteristics or (ii) any agreements, devices or arrangements providing for payments related to fluctuations of interest rates, exchange rates, forward rates or commodity prices, including, but not limited to, interest rate swap or exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, forward rate currency, interest rate options puts or warrants.

"**Floating Rate**" means, for any day, a rate per annum equal to the Alternate Base Rate for such day, changing when and as the Alternate Base Rate changes.

"**Floating Rate Advance**" means an Advance which, except as otherwise provided in Section 2.12, bears interest at the Floating Rate.

"**Floating Rate Loan**" means a Loan or portion thereof, which, except as otherwise provided in Section 2.12, bears interest at the Floating Rate.

"**Foreign Currencies**" means Agreed Currencies other than Dollars.

"**Foreign Currency Sublimit**" means $25,000,000.

"**Foreign Pension Plan**" means any employee benefit plan as described in Section 3(3) of ERISA for which the Company or any member of its Controlled Group is a sponsor or administrator and which (i) is maintained or contributed to for the benefit of employees of the Company, any of its respective Subsidiaries or any member of its Controlled Group, (ii) is not covered by ERISA pursuant to Section 4(b)(4) of ERISA, and (iii) under applicable local law, is required to be funded through a trust or other funding vehicle.

"**Foreign Subsidiary**" means a Subsidiary of the Company which is not a Domestic Subsidiary.

"**Foreign Subsidiary Borrower**" means a Subsidiary Borrower which is a Foreign Subsidiary.

"**Form 10**" has the meaning set forth in the definition of Spin-Off Transaction.

"**Fund**" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"**Governmental Authority**" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"**Guarantor**" means the Company and each Material Subsidiary of the Company (other than an SPV) as of the Closing Date and each other Subsidiary that has become a guarantor of the Obligations hereunder in accordance with the terms of Section 6.10.

"**Guaranty**" means that certain Guaranty (and any and all supplements thereto) executed from time to time by each Guarantor (other than the Company) in favor of the Administrative Agent

for the benefit of itself and the Lenders, in substantially the form of Exhibit G attached hereto, as amended, restated, supplemented or otherwise modified from time to time, and, in the case of any guaranty by a Foreign Subsidiary, any other guaranty agreements as are requested by the Administrative Agent and its counsel, in each case as amended, restated, supplemented or otherwise modified from time to time.

"**Holders of Obligations**" means the holders of the Obligations from time to time and shall include (i) each Lender and each LC Issuer in respect of its Outstanding Credit Exposure, (ii) the Administrative Agent, the LC Issuers and the Lenders in respect of all other present and future obligations and liabilities of the Company and each Subsidiary of every type and description arising under or in connection with the Credit Agreement or any other Loan Document, (iii) each indemnified party under Section 10.6 in respect of the obligations and liabilities of the Borrowers to such Person hereunder and under the other Loan Documents, and (iv) their respective successors and (in the case of a Lender, permitted) transferees and assigns.

"**Indebtedness**" of a Person means, without duplication, (a) Indebtedness For Borrowed Money and (b) any other obligation or other financial accommodation which in accordance with Agreement Accounting Principles would be shown as a liability on the consolidated balance sheet of such Person (other than current accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade).

"**Indebtedness For Borrowed Money**" of a Person means, without duplication, (a) the obligations of such Person (i) for borrowed money or which has been incurred in connection with the acquisition of property or assets (other than current accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (ii) under or with respect to notes payable and drafts accepted which represent extensions of credit (whether or not representing obligations for borrowed money) to such Person, (iii) constituting reimbursement obligations with respect to letters of credit issued for the account of such Person or (iv) for the deferred purchase price of property or services (other than current accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (b) the Indebtedness For Borrowed Money of others, whether or not assumed, secured by Liens on property of such Person or payable out of the proceeds of, or production from, property or assets now or hereafter owned or acquired by such Person, (c) the Capitalized Lease Obligations of such Person, (d) the obligations of such Person under guaranties by such Person of any Indebtedness For Borrowed Money (other than obligations for borrowed money incurred to finance the purchase of property leased to such Person pursuant to a Capitalized Lease of such Person) of any other Person, (e) all Receivable Facility Attributed Indebtedness of such Person, (f) all Off-Balance Sheet Liabilities of such Person, and (g) all Disqualified Stock.

"**Interest Expense**" means, for any period for any group of Persons, the total gross interest expense of such group of Persons, whether paid or accrued, including, without duplication, the interest component of Capitalized Leases, commitment and letter of credit fees, the discount or implied interest component of Off-Balance Sheet Liabilities, capitalized interest expense, pay-in-kind interest expense, amortization of debt discount and net payments (if any) pursuant to Financial Contracts relating to interest rate protection, all as determined on a consolidated basis in conformity with Agreement Accounting Principles.

"**Interest Expense Coverage Ratio**" is defined in Section 6.18.2.

"**Interest Period**" means, with respect to a Eurocurrency Advance, a period of seven days or one, two, three or six months or such other period agreed to by the Lenders and the Borrowers, commencing on a Business Day selected by the applicable Borrower pursuant to this Agreement. Such Interest Period shall end on but exclude the day which corresponds numerically to such date seven days or one, two, three or six months or such other agreed upon period thereafter, *provided*, *however*, that if there is no such numerically corresponding day in such seventh day or next, second, third or sixth succeeding month or such other succeeding period, such Interest Period shall end on the last Business Day of such seventh day or next, second, third or sixth succeeding month or such other succeeding period. If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day, *provided*, *however*, that if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day.

"**IRS**" means the United States Internal Revenue Service and any successor agency.

"**JPMorgan**" means JPMorgan Chase Bank, National Association, in its individual capacity, and its successors.

"**LC Fee**" is defined in Section 2.21.4.

"**LC Issuer**" means JPMorgan (or any Affiliate of JPMorgan designated by JPMorgan) or any of the other Lenders, as applicable, in its respective capacity as issuer of Facility LCs hereunder.

"**LC Obligations**" means, at any time, the sum, without duplication, of (i) the aggregate undrawn stated amount of all Facility LCs outstanding at such time plus (ii) the aggregate unpaid amount at such time of all Reimbursement Obligations.

"**LC Payment Date**" is defined in Section 2.21.5.

"**Lenders**" means the lending institutions listed on the signature pages of this Agreement and their respective successors and assigns. Unless otherwise specified, the term "Lender" includes JPMorgan in its capacity as Swing Line Lender.

"**Lender Increase Notice**" is defined in Section 2.23(i).

"**Lending Installation**" means, with respect to a Lender or the Agents, the office, branch, subsidiary or affiliate of such Lender or Agent listed on the signature pages hereof, or on the administrative information sheets provided to the Administrative Agent in connection herewith, or on a Schedule or otherwise selected by such Lender or Agent pursuant to Section 2.18.

"**Leverage Ratio**" is defined in Section 6.18.1.

"**Lien**" means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement, and, in the case of stock, stockholders agreements, voting trust agreements and all similar arrangements).

"**Loan**" means a Revolving Loan or a Swing Line Loan, as applicable.

"**Loan Documents**" means this Agreement, the Facility LC Applications, each Guaranty, each Pledge Agreement, each Assumption Letter executed hereunder, and all other documents, instruments, notes (including any Notes issued pursuant to Section 2.14 (if requested)) and agreements executed in connection herewith or therewith or contemplated hereby or thereby, as the same may be amended, restated or otherwise modified and in effect from time to time.

"**Loan Party**" is defined in Section 4.1(i).

"**Mandatory Cost**" is described in Schedule 2.2.

"**Material Adverse Effect**" means a material adverse effect on (i) the business, financial condition, operations or properties of the Company and its Subsidiaries taken as a whole, (ii) the ability of the Company or any of its Subsidiaries to perform its respective obligations under the Loan Documents to which it is a party, or (iii) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Agents, the LC Issuers or the Lenders thereunder.

"**Material Indebtedness**" is defined in Section 7.5.

"**Material Subsidiary**" means each Borrower (other than the Company) and any other Subsidiary of the Company that at any time has (i) assets with a total book value equal to or greater than five percent (5%) of the aggregate book value of the Consolidated Total Assets of the Company and its Subsidiaries or (ii) Consolidated Net Worth that is equal to or greater than five percent (5%) of the Consolidated Net Worth of the Company and its Subsidiaries, or (iii) assets that contributed five percent (5%) or more of the Company's Consolidated Net Income, in each case as reported in the most recent annual audited financial statements delivered to the Lenders pursuant to Section 6.1(i) (or, prior to the delivery of the first of such annual audited financial statements under Section 6.1(i), as reported in the financial statements identified in Section 5.4).

"**Modify**" and "**Modification**" are defined in Section 2.21.1.

"**Moody's**" means Moody's Investors Service, Inc. and any successor thereto.

"**Multiemployer Plan**" means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which the Company or any member of its Controlled Group is a party to which more than one employer is obligated to make contributions.

"**Net Income**" means, for any period for any group of Persons, the net earnings (or loss) after taxes of such group of Persons on a consolidated basis for such period taken as a single accounting period determined in conformity with Agreement Accounting Principles.

"**Non-U.S. Lender**" is defined in Section 3.5(iv).

"**Note**" is defined in Section 2.14.

"**Obligations**" means all Loans, Reimbursement Obligations, advances, debts, liabilities, obligations, covenants and duties owing by the Borrowers to any of the Agents, any LC Issuer, any Lender, the Arranger, any affiliate of the Agents, any LC Issuer, or any Lender, the Arranger, or any indemnitee under the provisions of Section 10.6 or any other provisions of the Loan Documents, in each case of any kind or nature, present or future, arising under this Agreement or any other Loan Document, whether or not evidenced by any note, guaranty or other instrument, whether or not for

the payment of money, whether arising by reason of an extension of credit, loan, foreign exchange risk, guaranty, indemnification, or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired. The term includes, without limitation, all interest, charges, expenses, fees, attorneys' fees and disbursements, paralegals' fees (in each case whether or not allowed), and any other sum chargeable to the Company or any of its Subsidiaries under this Agreement or any other Loan Document.

"**Off-Balance Sheet Liability**" of a Person means (i) Receivables Facility Attributed Indebtedness and any repurchase obligation or liability of such Person or any of its Subsidiaries with respect to Receivables or notes receivable sold by such Person or any of its Subsidiaries (calculated to include the unrecovered investment of purchasers or transferees of Receivables or any other obligation of the Company or such transferor to purchasers/transferees of interests in Receivables or notes receivable or the agent for such purchasers/transferees), (ii) any liability under any sale and leaseback transaction which is not a Capitalized Lease, other than any such transactions involving the sale of assets not in excess of $5,000,000 in the aggregate, (iii) any liability under any financing lease or Synthetic Lease or "tax ownership operating lease" transaction entered into by such Person, including any Synthetic Lease Obligations, or (iv) any obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the consolidated balance sheets of such Person, but excluding from this clause (iv) Operating Leases.

"**Operating Lease**" of a Person means any lease of Property (other than a Capitalized Lease) by such Person as lessee which has an original term (including any required renewals and any renewals effective at the option of the lessor) of one year or more.

"**Originator**" means the Company and/or any of its Subsidiaries in their respective capacities as parties to any Receivables Purchase Documents, as sellers or transferors of any Receivables and Related Security in connection with a Permitted Receivables Transfer.

"**Other Taxes**" is defined in Section 3.5(ii).

"**Outstanding Credit Exposure**" means, as to any Lender at any time, the sum of (i) the aggregate principal amount of its Revolving Loans outstanding at such time, *plus* (ii) an amount equal to its Pro Rata Share of the obligations to purchase participations in Swing Line Loans, *plus* (iii) an amount equal to its Pro Rata Share of the LC Obligations at such time.

"**Participants**" is defined in Section 13.2.1.

"**Payment Date**" means the last day of each March, June, September and December and the Facility Termination Date.

"**PBGC**" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"**Performance LC**" means a Facility LC that is a documentary letter of credit which is drawable upon presentation of documents evidencing the sale or shipment of goods purchased by the Company or a Subsidiary in the ordinary course of business.

"**Permitted Acquisition**" is defined in Section 6.12.2.

"**Permitted Liens**" means the Liens expressly permitted under clauses (i) through (xv) of Section 6.13.

"**Permitted Receivables Transfer**" means (i) a sale or other transfer by an Originator to a SPV of Receivables and Related Security for fair market value and without recourse (except for limited recourse typical of such structured finance transactions), and/or (ii) a sale or other transfer (including the grant of Liens) by a SPV to (a) purchasers of, lenders on or other investors in such Receivables and Related Security (or interests therein) or (b) any other Person (including a SPV) in a transaction in which purchasers or other investors purchase or are otherwise transferred such Receivables and Related Security (or interests therein including Liens), in each case pursuant to and in accordance with the terms of the Receivables Purchase Documents.

"**Permitted Refinancing Indebtedness**" means any replacement, renewal, refinancing or extension of any Indebtedness permitted by this Agreement that (i) does not exceed the aggregate principal amount (plus accrued interest and any applicable premium and associated fees and expenses) of the Indebtedness being replaced, renewed, refinanced or extended, (ii) does not have a Weighted Average Life to Maturity at the time of such replacement, renewal, refinancing or extension that is less than the Weighted Average Life to Maturity of the Indebtedness being replaced, renewed, refinanced or extended, and (iii) does not rank at the time of such replacement, renewal, refinancing or extension senior to the Indebtedness being replaced, renewed, refinanced or extended.

"**Person**" means any natural person, corporation, firm, joint venture, partnership, limited liability company, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

"**Plan**" means an employee benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which the Company or any member of its Controlled Group may have any liability.

"**Pledge Agreements**" means those pledge agreements executed by the relevant Loan Parties with respect to the pledge of Capital Stock of a Material Subsidiary which is an Affected Foreign Subsidiary, any other pledge agreements, share mortgages, charges and comparable instruments and documents from time to time executed pursuant to the terms of Section 6.10 in favor of the Administrative Agent for the benefit of the Holders of Obligations, in each case, as amended, restated, supplemented or otherwise modified from time to time.

"**Pounds Sterling**" means the lawful currency of the United Kingdom.

"**Pricing Schedule**" means the Schedule identifying the Applicable Margin and Applicable Facility Fee Rate attached hereto identified as such.

"**Prime Rate**" means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, National Association as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"**Property**" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

"**Proposed New Lender**" is defined in Section 2.23(i).

"**Pro Rata Share**" means, with respect to a Lender, a portion equal to a fraction the numerator of which is such Lender's Commitment at such time (in each case, as adjusted from time to time in accordance with the provisions of this Agreement) and the denominator of which is the Aggregate Commitment at such time, or, if the Aggregate Commitment has been terminated, a fraction the numerator of which is such Lender's Outstanding Credit Exposure at such time and the denominator of which is the sum of the Aggregate Outstanding Credit Exposure at such time.

"**Purchase Price**" means the total consideration and other amounts payable in connection with any Acquisition, including, without limitation, any portion of the consideration payable in cash, all Indebtedness, liabilities and contingent obligations incurred or assumed in connection with such Acquisition and all transaction costs and expenses incurred in connection with such Acquisition, but exclusive of the value of any Capital Stock or other equity interests of the Company or any Subsidiary issued as consideration for such Acquisition.

"**Purchasers**" is defined in Section 13.3.1.

"**Receivable(s)**" means and includes all of applicable Originator's or SPV's presently existing and hereafter arising or acquired accounts, accounts receivable, and all present and future rights of such Originator or SPV, as applicable, to payment for goods sold or leased or for services rendered (except those evidenced by instruments or chattel paper), whether or not they have been earned by performance, and all rights in any merchandise or goods which any of the same may represent, and all rights, title, security, contracts, books and records, and guaranties with respect to each of the foregoing, including, without limitation, any right of stoppage in transit.

"**Receivables and Related Security**" means the Receivables and the related security and collections with respect thereto which are sold or transferred by any Originator or SPV in connection with any Permitted Receivables Transfer.

"**Receivables Facility Attributed Indebtedness**" means the amount of obligations outstanding under a receivables purchase facility on any date of determination that would be characterized as principal if such facility were structured as a secured lending transaction rather than as a purchase.

"**Receivables Facility Financing Costs**" means such portion of the cash fees, service charges, and other costs, as well as all collections or other amounts retained by purchasers of receivables pursuant to a receivables purchase facility, which are in excess of amounts paid to the Company and its consolidated Subsidiaries under any receivables purchase facility for the purchase of receivables pursuant to such facility and are the equivalent of the interest component of the financing if the transaction were characterized as an on-balance sheet transaction.

"**Receivables Purchase Documents**" means any series of receivables purchase or sale, credit or servicing agreements generally consistent with terms contained in comparable structured finance transactions pursuant to which an Originator or Originators sell or transfer to SPVs all of their respective right, title and interest in and to certain Receivables and Related Security for further sale or transfer (or granting of Liens) to other purchasers of or investors in such assets or interests therein (and the other documents, instruments and agreements executed in connection therewith), as any such agreements may be amended, restated, supplemented or otherwise modified from time to time, or any replacement or substitution therefor.

"**Receivables Purchase Financing**" means any financing consisting of a securitization facility made available to the Company or any of its consolidated Subsidiaries, whereby the Receivables and Related Security (or interests therein) of the Originators are transferred to one or more SPVs, and thereafter to certain investors (or are used as collateral to enable one or more SPVs to obtain loans from certain investors), pursuant to the terms and conditions of the Receivables Purchase Documents.

"**Redeemable Preferred Stock**" means, for any Person, any preferred stock issued by such Person which is at any time prior to the Facility Termination Date either (i) mandatorily redeemable (by required sinking fund or similar payments or otherwise) or (ii) redeemable at the option of the holder thereof.

"**Regulation D**" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

"**Regulation T**" means Regulation T of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by and to brokers and dealers of securities for the purpose of purchasing or carrying margin stock (as defined therein).

"**Regulation U**" means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks, non-banks and non-broker lenders for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

"**Regulation X**" means Regulation X of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by foreign lenders for the purpose of purchasing or carrying margin stock (as defined therein).

"**Reimbursement Obligations**" means with respect to any LC Issuer, at any time, the aggregate of all obligations of the Borrowers then outstanding under Section 2.21 to reimburse such LC Issuer for amounts paid by such LC Issuer in respect of any one or more drawings under Facility LCs issued by such LC Issuer; or, as the context may require, all such Reimbursement Obligations then outstanding to reimburse all of the LC Issuers.

"**Reportable Event**" means a reportable event, as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC has by regulation or otherwise waived the requirement of Section 4043(a) of ERISA that it be notified within thirty (30) days of the occurrence of such event, *provided, however*, that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"**Required Lenders**" means Lenders in the aggregate having fifty-one percent (51%) or more of the Aggregate Commitment or, if the Aggregate Commitment has been terminated, Lenders in the aggregate holding fifty-one percent (51%) or more of the Aggregate Outstanding Credit Exposure.

"**Reserve Requirement**" means, with respect to any currency, a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve, liquid asset, fees or similar requirements (including any marginal, special, emergency or supplemental reserves or other requirements) established by any central bank, monetary authority, the Board, the Financial Services Authority, the European Central Bank or other Governmental Authority for any category of deposits or liabilities customarily used to fund loans in such currency, expressed in the case of each such requirement as a decimal. Such reserve percentages shall, in the case of Dollar denominated Loans, include those imposed pursuant to Regulation D of the Board. Eurocurrency Loans shall be deemed to be subject to such reserve, liquid asset or similar requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under any applicable law, rule or regulation, including Regulation D. The Reserve Requirement shall be adjusted automatically on and as of the effective date of any change in any reserve, liquid asset or similar requirement.

"**Revolving Loan**" means, with respect to a Lender, such Lender's loan made pursuant to its commitment to lend set forth in Section 2.1 (and any conversion or continuation thereof).

"**Risk Based Capital Guidelines**" is defined in Section 3.2.

"**S&P**" means Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto.

"**Schedule**" refers to a specific schedule to this Agreement, unless another document is specifically referenced.

"**Section**" means a numbered section of this Agreement, unless another document is specifically referenced.

"**Selling Lender**" is defined in Section 2.23(ii).

"**Single Employer Plan**" means a Plan maintained by the Company or any member of its Controlled Group for employees of the Company or any member of its Controlled Group.

"**Solvent**" means, when used with respect to any Person, that at the time of determination:

(i) the fair value of its assets (both at fair valuation and at present fair saleable value) is equal to or in excess of the total amount of its liabilities, including, without limitation, contingent liabilities; and

(ii) it is then able and expects to be able to pay its debts as they mature; and

(iii) it has capital sufficient to carry on its business as conducted and as proposed to be conducted.

With respect to contingent liabilities (such as litigation, guarantees and pension plan liabilities), such liabilities shall be computed at the amount which, in light of all the facts and circumstances existing at the time, represent the amount which can be reasonably be expected to become an actual or matured liability.

"**Spin-Off Transaction**" means the Company's plan, authorized by its board of directors, to separate its lighting equipment business and its specialty products business by spinning off the business currently known as Zep Inc. (as well as each of Zep Inc.'s Subsidiaries) into an independent publicly-traded company pursuant to which the Capital Stock of Zep Inc. will be distributed to the record holders of the shares of the Company as set forth in the Company's Form S-10 filed with the Securities and Exchange Commission on July 31, 2007, as amended prior to the Closing Date (the "**Form 10**").

"**SPV**" means any special purpose entity established for the purpose of purchasing receivables in connection with a Receivables Purchase Financing permitted under the terms of this Agreement.

"**Standby LC**" means any Facility LC other than a Performance LC.

"**Stockholders' Equity**" means, at any time, the shareholders' equity of the Company and its consolidated Subsidiaries, as set forth or reflected on the most recent consolidated balance sheet of the Company and its consolidated Subsidiaries delivered pursuant to Section 6.1(i) and (ii), as applicable, but excluding any Redeemable Preferred Stock of the Company or any of its consolidated Subsidiaries.

"**Subsidiary**" of a Person means (i) any corporation more than fifty percent (50%) of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, limited liability company, association, joint venture or similar business organization more than fifty percent (50%) of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly *provided*, all references herein to a "Subsidiary" shall mean a Subsidiary of the Company.

"**Subsidiary Borrower**" means each of Acuity Brands Lighting, Inc. and any Subsidiaries of the Company duly designated by the Company pursuant to Section 2.22 to request Credit Extensions hereunder, which Subsidiary shall have delivered to the Administrative Agent an Assumption Letter in accordance with Section 2.22 and such other documents as may be required pursuant to this Agreement, in each case, together with its respective successors and assigns, including a debtor-in-possession on behalf of such Subsidiary Borrower.

"**Substantial Portion**" means, with respect to the Property of the Company and its Subsidiaries, Property which (i) represents more than twenty percent (20%) of the consolidated assets of the Company and its Subsidiaries as reflected in the consolidated financial statements of the Company and its Subsidiaries as at the end of the fiscal quarter ending immediately prior to the date on which such determination is made, or (ii) is responsible for providing more than twenty percent (20%) of the Consolidated Net Income of the Company and its Subsidiaries as reflected in the financial statements for the four fiscal quarter period ending immediately prior to the date on which such determination is made.

"**Swing Line Borrowing Notice**" is defined in Section 2.2.2.

"**Swing Line Commitment**" means the obligation of the Swing Line Lender to make Swing Line Loans up to a maximum principal amount of $25,000,000 at any one time outstanding.

"**Swing Line Lender**" means JPMorgan or such other Lender which may succeed to its rights and obligations as Swing Line Lender pursuant to the terms of this Agreement.

"**Swing Line Loan**" means a Loan made available to the Borrowers by the Swing Line Lender pursuant to Section 2.2.

"**Synthetic Lease**" means any so-called "synthetic", off-balance sheet or tax retention lease, or any other agreement for the use or possession of property creating obligations that are not treated as a capital lease under Agreement Accounting Principles, but that is treated as a financing under the Code.

"**Synthetic Lease Obligations**" means, collectively, the payment obligations of the Company or any of its Subsidiaries pursuant to a Synthetic Lease.

"**TARGET**" means the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) payment system (or, if such payment system ceases to be operative, such other payment system (if any) reasonably determined by the Administrative Agent to be a suitable replacement) for the settlement of payments in euro.

"**Taxes**" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and any and all liabilities with respect to the foregoing, but excluding Excluded Taxes.

"**Transferee**" is defined in Section 13.4.

"**Type**" means, with respect to any Advance, its nature as a Floating Rate Advance or a Eurocurrency Advance.

"**Unfunded Liabilities**" means the amount (if any) by which the present value of all vested and unvested accrued benefits under all Single Employer Plans exceeds the fair market value of all such Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plans using PBGC actuarial assumptions for single employer plan terminations.

"**Unmatured Default**" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

"**Weighted Average Life to Maturity**" means when applied to any Indebtedness at any date, the number of years obtained by dividing (i) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by (ii) the then outstanding principal amount of such Indebtedness.

"**Wholly-Owned Subsidiary**" of a Person means (i) any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such

Person or one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person, or (ii) any partnership, limited liability company, association, joint venture or similar business organization 100% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled; provided that in the case of clause (i) or (ii) above, there shall be excluded (x) directors' qualifying shares, (y) nominal ownership interests in Foreign Subsidiaries required to be held by third parties under the laws of the foreign jurisdiction in which such Foreign Subsidiary is organized, or (z) Disqualified Stock or Redeemable Preferred Stock.

"**Zep Inc.**" means Zep Inc., a Delaware corporation (f/k/a Acuity Spinco, Inc.), created by the Company in order to hold the assets and liabilities of the Company's specialty products business, Acuity Specialty Products, Inc., which business will be spun-off from the Company pursuant to the Spin-off Transaction.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

Any accounting terms used in this Agreement which are not specifically defined herein shall have the meanings customarily given them in accordance with Agreement Accounting Principles.

1.2. **References**. Any references to the Company's Subsidiaries shall not in any way be construed as consent by the Administrative Agent or any Lender to the establishment, maintenance or acquisition of any Subsidiary, except as may otherwise be permitted hereunder.

1.3. **Supplemental Disclosure**. At any time at the reasonable request of the Administrative Agent (which shall not be done more frequently than on a quarterly basis in the absence of a Default) and at such additional times as the Company determines, the Company shall supplement each schedule or representation herein or in the other Loan Documents with respect to any matter hereafter arising which, if existing or occurring at the Closing Date, would have been required to be set forth as an exception to such representation or which is necessary to correct any information in such representation which has been rendered materially inaccurate thereby. Notwithstanding that any such supplement to such representation may disclose the existence or occurrence of events, facts or circumstances which are either prohibited by the terms of this Agreement or any other Loan Documents or which result in the material breach of any representation or warranty, such supplement to such representation shall not be deemed either an amendment thereof or a waiver of such breach unless expressly consented to in writing by Administrative Agent and the requisite number of Lenders under Section 8.2, and no such amendments, except as the same may be consented to in a writing which expressly includes a waiver, shall be or be deemed a waiver by the Administrative Agent or any Lender of any Default disclosed therein. Any items disclosed in any such supplemental disclosures shall be included in the calculation of any limits, baskets or similar restrictions contained in this Agreement or any of the other Loan Documents.

ARTICLE II

THE CREDITS

2.1. Commitment. From and including the Closing Date and prior to the Facility Termination Date, upon the satisfaction of the conditions precedent set forth in Section 4.1, 4.2 and 4.3, as applicable, each Lender severally and not jointly agrees, on the terms and conditions set forth

in this Agreement, to (i) make Revolving Loans to the Borrowers in Agreed Currencies and (ii) participate in Facility LCs issued upon the request of the Borrowers in Agreed Currencies, from time to time in amounts not to exceed in the aggregate at any one time outstanding the Dollar Amount of its Pro Rata Share of the Available Aggregate Commitment; *provided* that (i) at no time shall the Aggregate Outstanding Credit Exposure hereunder exceed the Aggregate Commitment, (ii) at no time shall the aggregate outstanding Dollar Amount of all Eurocurrency Advances denominated in an Agreed Currency other than Dollars exceed the Foreign Currency Sublimit, and (iii) all Floating Rate Loans shall be made in Dollars. Subject to the terms of this Agreement, the Borrowers may borrow, repay and reborrow Revolving Loans at any time prior to the Facility Termination Date. The Commitments to lend hereunder shall expire automatically on the Facility Termination Date. The LC Issuers will issue Facility LCs hereunder on the terms and conditions set forth in Section 2.21.

2.2. Swing Line Loans.

2.2.1. Amount of Swing Line Loans. Upon the satisfaction of the conditions precedent set forth in Section 4.2 and, if such Swing Line Loan is to be made on the date of the initial Advance hereunder, the satisfaction of the conditions precedent set forth in Section 4.1 and 4.3 as well, from and including the Closing Date and prior to the Facility Termination Date, the Swing Line Lender agrees, on the terms and conditions set forth in this Agreement, to make Swing Line Loans, in Dollars, to the Borrowers from time to time in an aggregate principal amount not to exceed the Swing Line Commitment, *provided* that the Aggregate Outstanding Credit Exposure shall not at any time exceed the Aggregate Commitment, and *provided further* that at no time shall the sum of (i) the Swing Line Lender's share of the obligations to participate in the Swing Line Loans, *plus* (ii) the outstanding Revolving Loans made by the Swing Line Lender pursuant to Section 2.1, exceed the Swing Line Lender's Commitment at such time. Subject to the terms of this Agreement, the Borrowers may borrow, repay and reborrow Swing Line Loans at any time prior to the Facility Termination Date.

2.2.2. Borrowing Notice. The applicable Borrower shall deliver to the Administrative Agent and the Swing Line Lender irrevocable notice (a "**Swing Line Borrowing Notice**") not later than 11:00 a.m. (Chicago time) on the Borrowing Date of each Swing Line Loan, specifying (i) the applicable Borrowing Date (which date shall be a Business Day), and (ii) the aggregate amount of the requested Swing Line Loan which shall be an amount not less than $1,000,000 and integral multiples of $500,000 in excess thereof. Each Swing Line Loan shall bear interest on the outstanding principal amount thereof, for each day from and including the day such Swing Line Loan is made to but excluding the date it is paid, at a rate per annum equal to the Alternate Base Rate or such other rate as shall be agreed to by the Swing Line Lender and the applicable Borrower.

2.2.3. Making of Swing Line Loans. Promptly after receipt of a Swing Line Borrowing Notice, the Administrative Agent shall notify each Lender by fax, or other similar form of transmission, of the requested Swing Line Loan. Not later than 2:00 p.m. (Chicago time) on the applicable Borrowing Date, the Swing Line Lender shall make available the Swing Line Loan, in funds immediately available in Chicago, to the Administrative Agent at its address specified pursuant to Article XIV. The Administrative Agent will promptly make the funds so received from the Swing Line Lender available to the applicable Borrower on the Borrowing Date at the Administrative Agent's aforesaid address.

2.2.4. Repayment of Swing Line Loans. Each Swing Line Loan shall be paid in full by the Borrowers on or before the fifth (5th) Business Day after the Borrowing Date for such Swing Line

Loan. In addition, the Swing Line Lender (i) may at any time in its sole discretion with respect to any outstanding Swing Line Loan, or (ii) shall on the fifth (5th) Business Day after the Borrowing Date of any Swing Line Loan, require each Lender (including the Swing Line Lender) to make a Revolving Loan in the amount of such Lender's Pro Rata Share of such Swing Line Loan (including, without limitation, any interest accrued and unpaid thereon), for the purpose of repaying such Swing Line Loan. Not later than 12:00 noon (Chicago time) on the date of any notice received pursuant to this Section 2.2.4, each Lender shall make available its required Revolving Loan, in funds immediately available in Chicago to the Administrative Agent at its address specified pursuant to Article XIV. Revolving Loans made pursuant to this Section 2.2.4 shall initially be Floating Rate Loans and thereafter may be continued as Floating Rate Loans or converted into Eurocurrency Loans in the manner provided in Section 2.10 and subject to the other conditions and limitations set forth in this Article II. Unless a Lender shall have notified the Swing Line Lender, prior to its making any Swing Line Loan, that any applicable condition precedent set forth in Sections 4.1, 4.2 or 4.3 had not then been satisfied, such Lender's obligation to make Revolving Loans pursuant to this Section 2.2.4 to repay Swing Line Loans shall be unconditional, continuing, irrevocable and absolute and shall not be affected by any circumstances, including, without limitation, (a) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against any Agent, the Swing Line Lender or any other Person, (b) the occurrence or continuance of a Default or Unmatured Default, (c) any adverse change in the condition (financial or otherwise) of any Borrower, or (d) any other circumstances, happening or event whatsoever. In the event that any Lender fails to make payment to the Administrative Agent of any amount due under this Section 2.2.4, the Administrative Agent shall be entitled to receive, retain and apply against such obligation the principal and interest otherwise payable to such Lender hereunder until the Administrative Agent receives such payment from such Lender or such obligation is otherwise fully satisfied. In addition to the foregoing, if for any reason any Lender fails to make payment to the Administrative Agent of any amount due under this Section 2.2.4, such Lender shall be deemed, at the option of the Administrative Agent, to have unconditionally and irrevocably purchased from the Swing Line Lender, without recourse or warranty, an undivided interest and participation in the applicable Swing Line Loan in the amount of such Revolving Loan, and such interest and participation may be recovered from such Lender together with interest thereon at the Federal Funds Effective Rate for each day during the period commencing on the date of demand and ending on the date such amount is received. On the Facility Termination Date, the Borrowers shall repay in full the outstanding principal balance of the Swing Line Loans.

2.3. Determination of Dollar Amounts; Required Payments; Termination.

2.3.1. Determination of Dollar Amounts. The Administrative Agent will determine the Dollar Amount of:

(a) each Credit Extension as of the date three Business Days prior to the Credit Extension Date or, if applicable, date of conversion/continuation of such Credit Extension, and

(b) all outstanding Credit Extensions on and as of the last Business Day of each quarter and on any other Business Day elected by the Administrative Agent in its discretion or upon instruction by the Required Lenders.

Each day upon or as of which the Administrative Agent determines Dollar Amounts as described in the preceding clauses (i) and (ii) is herein described as a "Computation Date" with respect to each Credit Extensions for which a Dollar Amount is determined on or as of such day. If at any time the

Dollar Amount of the sum of the aggregate principal amount of all outstanding Credit Extension (calculated, with respect to those Credit Extensions denominated in Agreed Currencies other than Dollars, as of the most recent Computation Date with respect to each such Credit Extension) exceeds the Aggregate Commitment, the Borrowers shall immediately repay Advances in an aggregate principal amount sufficient to eliminate any such excess.

2.3.2. Required Payments. This Agreement shall be effective until the Facility Termination Date. Any outstanding Advances and all other unpaid Obligations shall be paid in full by the Borrowers on the Facility Termination Date.

2.3.3. Termination. Notwithstanding the termination of this Agreement on the Facility Termination Date, until all of the Obligations (other than contingent indemnity obligations) shall have been fully paid and satisfied and all financing arrangements among the Borrowers and the Lenders hereunder and under the other Loan Documents shall have been terminated, all of the rights and remedies under this Agreement and the other Loan Documents shall survive and the Administrative Agent shall be entitled to retain its security interest in and to all existing and future collateral (if any).

2.4. Revolving Loans. Each Advance hereunder (other than any Swing Line Loan) shall consist of Revolving Loans made from the several Lenders ratably in proportion to the ratio that their respective Commitments bear to the Aggregate Commitment.

2.5. Types of Advances. The Advances may be Revolving Loans consisting of Floating Rate Advances or Eurocurrency Advances, or a combination thereof, selected by the applicable Borrower in accordance with Sections 2.9 and 2.10, or Swing Line Loans selected by the applicable Borrower in accordance with Section 2.2.

2.6. Facility Fee; Reductions in Aggregate Commitment.

2.6.1. Facility Fee. The Borrowers agree to pay to the Administrative Agent for the account of each Lender a facility fee (the **"Facility Fee"**) at a per annum rate equal to the Applicable Facility Fee Rate on the average daily amount of such Lender's Commitment (regardless of usage) (or, from and after the Facility Termination Date, such Lender's average daily Outstanding Credit Exposure) from and including the Closing Date to and including the date on which this Agreement is terminated in full and all Obligations hereunder have been paid in full pursuant to Section 2.3, payable quarterly in arrears on each Payment Date hereafter and until all Obligations hereunder have been paid in full.

2.6.2. Reductions in Aggregate Commitment. The Borrowers may permanently reduce the Aggregate Commitment in whole, or in part ratably among the Lenders in a minimum amount of $5,000,000 (and in multiples of $1,000,000 if in excess thereof) (or the Approximate Equivalent Amount if denominated in a Foreign Currency), upon at least three (3) Business Days' prior written notice to the Administrative Agent of such reduction, which notice shall specify the amount of any such reduction; provided, however, that the amount of the Aggregate Commitment may not be reduced below the Dollar Amount of the Aggregate Outstanding Credit Exposure. All accrued Facility Fees shall be payable on the effective date of any termination of all or any part of the obligations of the Lenders to make Credit Extensions hereunder.

2.7. Minimum Amount of Each Advance. Each Eurocurrency Advance shall be in the minimum amount of $5,000,000 (and in multiples of $1,000,000 if in excess thereof) (or the

Approximate Equivalent Amount if denominated in a Foreign Currency), and each Floating Rate Advance shall be in the minimum amount of $1,000,000 (and in multiples of $250,000 if in excess thereof), *provided*, *however*, that any Floating Rate Advance may be in the amount of the Available Aggregate Commitment.

2.8. Optional Principal Payments. The Borrowers may from time to time pay, without penalty or premium, all outstanding Floating Rate Advances, or any portion of the outstanding Floating Rate Advances, in a minimum aggregate amount of $1,000,000 or any integral multiple of $250,000 in excess thereof, upon prior notice to the Administrative Agent at or before 12:00 noon (Chicago time) one (1) Business Day prior to the date of such payment. The Borrowers may from time to time pay, subject to the payment of any funding indemnification amounts required by Section 3.4 but without penalty or premium, all outstanding Eurocurrency Advances, or, in a minimum aggregate amount of $5,000,000 or any integral multiple of $1,000,000 in excess thereof (or the Approximate Equivalent Amount if denominated in a Foreign Currency), any portion of the outstanding Eurocurrency Advances upon five (5) Business Days' prior notice to the Administrative Agent. The Borrowers may at any time pay, without penalty or premium, all outstanding Swing Line Loans, or, in a minimum amount of $1,000,000 and increments of $500,000 in excess thereof, any portion of the outstanding Swing Line Loans, with notice to the Administrative Agent and the Swing Line Lender by 12:00 noon (Chicago time) on the date of repayment.

2.9. Method of Selecting Types and Interest Periods for New Advances.

2.9.1. Method of Selecting Types and Interest Periods for New Advances. Other than with respect to Swing Line Loans (which shall be governed by Section 2.2), the applicable Borrower shall select the Type of Advance and, in the case of each Eurocurrency Advance, the Interest Period and Agreed Currency applicable thereto from time to time; *provided* that there shall be no more than ten (10) Interest Periods in effect with respect to all of the Revolving Loans at any time, unless such limit has been waived by the Administrative Agent in its sole discretion. The applicable Borrower shall give the Administrative Agent irrevocable notice (a "**Borrowing Notice**") not later than 10:00 a.m. (Chicago time) on the Borrowing Date of each Floating Rate Advance, three (3) Business Days before the Borrowing Date for each Eurocurrency Advance denominated in Dollars, and four (4) Business Days before the Borrowing Date for each Eurocurrency Advance denominated in Foreign Currencies, specifying:

(i) the Borrowing Date, which shall be a Business Day, of such Advance,

(ii) the aggregate amount of such Advance,

(iii) the Type of Advance selected, and

(iv) in the case of each Eurocurrency Advance, the Interest Period and Agreed Currency applicable thereto.

2.9.2. Method of Borrowing. On each Borrowing Date, each Lender shall make available its Loan or Loans, if any, (i) if such Loan is denominated in Dollars, not later than noon, Chicago time, in Federal or other funds immediately available to the Administrative Agent, in Chicago, Illinois at its address specified in or pursuant to Article XIV and (ii) if such Loan is denominated in a Foreign Currency, not later than noon, local time, in the city of the Administrative Agent's Eurocurrency Payment Office for such currency, in such funds as may then be customary for the

settlement of international transactions in such currency in the city of and at the address of the Administrative Agent's Eurocurrency Payment Office for such currency. Unless the Administrative Agent determines that any applicable condition specified in Article IV has not been satisfied, the Administrative Agent will make the funds so received from the Lenders available to the applicable Borrower at the Administrative Agent's aforesaid address by not later than 2:30 p.m., local time. Notwithstanding the foregoing provisions of this Section 2.9.2, to the extent that a Loan made by a Lender matures on the Borrowing Date of a requested Loan, such Lender shall apply the proceeds of the Loan it is then making to the repayment of principal of the maturing Loan.

2.10. Conversion and Continuation of Outstanding Advances. Floating Rate Advances shall continue as Floating Rate Advances unless and until such Floating Rate Advances are converted into Eurocurrency Advances pursuant to this Section 2.10 or are repaid in accordance with Section 2.8. Each Eurocurrency Advance shall continue as a Eurocurrency Advance until the end of the then applicable Interest Period therefor, at which time (i) each such Eurocurrency Advance shall be automatically converted into a Floating Rate Advance unless (x) such Eurocurrency Advance is or was repaid in accordance with Section 2.8 or (y) the applicable Borrower shall have given the Administrative Agent a Conversion/Continuation Notice (as defined below) requesting that, at the end of such Interest Period, such Eurocurrency Advance continue as a Eurocurrency Advance for the same or another Interest Period or be converted into a Floating Rate Advance; and (ii) each such Eurocurrency Advance denominated in a Foreign Currency shall automatically continue as a Eurocurrency Advance in the same Agreed Currency with an Interest Period of one month unless (x) such Eurocurrency Advance is or was repaid in accordance with Section 2.8, or (y) the applicable Borrower shall have given the Administrative Agent a Conversion/Continuation Notice (as defined below) requesting that, at the end of such Interest Period, such Eurocurrency Advance continue as a Eurocurrency Advance for the same or another Interest Period.

Subject to the terms of Section 2.7, the Borrowers may elect from time to time to convert all or any part of an Advance of any Type into any other Type or Types of Advances denominated in the same or any other Agreed Currency; provided that any conversion of any Eurocurrency Advance shall be made on, and only on, the last day of the Interest Period applicable thereto. Notwithstanding anything to the contrary contained in this Section 2.10, no Advance may be converted or continued as a Eurocurrency Advance (except with the consent of the Required Lenders) when any Default or Unmatured Default is continuing. The applicable Borrower shall give the Administrative Agent irrevocable notice (a "**Conversion/Continuation Notice**") of each conversion of an Advance or continuation of a Eurocurrency Advance not later than 10:00 a.m. (Chicago time) at least one (1) Business Day, in the case of a conversion into a Floating Rate Advance, three (3) Business Days, in the case of a conversion into or continuation of a Eurocurrency Advance denominated in Dollars, or four (4) Business Days, in the case of a conversion into or continuation of a Eurocurrency Advance denominated in a Foreign Currency, prior to the date of the requested conversion or continuation, specifying:

(i) the requested date, which shall be a Business Day, of such conversion or continuation,

(ii) the Agreed Currency, the aggregate amount and Type of the Advance which is to be converted or continued, and

(iii) the amount of such Advance which is to be converted into or continued as a Eurocurrency Advance and the duration of the Interest Period applicable thereto. Promptly after receipt of any Conversion/Continuation Notice, the Administrative Agent shall provide the Lenders with notice thereof.

2.11. Changes in Interest Rate, etc. Each Floating Rate Advance shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Advance is made or is automatically converted from a Eurocurrency Advance into a Floating Rate Advance pursuant to Section 2.10, to but excluding the date it is paid or is converted into a Eurocurrency Advance pursuant to Section 2.10 hereof, at a rate per annum equal to the Floating Rate for such day. Changes in the rate of interest on that portion of any Advance maintained as a Floating Rate Advance will take effect simultaneously with each change in the Alternate Base Rate. Each Eurocurrency Advance shall bear interest on the outstanding principal amount thereof from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined by the Administrative Agent as applicable to such Eurocurrency Advance based upon the applicable Borrower's selections under Sections 2.9 and 2.10 and otherwise in accordance with the terms hereof. No Interest Period may end after the Facility Termination Date.

2.12. No Conversion or Continuation of Eurocurrency Advances After Default; Dates Applicable After Default. Notwithstanding anything to the contrary contained in Section 2.10, no Advance may be converted or continued as a Eurocurrency Advance (except with the consent of the Required Lenders) when any Default or Unmatured Default is continuing. During the continuance of a Default (including the Borrowers' failure to pay any Loan at maturity) the Required Lenders may, at their option, by notice to the Borrowers (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.2 requiring unanimous consent of the Lenders to changes in interest rates), declare that (i) the Advances, all fees or any other Obligations hereunder shall bear interest at the Floating Rate plus 2% per annum and (ii) the LC Fee shall be increased by 2% per annum, provided that, during the continuance of a Default under Section 7.6 or 7.7, such interest rate and such increase in the LC Fee set forth above shall be applicable to all Credit Extensions, Advances, fees and other Obligations hereunder without any election or action on the part of the Administrative Agent, any LC Issuer or any Lender.

2.13. Method of Payment.

(i) Each Advance shall be repaid and each payment of interest thereon shall be paid in the currency in which such Advance was made or, where such currency has converted to euro, in euro. All payments of the Obligations hereunder shall be made, without setoff, deduction, or counterclaim, in immediately available funds to the Administrative Agent at (except as set forth in the next sentence) the Administrative Agent's address specified pursuant to Article XIV, or at any other Lending Installation of the Administrative Agent specified in writing by the Administrative Agent to the Company, by 12:00 noon (Chicago time) on the date when due and shall (except (i) in the case of Reimbursement Obligations for which the applicable LC Issuer has not been fully indemnified by the Lenders or (ii) with respect to repayments of Swing Line Loans) be applied ratably by the Administrative Agent among the Lenders. All payments to be made by the Borrowers hereunder in any currency other than Dollars shall be made in such currency on the date due in such funds as may then be customary for the settlement of international transactions in such currency for the account of the Administrative Agent, at its Eurocurrency Payment Office for such currency and shall be applied ratably by the Administrative Agent among the Lenders. Each payment delivered to the Administrative Agent for the account of any Lender shall be delivered promptly by the Administrative Agent to such Lender in the same type of funds that the Administrative Agent received at, (a) with respect to Floating Rate Loans and Eurocurrency Loans denominated in Dollars,

such Lender's address specified pursuant to Article XIV or at any Lending Installation specified in a notice received by the Administrative Agent from such Lender and (b) with respect to Eurocurrency Loans denominated in an Agreed Currency other than Dollars, in the funds received from the Borrowers at the address of the Administrative Agent's Eurocurrency Payment Office for such currency. Each reference to the Administrative Agent in this Section 2.13 shall also be deemed to refer, and shall apply equally, to the applicable LC Issuer, in the case of payments required to be made by the applicable Borrower to such LC Issuer pursuant to Section 2.21.6. The Administrative Agent is hereby authorized to charge the account of the Borrowers maintained with JPMorgan or any of its Affiliates for each payment of principal, interest and fees as it becomes due hereunder.

(ii) Notwithstanding the foregoing provisions of this Section, if, after the making of any Advance in any currency other than Dollars, currency control or exchange regulations are imposed in the country which issues such currency with the result that the type of currency in which the Advance was made (the "**Original Currency**") no longer exists or any Borrower is not able to make payment to the Administrative Agent for the account of the Lenders in such Original Currency, then all payments to be made by any Borrower hereunder in such currency shall instead be made when due in Dollars in an amount equal to the Dollar Amount (as of the date of repayment) of such payment due, it being the intention of the parties hereto that the Borrowers take all risks of the imposition of any such currency control or exchange regulations.

2.14. Noteless Agreement; Evidence of Indebtedness.

(i) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrowers to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(ii) The Administrative Agent shall also maintain accounts in which it will record (a) the date and the amount of each Revolving Loan made hereunder, the Agreed Currency and Type thereof and the Interest Period, if any, applicable thereto, (b) the amount of any principal or interest due and payable or to become due and payable from any Borrower to each Lender hereunder, (c) the effective date and amount of each Assignment Agreement delivered to and accepted by it and the parties thereto pursuant to Section 13.3, (d) the original stated amount of each Facility LC and the amount of LC Obligations outstanding at any time, (e) the amount of any sum received by the Administrative Agent hereunder from the Borrowers and each Lender's share thereof, and (f) all other appropriate debits and credits as provided in this Agreement, including, without limitation, all fees, charges, expenses and interest.

(iii) The entries maintained in the accounts maintained pursuant to clauses (i) and (ii) above shall be *prima facie* evidence of the existence and amounts of the Obligations therein recorded in the absence of manifest error; *provided, however*, that the failure of the Administrative Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrowers to repay the Obligations in accordance with their terms.

(iv) Any Lender may request that its Loans be evidenced by a promissory note or, in the case of the Swing Line Lender, promissory notes representing its Revolving Loans and Swing Line Loans, respectively, substantially in the form of Exhibit E, with appropriate changes for notes evidencing Swing Line Loans (each, a "**Note**"). In such event, the Borrowers shall prepare, execute and deliver to such Lender such Note or Notes payable to the order of such Lender. Thereafter, the

Loans evidenced by each such Note and interest thereon shall at all times (including after any assignment pursuant to Section 13.3) be represented by one or more Notes payable to the order of the payee named therein or any assignee pursuant to Section 13.3, except to the extent that any such Lender or assignee subsequently returns any such Note for cancellation and requests that such Loans once again be evidenced as described in clauses (i) and (ii) above.

2.15. Telephonic Notices. The Borrowers hereby authorize the Lenders and the Administrative Agent to extend, convert or continue Advances, effect selections of Types of Advances and transfer funds based on telephonic notices made by any person or persons the Administrative Agent or any Lender in good faith believes to be acting on behalf of a Borrower, it being understood that the foregoing authorization is specifically intended to allow Borrowing Notices and Conversion/Continuation Notices to be given telephonically. The Borrowers agree to deliver promptly to the Administrative Agent a written confirmation, signed by an Authorized Officer, if such confirmation is requested by the Administrative Agent or any Lender, of each telephonic notice. If the written confirmation differs in any material respect from the action taken by the Administrative Agent and the Lenders, the records of the Administrative Agent and the Lenders shall govern absent manifest error.

2.16. Interest Payment Dates; Interest and Fee Basis. Interest accrued on each Floating Rate Advance and Swing Line Loan shall be payable in arrears on each Payment Date, commencing with the first such date to occur after the Closing Date, on any date on which the Floating Rate Advance or Swing Line Loan is prepaid, whether due to acceleration or otherwise, and at maturity. Interest accrued on that portion of the outstanding principal amount of any Floating Rate Advance converted into a Eurocurrency Advance on a day other than a Payment Date shall be payable on the date of conversion. Interest accrued on each Eurocurrency Advance shall be payable on the last day of its applicable Interest Period, on any date on which the Eurocurrency Advance is prepaid, whether by acceleration or otherwise, and at maturity; *provided*, that interest accrued on each Eurocurrency Advance having an Interest Period longer than three (3) months shall also be payable on the last day of each three-month interval during such Interest Period. Interest on Eurocurrency Advances and Swing Line Loans and LC Fees and Facility Fees shall be calculated for actual days elapsed on the basis of a 360-day year; interest on Floating Rate Advances shall be calculated for actual days elapsed on the basis of a 365/366-day year. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to 12:00 noon (Chicago time) at the place of payment. If any payment of principal of or interest on an Advance, any fees or any other amounts payable to any Agent or any Lender hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest, fees and commissions in connection with such payment.

2.17. Notification of Advances, Interest Rates, Prepayments and Commitment Reductions. Promptly after receipt thereof, the Administrative Agent will notify each Lender of the contents of each Aggregate Commitment reduction notice, Borrowing Notice, Swing Line Borrowing Notice, Conversion/Continuation Notice, and repayment notice received by it hereunder. Promptly after notice from the applicable LC Issuer, the Administrative Agent will notify each Lender of the contents of each request for issuance of a Facility LC hereunder. The Administrative Agent will notify each Lender of the interest rate applicable to each Eurocurrency Advance promptly upon determination of such interest rate and will give each Lender prompt notice of each change in the Alternate Base Rate.

2.18. Lending Installations. Subject to the provisions of Section 3.6, each Lender may book its Loans and its participation in any LC Obligations and the LC Issuers may book the Facility LCs at any Lending Installation selected by such Lender or the applicable LC Issuer, as the case may be, and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Loans, Facility LCs, participations in LC Obligations and any Notes issued hereunder shall be deemed held by each Lender or the applicable LC Issuer, as the case may be, for the benefit of any such Lending Installation. Subject to the provisions of Section 3.6, each Lender and each LC Issuer may, by written notice to the Administrative Agent and the Company in accordance with Article XIV, designate replacement or additional Lending Installations through which Loans will be made by it or Facility LCs will be issued by it and for whose account Loan payments or payments with respect to Facility LCs are to be made.

2.19. Non-Receipt of Funds by the Administrative Agent. Unless a Borrower or a Lender, as the case may be, notifies the Administrative Agent prior to the time on which it is scheduled to make payment to the Administrative Agent of (i) in the case of a Lender, the proceeds of a Loan or (ii) in the case of a Borrower, a payment of principal, interest or fees to the Administrative Agent for the account of the Lenders, that it does not intend to make such payment, the Administrative Agent may assume that such payment has been made. The Administrative Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Lender or Borrower, as the case may be, has not in fact made such payment to the Administrative Agent, the recipient of such payment shall, on demand by the Administrative Agent, repay to the Administrative Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Administrative Agent until the date the Administrative Agent recovers such amount at a rate per annum equal to (x) in the case of payment by a Lender, the Federal Funds Effective Rate for such day for the first three (3) days and, thereafter, the interest rate applicable to the relevant Loan or (y) in the case of payment by a Borrower, the interest rate applicable to the relevant Loan, including the interest rate applicable pursuant to Section 2.12.

2.20. Replacement of Lender. The Borrowers shall have the right, in their sole discretion, at any time and from time to time to terminate or replace the Commitment of any Lender (an "**Affected Lender**"), in whole, upon at least thirty (30) days' prior notice to the Administrative Agent and such Lender, (a) if such Lender has failed or refused to make available the full amount of any Revolving Loans as required by its Commitment hereunder, (b) if such Lender has been merged or consolidated with, or transferred all or substantially all of its assets to, or otherwise been acquired by any other Person, or (c) if such Lender has demanded that the Borrowers make any additional payment to any Lender pursuant to Section 3.1, 3.2 or 3.5, or if such Lender's obligation to make or continue, or convert Floating Rate Advances into, Eurocurrency Advances has been suspended pursuant to Section 3.3; provided, however that no such Commitment termination shall reduce the Aggregate Commitment by more than fifteen percent (15%) thereof; provided, further, that no Default or Unmatured Default shall have occurred and be continuing at the time of such termination or replacement, and that, concurrently with such termination or replacement, (i) if the Affected Lender is being replaced, another bank or other entity which is reasonably satisfactory to the Borrowers and the Administrative Agent shall agree, as of such date, to purchase for cash the Advances and other Obligations due to the Affected Lender pursuant to an Assignment Agreement substantially in the form of Exhibit C and to become a Lender for all purposes under this Agreement and to assume all obligations of the Affected Lender to be terminated as of such date and to comply with the requirements of Section 13.3 applicable to assignments, (ii) the Borrowers shall pay to such Affected Lender in immediately available funds on the day of such replacement (A) all interest, fees

and other amounts then accrued but unpaid to such Affected Lender by the Borrowers hereunder to and including the date of termination, including without limitation payments due to such Affected Lender under Sections 3.1, 3.2 and 3.5, to the extent applicable, and (B) an amount, if any, equal to the payment which would have been due to such Lender on the day of such replacement under Section 3.4 had the Loans of such Affected Lender been prepaid on such date rather than sold to the replacement Lender, and (iii) if the Affected Lender is being terminated, the Borrowers shall pay to such Affected Lender all Obligations due to such Affected Lender (including the amounts described in the immediately preceding clauses (i) and (ii) plus the outstanding principal balance of such Affected Lender's Credit Extensions).

2.21. Facility LCs.

2.21.1. Issuance; Transitional Facility LCs.

(i) Issuance. The LC Issuers hereby agree, on the terms and conditions set forth in this Agreement, to issue standby and performance letters of credit in Dollars (each, together with the letters of credit deemed issued by the LC Issuers hereunder pursuant to Section 2.21.1(ii), a "**Facility LC**") and to renew, extend, increase, decrease or otherwise modify each Facility LC ("**Modify**," and each such action a "**Modification**"), from time to time from and including the Closing Date and prior to the Facility Termination Date upon the request of any Borrower; provided that immediately after each such Facility LC is issued or Modified, (i) the aggregate amount of the outstanding LC Obligations shall not exceed $75,000,000 and (ii) the Aggregate Outstanding Credit Exposure shall not exceed the Aggregate Commitment. No Facility LC shall have an expiry date later than the earlier of (x) the fifth (5th) Business Day prior to the Facility Termination Date and (y) one year after its issuance; provided, that any Facility LC (x) may contain customary "evergreen" provisions pursuant to which the expiry date is automatically extended for a specific time period unless the LC Issuer gives notice to the beneficiary of such Facility LC at least a specified time prior to the expiry date then in effect and/or (y) may have an expiration date more than one year from the date of issuance if required under related industrial revenue bond documents and agreed to by the LC Issuer.

(ii) Transitional Provision. Schedule 2.21 contains a schedule of certain letters of credit issued for the account of the Borrowers prior to the Closing Date. Subject to the satisfaction of the conditions contained in Sections 4.1, 4.2 and 4.3, from and after the Closing Date such letters of credit shall be deemed to be Facility LCs issued pursuant to this Section 2.21.

2.21.2. Participations. On the Closing Date, with respect to the Facility LCs identified on Schedule 2.21, and upon the issuance or Modification by the applicable LC Issuer of a Facility LC in accordance with this Section 2.21, such LC Issuer shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably sold to each Lender, and each Lender shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from such LC Issuer, a participation in such Facility LC (and each Modification thereof) and the related LC Obligations in proportion to its Pro Rata Share.

2.21.3. Notice. Subject to Section 2.21.1, the applicable Borrower shall give the applicable LC Issuer notice prior to 10:00 a.m. (Chicago time) at least five (5) Business Days prior to the proposed date of issuance or Modification of each Facility LC, specifying the beneficiary, the proposed date of issuance (or Modification) and the expiry date of such Facility LC, and describing the proposed terms of such Facility LC and the nature of the transactions proposed to be supported thereby. Upon receipt of such notice, the applicable LC Issuer shall promptly notify the

Administrative Agent, and the Administrative Agent shall promptly notify each Lender, of the contents thereof and of the amount of such Lender's participation in such proposed Facility LC. The issuance or Modification by any LC Issuer of any Facility LC shall, in addition to the conditions precedent set forth in Article IV (the satisfaction of which such LC Issuer shall have no duty to ascertain), be subject to the conditions precedent that such Facility LC shall be satisfactory to such LC Issuer and that the applicable Borrower shall have executed and delivered such application agreement and/or such other instruments and agreements relating to such Facility LC as the applicable LC Issuer shall have reasonably requested (each, a "**Facility LC Application**"). In the event of any conflict between the terms of this Agreement and the terms of any Facility LC Application, the terms of this Agreement shall control.

2.21.4. LC Fees. With respect to each Standby LC, the Borrowers shall pay to the Administrative Agent, for the account of the Lenders ratably in accordance with their respective Pro Rata Shares, a letter of credit fee at a per annum rate equal to the Applicable Margin for Eurocurrency Loans in effect from time to time on the average daily undrawn stated amount under such Standby LC, such fees to be payable in arrears on each Payment Date (each such fee described in this sentence being an "**LC Fee**"). The Borrowers shall also pay to each LC Issuer for its own account (x) at the time of such LC Issuer's issuance of any Standby LC, a fronting fee equal to 0.125% per annum on the initial stated amount available for drawing under each such Facility LC issued by such LC Issuer, and (y) other customary, documentary and processing charges in connection with the issuance or Modification of and draws under Facility LCs in accordance with the applicable LC Issuer's standard schedule for such charges as in effect from time to time.

2.21.5. Administration; Reimbursement by Lenders. Upon receipt from the beneficiary of any Facility LC of any demand for payment under such Facility LC, the applicable LC Issuer shall notify the Administrative Agent and the Administrative Agent shall promptly notify the Company and each other Lender as to the amount to be paid by such LC Issuer as a result of such demand and the proposed payment date (the "**LC Payment Date**"). The responsibility of each LC Issuer to the Borrowers and each Lender shall be only to determine that the documents (including each demand for payment) delivered under each Facility LC issued by such LC Issuer in connection with such presentment shall be in conformity in all material respects with such Facility LC. Each LC Issuer shall endeavor to exercise the same care in the issuance and administration of the Facility LCs issued by such LC Issuer as it does with respect to letters of credit in which no participations are granted, it being understood that in the absence of any gross negligence or willful misconduct by the applicable LC Issuer, each Lender shall be unconditionally and irrevocably liable without regard to the occurrence of any Default, the Facility Termination Date or any condition precedent whatsoever, to reimburse such LC Issuer on demand for (i) such Lender's Pro Rata Share of the amount of each payment made by such LC Issuer under each Facility LC issued by such LC Issuer to the extent such amount is not reimbursed by the Borrowers pursuant to Section 2.21.6 below, plus (ii) interest on the foregoing amount to be reimbursed by such Lender, for each day from the date of the applicable LC Issuer's demand for such reimbursement (or, if such demand is made after 11:00 a.m. (Chicago time) on such date, from the next succeeding Business Day) to the date on which such Lender pays the amount to be reimbursed by it, at a rate of interest per annum equal to the Federal Funds Effective Rate for the first three days and, thereafter, at a rate of interest equal to the rate applicable to Floating Rate Advances.

2.21.6. Reimbursement by the Borrowers. The Borrowers shall be irrevocably and unconditionally obligated to reimburse the LC Issuers on or before the applicable LC Payment Date for any amounts to be paid by any LC Issuer upon any drawing under any Facility LC issued by such

LC Issuer, without presentment, demand, protest or other formalities of any kind; provided that neither any Borrower nor any Lender shall hereby be precluded from asserting any claim for direct (but not consequential) damages suffered by such Borrower or such Lender to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the applicable LC Issuer in determining whether a request presented under any Facility LC issued by it complied with the terms of such Facility LC or (ii) the applicable LC Issuer's failure to pay under any Facility LC issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. Commencing on the date that the Administrative Agent gives notice to the Company by 11:00 a.m. (Chicago time) as required under Section 2.21.5 of the applicable LC Payment Date, all such amounts paid by any LC Issuer and remaining unpaid by the Borrowers shall bear interest, payable on demand, for each day from and including such LC Payment Date until paid at a rate per annum equal to (x) the rate applicable to Floating Rate Advances for such day if such day falls on or before the applicable LC Payment Date and (y) the sum of 2% plus the rate applicable to Floating Rate Advances for such day if such day falls after such LC Payment Date. Each LC Issuer will pay to each Lender ratably in accordance with its Pro Rata Share all amounts received by it from the Borrowers for application in payment, in whole or in part, of the Reimbursement Obligation in respect of any Facility LC issued by such LC Issuer, but only to the extent such Lender has made payment to such LC Issuer in respect of such Facility LC pursuant to Section 2.21.5. Subject to the terms and conditions of this Agreement (including without limitation the submission of a Borrowing Notice in compliance with Section 2.9 and the satisfaction of the applicable conditions precedent set forth in Article IV), the applicable Borrower may request an Advance hereunder for the purpose of satisfying any Reimbursement Obligation.

2.21.7. Obligations Absolute. The Borrowers' obligations under this Section 2.21 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which any Borrower may have or have had against any LC Issuer, any Lender or any beneficiary of a Facility LC. The Borrowers further agree with the LC Issuers and the Lenders that the LC Issuers and the Lenders shall not be responsible for, and no Borrower's Reimbursement Obligation in respect of any Facility LC shall be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among any Borrower, any of its Affiliates, the beneficiary of any Facility LC or any financing institution or other party to whom any Facility LC may be transferred or any claims or defenses whatsoever of any Borrower or of any of its Affiliates against the beneficiary of any Facility LC or any such transferee. No LC Issuer shall be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Facility LC. The Borrowers agree that any action taken or omitted by any LC Issuer or any Lender under or in connection with each Facility LC and the related drafts and documents, if done without gross negligence or willful misconduct, shall be binding upon the Borrowers and shall not put any LC Issuer or any Lender under any liability to the Borrowers. Nothing in this Section 2.21.7 is intended to limit the right of the Borrowers to make a claim against any LC Issuer for damages as contemplated by the proviso to the first sentence of Section 2.21.6.

2.21.8. Actions of LC Issuers. Each LC Issuer shall be entitled to rely, and shall be fully protected in relying, upon any Facility LC, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by such LC Issuer. Each LC Issuer shall be fully justified in failing or

refusing to take any action under this Agreement unless it shall first have received such advice or concurrence of the Required Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Notwithstanding any other provision of this Section 2.21, each LC Issuer shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Lenders and any future holders of a participation in any Facility LC.

2.21.9. Indemnification. The Borrowers hereby agree to indemnify and hold harmless each Lender, each LC Issuer and the Administrative Agent, and their respective directors, officers, agents and employees from and against any and all claims and damages, losses, liabilities, costs or expenses which such Lender, such LC Issuer or the Administrative Agent may incur (or which may be claimed against such Lender, such LC Issuer or the Administrative Agent by any Person whatsoever) by reason of or in connection with the issuance, execution and delivery or transfer of or payment or failure to pay under any Facility LC or any actual or proposed use of any Facility LC, including, without limitation, any claims, damages, losses, liabilities, costs or expenses which any LC Issuer may incur by reason of or in connection with (i) the failure of any other Lender to fulfill or comply with its obligations to such LC Issuer hereunder (but nothing herein contained shall affect any rights the Borrowers may have against any defaulting Lender) or (ii) by reason of or on account of such LC Issuer issuing any Facility LC which specifies that the term "Beneficiary" included therein includes any successor by operation of law of the named Beneficiary, but which Facility LC does not require that any drawing by any such successor Beneficiary be accompanied by a copy of a legal document, satisfactory to such LC Issuer, evidencing the appointment of such successor Beneficiary; *provided* that the Borrowers shall not be required to indemnify any Lender, any LC Issuer or the Administrative Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (x) the willful misconduct or gross negligence of the applicable LC Issuer in determining whether a request presented under any Facility LC issued by such LC Issuer complied with the terms of such Facility LC or (y) any LC Issuer's failure to pay under any Facility LC issued by such LC Issuer after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. Nothing in this Section 2.21.9 is intended to limit the obligations of the Borrowers under any other provision of this Agreement.

2.21.10. Lenders' Indemnification. Each Lender shall, ratably in accordance with its Pro Rata Share, indemnify each LC Issuer, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrowers) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct or the applicable LC Issuer's failure to pay under any Facility LC issued by such LC Issuer after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC) that such indemnitees may suffer or incur in connection with this Section 2.21 or any action taken or omitted by such indemnitees hereunder.

2.21.11. Facility LC Collateral Account.

(i) Each Borrower agrees that it will, as required by Section 8.1 and until the final expiration date of any Facility LC and thereafter as long as any amount is payable to the LC Issuers or the Lenders in respect of any Facility LC, maintain a special collateral account pursuant to arrangements satisfactory to the Administrative Agent (the "**Facility LC Collateral Account**") at the

Administrative Agent's office at the address specified pursuant to Article XIV, in the name of such Borrower but under the sole dominion and control of the Administrative Agent, for the benefit of the Lenders and in which such Borrower shall have no interest other than as set forth in this Section 2.21.11. Each Borrower hereby pledges, assigns and grants to the Administrative Agent, on behalf of and for the ratable benefit of the Lenders and the LC Issuers, a security interest in all of such Borrower's right, title and interest in and to all funds which may from time to time be on deposit in the Facility LC Collateral Account to secure the prompt and complete payment and performance of the Obligations. The Administrative Agent will invest any funds on deposit from time to time in the Facility LC Collateral Account in certificates of deposit of JPMorgan having a maturity not exceeding 30 days. Nothing in this Section 2.21.11 shall either obligate the Administrative Agent to require the Borrowers to deposit any funds in the Facility LC Collateral Account or limit the right of the Administrative Agent to release any funds held in the Facility LC Collateral Account in each case other than as required by clause (iv) below.

(ii) If at any time while any Default is continuing, the Administrative Agent determines that the Collateral Shortfall Amount at such time is greater than zero, the Administrative Agent may make demand on the Borrowers to pay, and the Borrowers will, forthwith upon such demand and without any further notice or act, pay to the Administrative Agent the Collateral Shortfall Amount, which funds shall be deposited in the Facility LC Collateral Account.

(iii) The Administrative Agent may at any time or from time to time after funds are deposited in the Facility LC Collateral Account, apply such funds to the payment of the Obligations as shall from time to time have become due and payable by any Borrower to the Lenders or the LC Issuers under the Loan Documents.

(iv) If any Default is continuing, neither the Borrowers nor any Person claiming on behalf of or through the Borrowers shall have any right to withdraw any of the funds held in the Facility LC Collateral Account. After all of the Obligations have been indefeasibly paid in full (other than contingent indemnity obligations) and the Aggregate Commitment has been terminated, any funds remaining in the Facility LC Collateral Account shall be returned by the Administrative Agent to the Borrowers or paid to whomever may be legally entitled thereto at such time.

2.21.12. Rights as a Lender. In its capacity as a Lender, each LC Issuer shall have the same rights and obligations as any other Lender.

2.22. Subsidiary Borrowers. So long as no Default or Unmatured Default has occurred and is continuing, the Company may at any time or from time to time, add as a party to this Agreement any Wholly-Owned Subsidiary of the Company to be a Subsidiary Borrower hereunder by the execution and delivery to the Administrative Agent and the Lenders of (a) a duly completed Assumption Letter by such Subsidiary, with the written consent of the Borrowers at the foot thereof, (b) such guaranty and subordinated intercompany indebtedness documents and, if applicable, security documents as may be reasonably required by the Administrative Agent and such other opinions, agreements, documents, certificates or other items as may be required by Section 4.3, and (c) in the case of a Foreign Subsidiary which is a Wholly-Owned Subsidiary, receipt of evidence satisfactory to the Administrative Agent that such Subsidiary would not, in its capacity as a Subsidiary Borrower hereunder, be required by law to withhold or deduct any Taxes from or in respect of any sum payable hereunder by such Subsidiary to the Administrative Agent or any Lender and that no other adverse tax, regulatory or other consequences would affect the Administrative Agent or any Lender as a result of such Subsidiary's status as a Subsidiary Borrower, such documents with respect to any

additional Subsidiaries to be substantially similar in form and substance to the Loan Documents executed on or about the date hereof by the Subsidiaries parties hereto as of the Closing Date. No Foreign Subsidiary may be a Subsidiary Borrower without the consent of the Administrative Agent and each of the Lenders. Upon such execution, delivery and consent such Subsidiary shall for all purposes be a party hereto as a Subsidiary Borrower as fully as if it had executed and delivered this Agreement. So long as the principal of and interest on any Credit Extensions made to any Subsidiary Borrower under this Agreement shall have been repaid or paid in full, all Facility LCs issued for the account of such Subsidiary Borrower have expired or been returned and terminated and all other Obligations (other than contingent indemnity obligations) of such Subsidiary Borrower under this Agreement shall have been fully performed, the Company may, by not less than five (5) Business Days' prior notice to the Administrative Agent (which shall promptly notify the Lenders thereof), terminate such Subsidiary Borrower's status as a "Subsidiary Borrower" or "Borrower," and such Subsidiary Borrower shall be released from any future liability (other than contingent indemnity obligations) as a "Subsidiary Borrower" or "Borrower" hereunder or under the other Loan Documents. The Administrative Agent shall give the Lenders written of the addition of any Subsidiary Borrowers to this Agreement.

2.23. Increase of Commitments.

(i) At any time prior to the Facility Termination Date, the Company may request that the Aggregate Commitment be increased; provided that, without the prior written consent of all of the Lenders, (a) the Aggregate Commitment shall at no time exceed $350,000,000 minus the aggregate amount of all reductions in the Aggregate Commitment previously made pursuant to Section 2.6.2; and (b) each such request shall be in a minimum amount of at least $10,000,000 and increments of $5,000,000 in excess thereof. Such request shall be made in a written notice given to the Administrative Agent and the Lenders by the Company not less than twenty (20) Business Days prior to the proposed effective date of such increase, which notice (a "**Commitment Increase Notice**") shall specify the amount of the proposed increase in the Aggregate Commitment and the proposed effective date of such increase. In the event of such a Commitment Increase Notice, each of the Lenders shall be given the opportunity to participate in the requested increase ratably in proportions that their respective Commitments bear to the Aggregate Commitment. No Lender shall have any obligation to increase its Commitment pursuant to a Commitment Increase Notice. On or prior to the date that is fifteen (15) Business Days after receipt of the Commitment Increase Notice, each Lender shall submit to the Administrative Agent a notice indicating the maximum amount by which it is willing to increase its Commitment in connection with such Commitment Increase Notice (any such notice to the Administrative Agent being herein a "**Lender Increase Notice**"). Any Lender which does not submit a Lender Increase Notice to the Administrative Agent prior to the expiration of such fifteen (15) Business Day period shall be deemed to have denied any increase in its Commitment. In the event that the increases of Commitments set forth in the Lender Increase Notices exceed the amount requested by the Company in the Commitment Increase Notice, the Administrative Agent shall have the right, in consultation with the Company, to allocate the amount of increases necessary to meet the Company's Commitment Increase Notice. In the event that the Lender Increase Notices are less than the amount requested by the Company, not later than three (3) Business Days prior to the proposed effective date the Company may notify the Administrative Agent of any financial institution that shall have agreed to become a "Lender" party hereto (a "**Proposed New Lender**") in connection with the Commitment Increase Notice. Any Proposed New Lender shall be consented to by the Administrative Agent (which consent shall not be unreasonably withheld). If the Company shall not have arranged any Proposed New Lender(s) to commit to the shortfall from the Lender Increase Notices, then the Company shall be deemed to have reduced the amount of its Commitment

Increase Notice to the aggregate amount set forth in the Lender Increase Notices. Based upon the Lender Increase Notices, any allocations made in connection therewith and any notice regarding any Proposed New Lender, if applicable, the Administrative Agent shall notify the Company and the Lenders on or before the Business Day immediately prior to the proposed effective date of the amount of each Lender's and Proposed New Lenders' Commitment (the "**Effective Commitment Amount**") and the amount of the Aggregate Commitment, which amounts shall be effective on the following Business Day. Any increase in the Aggregate Commitment shall be subject to the following conditions precedent: (A) the Company shall have obtained the consent thereto of each Guarantor and its reaffirmation of the Loan Document(s) executed by it, which consent and reaffirmation shall be in writing and in form and substance reasonably satisfactory to the Administrative Agent, (B) as of the date of the Commitment Increase Notice and as of the proposed effective date of the increase in the Aggregate Commitment all representations and warranties shall be true and correct in all material respects as though made on such date and no event shall have occurred and then be continuing which constitutes a Default or Unmatured Default, (C) the Borrowers, the Administrative Agent and each Proposed New Lender or Lender that shall have agreed to provide a "Commitment" in support of such increase in the Aggregate Commitment shall have executed and delivered a "Commitment and Acceptance" substantially in the form of Exhibit I hereto, (D) counsel for the Borrowers and for the Guarantors shall have provided to the Administrative Agent supplemental opinions in form and substance reasonably satisfactory to the Administrative Agent and (E) the Borrowers and the Proposed New Lender shall otherwise have executed and delivered such other instruments and documents as may be required under Article IV or that the Administrative Agent shall have reasonably requested in connection with such increase. If any fee shall be charged by the Lenders in connection with any such increase, such fee shall be in accordance with then prevailing market conditions, which market conditions shall have been reasonably documented by the Administrative Agent to the Company. Upon satisfaction of the conditions precedent to any increase in the Aggregate Commitment, the Administrative Agent shall promptly advise the Company and each Lender of the effective date of such increase. Upon the effective date of any increase in the Aggregate Commitment that is supported by a Proposed New Lender, such Proposed New Lender shall be a party to this Agreement as a Lender and shall have the rights and obligations of a Lender hereunder and thereunder. Nothing contained herein shall constitute, or otherwise be deemed to be, a commitment on the part of any Lender to increase its Commitment hereunder at any time.

(ii) For purposes of this clause (ii), (A) the term "Buying Lender(s)" shall mean (1) each Lender the Effective Commitment Amount of which is greater than its Commitment prior to the effective date of any increase in the Aggregate Commitment, and (2) each Proposed New Lender that is allocated an Effective Commitment Amount in connection with any Commitment Increase Notice and (b) the term "Selling Lender(s)" shall mean each Lender whose Commitment is not being increased from that in effect prior to such increase in the Aggregate Commitment. Effective on the effective date of any increase in the Aggregate Commitment pursuant to clause (i) above, each Selling Lender hereby sells, grants, assigns and conveys to each Buying Lender, without recourse, warranty, or representation of any kind, except as specifically provided herein, an undivided percentage in such Selling Lender's right, title and interest in and to its outstanding Loans in the respective dollar amounts and percentages necessary so that, from and after such sale, each such Selling Lender's outstanding Loans shall equal such Selling Lender's Pro Rata Share (calculated based upon the Effective Commitment Amounts) of the outstanding Loans. Effective on the effective date of the increase in the Aggregate Commitment pursuant to clause (i) above, each Buying Lender hereby purchases and accepts such grant, assignment and conveyance from the Selling Lenders. Each Buying Lender hereby agrees that its respective purchase price for the portion

of the outstanding Loans purchased hereby shall equal the respective dollar amount necessary so that, from and after such payments, each Buying Lender's outstanding Loans shall equal such Buying Lender's Pro Rata Share (calculated based upon the Effective Commitment Amounts) of the outstanding Loans. Such amount shall be payable on the effective date of the increase in the Aggregate Commitment by wire transfer of immediately available funds to the Administrative Agent. The Administrative Agent, in turn, shall wire transfer any such funds received to the Selling Lenders, in same day funds, for the sole account of the Selling Lenders. Each Selling Lender hereby represents and warrants to each Buying Lender that such Selling Lender owns the Loans being sold and assigned hereby for its own account and has not sold, transferred or encumbered any or all of its interest in such Loans, except for participations which will be extinguished upon payment to Selling Lender of an amount equal to the portion of the outstanding Loans being sold by such Selling Lender. Each Buying Lender hereby acknowledges and agrees that, except for each Selling Lender's representations and warranties contained in the foregoing sentence, each such Buying Lender has entered into its Commitment and Acceptance with respect to such increase on the basis of its own independent investigation and has not relied upon, and will not rely upon, any explicit or implicit written or oral representation, warranty or other statement of the Lenders or the Administrative Agent concerning the authorization, execution, legality, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or the other Loan Documents. The Borrowers hereby agree to compensate each Selling Lender for all losses, expenses and liabilities incurred by each Lender in connection with the sale and assignment of any Loan hereunder on the terms and in the manner as set forth in Section 3.4.

2.24. Interest. In no event shall the amount of interest, and all charges, amounts or fees contracted for, charged or collected pursuant to this Agreement, the Notes or the other Loan Documents and deemed to be interest under applicable law (collectively, "**Interest**") exceed the highest rate of interest allowed by applicable law (the "**Maximum Rate**"), and in the event any such payment is inadvertently received by the Administrative Agent or any Lender then the excess sum (the "**Excess**") shall be credited as a payment of principal, unless the relevant Borrower shall notify the Administrative Agent in writing that it elects to have the Excess returned forthwith. It is the express intent hereof that no Borrower pay, and the Administrative Agent and the Lenders not receive, directly or indirectly in any manner whatsoever, interest in excess of that which may legally be paid by such Borrower under applicable law. The right to accelerate maturity of any of the Obligations does not include the right to accelerate any interest that has not otherwise accrued on the date of such acceleration, and the Administrative Agent and the Lenders do not intend to collect any unearned interest in the event of any such acceleration. All monies paid to the Administrative Agent or the Lenders hereunder or under any of the Notes or the other Loan Documents, whether at maturity or by prepayment, shall be subject to rebate of unearned interest as and to the extent required by applicable law. By the execution of this Agreement, each Borrower covenants, to the fullest extent permitted by law that (i) the credit or return of any Excess shall constitute the acceptance by such Borrower of such Excess, and (ii) such Borrower shall not seek or pursue any other remedy, legal or equitable, against the Administrative Agent or any Lender, based in whole or in part upon contracting for charging or receiving any Interest in excess of the Maximum Rate. For the purpose of determining whether or not any Excess has been contracted for, charged or received by the Administrative Agent or any Lender, all interest at any time contracted for, charged or received from such Borrower in connection with this Agreement, the Notes or any of the other Loan Documents shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread in equal parts throughout the full term of the Commitments. Each Borrower, the Administrative Agent and each Lender shall, to the maximum extent permitted under applicable law, (i) characterize any non-principal payment as an expense, fee or premium rather than as Interest and

(ii) exclude voluntary prepayments and the effects thereof. The provisions of this Section shall be deemed to be incorporated into each Note and each of the other Loan Documents (whether or not any provision of this Section is referred to therein). All such Loan Documents and communications relating to any Interest owed by any Borrower and all figures set forth therein shall, for the sole purpose of computing the extent of obligations hereunder and under the Notes and the other Loan Documents be automatically recomputed by such Borrower, and by any court considering the same, to give effect to the adjustments or credits required by this Section.

2.25. Judgment Currency. If for the purposes of obtaining judgment in any court, it is necessary to convert a sum due from any Borrower hereunder in the currency expressed to be payable herein (the "**specified currency**") into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the specified currency with such other currency at the Administrative Agent's main office in Chicago, Illinois on the Business Day preceding that on which the final, non-appealable judgment is given. The obligations of each Borrower in respect of any sum due to any Lender or the Administrative Agent hereunder shall, notwithstanding any judgment in a currency other than the specified currency, be discharged only to the extent that on the Business Day following receipt by such Lender or the Administrative Agent (as the case may be) of any sum adjudged to be so due in such other currency such Lender or the Administrative Agent (as the case may be) may in accordance with normal, reasonable banking procedures purchase the specified currency with such other currency. If the amount of the specified currency so purchased is less than the sum originally due to such Lender or the Administrative Agent, as the case may be, in the specified currency, each Borrower agrees, to the fullest extent that it may effectively do so, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or the Administrative Agent, as the case may be, against such loss, and if the amount of the specified currency so purchased exceeds (a) the sum originally due to any Lender or the Administrative Agent, as the case may be, in the specified currency and (b) any amounts shared with other Lenders as a result of allocations of such excess as a disproportionate payment to such Lender under Section 12.2, such Lender or the Administrative Agent, as the case may be, agrees to remit such excess to the applicable Borrower.

2.26. Market Disruption. Notwithstanding the satisfaction of all conditions referred to in Article II and Article IV with respect to any Credit Extension to be effected in any Foreign Currency, if (i) there shall occur on or prior to the date of such Credit Extension any change in national or international financial, political or economic conditions or currency exchange rates or exchange controls which would in the reasonable opinion of the Administrative Agent, the applicable LC Issuer (if such Credit Extension is a Facility LC) or the Required Lenders make it impracticable for the Eurocurrency Advances or Facility LCs comprising such Credit Extension to be denominated in the Agreed Currency specified by the applicable Borrower or (ii) an Equivalent Amount of such currency is not readily calculable, then the Administrative Agent shall forthwith give notice thereof to such Borrower, the Lenders and, if such Credit Extension is a Facility LC, the applicable LC Issuer, and such Credit Extensions shall not be denominated in such Agreed Currency but shall, except as otherwise set forth in Section 2.9.2, be made on the date of such Credit Extension in Dollars, (a) if such Credit Extension is an Advance, in an aggregate principal amount equal to the Dollar Amount of the aggregate principal amount specified in the related request for a Credit Extension or Conversion/Continuation Notice, as the case may be, as Floating Rate Loans, unless such Borrower notifies the Administrative Agent at least one (1) Business Day before such date that (i) it elects not to borrow on such date or (ii) it elects to borrow on such date in a different Agreed Currency, as the case may be, in which the denomination of such Loans would in the reasonable

opinion of the Administrative Agent and the Required Lenders be practicable and in an aggregate principal amount equal to the Dollar Amount of the aggregate principal amount specified in the related request for a Credit Extension or Conversion/Continuation Notice, as the case may be or (b) if such Credit Extension is a Facility LC, in a face amount equal to the Dollar Amount of the face amount specified in the related request or application for such Facility LC, unless such Borrower notifies the Administrative Agent at least one (1) Business Day before such date that (i) it elects not to request the issuance of such Facility LC on such date or (ii) it elects to have such Facility LC issued on such date in a different Agreed Currency, as the case may be, in which the denomination of such Facility LC would in the reasonable opinion of the applicable LC Issuer, the Administrative Agent and the Required Lenders be practicable and in face amount equal to the Dollar Amount of the face amount specified in the related request or application for such Facility LC, as the case may be.

ARTICLE III

YIELD PROTECTION; TAXES

3.1. Yield Protection. If, on or after the Closing Date, the adoption of any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any change in any such law, rule, regulation, policy, guideline or directive or in the interpretation or administration thereof by any governmental or quasi-governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender or applicable Lending Installation or any LC Issuer with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) subjects any Lender or any applicable Lending Installation or any LC Issuer to any Taxes, or changes the basis of taxation of payments (other than with respect to Excluded Taxes) to any Lender or any LC Issuer in respect of its Eurocurrency Loans, Facility LCs or participations therein, or

(ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any applicable Lending Installation or any LC Issuer (other than reserves and assessments taken into account in determining the interest rate applicable to Eurocurrency Advances), or

(iii) imposes any other condition the result of which is to increase the cost to any Lender or any applicable Lending Installation or any LC Issuer of making, funding or maintaining its Eurocurrency Loans or Commitment (including, without limitation, any conversion of any Loan denominated in an Agreed Currency other than euro into a Loan denominated in euro), or of issuing or participating in Facility LCs, or reduces any amount receivable by any Lender or any applicable Lending Installation or any LC Issuer in connection with its Eurocurrency Loans or Commitment, Facility LCs or participations therein, or requires any Lender or any applicable Lending Installation or any LC Issuer to make any payment calculated by reference to the amount of Eurocurrency Loans or Commitment, Facility LCs or participants therein held or interest or LC Fees received by it, by an amount deemed material by such Lender or such LC Issuer as the case may be,

and the result of any of the foregoing is to increase the cost to such Lender or applicable Lending Installation or such LC Issuer, as the case may be, of making or maintaining its Eurocurrency Loans or Commitment (including, without limitation, any conversion of any Loan denominated in an Agreed Currency other than euro into a Loan denominated in euro) or of issuing or participating in Facility LCs or to reduce the return received by such Lender or applicable Lending Installation or such LC Issuer, as the case may be, in connection with such Eurocurrency Loans or Commitment, Facility LCs or participations therein, then, within fifteen (15) days of demand by such Lender, the Borrowers shall pay such Lender or LC Issuer such additional amount or amounts as will compensate such Lender or such LC Issuer, as the case may be, for such increased cost or reduction in amount received; provided, that the Borrowers shall not be required to compensate a Lender or LC Issuer under this Section for any increased costs or reductions incurred more than 90 days prior to the date that such Lender or LC Issuer notifies the Company in writing of such increased costs or reductions and of such Lender's or LC Issuer's intention to claim compensation therefor; provided, further, that if such adoption or such change giving rise to such increased costs or reduction is retroactive such 90-day period shall be extended to include the period of retroactive effect.

3.2. Changes in Capital Adequacy Regulations. If a Lender or any LC Issuer determines the amount of capital required or expected to be maintained by such Lender, such LC Issuer, any Lending Installation of such Lender or such LC Issuer, or any corporation controlling such Lender or such LC Issuer, is increased as a result of a Change, then, within fifteen (15) days of demand by such Lender, or such LC Issuer, the Borrowers shall pay such Lender or such LC Issuer the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Lender or such LC Issuer determines is attributable to this Agreement, its Outstanding Credit Exposure or its Commitment to make Loans and issue or participate in Facility LCs, as the case may be, hereunder (after taking into account such Lender's or such LC Issuer's policies as to capital adequacy); provided, that the Borrowers shall not be required to pay to such Lender or LC Issuer such additional amounts under this Section for any amount incurred as a result of such Change more than 90 days prior to the date that such Lender or LC Issuer notifies the Company in writing of such Change and of such Lender's or LC Issuer's intention to claim compensation therefor; provided, further, that if such Change giving rise to such amounts is retroactive such 90-day period shall be extended to include the period of retroactive effect. **"Change"** means (i) any change after the Closing Date in the Risk-Based Capital Guidelines or (ii) any adoption of, change in, or change in the interpretation or administration of any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the Closing Date which affects the amount of capital required or expected to be maintained by any Lender or any LC Issuer or any Lending Installation or any corporation controlling any Lender or any LC Issuer. **"Risk-Based Capital Guidelines"** means (i) the risk-based capital guidelines in effect in the United States on the Closing Date, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States implementing the July 1988 report of the Basle Committee on Banking Regulation and Supervisory Practices Entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the Closing Date.

3.3. Availability of Types of Advances. If (x) any Lender determines that maintenance of its Eurocurrency Loans at a suitable Lending Installation would violate any applicable law, rule, regulation or directive, whether or not having the force of law, or (y) the Required Lenders determine that (i) deposits of a type, currency and maturity appropriate to match fund Eurocurrency Advances are not available or (ii) the interest rate applicable to Eurocurrency Advances does not accurately reflect the cost of making or maintaining Eurocurrency Advances, or (iii) no reasonable basis exists

for determining the Eurocurrency Base Rate, then the Administrative Agent shall suspend the availability of Eurocurrency Advances and require any affected Eurocurrency Advances to be immediately repaid or converted to Floating Rate Advances, subject to the payment of any funding indemnification amounts required by Section 3.4.

3.4. Funding Indemnification. If any payment of a Eurocurrency Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or a Eurocurrency Advance is not made or continued, or a Floating Rate Advance is not converted into a Eurocurrency Advance, on the date specified by any Borrower for any reason other than default by the Lenders, or a Eurocurrency Advance is not prepaid on the date specified by the applicable Borrower for any reason, the Borrowers will indemnify each Lender for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain such Eurocurrency Advance.

3.5. Taxes.

(i) All payments by the Borrowers to or for the account of any Lender, any LC Issuer or Agent hereunder or under any Note or Facility LC Application shall be made free and clear of and without deduction for any and all Taxes. If any Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Lender, any LC Issuer or Agent, (a) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.5) such Lender, such LC Issuer or Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (b) such Borrower shall make such deductions, (c) such Borrower shall pay the full amount deducted to the relevant authority in accordance with applicable law and (d) such Borrower shall furnish to the Administrative Agent the original copy of a receipt evidencing payment thereof within thirty (30) days after such payment is made.

(ii) In addition, the Borrowers hereby agree to pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any Note or Facility LC Application or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note or Facility LC Application ("**Other Taxes**").

(iii) The Borrowers hereby agree to indemnify the Agents, the LC Issuers and each Lender for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed on amounts payable under this Section 3.5) paid by the Agents, the LC Issuers or such Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Payments due under this indemnification shall be made within thirty (30) days of the date the Agents, the LC Issuers or such Lender makes demand therefor pursuant to Section 3.6.

(iv) Each Lender that is not incorporated under the laws of the United States of America or a state thereof (each a "**Non-U.S. Lender**") agrees that it will, not more than ten (10) Business Days after the date on which it becomes a party to this Agreement, (i) deliver to each of the Company and the Administrative Agent two (2) duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI, certifying in either case that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, and (ii) deliver to each of the Company and the Administrative Agent a United States Internal Revenue Form W-8 or W-9, as the case may be, and certify that it is entitled to an

exemption from United States backup withholding tax. Each Non-U.S. Lender further undertakes to deliver to each of the Company and the Administrative Agent (x) renewals or additional copies of such form (or any successor form) on or before the date that such form expires or becomes obsolete, and (y) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments thereto as may be reasonably requested by the Company or the Administrative Agent. All forms or amendments described in the preceding sentence shall certify that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, *unless* an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form or amendment with respect to it and such Lender advises the Company and the Administrative Agent in writing that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(v) For any period during which a Non-U.S. Lender has failed to provide the Company with an appropriate form pursuant to clause (iv), above (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which a form originally was required to be provided), such Non-U.S. Lender shall not be entitled to indemnification under this Section 3.5 with respect to Taxes imposed by the United States, and each Borrower, if required by law to do so, shall be permitted to withhold such Taxes and pay the same to the appropriate United States taxing authority; provided that, should a Non-U.S. Lender which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver a form required under clause (iv), above, the Borrowers shall take such steps as such Non-U.S. Lender shall reasonably request to assist such Non-U.S. Lender to recover such Taxes.

(vi) Any Lender that is entitled to an exemption from or reduction of withholding tax with respect to payments under this Agreement or any Note pursuant to the law of any relevant jurisdiction or any treaty shall deliver to the Company (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

(vii) If the IRS or any other governmental authority of the United States or any other country or any political subdivision thereof asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered or properly completed, because such Lender failed to notify the Administrative Agent of a change in circumstances which rendered its exemption from withholding ineffective, or for any other reason), such Lender shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax, withholding therefor, or otherwise, including penalties and interest, and including taxes imposed by any jurisdiction on amounts payable to the Administrative Agent under this subsection, together with all costs and expenses related thereto (including attorneys' fees and time charges of attorneys for the Administrative Agent, which attorneys may be employees of the Administrative Agent). The obligations of the Lenders under this Section 3.5(vii) shall survive the payment of the Obligations and termination of this Agreement.

(viii) Within 60 days after receipt of the written request of the Company, each Lender, LC Issuer and Agent shall execute and deliver such certificates, forms or other documents, which in each

such case can be reasonably furnished by such Lender, LC Issuer or Agent consistent with the facts and which are reasonably necessary to assist any Borrower in applying for refunds of Taxes remitted by such Borrower hereunder.

(ix) Each Lender, LC Issuer and Agent shall also use commercially reasonable efforts to avoid and minimize any amounts which might otherwise be payable by any Borrower pursuant to this Section 3.5, except to the extent that such Lender, LC Issuer or Agent, determines that such efforts would be disadvantageous to such Lender, LC Issuer or Agent, as determined by such Lender, LC Issuer or Agent and which determination, if made in good faith, shall be binding and conclusive on all parties hereto.

(x) To the extent that the payment of any Lender's, LC Issuer's or Agent's Taxes by any Borrower hereunder gives rise from time to time to a Tax Benefit to such Lender, LC Issuer or Agent in any jurisdiction other than the jurisdiction which imposed such Taxes, such Lender, LC Issuer or Agent shall pay to such Borrower the amount of each such Tax Benefit so recognized or received. The amount of each Tax Benefit and, therefore, payment to such Borrower will be determined from time to time by the relevant Lender, LC Issuer or Agent in its sole discretion, which determination shall be binding and conclusive on all parties hereto. Each such payment will be due and payable by such Lender, LC Issuer or Agent to such Borrower within a reasonable time after the filing of the tax return in which such Tax Benefit is recognized or, in the case of any tax refund, after the refund is received; *provided*, *however*, if at any time thereafter such Lender, LC Issuer or Agent, is required to rescind such Tax Benefit or such Tax Benefit is otherwise disallowed or nullified, the relevant Borrower shall promptly, after notice thereof from such Lender, LC Issuer or Agent, repay to such Lender, LC Issuer or Agent the amount of such Tax Benefit previously paid to such Lender, LC Issuer or Agent and which has been rescinded, disallowed or nullified. For purposes hereof, the term "Tax Benefit" shall mean the amount by which any Lender's, LC Issuer's or Agent's income tax liability for the taxable period in question is reduced below what would have been payable had the relevant Borrower not been required to pay such Lender's LC Issuer's or Agent's Taxes hereunder.

3.6. Lender Statements; Survival of Indemnity. To the extent reasonably possible, each Lender shall designate an alternate Lending Installation with respect to its Eurocurrency Loans to reduce any liability of the Borrowers to such Lender under Sections 3.1, 3.2 and 3.5 or to avoid the unavailability of Eurocurrency Advances under Section 3.3, so long as such designation is not, in the judgment of such Lender, disadvantageous to such Lender. Each Lender shall deliver a written statement of such Lender to the Company (with a copy to the Administrative Agent) as to the amount due, if any, under Section 3.1, 3.2, 3.4 or 3.5. Such written statement shall set forth in reasonable detail the calculations upon which such Lender determined such amount and shall be final, conclusive and binding on the Borrowers in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurocurrency Loan shall be calculated as though each Lender funded its Eurocurrency Loan through the purchase of a deposit of the type, currency and maturity corresponding to the deposit used as a reference in determining the Eurocurrency Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement of any Lender shall be payable on demand after receipt by the Company of such written statement. The obligations of the Borrowers under Sections 3.1, 3.2, 3.4 and 3.5 shall survive payment of the Obligations and termination of this Agreement.

3.7. Mitigation of Obligations. If any Lender requests compensation under Section 3.2 or if any Borrower is required to pay any additional amount to any Lender or any governmental authority for the account of any Lender pursuant to Section 3.1, then such Lender shall use

commercially reasonable efforts to designate a different Lending Installation for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the sole discretion of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable under Section 3.1 or Section 3.2, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrowers hereby agree to pay all costs and expenses incurred by any Lender in connection with such designation or assignment.

ARTICLE IV

CONDITIONS PRECEDENT

4.1. Initial Credit Extension. The Lenders shall not be required to make the initial Credit Extension hereunder unless (a) the representations and warranties contained in Article V are true and correct in all material respects as of such date and (b) the Company has furnished to the Agents with sufficient copies for the Lenders:

(i) Copies of the articles or certificates of incorporation (or similar Constitutive Documents) of the Company, each other Borrower and each Guarantor (each a "**Loan Party**"), together with all amendments thereto, and a certificate of good standing, each certified by the appropriate governmental officer in its jurisdiction of incorporation, as well as any other information required by Section 326 of the USA PATRIOT ACT.

(ii) Copies, certified by the Secretary or Assistant Secretary of each Loan Party of its by-laws (or similar Constitutive Documents) and of its Board of Directors' resolutions and of resolutions or actions of any other body authorizing the execution of the Loan Documents to which it is a party.

(iii) An incumbency certificate, executed by the Secretary or Assistant Secretary of each Loan Party, which shall identify by name and title and bear the signatures of the Authorized Officers and any other officers of such Loan Party authorized to sign the Loan Documents to which it is a party and, in the case of the Borrowers, to request Loans hereunder, upon which certificate the Agents and the Lenders shall be entitled to rely until informed of any change in writing by the applicable Loan Party.

(iv) An opening compliance certificate in substantially the form of Exhibit B, signed by the chief financial officer or treasurer of the Company, showing the calculations necessary to determine compliance with this Agreement on the initial Credit Extension Date and stating that on the initial Credit Extension Date (a) no Default or Unmatured Default has occurred and is continuing, (b) all of the representations and warranties in Article V shall be true and correct in all material respects as of such date and (c) no material adverse change in the business, financial condition or operations of the Company or any of its Subsidiaries has occurred since August 31, 2006.

(v) A certificate in form and substance satisfactory to the Administrative Agent stating that there exists no injunction or temporary restraining order which would prohibit the making of the initial Credit Extensions or any litigation seeking such an injunction or restraining order.

(vi) A certificate of value, solvency and other appropriate factual information in form and substance reasonably satisfactory to the Administrative Agent and Arranger from the chief financial officer of the Company (on behalf of the Company and the Borrowers) in his or her representative capacity supporting the conclusions that as of the initial funding date the Company and its Subsidiaries on a consolidated basis are Solvent and will be Solvent subsequent to incurring the Indebtedness contemplated under the Loan Documents, will be able to pay its debts and liabilities as they become due and will not be left with unreasonably small working capital for general corporate purposes.

(vii) Written opinions of Sutherland Asbill & Brennan LLP, special counsel to the Borrowers and each Guarantor, in form and substance satisfactory to the Agents and addressed to the Lenders in substantially the form of Exhibit A.

(viii) Any Notes requested by a Lender pursuant to Section 2.14 payable to the order of each such requesting Lender.

(ix) If the initial Credit Extension shall be the issuance of a Facility LC, a properly completed Facility LC Application.

(x) Written money transfer instructions, in substantially the form of Exhibit D, addressed to the Administrative Agent and signed by an Authorized Officer, together with such other related money transfer authorizations as the Administrative Agent may have reasonably requested.

(xi) Evidence satisfactory to the Agents that the Existing Credit Agreement shall have been or shall simultaneously on the Closing Date be terminated (except for those provisions that expressly survive the termination thereof) and all loans outstanding and other amounts owed to the lenders or agents thereunder shall have been, or shall simultaneously with the initial Advance hereunder be, paid in full.

(xii) Such other documents as any Lender or its counsel may have reasonably requested including, without limitation, each document identified on the List of Closing Documents attached hereto as Exhibit F.

4.2. Each Credit Extension. The Lenders shall not (except as otherwise set forth in Section 2.2.4 with respect to Revolving Loans for the purpose of repaying Swing Line Loans) be required to make any Credit Extension unless on the applicable Credit Extension Date:

(i) There exists no Default or Unmatured Default.

(ii) The representations and warranties contained in Article V are true and correct in all material respects as of such Credit Extension Date except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct in all material respects on and as of such earlier date.

(iii) No law or regulation shall prohibit, and no order, judgment or decree of any Governmental Authority shall enjoin, prohibit or restrain, any Lender from making the requested Loan or the applicable LC Issuer or any Lender from issuing, renewing, extending or increasing the face amount of or participating in the Facility LC requested to be issued, renewed, extended or increased.

Each Borrowing Notice or request for issuance of a Facility LC, or Swing Line Borrowing Notice, as the case may be, with respect to each such Credit Extension shall constitute a representation and warranty by the Borrowers that the conditions contained in Section 4.2(i) and (ii) have been satisfied. Any lender may require a duly completed compliance certificate in substantially the form of Exhibit B as a condition to making a Credit Extension.

4.3. Initial Advance to Each New Subsidiary Borrower. The Lenders shall not be required to make a Credit Extension hereunder to a new Subsidiary Borrower added after the Closing Date unless the Company has furnished or caused to be furnished to the Administrative Agent with sufficient copies for the Lenders:

(i) The Assumption Letter executed and delivered by such Subsidiary Borrower and containing the written consent of the Borrowers, as contemplated by Section 2.22.

(ii) Copies, certified by the Secretary, Assistant Secretary, Director or Authorized Officer of the Subsidiary Borrower, of its Board of Directors' resolutions (and/or resolutions of other bodies, if any are deemed necessary by the Administrative Agent) approving the Assumption Letter.

(iii) An incumbency certificate, executed by the Secretary, Assistant Secretary, Director or Authorized Officer of the Subsidiary Borrower, which shall identify by name and title and bear the signature of the officers of such Subsidiary Borrower authorized to sign the Assumption Letter and the other documents to be executed and delivered by such Subsidiary Borrower hereunder, upon which certificate the Administrative Agent and the Lenders shall be entitled to rely until informed of any change in writing by the Company.

(iv) An opinion of counsel to such Subsidiary Borrower, substantially in the form of Exhibit E hereto.

(v) Guaranty documentation from such Subsidiary Borrower in form and substance acceptable to the Administrative Agent as required pursuant to Section 6.10.

(vi) With respect to the initial Credit Extension made to any Foreign Subsidiary Borrower, the Administrative Agent shall have received originals and/or copies, as applicable, of all filings required to be made and such other evidence as the Administrative Agent may reasonably require establishing that each Lender, Swing Line Lender and each LC Issuer is entitled to receive payments under the Loan Documents without deduction or withholding of any taxes or with such deductions and withholding of taxes as may be reasonably acceptable to the Administrative Agent.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants as follows to each Lender and the Agents as of each of (i) the Closing Date, (ii) the date of the initial Credit Extension hereunder (if different from the Closing Date) and (iii) other than with respect to Section 5.5 below, each date as required by Section 4.2:

5.1. Existence and Standing. The Company and each of its Subsidiaries is a corporation, partnership or limited liability company duly and properly incorporated or organized, as the case may be, validly existing and (to the extent such concept applies to such entity) in good standing under the laws of its jurisdiction of incorporation or organization and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted, except to the extent that the failure to have such standing or authority could not reasonably be expected to have a Material Adverse Effect.

5.2. Authorization and Validity. The Company and each of its Subsidiaries (to the extent applicable) has the power and authority and legal right to execute and deliver the Loan Documents to which it is a party and to perform its obligations thereunder, and to file the Loan Documents which have been filed by it as required by this Agreement. The execution and delivery by the Company and any such Subsidiary of the Loan Documents to which it is a party and the performance of its obligations thereunder have been duly authorized by proper proceedings, and the Loan Documents to which such entity is a party constitute legal, valid and binding obligations of such entity enforceable against such entity in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally or by general equitable principles.

5.3. No Conflict; Government Consent. Neither the execution and delivery by the Company or any of its Subsidiaries of the Loan Documents, nor compliance with the provisions thereof will violate (i) any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Company or any of its Subsidiaries or (ii) the Company's or any Subsidiary's articles or certificate of incorporation, partnership agreement, certificate of partnership, articles or certificate of organization, by-laws, or operating agreement or other management agreement, as the case may be, or (iii) the provisions of any indenture, instrument or agreement to which the Company or any of its Subsidiaries is a party or is subject, or by which it, or its Property, is bound, or conflict with, or constitute a default under, or result in, or require, the creation or imposition of any Lien in, of or on the Property of the Company or a Subsidiary pursuant to the terms of, any such indenture, instrument or agreement. No order, consent, adjudication, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, or other action in respect of any governmental or public body or authority, or any subdivision thereof, which has not been obtained by the Company or any of its Subsidiaries, is required to be obtained by the Company or any of its Subsidiaries in connection with the execution and delivery of the Loan Documents, the borrowings under this Agreement, the payment and performance by any Borrower of the Obligations or the legality, validity, binding effect or enforceability of any of the Loan Documents.

5.4. Financial Statements. The August 31, 2006 audited consolidated financial statements of the Company and its Subsidiaries heretofore delivered to the Arranger and the Lenders were prepared in accordance with generally accepted accounting principles in effect on the date such statements were prepared and fairly present in all material respects, the consolidated financial condition and operations of the Company and its Subsidiaries at such date and the consolidated results of their operations and cash flows for the fiscal year then ended.

5.5. Material Adverse Change. Since August 31, 2006, and except as disclosed on Schedule 5.5, there has been no change in the business, property, financial condition or operations of the Company and its Subsidiaries taken as a whole, which could reasonably be expected to have a Material Adverse Effect.

5.6. Taxes. The Company and its Subsidiaries have filed all United States federal tax returns and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Company or any of its Subsidiaries, except (i) such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided in accordance with Agreement Accounting Principles or (ii) where the failure to file such return or pay such taxes could not reasonably be expected to have a Material Adverse Effect. No tax liens have been filed and no claims are being asserted with respect to any such taxes. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of any taxes or other governmental charges are adequate in all material respects.

5.7. Litigation and Contingent Obligations. There is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of their officers, threatened against or affecting the Company or any of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect or which seeks to prevent, enjoin or delay the making of any Credit Extensions or otherwise question the validity of any Loan Document. Other than any liability which could not reasonably be expected to have a Material Adverse Effect, neither the Company nor any of its Subsidiaries have any contingent obligations not provided for or disclosed in the financial statements referred to in Section 5.4.

5.8. Subsidiaries. Schedule 5.8 (as supplemented from time to time by the Company promptly after the formation or acquisition of any new Subsidiary as permitted under this Agreement) contains an accurate list of all Subsidiaries of the Company as of the Closing Date, setting forth their respective jurisdictions of organization and the percentage of their respective capital stock or other ownership interests owned by the Company or other Subsidiaries. All of the issued and outstanding shares of capital stock or other ownership interests of such Subsidiaries have been (to the extent such concepts are relevant with respect to such ownership interests) duly authorized and issued and are fully paid and non-assessable.

5.9. Accuracy of Information. No information, schedule, exhibit or report furnished by the Company or any of its Subsidiaries to the Arranger, any Agent or Lender (including, without limitation, the Company's Confidential Information Memorandum dated September 2007) in connection with the negotiation of, or compliance with, the Loan Documents contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading.

5.10. Regulation U. Neither the Company nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate of buying or carrying margin stock (within the meaning of Regulations U or X); and after applying the proceeds of each Advance, margin stock (as defined in Regulation U) constitutes less than twenty-five (25%) of the value of those assets of the Company and its Subsidiaries which are subject to any limitation on sale or pledge, or any other restriction hereunder.

5.11. Material Agreements. Neither the Company nor any Subsidiary is a party to any agreement or instrument or subject to any charter or other corporate restriction which could reasonably be expected to have a Material Adverse Effect. Neither the Company nor any Subsidiary is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which it is a party, which default could reasonably be expected to have a Material Adverse Effect.

5.12. Compliance With Laws. The Company and its Subsidiaries have complied with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof having jurisdiction over the conduct of their respective businesses or the ownership of their respective Property, except to the extent that the failure to comply could not reasonably be expected to have a Material Adverse Effect.

5.13. Ownership of Properties. On the Closing Date, the Company and its Subsidiaries will have good title, free of all Liens other than Permitted Liens, to all of the Property and assets reflected in the Company's most recent consolidated financial statements provided to the Arranger and the Lenders as owned by the Company and its Subsidiaries, other than Property and assets disposed of in the ordinary course of business.

5.14. ERISA; Foreign Pension Matters. The sum of (a) the Unfunded Liabilities of all Plans and (b) the present value of the aggregate unfunded liabilities to provide the accrued benefits under all Foreign Pension Plans do not in the aggregate exceed $75,000,000. Each Plan and each Foreign Pension Plan complies in all material respects with all applicable requirements of law and regulations, no Reportable Event has occurred with respect to any Plan, neither the Company nor any other member of its Controlled Group has withdrawn from any Multiemployer Plan or initiated steps to do so, and no steps have been taken to terminate any Plan, except to the extent that such non-compliance, Reportable Event, withdrawal or termination could not reasonably be expected to result in liability of the Company or any of its Subsidiaries individually or in the aggregate in an amount greater than $75,000,000.

5.15. Plan Assets; Prohibited Transactions. No Borrower is an entity deemed to hold "plan assets" within the meaning of 29 C.F.R. § 2510.3-101 of an employee benefit plan (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA or any plan (within the meaning of Section 4975 of the Code), and neither the execution of this Agreement nor the making of Loans hereunder gives rise to a prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code, except to the extent that such event or prohibited transaction could not reasonably be expected to result in liability of the Company or any of its Subsidiaries individually or in the aggregate in an amount greater than $75,000,000.

5.16. Environmental Matters.

(a) In the ordinary course of its business, the officers of the Company consider the effect of Environmental Laws on the business of the Company and its Subsidiaries, in the course of which they identify and evaluate potential risks and liabilities accruing to the Company and its Subsidiaries due to Environmental Laws. On the basis of this consideration, the Company has concluded that Environmental Laws cannot reasonably be expected to have a Material Adverse Effect, except as set

forth on Schedule 5.16. Except as set forth on Schedule 5.16, neither the Company nor any Subsidiary has received any notice to the effect that its operations are not in compliance with any of the requirements of applicable Environmental Laws or are the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could reasonably be expected to have a Material Adverse Effect.

(b) The Company and each of its Subsidiaries have obtained all necessary governmental permits, licenses and approvals which are material to the operations conducted on their respective properties, including without limitation, all required permits, licenses and approvals for (i) the emission of air pollutants or contaminates, (ii) the treatment or pretreatment and discharge of waste water or storm water, (iii) the treatment, storage, disposal or generation of hazardous wastes, (iv) the withdrawal and usage of ground water or surface water, and (v) the disposal of solid wastes, except where a failure to obtain such permits, licenses and approvals would not result in a Material Adverse Effect.

5.17. Investment Company Act. Neither the Company nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

5.18. Insurance. The Property of the Company and its Subsidiaries is insured with financially sound and reputable insurance companies, in such amounts, with such deductibles and covering such properties and risks as is required under Section 6.6.

5.19. Solvency. After giving effect to (i) the Credit Extensions to be made on the Closing Date or such other date as Credit Extensions requested hereunder are made, (ii) the other transactions contemplated by this Agreement and the other Loan Documents, and (iii) the payment and accrual of all transaction costs with respect to the foregoing, the Company and its Subsidiaries taken as a whole are Solvent.

5.20. Patriot Act. Neither the Company nor any Subsidiary or Affiliate of any of the foregoing is a country, individual or entity named on the Specifically Designated National and Blocked Persons (SDN) List issued by the Office of Foreign Asset Control of the Department of the Treasury of the United States of America.

ARTICLE VI

COVENANTS

During the term of this Agreement, unless the Required Lenders shall otherwise consent in writing:

6.1. Reporting. The Company will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with generally accepted accounting principles, and furnish to the Lenders:

(i) Within ninety (90) days (or such later date as may be permitted by the Securities and Exchange Commission) after the close of each of its fiscal years, an audit report certified by independent certified public accountants acceptable to the Required

lenders and with such certifications to be free of exceptions and qualifications not acceptable to the Required Lenders, prepared in accordance with Agreement Accounting Principles on a consolidated basis for itself and its Subsidiaries, including a balance sheet as of the end of such period, related statements of income, shareholders' equity and cash flows.

(ii) Within forty-five (45) days (or such later date as may be permitted by the Securities and Exchange Commission) after the close of the first three (3) quarterly periods of each of its fiscal years, for itself and its Subsidiaries, a consolidated unaudited balance sheet as at the close of each such period and consolidated statements of income and cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified as to fairness of presentation, compliance with Agreement Accounting Principles and consistency by its chief financial officer, chief accounting officer or treasurer.

(iii) Together with the financial statements required under Sections 6.1(i) and (ii), a compliance certificate in substantially the form of Exhibit B signed by its chief financial officer, chief accounting officer or treasurer showing the calculations necessary to determine compliance with this Agreement and stating that no Default or Unmatured Default exists, or if any Default or Unmatured Default exists, stating the nature and status thereof.

(iv) As soon as possible and in any event within ten (10) days after the Company knows that any Reportable Event has occurred with respect to any Plan, or any material unfunded liability has arisen with respect to any Foreign Pension Plan, a statement, signed by the chief financial officer or treasurer of the Company, describing said Reportable Event or material unfunded liability and the action which the Company proposes to take with respect thereto, which, in any case, could reasonably be expected to give rise to liability of more than $30,000,000 on the part of the Company or any of its Subsidiaries.

(v) As soon as possible and in any event within ten (10) days after receipt by the Company, a copy of (a) any notice or claim to the effect that the Company or any of its Subsidiaries is or may be liable to any Person as a result of the release by the Company, any of its Subsidiaries, or any other Person of any toxic or hazardous waste or substance into the environment, and (b) any notice alleging any violation of any federal, state or local environmental, health or safety law or regulation by the Company or any of its Subsidiaries, which, in either case, could reasonably be expected to have a Material Adverse Effect.

(vi) Promptly upon the furnishing thereof to the shareholders of the Company, copies of all financial statements, reports and proxy statements so furnished.

(vii) Promptly upon the filing thereof, copies of all registration statements (other than exhibits thereto and any registration statements on Form S-8 or its equivalent) or other regular reports not otherwise provided pursuant to this Section 6.1 which the Company or any of its Subsidiaries files with the Securities and Exchange Commission.

(viii) Upon the request of any Agent, prior to the execution thereof, draft copies of the Receivables Purchase Documents and, promptly after execution thereof, copies of such Receivables Purchase Documents and all material amendments thereto.

(ix) Promptly upon any officer of the Company obtaining knowledge of the institution of, or written threat of, any action, suit, proceeding, governmental investigation or arbitration against or affecting the Company or any of its Subsidiaries or any property of the Company or any of its Subsidiaries, which action, suit, proceeding, investigation or arbitration exposes, or in the case of multiple actions, suits, proceedings, investigations or arbitrations arising out of the same general allegations or circumstances which expose, in the Company's reasonable judgment, the Company or any of its Subsidiaries to liability in an amount aggregating $25,000,000 or more, give written notice thereof to the Administrative Agent and the Lenders and provide such other information as may be reasonably available to the Company (without jeopardizing any attorney-client privilege by disclosure thereof) to enable each Lender and the Administrative Agent and its counsel to evaluate such matters.

(x) Such other information (including non-financial information) as any Agent or Lender may from time to time reasonably request (except such plans and forecasts which have not been made available by the Company to its creditors).

6.2. Use of Proceeds. The Company will, and will cause each Subsidiary to, use the proceeds of the Credit Extensions for general corporate purposes, including for working capital, refinancing the Indebtedness under the Existing Credit Agreement, commercial paper liquidity support and Permitted Acquisitions, and to pay fees and expenses incurred in connection with this Agreement. The Borrowers shall use the proceeds of Credit Extensions in compliance with all applicable legal and regulatory requirements and any such use shall not result in a violation of any such requirements, including, without limitation, Regulations T, U and X, the Securities Act of 1933 and the Securities Exchange Act of 1934 and the regulations promulgated thereunder.

6.3. Notice of Default. Within five (5) Business Days after an Authorized Officer becomes aware thereof, the Company will, and will cause each Subsidiary to, give notice in writing to the Lenders of the occurrence of any Default or Unmatured Default and of any other development, financial or otherwise, which could reasonably be expected to have a Material Adverse Effect.

6.4. Conduct of Business. The Company will, and will cause each Subsidiary to, carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as conducted by the Company or its Subsidiaries as of the Closing Date, and, except as otherwise permitted by Section 6.12, do all things necessary to remain duly incorporated or organized, validly existing and (to the extent such concept applies to such entity) in good standing as a corporation, partnership or limited liability company in its jurisdiction of incorporation or organization, as the case may be, and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted, except where the failure to maintain such good standing or authority could not reasonably be expected to have a Material Adverse Effect; provided that nothing in this Section shall prevent the Company and its Subsidiaries from discontinuing any line of business or liquidating, dissolving or disposing of any Subsidiary if (i) no Default or Unmatured Default is in existence or would be caused thereby and (ii) the Board of Directors of the Company determines in good faith that such termination, liquidation, dissolution or disposition is in the best interest of the Company and its Subsidiaries taken as a whole.

6.5. Taxes. The Company will, and will cause each Subsidiary to, file on a timely basis complete and correct United States federal and material foreign, state and local tax returns required by law and pay when due all material taxes, assessments and governmental charges and levies upon it or its income, profits or Property, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside in accordance with Agreement Accounting Principles.

6.6. Insurance. The Company will, and will cause each Subsidiary to, maintain with financially sound and reputable insurance companies insurance on their Property in such amounts and covering such risks as is consistent with sound business practice, and the Company will furnish to any Lender upon request full information as to the insurance carried.

6.7. Compliance with Laws; Maintenance of Plans. The Company will, and will cause each Subsidiary to, (i) comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject including, without limitation, all Environmental Laws, and (ii) establish, maintain and operate all Plans to comply in all material respects with the provisions of ERISA and the Code, and the regulations and interpretations thereunder, where in the case of either (i) or (ii) above the failure to so comply could reasonably be expected to have a Material Adverse Effect.

6.8. Maintenance of Properties. The Company will, and will cause each Subsidiary to, do all things necessary to maintain, preserve, protect and keep its Property material to the conduct of its business in good repair, working order and condition, and make all necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times.

6.9. Inspection; Keeping of Books and Records.

(i) The Company will, and will cause each Subsidiary to, permit the Agents and the Lenders, by their respective representatives and agents, to inspect any of the Property, books and financial records of the Company and each Subsidiary, to examine and make copies of the books of accounts and other financial records of the Company and each Subsidiary, and to discuss the affairs, finances and accounts of the Company and each Subsidiary with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as any Agent or Lender may designate. If a Default has occurred and is continuing, the Company, upon the Administrative Agent's request, shall turn over copies of any such records to the Administrative Agent or its representatives. Unless a Default has occurred and is then continuing, each Lender shall give the Company not less than three (3) Business Days' prior written notice of its intent to conduct such visit or inspection. To the extent that any Lender, in the course of such visit or inspection, obtains possession of any proprietary information pertaining to the Company or any Subsidiary, such Lender shall handle such information in accordance with the requirements of Section 10.11.

(ii) The Company shall keep and maintain, and cause each of its Subsidiaries to keep and maintain, in all material respects, proper books of record and account in which entries in conformity with Agreement Accounting Principles shall be made of all dealings and transactions in relation to their respective businesses and activities (except that any Foreign Subsidiary may comply with local accounting principles).

6.10. Addition of Guarantors; Pledge of Capital Stock.

6.10.1. Addition of Guarantors. As promptly as possible but in any event within thirty (30) days (or such later date as may be agreed upon by the Administrative Agent in its discretion) after any Subsidiary (other than any SPV or an Affected Foreign Subsidiary) becomes a Material Subsidiary of the Company, the Company shall cause each such Material Subsidiary to deliver to the Administrative Agent a duly executed Guaranty or supplement to an existing Guaranty pursuant to which such Material Subsidiary agrees to be bound by the terms and provisions of such Guaranty; provided, that if at any time (i) the aggregate amount of the book value of assets of all Subsidiaries that are not Guarantors exceeds ten percent (10%) of the aggregate book value of the Consolidated Total Assets of the Company and its Subsidiaries, or (ii) the Consolidated Net Worth of all Subsidiaries that are not Guarantors exceeds ten percent (10%) of the Consolidated Net Worth of the Company and its Subsidiaries, or (iii) the assets of all Subsidiaries that are not Guarantors contributed more than ten percent (10%) of the Company's Consolidated Net Income, in each case as reported in the most recent annual audited financial statements delivered to the Lenders pursuant to Section 6.1(i) (or, prior to the delivery of the first of such annual audited financial statements under Section 6.1(i), as reported in the financial statements identified in Section 5.4), the Company shall cause additional Subsidiaries (other than any SPV) to become parties to a Guaranty as Guarantors thereunder, or to have their Capital Stock pledged pursuant to Section 6.10.2 to eliminate such excess.

6.10.2. Pledge of Capital Stock. Each Borrower shall execute or cause to be executed, by no later than sixty (60) days (or such later date as may be agreed upon by the Administrative Agent in its discretion) after the date on which any Material Subsidiary which is an Affected Foreign Subsidiary would qualify or be designated by the Company as a Guarantor, a Pledge Agreement in favor of the Administrative Agent for the benefit of the Holders of Obligations with respect to 65% of all of the outstanding Capital Stock of such Material Subsidiary; provided that no such pledge of the Capital Stock of a Foreign Subsidiary shall be required hereunder to the extent such pledge is prohibited by applicable law or the Administrative Agent and its counsel reasonably determine that, in light of the cost and expense associated therewith, such pledge would not provide material credit support for the benefit of the Holders of Obligations pursuant to legally binding, valid and enforceable Pledge Agreements. The Company further agrees to deliver to the Administrative Agent all such Pledge Agreements, together with appropriate corporate resolutions and other documentation (including legal opinions, the stock certificates representing the Capital Stock subject to such pledge, stock powers with respect thereto executed in blank, and such other documents as shall be reasonably requested to perfect the Lien of such pledge) in each case in form and substance reasonably satisfactory to the Administrative Agent, and in a manner that the Administrative Agent shall be reasonably satisfied that it has a first priority perfected pledge of or charge over the Capital Stock related thereto.

6.11. Subsidiary Indebtedness. The Company will not permit any Subsidiary to create, incur or suffer to exist any Indebtedness, except:

(i) The obligations arising under the Loan Documents.

(ii) Indebtedness existing on the Closing Date and described on Schedule 6.11, and Permitted Refinancing Indebtedness in respect thereof.

(iii) Indebtedness owed (a) to the Company or any Guarantor by any Guarantor, (b) to any Subsidiary that is not a Guarantor by any other Subsidiary that is not a Guarantor, and (c) to the Company or any Guarantor by any Subsidiary that is not a Guarantor in an

aggregate amount under this clause (c) not to exceed ten percent (10%) of the Company's Consolidated Net Worth as reported in the most recent annual audited financial statements delivered to the Lenders pursuant to Section 6.1(i) (or, prior to the delivery of the first of such annual audited financial statements under Section 6.1(i), as reported in the financial statements identified in Section 5.4).

(iv) Receivables Facility Attributed Indebtedness in an aggregate amount not to exceed $250,000,000.

(v) Indebtedness in an aggregate amount not to exceed $50,000,000 incurred or assumed for the purpose of financing or refinancing all or any part of the cost of acquiring or constructing any specific fixed asset of such Subsidiary (including without limitation Capital Leases); *provided*, that such Indebtedness (a) is incurred (1) at a time when no Default or Unmatured Default has occurred and is continuing or would result from such incurrence and (2) within eighteen (18) months after the acquisition or construction of such fixed asset, and (b) does not exceed 100% of the total cost of such acquisition or construction (plus interest, fees and closing costs related thereto).

(vi) Additional Indebtedness (including, without limitation, Indebtedness secured by Liens permitted under Section 6.13(xv)) in an aggregate amount not to exceed $150,000,000.

(vii) Indebtedness of Zep Inc. for a period of time not to exceed 45 days and in an aggregate amount not to exceed $100,000,000 in connection with a credit agreement among Zep Inc., certain of its Subsidiaries, the lenders party thereto and JPMorgan Chase Bank, National Association, as administrative agent thereunder to the extent entered into in anticipation of and substantially concurrently with the Spin-Off Transaction.

(viii) Indebtedness of Zep Inc. for a period of time not to exceed 45 days and in an aggregate amount not to exceed $75,000,000 in connection with a receivables purchase financing among Zep Inc., certain of its Subsidiaries, the other parties thereto and Wachovia Bank, National Association, as administrator thereunder to the extent entered into in anticipation of and substantially concurrently with the Spin-Off Transaction.

6.12. Consolidations and Mergers; Permitted Acquisitions.

6.12.1. Consolidations and Mergers. Each Borrower agrees that it will not, nor will the Company permit any Subsidiary to, consolidate or merge with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of the assets of any Borrower or such Borrower and its Subsidiaries take as a whole (whether now owned or hereafter acquired) to, any other Person, provided that if, after giving effect to any of the following, no Default will be in existence: (i) any Subsidiary may merge or consolidate with, or dispose of assets to, the Company if the Company, as the case may be, is the corporation surviving such merger, (ii) any Borrower may merge or consolidate with, or dispose of assets to, any other Borrower, (iii) any Subsidiary which is a Guarantor may merge or consolidate with, or dispose of assets to any other Subsidiary which is a Guarantor, (iv) any Subsidiary which is not a Borrower or Guarantor may merge or consolidate with, or dispose of assets to, any other Subsidiary which is not a

Borrower or Guarantor, (v) any Subsidiary which is not a Borrower or a Guarantor may merge or consolidate with, or dispose of assets to, any other Subsidiary which is a Borrower or a Guarantor, if such Borrower or Guarantor, as the case may be, is the corporation surviving such merger, (vi) any Subsidiary may sell, transfer, lease or otherwise dispose of its assets to a Loan Party and (vii) any Borrower or Subsidiary may merge or consolidate with any other Person if (a) such Person was organized under the laws of the United States of America or one of its States, (b) either (1) such Borrower or Subsidiary is the corporation surviving such merger or (2) such Person becomes a Subsidiary as a result of such merger or consolidation and expressly assumes in writing (in form and substance reasonably acceptable to the Administrative Agent) all obligations of such Borrower or Subsidiary, as the case may be, under the Loan Documents executed by such Borrower or Subsidiary, provided, in any merger or consolidation involving a Domestic Subsidiary, the survivor shall be a Domestic Subsidiary, and in any merger or consolidation involving a Foreign Subsidiary, the survivor shall be a Foreign Subsidiary, and (c) immediately after giving effect to such merger, no Default shall have occurred and be continuing. Notwithstanding the foregoing, for the avoidance of doubt, so long as, after giving effect thereto, no Default will be in existence, any consolidations or mergers or dispositions of assets consummated in connection with the Spin-Off Transaction shall be permitted under this Agreement.

6.12.2. Permitted Acquisitions. Each Borrower agrees that it will not, nor will the Company permit any Subsidiary to, make any Acquisitions other than Acquisitions meeting the following requirements or otherwise approved by the Required Lenders (which approval shall not be unreasonably withheld or delayed) (each such Acquisition constituting a "**Permitted Acquisition**"):

(i) as of the date of the consummation of such Acquisition, no Default or Unmatured Default shall have occurred and be continuing or would result from such Acquisition, and the representation and warranty contained in Section 5.10 shall be true both before and after giving effect to such Acquisition;

(ii) such Acquisition is consummated on a non-hostile basis pursuant to a negotiated acquisition agreement approved by the board of directors or other applicable governing body of the seller or entity to be acquired, and no material challenge to such Acquisition (excluding the exercise of appraisal rights) shall be pending or threatened by any shareholder or director of the seller or entity to be acquired;

(iii) the business to be acquired in such Acquisition is similar or related to one or more of the lines of business in which the Company and its Subsidiaries are engaged on the Closing Date;

(iv) as of the date of the consummation of such Acquisition, (x) all material governmental and corporate approvals required in connection therewith shall have been obtained and (y) the Company shall be in compliance with Section 6.10; and

(v) not less than ten (10) days prior to each such Acquisition the Purchase Price of which shall be the greater of (x) $75,000,000 and (y) 5% of aggregate book value of the Company's Consolidated Total Assets (after giving pro forma effect to such Acquisition) or more, the Company shall have delivered to the Administrative Agent a pro forma consolidated balance sheet, income statement and cash flow statement of the Company and its Subsidiaries (the "**Acquisition Pro Forma**"), based on the Company's most recent financial statements delivered pursuant to Section 6.1(i) and

using historical financial statements for the acquired entity provided by the seller(s) or which shall be complete and shall fairly present, in all material respects, the financial condition and results of operations and cash flows of the Company and its Subsidiaries in accordance with Agreement Accounting Principles, but taking into account such acquisition and the funding of all Credit Extensions in connection therewith.

6.13. Liens. The Company will not, nor will it permit any Subsidiary to, create, incur, or suffer to exist any Lien in, of or on the Property of the Company or any of its Subsidiaries, except:

(i) Liens for taxes, assessments or governmental charges or levies on its Property if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings and for which adequate reserves in accordance with Agreement Accounting Principles shall have been set aside on its books.

(ii) Liens imposed by law, such as landlords', wage earners', carriers', warehousemen's and mechanics' liens and other similar liens, arising in the ordinary course of business which secure payment of obligations not more than sixty (60) days past due or which are being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with Agreement Accounting Principles shall have been set aside on its books.

(iii) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation or to secure the performance of tenders, statutory obligations, surety or appeal bonds, bids, leases, government contracts and other similar obligations (provided that such Liens do not secure any Indebtedness).

(iv) Utility easements, building restrictions, zoning ordinances 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 which do not in any material way affect the marketability of the same or interfere with the use thereof in the business of the Company or its Subsidiaries.

(v) Liens existing on the Closing Date and described on Schedule 6.13.

(vi) Liens, if any, securing the Loans and other Obligations hereunder.

(vii) Liens arising under the Receivables Purchase Documents.

(viii) Liens existing on any specific fixed asset of any Subsidiary of the Company at the time such Subsidiary becomes a Subsidiary and not created in contemplation of such event.

(ix) Liens on any specific fixed asset securing Indebtedness incurred or assumed for the purpose of financing or refinancing all or any part of the cost of acquiring or constructing such asset; *provided* that such Lien attaches to such asset concurrently with or within eighteen (18) months after the acquisition or completion or construction thereof.

(x) Liens existing on any specific fixed asset of any Subsidiary of the Company at the time such Subsidiary is merged or consolidated with or into the Company or any Subsidiary and not created in contemplation of such event.

(xi) Liens existing on any specific fixed asset prior to the acquisition thereof by the Company or any Subsidiary and not created in contemplation thereof.

(xii) Liens arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted by any of the foregoing clause (v) or clauses (vii) through (xi); *provided* that (a) such Indebtedness is not secured by any additional assets, and (b) the amount of such Indebtedness secured by any such Lien is not increased.

(xiii) Inchoate Liens arising under ERISA to secure current service pension liabilities as they are incurred under the provisions of Plans from time to time in effect.

(xiv) Liens securing intercompany Indebtedness owing by (a) any Guarantor to the Company or any other Guarantor and (b) any Subsidiary that is not a Guarantor to the Company or any Wholly-Owned Subsidiary of the Company.

(xv) Liens not otherwise permitted under this Section 6.13 securing Indebtedness in an aggregate principal amount at any time outstanding, together with the amount of Indebtedness permitted under Section 6.11(vi) (but without duplication), does not exceed $150,000,000.

6.14. Transactions with Affiliates. The Company will not, and will not permit any Subsidiary to, enter into any transaction (including, without limitation, the purchase or sale of any Property or service) with, or make any payment or transfer to, any Affiliate (other than the Company or any Subsidiary of the Company) except in the ordinary course of business and pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than the Company or such Subsidiary would obtain in a comparable arm's-length transaction, other than Permitted Receivables Transfers and transactions, payments or transfers entered into or made in connection with the Spin-Off Transaction.

6.15. Financial Contracts. The Company shall not and shall not permit any of its consolidated Subsidiaries to enter into any Financial Contract, other than Financial Contracts pursuant to which the Company or such Subsidiary hedged its actual or anticipated interest rate, foreign currency or commodity exposure existing or anticipated at the time thereof.

6.16. ERISA. Except to the extent that such act, or failure to act would not result singly, or in the aggregate, after taking into account all other such acts or failures to act, in a liability of the Company or any of its Subsidiaries which could reasonably be expected to exceed $75,000,000, the Company shall not (i) engage, or permit any Controlled Group member to engage, in any prohibited transaction described in Sections 406 of ERISA or 4975 of the Code for which a statutory or class exemption is not available or a private exemption has not been previously obtained from the DOL;

(ii) permit to exist any accumulated funding deficiency (as defined in Sections 302 of ERISA and 412 of the Code); (iii) fail, or permit any member of its Controlled Group to fail, to pay timely required contributions or annual installments due with respect to any waived funding deficiency of any Plan; (iv) terminate, or permit any member of its Controlled Group to terminate, any Plan which would result in any liability of the Company or any member of its Controlled Group under Title IV of ERISA; (v) fail to make any contribution or payment to any Multiemployer Plan which the Company or any member of its Controlled Group may be required to make under any agreement relating to such Multiemployer Plan, or any law pertaining thereto; (vi) fail, or permit any member of its Controlled Group to fail, to pay any required installment or any other payment required under Section 412 of the Code on or before the due date for such installment or other payment; (vii) amend, or permit any member of its Controlled Group to amend, a Plan resulting in an increase in current liability for the plan year such that the Company or any member of its Controlled Group is required to provide security to such Plan under Section 401(a)(29) of the Code.

6.17. Environmental Compliance. The Company will not become, or permit any Subsidiary to become, subject to any liabilities or costs which could reasonably be expected to have a Material Adverse Effect arising out of or related to (i) the release or threatened release at any location of any contaminant into the environment, or any remedial action in response thereto, or (ii) any violation of any environmental, health or safety requirements of law (including, without limitation, any Environmental Laws).

6.18. Financial Covenants.

6.18.1. Maximum Leverage Ratio. The Company shall not permit the ratio (the "**Leverage Ratio**") as of the end of each fiscal quarter ending on or after November 30, 2007 of (i) Indebtedness For Borrowed Money of the Company and its consolidated Subsidiaries (excluding any undrawn amounts in respect of Facility LCs) to (ii) EBITDA to be greater than 3.50 to 1.00. The Leverage Ratio shall be calculated as of the last day of each fiscal quarter based upon (1) for Indebtedness For Borrowed Money, as of the last day of each such fiscal quarter; and (2) for EBITDA, the actual amount for the four-quarter period ending on such day, and shall be calculated, with respect to Permitted Acquisitions, on a pro forma basis using historical audited and reviewed unaudited financial statements obtained from the seller(s) in such Permitted Acquisition, broken down by fiscal quarter in the Company's reasonable judgment and satisfactory to the Administrative Agent and as reported to the Administrative Agent.

6.18.2. Minimum Interest Expense Coverage Ratio. The Company shall maintain a ratio (the "**Interest Expense Coverage Ratio**") of (i) EBIT to (ii) Interest Expense for the applicable period of at least 2.50 to 1.00 as of the end of each fiscal quarter ending on or after November 30, 2007. The Interest Expense Coverage Ratio shall be calculated as of the last day of each fiscal quarter for the actual amount of EBIT and Interest Expense for the four-quarter period ending on such day, and shall be calculated, with respect to Permitted Acquisitions, on a pro forma basis using historical audited and reviewed unaudited financial statements obtained from the seller(s) in such Permitted Acquisition, broken down by fiscal quarter in the Company's reasonable judgment and satisfactory to the Administrative Agent.

ARTICLE VII

DEFAULTS

The occurrence of any one or more of the following events shall constitute a Default:

7.1. Breach of Representations or Warranties. Any representation or warranty made or deemed made by or on behalf of the Company or any of its Subsidiaries to the Lenders or the Agents under or in connection with this Agreement, any Credit Extension, or any certificate or information delivered in connection with this Agreement or any other Loan Document shall be false in any material respect on the date as of which made.

7.2. Failure to Make Payments When Due. Nonpayment of (i) principal of any Loan when due, (ii) any Reimbursement Obligation within one (1) Business Day after the same becomes due, or (iii) interest upon any Loan or any Facility Fee, LC Fee or other Obligations under any of the Loan Documents within five (5) Business Days after such interest, fee or other Obligation becomes due.

7.3. Breach of Covenants. The breach by any Borrower of any of the terms or provisions of Section 6.1(iii), Sections 6.2 through 6.4, (with respect to the Company's or any of its Subsidiaries' existence), Section 6.9(i), Sections 6.11 through 6.13 or Section 6.18.

7.4. Other Breaches. The breach by any Borrower (other than a breach which constitutes a Default under another Section of this Article VII) of any of the terms or provisions of this Agreement or any other Loan Document which is not remedied within thirty (30) days after the earlier to occur of (i) written notice thereof has been given to the Company by the Administrative Agent at the request of any Lender or (ii) an Authorized Officer otherwise becomes aware of any such breach; *provided*, *however*, that such cure period for such breach (other than a breach of the terms or provisions of Section 6.10) shall be extended for a period of time, not to exceed an additional thirty (30) days, reasonably sufficient to permit such Borrower to cure such failure if such failure cannot be cured within the initial 30-day period but reasonably could be expected to be capable of cure within such additional thirty (30) days, such Borrower has commenced efforts to cure such failure during the initial 30-day period and such Borrower is diligently pursuing such cure.

7.5. Default as to Other Indebtedness.

(i) Failure of the Company or any of its Subsidiaries to pay when due (whether at stated maturity, by acceleration or otherwise) any Indebtedness which, individually or in the aggregate exceeds $25,000,000 (or the Approximate Equivalent Amount in currencies other than Dollars) (such Indebtedness being referred to as "**Material Indebtedness**"); or

(ii) Any Material Indebtedness of the Company or any of its Subsidiaries shall be declared to be due and payable or required to be prepaid or repurchased (other than by a regularly scheduled payment) prior to the stated maturity thereof; or

(iii) The Company or any of its Material Subsidiaries shall fail to pay, or shall admit in writing its inability to pay, its debts generally as they become due; or

(iv) The default by the Company or any of its Subsidiaries in the performance (beyond the applicable grace period with respect thereto, if any) of any term, provision or condition contained in any agreement under which any such Material Indebtedness was created or is governed, or any other event shall occur or condition exist, the effect of which default or event is to cause, or to permit the holder or holders of such Material Indebtedness to cause such Material Indebtedness to become due prior to its stated maturity.

7.6. Voluntary Bankruptcy; Appointment of Receiver; Etc. The Company or any of its Material Subsidiaries shall (i) have an order for relief entered with respect to it under the Federal bankruptcy laws as now or hereafter in effect, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any Substantial Portion of its Property, (iv) institute any proceeding seeking an order for relief with respect to it under the Federal bankruptcy laws as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (v) take any corporate or partnership action to authorize or effect any of the foregoing actions set forth in this Section 7.6, or (vi) fail to contest in good faith any appointment or proceeding described in Section 7.7.

7.7. Involuntary Bankruptcy; Appointment of Receiver; Etc. Without the application, approval or consent of the Company or any of its Material Subsidiaries, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Company or any of its Subsidiaries or any Substantial Portion of its Property, or a proceeding described in Section 7.6(iv) shall be instituted against the Company or any of its Material Subsidiaries and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of sixty (60) consecutive days.

7.8. Judgments. The Company or any of its Subsidiaries shall fail within thirty (30) days after the final entry thereof to pay, bond or otherwise discharge one or more (i) judgments or orders for the payment of money (except to the extent covered by independent third-party insurance as to which the insurer has not disclaimed coverage) in the aggregate in excess of $75,000,000 (or the Approximate Equivalent Amount thereof in currencies other than Dollars), or (ii) nonmonetary judgments or orders which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, which judgment(s), in any such case, is/are not stayed on appeal or otherwise being appropriately contested in good faith.

7.9. Unfunded Liabilities. The sum of (a) the Unfunded Liabilities of all Plans and (b) the present value of the aggregate unfunded liabilities to provide the accrued benefits under all Foreign Pension Plans exceeds in the aggregate an amount equal to $75,000,000, or any Reportable Event shall occur in connection with any Plan if the liability of the Company or any of its Subsidiaries resulting from such Reportable Event exceeds in the aggregate an amount equal to $75,000,000.

7.10. Other ERISA Liabilities. The Company or any other member of its Controlled Group has incurred withdrawal liability or become obligated to make contributions to a Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Company or any other member of its Controlled Group as withdrawal liability (determined as of the date of such notification), exceeds in the aggregate an amount equal to $75,000,000.

7.11. Environmental Matters. The Company or any of its Subsidiaries shall (i) be the subject of any proceeding or investigation pertaining to the release by the Company, any of its Subsidiaries or any other Person of any toxic or hazardous waste or substance into the environment, or (ii) violate any Environmental Law, which, in the case of an event described in clause (i) or clause (ii), could reasonably be expected to have a Material Adverse Effect.

7.12. Change in Control. Any Change in Control shall occur.

7.13. Receivables Purchase Document Events. Other than at the request of an Affiliate of the Company party thereto (as permitted thereunder), an event shall occur which (i) permits the investors in a Receivables Purchase Facility to require amortization or liquidation of the facility or (ii) results in the termination of reinvestment or re-advancing of collections or proceeds of Receivables and Related Security shall occur under the Receivables Purchase Documents, and, in the case of an event described in clause (i) or clause (ii), the Company or any Subsidiary thereof (other than any SPV) has liability in excess of $75,000,000.

7.14. Guarantor Revocation; Failure of Loan Documents. Any guarantor of the Obligations shall deny, disaffirm, terminate or revoke any of its obligations under the applicable Guaranty (except in accordance with Section 11.15 hereof) or breach any of the material terms of such Guaranty, or any material provision of any Loan Document for any reason ceases to be valid, binding and enforceable in accordance with its terms (or the Company or any Subsidiary shall challenge the enforceability of any Loan Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of any of the Loan Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms).

ARTICLE VIII

ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

8.1. Acceleration.

(i) If any Default described in Section 7.6 or 7.7 occurs with respect to any Borrower, the obligations of the Lenders to make Loans hereunder and the obligation and power of the LC Issuers to issue Facility LCs shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Administrative Agent, any LC Issuer or any Lender, and the Borrowers will be and become thereby unconditionally obligated, without any further notice, act or demand, to pay to the Administrative Agent an amount in immediately available funds, which funds shall be held in the Facility LC Collateral Account, equal to the Collateral Shortfall Amount. If any other Default occurs, the Required Lenders (or the Administrative Agent with the consent of the Required Lenders) may (a) terminate or suspend the obligations of the Lenders to make Loans hereunder and the obligation and power of the LC Issuers to issue Facility LCs, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrowers hereby expressly waive, and (b) upon notice to the Borrowers and in addition to the continuing right to demand payment of all amounts payable under this Agreement, make demand on the Borrowers to pay, and the Borrowers will, forthwith upon such demand and without any further notice or act, pay to the Administrative Agent the Collateral Shortfall Amount, which funds shall be deposited in the Facility LC Collateral Account.

(ii) If, within thirty (30) days after acceleration of the maturity of the Obligations or termination of the obligations of the Lenders to make Loans and the obligation and power of the LC Issuers to issue Facility LCs hereunder as a result of any Default (other than any Default as described in Section 7.6 or 7.7 with respect to any Borrower) and before any judgment or decree for the payment of the Obligations due shall have been obtained or entered, the Required Lenders (in their sole discretion) shall so direct, the Administrative Agent shall, by notice to the Borrowers, rescind and annul such acceleration and/or termination.

8.2. Amendments. Subject to the provisions of this Article VIII, the Required Lenders (or the Administrative Agent with the consent in writing of the Required Lenders) and the Borrowers may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Lenders or the Borrowers hereunder or thereunder or waiving any Default hereunder or thereunder; *provided*, *however*, that no such supplemental agreement shall, without the consent of each Lender affected thereby:

(i) Extend the final maturity of any Loan, or extend the expiry date of any Facility LC to a date after the Facility Termination Date or forgive all or any portion of the principal amount thereof or any Reimbursement Obligation related thereto, or reduce the rate or extend the time of payment of interest or fees thereon or Reimbursement Obligations related thereto (other than a waiver of the application of the default rate of interest or LC Fees pursuant to Section 2.12 hereof).

(ii) Change the percentage specified in the definition of Required Lenders or any other percentage of Lenders specified to be the applicable percentage in this Agreement to act on specified matters or otherwise amend the definitions of “Required Lenders” or “Pro Rata Share”.

(iii) Extend the Facility Termination Date, or increase the amount or otherwise extend the term of the Commitment of any Lender hereunder or the commitment to issue Facility LCs.

(iv) Permit any Borrower to assign its rights or obligations under this Agreement.

(v) Other than pursuant to a transaction permitted by the terms of this Agreement (including, without limitation, the Spin-Off Transaction), release any guarantor of the Obligations or any substantial portion of the collateral, if any, securing the Obligations.

(vi) Amend this Section 8.2.

No amendment of any provision of this Agreement relating to any Agent shall be effective without the written consent of such Agent. No amendment of any provision of this Agreement relating to any LC Issuer shall be effective without the written consent of such LC Issuer. No amendment of any provision of this Agreement relating to the Swing Line Lender or any Swing Line Loans shall be effective without the written consent of the Swing Line Lender. The Administrative Agent may waive payment of the fee required under Section 13.3.2 without obtaining the consent of any other party to this Agreement.

8.3. Preservation of Rights. No delay or omission of the Lenders, the LC Issuers or Agents to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Credit Extension notwithstanding the existence of a Default or Unmatured Default or the inability of the Borrowers to satisfy the conditions precedent to such Credit Extension shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by, or by the Administrative Agent with the consent of, the requisite number of Lenders required pursuant to Section 8.2, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Agents, the LC Issuers and the Lenders until all of the Obligations have been paid in full.

ARTICLE IX

JOINT AND SEVERAL OBLIGATIONS

9.1. Joint and Several Liability. Each Borrower agrees that it is jointly and severally, directly and primarily liable to the Administrative Agent, the Lenders and the LC Issuers for payment, performance and satisfaction in full of the Obligations and that such liability is independent of the duties, obligations, and liabilities of the other Borrowers. The Administrative Agent, the Lenders and the LC Issuers may jointly bring a separate action or actions on each, any, or all of the Obligations against any Borrower, whether action is brought against the other Borrowers or whether the other Borrowers are joined in such action. In the event that any Borrower fails to make any payment of any Obligations on or before the due date thereof, the other Borrowers immediately shall cause such payment to be made or each of such Obligations to be performed, kept, observed, or fulfilled.

9.2. Primary Obligation; Waiver of Marshalling. This Agreement and the Loan Documents to which Borrowers are a party are a primary and original obligation of each Borrower, are not the creation of a surety relationship, and are an absolute, unconditional, and continuing promise of payment and performance which shall remain in full force and effect without respect to future changes in conditions, including any change of law or any invalidity or irregularity with respect to this Agreement or the Loan Documents to which Borrowers are a party. Each Borrower agrees that its liability under this Agreement and the Loan Documents to which it is a party shall be immediate and shall not be contingent upon the exercise or enforcement by the Administrative Agent, the Lenders and the LC Issuers of whatever remedies they may have against the other Borrowers. Each Borrower consents and agrees that the Administrative Agent, the Lenders and the LC Issuers shall be under no obligation to marshal any assets of any Borrower against or in payment of any or all of the Obligations.

9.3. Financial Condition of Borrowers. Each Borrower acknowledges that it is presently informed as to the financial condition of the other Borrowers and of all other circumstances which a diligent inquiry would reveal and which bear upon the risk of nonpayment of the Obligations. Each Borrower hereby covenants that it will continue to keep informed as to the financial condition of the

other Borrowers, the status of the other Borrowers and of all circumstances which bear upon the risk of nonpayment. Absent a written request from any Borrower to the Administrative Agent, the Lenders and the LC Issuers for information, each Borrower hereby waives any and all rights it may have to require the Administrative Agent, the Lenders and the LC Issuers to disclose to such Borrower any information which the Administrative Agent, the Lenders and the LC Issuers may now or hereafter acquire concerning the condition or circumstances of the other Borrowers.

9.4. Continuing Liability. Subject to the provisions of Section 2.22, the liability of each Borrower under this Agreement and the Loan Documents to which such Borrower is a party includes Obligations arising under successive transactions continuing, compromising, extending, increasing, modifying, releasing, or renewing the Obligations, changing the interest rate, payment terms, or other terms and conditions thereof, or creating new or additional Obligations after prior Obligations have been satisfied in whole or in part. To the maximum extent permitted by law, each Borrower hereby waives any right to revoke its liability under this Agreement and Loan Documents as to future indebtedness.

9.5. Additional Waivers. Each Borrower absolutely, unconditionally, knowingly, and expressly waives (a) notice of acceptance hereof; (b) notice of any Loans or other financial accommodations made or extended under this Agreement and the Loan Documents to which Borrowers are a party or the creation or existence of any Obligations; (c) notice of the amount of the Obligations, subject, however, to each Borrower's right to make inquiry of the Administrative Agent, the Lenders and the LC Issuers to ascertain the amount of the Obligations at any reasonable time; (d) notice of any adverse change in the financial condition of the other Borrowers or of any other fact that might increase such Borrower's risk hereunder; (e) notice of presentment for payment, demand, protest, and notice thereof as to any instruments among the Loan Documents to which Borrowers are a party; (f) notice of any Default or Unmatured Default; (g) all other notices (except, in each case, if such notice is specifically required to be given to any Borrower hereunder or under the Loan Documents to which Borrowers are a party and demands to which such Borrower might otherwise be entitled); (h) any right of subrogation such Borrower has or may have as against the other Borrowers with respect to the Obligations; (i) any right to proceed against the other Borrowers or any other Person, now or hereafter, for contribution, indemnity, reimbursement, or any other suretyship rights and claims, whether direct or indirect, liquidated or contingent, whether arising under express or implied contract or by operation of law, which such Borrower may now have or hereafter have as against the other Borrowers with respect to the Obligations; and (j) any right to proceed or seek recourse against or with respect to any property or asset of the other Borrowers.

9.6. Settlements or Releases. Each Borrower consents and agrees that, without notice to or by such Borrower, and without affecting or impairing the liability of such Borrower hereunder, the Administrative Agent, the Lenders and the LC Issuers may, by action or inaction (i) compromise, settle, extend the duration or the time for the payment of, or discharge the performance of, or may refuse to or otherwise not enforce this Agreement and the Loan Documents, or any part thereof, with respect to the other Borrowers or any Guarantor; (ii) release the other Borrowers or any Guarantor or grant other indulgences to the other Borrowers or any Guarantor in respect thereof; or (iii) release or substitute any Guarantor, if any, of the Obligations, or enforce, exchange, release, or waive any security, if any, for the Obligations or any other guaranty of the Obligations, or any portion thereof.

9.7. No Election. The Administrative Agent, the Lenders and the LC Issuers shall have the right to seek recourse against each Borrower to the fullest extent provided for herein, and no election by the Administrative Agent, the Lenders and the LC Issuers to proceed in one form of

action or proceeding, or against any party, or on any obligation, shall constitute a waiver of the Administrative Agent's, any Lenders' or any LC Issuers' right to proceed in any other form of action or proceeding or against other parties unless the Administrative Agent, the Lenders and the LC Issuers have expressly waived such right in writing.

9.8. Joint Loan Account. At the request of Borrowers to facilitate and expedite the administration and accounting processes and procedures of the Loans and the Facility LCs, the Administrative Agent, the Lenders and the LC Issuers have agreed, in lieu of maintaining separate loan accounts on the Administrative Agent's, the Lenders' and the LC Issuers' books in the name of each of the Borrowers, that the Administrative Agent, the Lenders and the LC Issuers may maintain a single loan account under the name of all of the Borrowers (the "Joint Loan Account"). All Loans shall be charged to the Joint Loan Account, together with all interest and other charges as permitted under and pursuant to this Agreement. The Joint Loan Account shall be credited with all repayments of Obligations received by the Administrative Agent, the Lenders and the LC Issuers, on behalf of Borrowers, from any Borrower pursuant to the terms of this Agreement.

9.9. Apportionment of Proceeds of Loans. Each Borrower expressly agrees and acknowledges that the Administrative Agent, the Lenders and the LC Issuers shall have no responsibility to inquire into the correctness of the apportionment or allocation of or any disposition by any of Borrowers of (a) the Loans, the Reimbursement Obligations or any other Obligation, or (b) any of the expenses and other items charged to the Joint Loan Account pursuant to this Agreement. The Loans, the Reimbursement Obligations and the other Obligations and such expenses and other items shall be made for the collective, joint, and several account of Borrowers and shall be charged to the Joint Loan Account.

9.10. The Administrative Agent, Lenders and LC Issuers Held Harmless. Each Borrower agrees and acknowledges that the administration of this Agreement on a combined basis, as set forth herein, is being done as an accommodation to the Borrowers and at their request, and that the Administrative Agent, the Lenders and the LC Issuers shall incur no liability to any Borrower as a result thereof. To induce the Administrative Agent, the Lenders and the LC Issuers to do so, and in consideration thereof, each Borrower hereby agrees to indemnify and hold the Administrative Agent, the Lenders and the LC Issuers harmless from and against any and all liability, expense, loss, damage, claim of damage, or injury, made against the Administrative Agent, the Lenders and the LC Issuers by Borrowers or by any other Person, arising from or incurred by reason of such administration of the Agreement on a combined basis, except to the extent such liability, expense, loss, damage, claim of damage, or injury solely arises from the gross negligence or willful misconduct or breach of the obligations under the Loan Documents of the Administrative Agent, the Lenders and the LC Issuers, as applicable.

9.11. Borrowers' Integrated Operations. Each Borrower represents and warrants to the Administrative Agent, the Lenders and the LC Issuers that the collective administration of the Loans is being undertaken by the Administrative Agent, the Lenders and the LC Issuers pursuant to this Agreement because Borrowers are integrated in their operation and administration and require financing on a basis permitting the availability of credit from time to time to the Borrowers. Each Borrower will derive benefit, directly and indirectly, from such collective administration and credit availability because the successful operation of each Borrower is enhanced by the continued successful performance of the integrated group.

9.12. Foreign Subsidiary Borrowers. Notwithstanding anything contained in this Article IX to the contrary, no Foreign Subsidiary Borrower which is and remains an Affected Foreign Subsidiary shall be liable hereunder for any of the Loans made to, or any other Obligations incurred solely by or on behalf of, the Company or any Subsidiary Borrower which is a Domestic Subsidiary.

ARTICLE X

GENERAL PROVISIONS

10.1. Survival of Representations. All representations and warranties of the Borrowers contained in this Agreement shall survive the making of the Credit Extensions herein contemplated.

10.2. Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, neither any LC Issuer nor any Lender shall be obligated to extend credit to the Borrowers in violation of any limitation or prohibition provided by any applicable statute or regulation.

10.3. Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

10.4. Entire Agreement. The Loan Documents embody the entire agreement and understanding among the Borrowers, the Agents, the LC Issuers and the Lenders and supersede all prior agreements and understandings among the Borrowers, the Agents, the LC Issuers and the Lenders relating to the subject matter thereof other than the fee letter described in Section 11.13.

10.5. Several Obligations; Benefits of this Agreement. The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other (except to the extent to which the Agents are authorized to act as such). The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns, *provided*, *however*, that the parties hereto expressly agree that the Arranger shall enjoy the benefits of the provisions of Sections 10.6, 10.10, 11.11, and 11.13 to the extent specifically set forth therein and shall have the right to enforce such provisions on its own behalf and in its own name to the same extent as if it were a party to this Agreement.

10.6. Expenses; Indemnification.

(i) The Borrowers shall reimburse the Administrative Agent and the Arranger for any costs, internal charges and out-of-pocket expenses (including reasonable attorneys' and paralegals' fees, time charges and expenses of attorneys and paralegals for the Administrative Agent and Arranger, which attorneys and paralegals may not be employees of the Administrative Agent or the Arranger, and expenses of and fees for other advisors and professionals engaged by the Administrative Agent or the Arranger) paid or incurred by the Administrative Agent or the Arranger in connection with the investigation, preparation, negotiation, documentation, execution, delivery, syndication, distribution (including, without limitation, via the internet), review, amendment, modification, administration and collection of the Loan Documents. The Borrowers also agree to reimburse the Agents, the Arranger, the LC Issuers and the Lenders for any reasonable costs, internal charges and out-of-pocket expenses (including reasonable attorneys' and paralegals' fees, time

charges and expenses of attorneys and paralegals for the Agents, the Arranger, the LC Issuers and the Lenders, which attorneys and paralegals may not be employees of the Agents, the Arranger, the LC Issuers or the Lenders) paid or incurred by the Agents, the Arranger, any LC Issuers or any Lender in connection with the collection and enforcement of the Loan Documents. Notwithstanding anything herein or in any other Loan Document to the contrary, any and all provisions in this Agreement or in any other Loan Document that obligates the Company or any of its Subsidiaries to pay the attorney's fees or expenses of another Person shall be deemed to obligate the Company or such Subsidiary (as the case may be) to pay the actual and reasonable attorney's fees and expenses of such Person and such fees and expenses shall be calculated without giving effect to any statutory presumptions as to the reasonableness or the amount thereof that may apply under applicable law.

(ii) The Borrowers hereby further agree to indemnify the Agents, the Arranger, the LC Issuers, each Lender, their respective affiliates, and each of their directors, officers and employees against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all reasonable expenses of litigation or preparation therefor whether or not the Agents, the Arranger, the LC Issuers, any Lender or any affiliate is a party thereto, and all reasonable attorneys' and paralegals' fees, time charges and expenses of attorneys and paralegals of the party seeking indemnification, which attorneys and paralegals may or may not be employees of such party seeking indemnification) which any of them may pay or incur arising out of or relating to this Agreement, the other Loan Documents or any other transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Credit Extension hereunder, except to the extent that they are determined in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the party seeking indemnification or by reason of such indemnified party's breach of its obligations under the Loan Documents, or are the result of claims of any Lender against other Lenders or against the Administrative Agent not attributable to the Company's or any of its Subsidiary's actions and for which the Company and its Subsidiaries otherwise have no liability. The obligations of the Borrowers under this Section 10.6 shall survive the termination of this Agreement.

10.7. Numbers of Documents. All statements, notices, closing documents, and requests hereunder shall be furnished to the Administrative Agent with sufficient counterparts so that the Administrative Agent may furnish one to each of the Lenders, to the extent that the Administrative Agent deems necessary.

10.8. Accounting. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with Agreement Accounting Principles. If any changes in generally accepted accounting principles are hereafter required or permitted and are adopted by the Company or any of its Subsidiaries with the agreement of its independent certified public accountants and such changes result in a change in the method of calculation of any of the financial covenants, tests, restrictions or standards herein or in the related definitions or terms used therein ("**Accounting Changes**"), the parties hereto agree, at the Company's request, to enter into negotiations, in good faith, in order to amend such provisions in a credit neutral manner so as to reflect equitably such changes with the desired result that the criteria for evaluating the Company's and its Subsidiaries' financial condition shall be the same after such changes as if such changes had not been made; *provided, however*, until such provisions are amended in a manner reasonably mutually satisfactory to the Company, the Administrative Agent and the Required Lenders, no Accounting Change shall be given effect in such calculations and all financial statements and reports required to be delivered hereunder shall be prepared in accordance with Agreement Accounting Principles without taking into account such Accounting Changes. In the

event such amendment is entered into, all references in this Agreement to Agreement Accounting Principles shall mean generally accepted accounting principles as of the date of such amendment.

10.9. Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

10.10. Nonliability of Lenders. The relationship between the Borrowers on the one hand and the Lenders, the LC Issuers and the Agents on the other hand shall be solely that of borrower and lender. None of the Agents, the Arranger, the LC Issuers or any Lender shall have any fiduciary responsibilities to the Borrowers. None of the Agents, the Arranger, the LC Issuers or any Lender undertakes any responsibility to the Borrowers to review or inform the Borrowers of any matter in connection with any phase of any Borrower's business or operations. The Borrowers agree that none of the Agents, the Arranger, the LC Issuers or any Lender shall have liability to the Borrowers (whether sounding in tort, contract or otherwise) for losses suffered by the Borrowers in connection with, arising out of, or in any way related to, the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final, non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct or breach of the obligations under the Loan Documents of the party from which recovery is sought. None of the Agents, the Arranger, the LC Issuers or any Lender shall have any liability with respect to, and the Borrowers hereby waive, releases and agrees not to sue for, any special, indirect, consequential or punitive damages suffered by the Borrowers in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby.

10.11. Confidentiality. Each Lender agrees to hold any confidential information which it may receive from any Borrower pursuant to this Agreement in confidence, except for disclosure to the following Persons for the following purposes (and under the terms of confidence that are substantially the same as this Section in the case of any disclosure covered by clause (i), (ii), (vi) or (vii) below): (i) to other Lenders and their respective Affiliates in connection with the transactions contemplated by this Agreement, (ii) to legal counsel, accountants, and other professional advisors to such Lender in connection with the transactions contemplated by this Agreement or to a Transferee or prospective Transferee in connection with the transactions contemplated by this Agreement, (iii) to regulatory officials as required by applicable law as determined by such Lender (which determination shall be conclusive and binding on all parties hereto), (iv) to any Person as required by law, regulation, or legal process as determined by such Lender (which determination shall be conclusive and binding on all parties hereto), (v) to any Person to the extent required in any legal proceeding to which such Lender is a party as determined by such Lender (which determination shall be conclusive and binding on all parties hereto), (vi) to such Lender's direct or indirect contractual counterparties in swap agreements relating to the Loans or to legal counsel, accountants and other professional advisors to such counterparties, and (vii) permitted by Section 13.4.

10.12. Lenders Not Utilizing Plan Assets. None of the consideration used by any of the Lenders, any LC Issuer or Designated Lenders to make its Credit Extensions constitutes for any purpose of ERISA or Section 4975 of the Code assets of any "plan" as defined in Section 3(3) of ERISA or Section 4975 of the Code and the rights and interests of each of the Lenders, the LC Issuers and Designated Lenders in and under the Loan Documents shall not constitute such "plan assets" under ERISA.

10.13. Nonreliance. Each Lender hereby represents that it is not relying on or looking to any margin stock (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for herein.

10.14. Disclosure. The Borrowers and each Lender hereby acknowledge and agree that JPMorgan and/or its respective Affiliates and certain of the other Lenders and/or their respective Affiliates from time to time may hold investments in, make other loans to or have other relationships with the Borrowers and its Affiliates.

10.15. Subordination of Intercompany Indebtedness. The Borrowers agree that any and all claims of any Borrower against any Guarantor with respect to any "Intercompany Indebtedness" (as hereinafter defined), any endorser, obligor or any other guarantor of all or any part of the Obligations, or against any of its properties shall be subordinate and subject in right of payment to the prior payment, in full and in cash, of all Obligations; *provided* that, and not in contravention of the foregoing, so long as no Default is continuing the Borrowers may make loans to and receive payments in the ordinary course with respect to such Intercompany Indebtedness to the extent otherwise permitted under this Agreement. Notwithstanding any right of any Borrower to ask, demand, sue for, take or receive any payment from any Guarantor, all rights, liens and security interests of the Borrowers, whether now or hereafter arising and howsoever existing, in any assets of any Guarantor (whether constituting part of any collateral given to any Agent or any Lender to secure payment of all or any part of the Obligations or otherwise) shall be and are subordinated to the rights of the Agents, the LC Issuers and the Lenders in those assets. No Borrower shall have any right to possession of any such asset or to foreclose upon any such asset, whether by judicial action or otherwise, unless and until all of the Obligations (other than contingent indemnity obligations) shall have been fully paid and satisfied (in cash) and all financing arrangements pursuant to all of the Loan Documents have been terminated. If all or any part of the assets of any Guarantor, or the proceeds thereof, are subject to any distribution, division or application to the creditors of any Guarantor, whether partial or complete, voluntary or involuntary, and whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other action or proceeding, or if the business of any Guarantor is dissolved or if substantially all of the assets of any Guarantor are sold (other than in an transaction permitted under this Agreement), then, and in any such event (such events being herein referred to as an "**Insolvency Event**"), any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any indebtedness of any Guarantor to any Borrower ("**Intercompany Indebtedness**") shall be paid or delivered directly to the Administrative Agent for application on any of the Obligations, due or to become due, until such Obligations (other than contingent indemnity obligations) shall have first been fully paid and satisfied (in cash). Should any payment, distribution, security or instrument or proceeds thereof be received by any Borrower upon or with respect to the Intercompany Indebtedness after any Insolvency Event and prior to the satisfaction of all of the Obligations (other than contingent indemnity obligations) and the termination of all financing arrangements pursuant to all of the Loan Documents, such Borrower shall receive and hold the same in trust, as trustee, for the benefit of the Agents, the LC Issuers and the Lenders and shall forthwith deliver the same to the Administrative Agent, for the benefit of the Agents, the LC Issuers and the Lenders, in precisely the form received (except for the endorsement or assignment of such Borrower where necessary), for application to any of the Obligations, due or not due, and, until so delivered, the same shall be held in trust by such Borrower as the property of

the Agents, the LC Issuers and the Lenders. If any Borrower fails to make any such endorsement or assignment to the Administrative Agent, the Administrative Agent or any of its officers or employees is irrevocably authorized to make the same. Each Borrower agrees that until the Obligations (other than the contingent indemnity obligations) have been paid in full (in cash) and satisfied and all financing arrangements pursuant to any Loan Document among the Borrowers and the Agents, the LC Issuers and the Lenders have been terminated, no Borrower will assign or transfer to any Person (other than the Administrative Agent or any other transferee that agrees to be bound by the terms of this Agreement in writing (in form and substance acceptable to the Administrative Agent)) any claim any Borrower has or may have against any Guarantor.

10.16. USA PATRIOT ACT NOTIFICATION. The following notification is provided to the Borrowers pursuant to Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318:

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person or entity that opens an account, including any deposit account, treasury management account, loan, other extension of credit, or other financial services product. What this means for each Borrower: When any Borrower opens an account, if such Borrower is an individual, the Administrative Agent and the Lenders will ask for such Borrower's name, residential address, tax identification number, date of birth, and other information that will allow the Administrative Agent and the Lenders to identify such Borrower, and, if such Borrower is not an individual, the Administrative Agent and the Lenders will ask for such Borrower's name, tax identification number, business address, and other information that will allow the Administrative Agent and the Lenders to identify such Borrower. The Administrative Agent and the Lenders may also ask, if any Borrower is an individual, to see such Borrower's driver's license or other identifying documents, and, if such Borrower is not an individual, to see such Borrower's legal organizational documents or other identifying documents.

ARTICLE XI

THE AGENTS

11.1. Appointment; Nature of Relationship. JPMorgan Chase Bank, National Association is hereby appointed by each of the Lenders as the Administrative Agent hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Administrative Agent to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents. Each of Wachovia Bank, National Association and Bank of America, N.A. is hereby appointed by each of the Lenders as a Co-Syndication Agent hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Co-Syndication Agents to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents. Each of KeyBank National Association, Wells Fargo Bank, N.A. and Branch Banking and Trust Company is hereby appointed by the Lenders as a Co-Documentation Agent hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Co-Documentation Agents to act as the contractual representatives of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents. Each Agent agrees to act as such contractual representative upon the express conditions contained in this Article XI. Notwithstanding the use of the defined term "**Administrative Agent**", "Co-Syndication Agent" or "**Co-Documentation Agent**", it is expressly understood and agreed that no Agent shall have any fiduciary responsibilities to any Lender by

reason of this Agreement or any other Loan Document and that each Agent is merely acting as the contractual representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In their capacities as the Lenders' contractual representative, the Agents (i) do not hereby assume any fiduciary duties to any of the Lenders, (ii) are "representatives" of the Lenders within the meaning of Section 9-102 of the Uniform Commercial Code and (iii) are acting as independent contractors, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Lenders hereby agrees to assert no claim against any Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Lender hereby waives.

11.2. Powers. Each Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to such Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Agents shall have no implied duties or fiduciary duties to the Lenders or any obligation to the Lenders to take any action thereunder, except any action specifically provided by the Loan Documents to be taken by the applicable Agents.

11.3. General Immunity. No Agent or any of its respective directors, officers, agents or employees shall be liable to the Borrowers, the Lenders or any Lender for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except to the extent such action or inaction is determined in a final, non-appealable judgment by a court of competent jurisdiction to have arisen from the gross negligence or willful misconduct of such Person.

11.4. No Responsibility for Loans, Recitals, etc. No Agent or any of its respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (a) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (b) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document, including, without limitation, any agreement by an obligor to furnish information directly to each Lender; (c) the satisfaction of any condition specified in Article IV, except receipt of items required to be delivered solely to the Agents or any of them; (d) the existence or possible existence of any Default or Unmatured Default; (e) the validity, enforceability, effectiveness, sufficiency or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; (f) the value, sufficiency, creation, perfection or priority of any Lien in any collateral security; or (g) the financial condition of the Borrowers or any guarantor of any of the Obligations or of any of the Company's or any such guarantor's respective Subsidiaries. The Agents shall have no duty to disclose to the Lenders information that is not required to be furnished by any Borrower to any Agent at such time, but is voluntarily furnished by any Borrower to such Agent (either in its capacity as an Agent or in its individual capacity).

11.5. Action on Instructions of Lenders. Each Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Lenders (or all of the Lenders in the event that and to the extent that this Agreement expressly requires such), and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders. The Lenders hereby acknowledge that the Agents shall be under no duty to take any discretionary action permitted to be taken by any of them pursuant to the provisions of this Agreement or any other Loan Document unless they shall be requested in writing to do so by the Required Lenders (or all of the Lenders in the event that and to the extent that this Agreement expressly requires such). Each Agent shall be

fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

11.6. Employment of Agents and Counsel. Any Agent may execute any of its respective duties as an Agent hereunder and under any other Loan Document by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Each Agent shall be entitled to advice of counsel concerning the contractual arrangement between such Agent and the Lenders and all matters pertaining to such Agent's duties hereunder and under any other Loan Document.

11.7. Reliance on Documents; Counsel. Each Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by such Agent, which counsel may be employees of such Agent.

11.8. Agents' Reimbursement and Indemnification. The Lenders agree to reimburse and indemnify each Agent ratably in proportion to the Lenders' Pro Rata Shares of Aggregate Commitment (or, after the Facility Termination Date, of the Aggregate Outstanding Credit Exposure) (i) for any amounts not reimbursed by the Borrowers for which such Agent is entitled to reimbursement by the Borrowers under the Loan Documents, (ii) for any other expenses incurred by such Agent on behalf of the Lenders, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents (including, but not limited to, for any expenses incurred by such Agent in connection with any dispute between such Agent and any Lender or between two or more of the Lenders) and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby (including, without limitation, for any such amounts incurred by or asserted against such Agent in connection with any dispute between such Agent and any Lender or between two or more of the Lenders), or the enforcement of any of the terms of the Loan Documents or of any such other documents, *provided* that (i) no Lender shall be liable for any of the foregoing to the extent any of the foregoing is found in a final, non-appealable judgment in a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Agent and (ii) any indemnification required pursuant to Section 3.5(vii) shall, notwithstanding the provisions of this Section 11.8, be paid by the relevant Lender in accordance with the provisions thereof. The obligations of the Lenders under this Section 11.8 shall survive payment of the Obligations and termination of this Agreement.

11.9. Notice of Default. No Agent shall be deemed to have knowledge or notice of the occurrence of any Default or Unmatured Default hereunder unless such Agent has received written notice from a Lender or the Borrowers referring to this Agreement describing such Default or Unmatured Default and stating that such notice is a "notice of default". In the event that any Agent receives such a notice, such Agent shall give prompt notice thereof to the Lenders.

11.10. Rights as a Lender. In the event any Agent is a Lender, such Agent shall have the same rights and powers hereunder and under any other Loan Document with respect to its

Commitment and its Credit Extensions as any Lender and may exercise the same as though it were not an Agent, and the term "Lender" or "Lenders" shall, at any time when any Agent is a Lender, unless the context otherwise indicates, include such Agent in its individual capacity. Each Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with the Company or any of its Subsidiaries in which the Company or such Subsidiary is not restricted hereby from engaging with any other Person.

11.11. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon any Agent, the Arranger or any other Lender and based on the financial statements prepared by the Company and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon any Agent, the Arranger or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

11.12. Successor Agents. Any Agent may resign at any time by giving written notice thereof to the Lenders and the Company, such resignation to be effective upon the appointment of a successor Agent or, if no successor Agent has been appointed, forty-five (45) days after the retiring Agent gives notice of its intention to resign. Any Agent may be removed at any time with or without cause by written notice received by such Agent from the Required Lenders, such removal to be effective on the date specified by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint, on behalf of the Borrowers and the Lenders, a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders within thirty (30) days after the resigning Agent's giving notice of its intention to resign, then the resigning Agent may appoint, on behalf of the Borrowers and the Lenders, a successor Agent. Notwithstanding the previous sentence, any Agent may at any time, without the consent of any Borrower or any Lender, appoint any of its Affiliates which is a commercial bank as its successor Agent hereunder. If an Agent has resigned or been removed and no successor Agent has been appointed, the Lenders may perform all the duties of such Agent hereunder and the Borrowers shall make all payments in respect of the Obligations to the applicable Lender if there is no Administrative Agent and for all other purposes shall deal directly with the Lenders. No successor Agent shall be deemed to be appointed hereunder until such successor Agent has accepted the appointment. Any such successor Agent shall be a commercial bank having capital and retained earnings of at least $100,000,000. Upon the acceptance of any appointment as an Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning or removed Agent. Upon the effectiveness of the resignation or removal of an Agent, the resigning or removed Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation or removal of an Agent, the provisions of this Article XI shall continue in effect for the benefit of such Agent in respect of any actions taken or omitted to be taken by it while it was acting as an Agent hereunder and under the other Loan Documents. In the event that there is a successor to the Administrative Agent by merger, or the Administrative Agent assigns its duties and obligations to an Affiliate pursuant to this Section 11.12, then (a) the term "Prime Rate" as used in this Agreement shall mean the prime rate, base rate or other analogous rate of the new Administrative Agent and (b) the references to "JPMorgan" in the definitions of "Eurocurrency Base Rate" and "Prime Rate" and in the last sentence of Section 2.13 shall be deemed to be a reference to such successor Administrative Agent in its individual capacity.

11.13. Agent and Arranger Fees. The Company agrees to pay to the Administrative Agent and the Arranger, for their respective accounts, the fees agreed to by the Company, the Administrative Agent and the Arranger pursuant to that certain letter agreement dated on or about September 13, 2007 or as otherwise agreed from time to time.

11.14. Delegation to Affiliates. The Borrowers and the Lenders agree that any Agent may delegate any of its duties under this Agreement to any of its Affiliates. Any such Affiliate (and such Affiliate's directors, officers, agents and employees) which performs duties in connection with this Agreement shall be entitled to the same benefits of the indemnification, waiver and other protective provisions to which the applicable Agent is entitled under Articles IX and X.

11.15. Release of Guarantors. Upon the liquidation or dissolution of any Guarantor, the sale of all of the Capital Stock of any Guarantor owned by the Company and its Subsidiaries, or, with respect to Zep Inc. and its Subsidiaries, in connection with the Spin-Off Transaction, in each case so long as such transaction does not violate the terms of any Loan Document or is consented to in writing by the Required Lenders or all of the Lenders, as applicable, such Guarantor shall be automatically released from all obligations under the applicable Guaranty and any other Loan Documents to which it is a party (other than contingent indemnity obligations), and upon at least five (5) Business Days' prior written request by the Company, the Administrative Agent shall (and is hereby irrevocably authorized by the Lenders to) execute such documents as may be necessary to evidence the release of the applicable Guarantor from its obligations under the applicable Guaranty and such other Loan Documents; provided, however, that (i) the Administrative Agent shall not be required to execute any such document on terms which, in the Administrative Agent's reasonable opinion, would expose the Administrative Agent to liability or create any obligation or entail any consequence other than the release of such Guarantor without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Obligations of the Borrowers, any other Guarantor's obligations under the applicable Guaranty, or, if applicable, any obligations of the Company or any Subsidiary in respect of the proceeds of any such sale retained by the Company or any Subsidiary.

ARTICLE XII

SETOFF; RATABLE PAYMENTS

12.1. Setoff. In addition to, and without limitation of, any rights of the Lenders under applicable law, if any Default occurs, any and all deposits (including all account balances, whether provisional or final and whether or not collected or available) and any other Indebtedness at any time held or owing by any Lender or (to the extent permitted by applicable law) any Affiliate of any Lender to or for the credit or account of any Borrower may be offset and applied toward the payment of the Obligations owing to such Lender, whether or not the Obligations, or any part thereof, shall then be due.

12.2. Ratable Payments. If any Lender, whether by setoff or otherwise, has payment made to it upon its Outstanding Credit Exposure (other than payments received pursuant to Section 3.1, 3.2, 3.4 or 3.5) in a greater proportion than that received by any other Lender, such Lender agrees, promptly upon demand, to purchase a participation in the Aggregate Outstanding Credit Exposure held by the other Lenders so that after such purchase each Lender will hold its Pro Rata Share of the Aggregate Outstanding Credit Exposure. If any Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its

Obligations or such amounts which may be subject to setoff, such Lender agrees, promptly upon demand, to take such action necessary such that all Lenders share in the benefits of such collateral ratably in proportion to their respective Pro Rata Shares of the Aggregate Outstanding Credit Exposure. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

ARTICLE XIII

BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

13.1. Successors and Assigns. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Borrowers and the Lenders and their respective successors and assigns permitted hereby, except that (i) no Borrower shall have the right to assign its rights or obligations under the Loan Documents without the prior written consent of each Lender, (ii) any assignment by any Lender must be made in compliance with Section 13.3, and (iii) any transfer by participation must be made in compliance with Section 13.2. Any attempted assignment or transfer by any party not made in compliance with this Section 13.1 shall be null and void, unless such attempted assignment or transfer is treated as a participation in accordance with Section 13.3.2. The parties to this Agreement acknowledge that clause (ii) of this Section 13.1 relates only to absolute assignments and this Section 13.1 does not prohibit assignments creating security interests, including, without limitation, (x) any pledge or assignment by any Lender of all or any portion of its rights under this Agreement and any Note to a Federal Reserve Bank or (y) in the case of a Lender which is a Fund, any pledge or assignment of all or any portion of its rights under this Agreement and any Note to its trustee in support of its obligations to its trustee; *provided*, *however*, that no such pledge or assignment creating a security interest shall release the transferor Lender from its obligations hereunder unless and until the parties thereto have complied with the provisions of Section 13.3. The Agent may treat the Person which made any Loan or which holds any Note as the owner thereof for all purposes hereof unless and until such Person complies with Section 13.3; *provided*, *however*, that the Administrative Agent may in its discretion (but shall not be required to) follow instructions from the Person which made any Loan or which holds any Note to direct payments relating to such Loan or Note to another Person. Any assignee of the rights to any Loan or any Note agrees by acceptance of such assignment to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the owner of the rights to any Loan (whether or not a Note has been issued in evidence thereof), shall be conclusive and binding on any subsequent holder or assignee of the rights to such Loan.

13.2. Participations.

13.2.1. Permitted Participants; Effect. Any Lender may at any time sell to one or more banks or other entities ("**Participants**") participating interests in any Outstanding Credit Exposure owing to such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest of such Lender under the Loan Documents. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the owner of its Outstanding Credit Exposure and the holder of any Note issued to it in evidence thereof for all purposes under the Loan Documents, all amounts payable by the Borrowers under this Agreement shall be determined as if such Lender had not sold such participating interests, and the Borrowers and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents.

13.2.2. Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Outstanding Credit Exposure or Commitment in which such Participant has an interest which would require consent of all of the Lenders pursuant to the terms of Section 8.2 or of any other Loan Document.

13.2.3. Benefit of Certain Provisions. The Borrowers agree that each Participant shall be deemed to have the right of setoff provided in Section 12.1 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, *provided* that each Lender shall retain the right of setoff provided in Section 12.1 with respect to the amount of participating interests sold to each Participant. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 12.1, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 12.2 as if each Participant were a Lender. The Borrowers further agree that each Participant shall be entitled to the benefits of Sections 3.1, 3.2, 3.4, 3.5, 10.6 and 10.10 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 13.3, *provided* that (i) a Participant shall not be entitled to receive any greater payment under Section 3.1, 3.2 or 3.5 than the Lender who sold the participating interest to such Participant would have received had it retained such interest for its own account, unless the sale of such interest to such Participant is made with the prior written consent of the Company, and (ii) any Participant not incorporated under the laws of the United States of America or any State thereof agrees to comply with the provisions of Section 3.5 to the same extent as if it were a Lender.

13.3. Assignments.

13.3.1. Permitted Assignments. Any Lender may at any time assign to one or more banks or other entities ("**Purchasers**") all or any part of its rights and obligations under the Loan Documents. Such assignment shall be evidenced by an agreement substantially in the form of Exhibit C or in such other form as may be agreed to by the parties thereto (each such agreement, an "**Assignment Agreement**"). Each such assignment with respect to a Purchaser which is not a Lender or an Affiliate of a Lender or an Approved Fund shall either be in an amount equal to the entire applicable Commitment and Outstanding Credit Exposure of the assigning Lender or (unless each of the Company and the Administrative Agent otherwise consents) be in an aggregate amount not less than $5,000,000. The amount of the assignment shall be based on the Commitment or Outstanding Credit Exposure (if the Commitment has been terminated) subject to the Assignment Agreement, determined as of the date of such assignment or as of the "Trade Date," if the "Trade Date" is specified in the Assignment Agreement.

13.3.2. Consents. The consent of the Company shall be required prior to an assignment becoming effective unless the Purchaser is a Lender, an Affiliate of a Lender or an Approved Fund, provided that the consent of the Company shall not be required if a Default has occurred and is continuing or if such assignment is in connection with the physical settlement of credit derivative transactions, which credit derivative transactions shall have been entered into by the applicable Lender in connection with such Lender's management of its credit portfolio in the ordinary course of business. The consent of the Administrative Agent and each LC Issuer shall be required prior to an

assignment becoming effective unless the Purchaser is a Lender, an Affiliate of a Lender or an Approved Fund. Any consent required under this Section 13.3.2 shall not be unreasonably withheld or delayed.

13.3.3. Effect; Effective Date. Upon (i) delivery to the Administrative Agent of an Assignment Agreement, together with any consents required by Sections 13.3.1 and 13.3.2, and (ii) payment of a $3,500 fee to the Administrative Agent for processing such assignment (unless such fee is waived by the Administrative Agent or unless such assignment is made to such assigning Lender's Affiliate), such assignment shall become effective on the effective date specified in such Assignment Agreement. The Assignment Agreement shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Commitment and Outstanding Credit Exposure under such Assignment Agreement constitutes "plan assets" as defined under ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such assignment, such Purchaser shall for all purposes be a Lender party to this Agreement and any other Loan Document executed by or on behalf of the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party thereto, and the transferor Lender shall be released with respect to the Commitment and Outstanding Credit Exposure assigned to such Purchaser without any further consent or action by any Borrower, the Lenders or the Administrative Agent. In the case of an assignment covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a Lender hereunder but shall continue to be entitled to the benefits of, and subject to, those provisions of this Agreement and the other Loan Documents which survive payment of the Obligations and termination of the applicable agreement. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 13.3 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 13.2. Upon the consummation of any assignment to a Purchaser pursuant to this Section 13.3.3, the transferor Lender, the Administrative Agent and the Borrowers shall, if the transferor Lender or the Purchaser desires that its Loans be evidenced by Notes, make appropriate arrangements so that new Notes or, as appropriate, replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser, in each case in principal amounts reflecting their respective Commitments, as adjusted pursuant to such assignment.

13.3.4. The Register. The Agent, acting solely for this purpose as an agent of the Borrowers, shall maintain at one of its offices in Chicago, Illinois a copy of each Assignment Agreement delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender, and participations of each Lender in Facility LCs, pursuant to the terms hereof from time to time (the "**Register**"). The entries in the Register shall be conclusive, and the Borrowers, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrowers at any reasonable time and from time to time upon reasonable prior notice.

13.4. Dissemination of Information. The Borrowers authorize each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "**Transferee**") and any prospective Transferee any and all information in such Lender's possession concerning the creditworthiness of the Company and its Subsidiaries, including without limitation any information contained in any reports or other information delivered by any Borrower pursuant to Section 6.1; *provided* that each Transferee and prospective Transferee agrees to be bound by Section 10.11 of this Agreement.

13.5. Tax Treatment. If any interest in any Loan Document is transferred to any Transferee which is not incorporated under the laws of the United States or any State thereof, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, to comply with the provisions of Section 3.5(iv).

ARTICLE XIV

NOTICES

14.1. Notices. Except as otherwise permitted by Section 2.14 with respect to borrowing notices, all notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the initial Borrowers, the Agents or any Lender party hereto as of the Closing Date, at its respective address or facsimile number set forth on the signature pages hereof, (y) in the case of any Lender that becomes a party hereto pursuant to Section 13.3, at its address or facsimile number set forth in the applicable Assignment Agreement or, if none is provided therein, in its administrative questionnaire or (z) in the case of any party, at such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Company in accordance with the provisions of this Section 14.1. Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) if given by United States mail, 72 hours after such communication is deposited in such mails with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered (or, in the case of electronic transmission, received) at the address specified in this Section; *provided* that notices to the Administrative Agent under Article II shall not be effective until received. For all purposes under this Agreement and the other Loan Documents, (A) notice to the Administrative Agent from any Borrower shall not be deemed to be effective until actually received by the Administrative Agent, and (B) delivery of any notice to the Company shall be deemed to have been delivered to the Borrowers.

14.2. Change of Address. The Borrowers, the Agents and any Lender may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

ARTICLE XV

COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the initial Borrowers, the Agents, the LC Issuers and the Lenders and each party has notified the Agents by facsimile transmission or telephone that it has taken such action.

ARTICLE XVI

CHOICE OF LAW; CONSENT TO JURISDICTION AND SERVICE OF PROCESS; WAIVER OF VENUE, FORUM AND JURY TRIAL

16.1. CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

16.2. CONSENT TO JURISDICTION. EACH BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, ANY LC ISSUER OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

16.3. SERVICE OF PROCESS. EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 14.1. EACH FOREIGN SUBSIDIARY BORROWER IRREVOCABLY DESIGNATES AND APPOINTS THE COMPANY, AS ITS AUTHORIZED AGENT, TO ACCEPT AND ACKNOWLEDGE ON ITS BEHALF, SERVICE OF ANY AND ALL PROCESS WHICH MAY BE SERVED IN ANY SUIT, ACTION OR PROCEEDING OF THE NATURE REFERRED TO IN SECTION 16.2 IN ANY FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK CITY. THE COMPANY HEREBY REPRESENTS, WARRANTS AND CONFIRMS THAT THE COMPANY HAS AGREED TO ACCEPT SUCH APPOINTMENT (AND ANY SIMILAR APPOINTMENT BY A GUARANTOR WHICH IS A FOREIGN SUBSIDIARY). SAID DESIGNATION AND APPOINTMENT SHALL BE IRREVOCABLE BY EACH SUCH FOREIGN SUBSIDIARY BORROWER UNTIL ALL LOANS, ALL REIMBURSEMENT OBLIGATIONS, INTEREST THEREON AND ALL OTHER AMOUNTS PAYABLE BY SUCH FOREIGN SUBSIDIARY BORROWER HEREUNDER AND UNDER THE OTHER LOAN DOCUMENTS SHALL HAVE BEEN PAID IN FULL IN ACCORDANCE WITH THE PROVISIONS HEREOF AND THEREOF AND SUCH FOREIGN SUBSIDIARY BORROWER SHALL HAVE BEEN TERMINATED AS A BORROWER HEREUNDER PURSUANT TO SECTION 2.22. EACH FOREIGN SUBSIDIARY BORROWER HEREBY CONSENTS TO PROCESS BEING SERVED IN ANY SUIT, ACTION OR PROCEEDING OF THE NATURE

REFERRED TO IN SECTION 16.2 IN ANY FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK CITY BY SERVICE OF PROCESS UPON THE COMPANY AS PROVIDED IN THIS SECTION 16.3; PROVIDED THAT, TO THE EXTENT LAWFUL AND POSSIBLE, NOTICE OF SAID SERVICE UPON SUCH AGENT SHALL BE MAILED BY REGISTERED OR CERTIFIED AIR MAIL, POSTAGE PREPAID, RETURN RECEIPT REQUESTED, TO THE COMPANY AND (IF APPLICABLE TO) SUCH FOREIGN SUBSIDIARY BORROWER AT ITS ADDRESS SET FORTH IN THE ASSUMPTION LETTER TO WHICH IT IS A PARTY OR TO ANY OTHER ADDRESS OF WHICH SUCH FOREIGN SUBSIDIARY BORROWER SHALL HAVE GIVEN WRITTEN NOTICE TO THE ADMINISTRATIVE AGENT (WITH A COPY THEREOF TO THE COMPANY). EACH FOREIGN SUBSIDIARY BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ALL CLAIM OF ERROR BY REASON OF ANY SUCH SERVICE IN SUCH MANNER AND AGREES THAT SUCH SERVICE SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON SUCH FOREIGN SUBSIDIARY BORROWER IN ANY SUCH SUIT, ACTION OR PROCEEDING AND SHALL, TO THE FULLEST EXTENT PERMITTED BY LAW, BE TAKEN AND HELD TO BE VALID AND PERSONAL SERVICE UPON AND PERSONAL DELIVERY TO SUCH FOREIGN SUBSIDIARY BORROWER. TO THE EXTENT ANY FOREIGN SUBSIDIARY BORROWER HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER FROM SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OF A JUDGMENT, EXECUTION OR OTHERWISE), EACH FOREIGN SUBSIDIARY BORROWER HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THE LOAN DOCUMENTS. NOTHING IN THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

16.4. WAIVER OF VENUE AND FORUM. EACH BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN SECTION 16.2. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

16.5. WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWERS, THE AGENTS, EACH LC ISSUER AND EACH LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

[Signature Pages Follow]

IN WITNESS WHEREOF, the initial Borrowers, the Lenders, the LC Issuers and the Agents have executed this Agreement as of the date first above written.

ACUITY BRANDS, INC., as a Borrower

By: /s/ C. Dan Smith
Name: C. Dan Smith
Title: Vice President and Treasurer

Acuity Brands, Inc.
1170 Peachtree Street, NE
Suite 2400
Atlanta, Georgia 30309-7649
Attention: Mr. Dan Smith
Phone: 404-853-1423
Fax: 404-853-1430
E-mail: dan.smith@acuitybrands.com

with a copy to:

Acuity Brands Lighting, Inc.
One Lithonia Way
Conyers, Georgia 30012
Attention: Mr. Barry Goldman
Phone: 770-860-3545
Fax: 770-785-9511
E-mail: barry.goldman@acuitybrands.com

ACUITY BRANDS LIGHTING, INC., as a Borrower

By: /s/ C. Dan Smith
Name: C. Dan Smith
Title: Vice President and Treasurer

Acuity Brands, Inc.
1170 Peachtree Street, NE
Suite 2400
Atlanta, Georgia 30309-7649
Attention: Mr. Dan Smith
Phone: 404-853-1423
Fax: 404-853-1430
E-mail: dan.smith@acuitybrands.com

with a copy to:

Acuity Brands Lighting, Inc.
One Lithonia Way
Conyers, Georgia 30012
Attention: Mr. Barry Goldman
Phone: 770-860-3545
Fax: 770-785-9511
E-mail: barry.goldman@acuitybrands.com

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, as the Administrative Agent, as the Swing Line Lender, as a LC Issuer and as a Lender

By: /s/ Robert P. Carswell
Name: Robert P. Carswell
Title: Vice President

Lillian A. Arroyo
10 South Dearborn
Floor 07
Chicago, IL 60603-2003
Phone: (312) 385-7014
Fax: (312) 732-1544
E-mail: lillian.arroyo@jpmchase

Signature Page to Credit Agreement
Acuity Brands, Inc. et al
October 2007

WACHOVIA BANK, NATIONAL ASSOCIATION,
as a Co-Syndication Agent and as a Lender

By: /s/ C. Jeffrey Seaton
Name: C. Jeffrey Seaton
Title: Managing Director

301 South College St NC5562
Charlotte, NC 28202

Attention: C. Jeffrey Seaton
Phone: 704-374-7042
Fax: 704-383-1625
E-mail: jeff.seaton@wachovia.com

BANK OF AMERICA, N.A., as a Co-Syndication Agent and as a Lender

By: /s/ Charles R. Dickerson
Name: Charles R. Dickerson
Title: Managing Director

Address: 100 N. Tryon St., 17th Floor
Charlotte, NC 28255

Attention: Charles R. Dickerson
Phone: 704.386.5514
Fax: 704.386.3893
E-mail: charles.dickerson@bankofamerica.com

KEYBANK NATIONAL ASSOCIATION, as a
Co-Documentation Agent and as a Lender

By: /s/ Thomas J. Purcell
Name: Thomas J. Purcell
Title: Senior Vice President

127 Public Square
Cleveland, Ohio 44114

Attention: Brian Fox
Phone: 216-689-4599
Fax: 216-689-4649
E-mail: brian_fox@keybank.com

WELLS FARGO BANK, N.A., as a
Co-Documentation Agent and as a Lender

By: /s/ Kevin Combs
Name: Kevin Combs
Title: Vice President

7000 Central Parkway NE, Suite 600
Atlanta, GA, 30328

Attention: Kevin Combs
Phone: (770) 551-4654
Fax: (770) 551-4643
E-mail: kevin.combs@wellsfargo.com

BRANCH BANKING AND TRUST COMPANY, as a Co-Documentation Agent and as a Lender

By: /s/ McKie M. Trotter
Name: McKie M. Trotter
Title: Vice President

Branch Banking and Trust Company
3500 Lenox Road
Suite 1450
Atlanta, Georgia 30326

Attention: Mac Trotter
Phone: 404-214-3367
Fax: 404-846-0163
E-mail: mtrotter@bbandt.com

PRICING SCHEDULE

	Level I Status	Level II Status	Level III Status	Level IV Status	Level V Status	Level VI Status
Applicable Margin	*0.32%*	*0.41%*	*0.50%*	*0.60%*	*0.70%*	*0.80%*
Applicable Facility Fee Rate	*0.08%*	*0.09%*	*0.125%*	*0.150%*	*0.175%*	*0.20%*

The Applicable Margin and Applicable Facility Fee Rate shall be determined in accordance with the foregoing table based on the Company's Leverage Ratio as reflected in the then most recent Financials. Adjustments, if any, to the Applicable Margin or Applicable Facility Fee Rate shall be effective as of the fifth (5^{th}) Business Day following the date the Administrative Agent has received the applicable Financials. If the Company fails to deliver the Financials to the Administrative Agent at the time required pursuant to Section 6.1(i) or 6.1(ii), as applicable, then the adjustment to the Applicable Margin and Applicable Facility Fee Rate shall be the highest adjustment to the Applicable Margin and Applicable Facility Fee Rate set forth in the foregoing table until the fifth (5th) Business Day following the date such Financials are so delivered.

Notwithstanding anything herein to the contrary, from the Closing Date to but not including the fifth (5th) Business Day following the date the Administrative Agent has received the Financials for the period ending November 30, 2007, the Applicable Margin and Applicable Facility Fee Rate shall be determined based upon Level II Status.

For the purposes of this Schedule, the following terms have the following meanings, subject to the final paragraph of this Schedule:

"**Financials**" means the annual or quarterly financial statements of the Company delivered pursuant to Section 6.1(i) or 6.1(ii), respectively.

"**Level I Status**" exists at any date if, as of the last day of the fiscal quarter referred to in the most recent Financials, the Leverage Ratio is less than or equal to 1.00 to 1.00.

"**Level II Status**" exists at any date if, as of the last day of the fiscal quarter referred to in the most recent Financials, (i) the Company has not qualified for Level I Status and (ii) the Leverage Ratio is less than or equal to 1.50 to 1.00.

"**Level III Status**" exists at any date if, as of the last day of the fiscal quarter referred to in the most recent Financials, (i) the Company has not qualified for Level I Status or Level II Status and (ii) Leverage Ratio is less than or equal to 2.00 to 1.00.

"**Level IV Status**" exists at any date if, as of the last day of the fiscal quarter referred to in the most recent Financials, (i) the Company has not qualified for Level I Status, Level II Status or Level III Status and (ii) Leverage Ratio is less than or equal to 2.50 to 1.00.

"**Level V Status**" exists at any date if, as of the last day of the fiscal quarter referred to in the most recent Financials, (i) the Company has not qualified for Level I Status, Level II Status, Level III Status or Level IV Status and (ii) Leverage Ratio is less than or equal to 3.00 to 1.00.

"**Level VI Status**" exists at any date if, on such date, the Company has not qualified for Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status.

"**Status**" means Level I Status, Level II Status, Level III Status, Level IV Status, Level V Status or Level VI Status.

COMMITMENT SCHEDULE

LENDER	COMMITMENT
JPMorgan Chase Bank, National Association	$ 45,000,000
Wachovia Bank, National Association	$ 41,000,000
Bank of America, N.A.	$ 41,000,000
KeyBank National Association	$ 41,000,000
Wells Fargo Bank, N.A.	$ 41,000,000
Branch Banking and Trust Company	$ 41,000,000
AGGREGATE COMMITMENT	**$ 250,000,000**

SCHEDULE 2.2

MANDATORY COST

1. The Mandatory Cost is an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.

2. On the first day of each Interest Period (or as soon as possible thereafter) the Administrative Agent shall calculate, as a percentage rate, a rate (the "Associated Costs Rate") for each Lender, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by the Administrative Agent as a weighted average of the Lenders' Associated Costs Rates (weighted in proportion to the percentage participation of each Lender in the relevant Loan) and will be expressed as a percentage rate per annum.

3. The Associated Costs Rate for any Lender lending from a Facility Office in a Participating Member State will be the percentage notified by that Lender to the Administrative Agent. This percentage will be certified by that Lender in its notice to the Administrative Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender's participation in all Loans made from that Facility Office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that Facility Office.

4. The Associated Costs Rate for any Lender lending from a Facility Office in the United Kingdom will be calculated by the Administrative Agent as follows:

   (a) in relation to a Loan in Pounds Sterling:

   $$\frac{AB + C(B - D) + E \times 0.01}{100 - (A + C)}$$ per cent. per annum

   (b) in relation to a Loan in any currency other than Pounds Sterling:

   $$\frac{E \times 0.01}{300}$$ per cent. per annum.

   Where:

   A is the percentage of Eligible Liabilities (assuming these to be in excess of any stated minimum) which that Lender is from time to time required to maintain as an interest free cash ratio deposit with the Bank of England to comply with cash ratio requirements.

   B is the percentage rate of interest (excluding the Applicable Rate and the Mandatory Cost and, if the Loan is an Unpaid Sum, the additional rate of interest specified in Section 2.13(c)) payable for the relevant Interest Period on the Loan.

C is the percentage (if any) of Eligible Liabilities which that Lender is required from time to time to maintain as interest bearing Special Deposits with the Bank of England.

D is the percentage rate per annum payable by the Bank of England to the Administrative Agent on interest bearing Special Deposits.

E is designed to compensate Lenders for amounts payable under the Fees Rules and is calculated by the Administrative Agent as being the average of the most recent rates of charge supplied by the Reference Banks to the Administrative Agent pursuant to paragraph 7 below and expressed in pounds per £1,000,000.

5. For the purposes of this Schedule:

(a) "**Eligible Liabilities**" and "**Special Deposits**" have the meanings given to them from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;

(b) "**Facility Office**" means the office or offices notified by a Lender to the Administrative Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days' written notice) as the office or offices through which it will perform its obligations under this Agreement.

(c) "**Fees Rules**" means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;

(d) "**Fee Tariffs**" means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate);

(e) "**Participating Member State**" means any member state of the European Union that adopts or has adopted euro as its lawful currency in accordance with legislation of the European Union relating to economic and monetary union.

(f) "**Reference Banks**" means, in relation to Mandatory Cost, the principal London offices of JPMorgan Chase Bank, National Association.

(g) "**Tariff Base**" has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.

(h) "**Unpaid Sum**" means any sum due and payable but unpaid by any Borrower under the Loan Documents.

6. In application of the above formulae, A, B, C and D will be included in the formulae as percentages (i.e. 5 per cent. will be included in the formula as 5 and not as 0.05). A negative result obtained by subtracting D from B shall be taken as zero. The resulting figures shall be rounded to four decimal places.

7. If requested by the Administrative Agent, each Reference Bank shall, as soon as practicable after publication by the Financial Services Authority, supply to the Administrative Agent, the rate of charge payable by that Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of that Reference Bank.

8. Each Lender shall supply any information required by the Administrative Agent for the purpose of calculating its Associated Costs Rate. In particular, but without limitation, each Lender shall supply the following information on or prior to the date on which it becomes a Lender:

   (i) the jurisdiction of its Facility Office; and

   (j) any other information that the Administrative Agent may reasonably require for such purpose.

Each Lender shall promptly notify the Administrative Agent of any change to the information provided by it pursuant to this paragraph.

9. The percentages of each Lender for the purpose of A and C above and the rates of charge of each Reference Bank for the purpose of E above shall be determined by the Administrative Agent based upon the information supplied to it pursuant to paragraphs 7 and 8 above and on the assumption that, unless a Lender notifies the Administrative Agent to the contrary, each Lender's obligations in relation to cash ratio deposits and Special Deposits are the same as those of a typical bank from its jurisdiction of incorporation with a Facility Office in the same jurisdiction as its Facility Office.

10. The Administrative Agent shall have no liability to any person if such determination results in an Associated Costs Rate which over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender or Reference Bank pursuant to paragraphs 3, 7 and 8 above is true and correct in all respects.

11. The Administrative Agent shall distribute the additional amounts received as a result of the Mandatory Cost to the Lenders on the basis of the Associated Costs Rate for each Lender based on the information provided by each Lender and each Reference Bank pursuant to paragraphs 3, 7 and 8 above.

12. Any determination by the Administrative Agent pursuant to this Schedule in relation to a formula, the Mandatory Cost, an Associated Costs Rate or any amount payable to a Lender shall, in the absence of manifest error, be conclusive and binding on all parties hereto.

13. The Administrative Agent may from time to time, after consultation with the Company and the relevant Lenders, determine and notify to all parties hereto any amendments which are required to be made to this Schedule 2.2 in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all parties hereto.

AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT

DATED AS OF OCTOBER 19, 2007

AMONG

ACUITY UNLIMITED INC., AS BORROWER,

ACUITY BRANDS LIGHTING, INC., AS SERVICER,

VARIABLE FUNDING CAPITAL COMPANY,

THE LIQUIDITY BANKS FROM TIME TO TIME PARTY HERETO

AND

WACHOVIA BANK, NATIONAL ASSOCIATION, AS AGENT

SCHEDULE B

DOCUMENTS TO BE DELIVERED TO THE AGENT

ON OR PRIOR TO THE INITIAL PURCHASE

I. Parties.

VFCC =	Variable Funding Capital Company LLC
Wachovia =	Wachovia Bank, National Association
ABI =	Acuity Brands, Inc.
ABL =	Acuity Brands Lighting, Inc.
AUI =	Acuity Unlimited, Inc.

II. Closing Documents.

1. Amendment to Amended and Restated Receivables Sale and Contribution Agreement dated as of October 19, 2007 between ALG and AUI.

2. Amended and Restated Credit and Security Agreement among AUI, ABL as Servicer, VFCC and Wachovia.

3. Performance Undertaking by ABI in favor of AUI.

4. Amended and Restated Fee Letter between Agent and AUI.

5. A certificate of the [Assistant] Secretary of each of ABI, ABL and AUI (collectively, the ***"Companies"***) certifying:

(a) A copy of the Resolutions of its Board of Directors authorizing its execution, delivery and performance of the Transaction Documents to which it is a party;

(b) A copy of its certificate/articles of incorporation (also certified by the Secretary of State of its State of Incorporation on or within thirty (30) days prior to closing)[, as amended and/or restated through the closing date];

(c) A copy of its by-laws, as amended)[, as amended and/or restated through the closing date];

(d) A copy of a good standing certificate issued by the Secretaries of State of (i) its state of incorporation, and (ii), if different, that state where it maintains its principal place of business; and

(e) The names, titles and signatures of its officers authorized to execute the Transaction Documents.

6. Pre-filing state and federal tax lien, judgment lien and UCC lien searches in the following locations against the Borrower:

   UCC Lien Search Jurisdictions: Delaware

   Federal and State Tax Lien and Judgment Lien Jurisdictions: Delaware, Georgia and Fulton County (Georgia)

7. UCC Financing Statement

8. A favorable opinion of in-house counsel to ABI as to certain matters.

9. A favorable opinion of Kilpatrick Stockton as to certain ***corporate*** matters.

10. A favorable opinion of Kilpatrick Stockton as to certain ***UCC*** matters.

11. [Reserved] [ELIGIBLE LIQUIDITY AGREEMENT NOTICE.]

12. Liquidity Agreement by and between VFCC and Wachovia.

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AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT

THIS AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT, dated as of October 19, 2007 is entered into by and among:

(a) Acuity Unlimited, Inc. (***"AUI"***), a Delaware corporation (the ***"Borrower"***),

(b) Acuity Brands Lighting, Inc., a Delaware corporation (formerly known as Acuity Lighting Group, Inc.) (***"ABL"***), as initial Servicer (the Servicer, together with the Borrower, the ***"Loan Parties"*** and each, a ***"Loan Party"***),

(c) The entities listed on Schedule A to this Agreement (together with any of their respective successors and assigns hereunder, the ***"Liquidity Banks"***),

(d) Variable Funding Capital Company LLC, a Delaware limited liability company (***"VFCC"***), and

(e) Wachovia Bank, National Association, as agent for the Lenders hereunder or any successor agent hereunder (together with its successors and assigns hereunder, the ***"Agent"***).

Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Exhibit I. This agreement amends and restates in its entirety that certain Credit and Security Agreement dated as of September 2, 2003 by and among Acuity Enterprise, Inc., AUI, ABL, Acuity Specialty Products Group, Inc., VFCC (as assignee of Blue Ridge Funding Corporation), Wachovia and the Agent, as amended from time to time prior to the date hereof (the "***Existing Agreement***").

PRELIMINARY STATEMENTS

The Borrower desires to borrow from the Lenders from time to time.

VFCC may, in its absolute and sole discretion, make Advances to the Borrower from time to time.

In the event that VFCC declines to make any Advance, the Liquidity Banks shall, at the request of the Borrower, make Advances from time to time.

Wachovia Bank, National Association has been requested and is willing to act as Agent on behalf of VFCC and the Liquidity Banks in accordance with the terms hereof.

ARTICLE I.

THE ADVANCES

Section 1.1 Credit Facility.

(a) Upon the terms and subject to the conditions hereof, from time to time prior to the Facility Termination Date:

(i) The Borrower may, at its option, request Advances from the Lenders in an aggregate principal amount at any one time outstanding not to exceed the Borrowing Base and provided that the aggregate principal amount of the Advances outstanding at any one time shall not exceed the Aggregate Commitment; and

(ii) VFCC may, at its option, make the requested Advance, or if VFCC shall decline to make any Advance, except as otherwise provided in Section 1.2, the Liquidity Banks severally agree to make Loans in an aggregate principal amount equal to the requested Advance.

Each of the Advances, and all other Obligations, shall be secured by the Collateral as provided in Article XIII. It is the intent of VFCC to fund all Advances by the issuance of Commercial Paper.

(b) The Borrower may, at its option, upon at least 5 Business Days' notice to the Agent, terminate in whole or reduce in part, ratably among the Liquidity Banks, the unused portion of the Aggregate Commitment; ***provided that*** each partial reduction of the Aggregate Commitment shall be in an amount equal to $5,000,000 (or a larger integral multiple of $1,000,000 if in excess thereof) and shall reduce the Commitments of the Liquidity Banks ratably in accordance with their respective Pro Rata Shares.

(c) On the date hereof, all loans outstanding to the Borrower under the Existing Agreement shall be refinanced with the initial Loans under this Agreement except that no Broken Funding Costs shall be payable as a result of such refinancing.

Section 1.2 Increases. The Borrower (or the Servicer on its behalf) shall provide the Agent with at least two (2) Business Days' prior notice in a form set forth as Exhibit II hereto of each requested Advance (each, a ***"Borrowing Notice"***). Each Borrowing Notice shall be subject to Section 6.2 hereof and, except as set forth below, shall be irrevocable and shall specify the aggregate principal amount requested by the Borrower (which shall not be less than $1,000,000 or a larger integral multiple of $100,000) and the Borrowing Date (which, in the case of any Advance after the initial Advance hereunder, shall only be on a Settlement Date) and, in the case of an Advance to be funded by the Liquidity Banks, the requested Interest Rate and Interest Period. Following receipt of a Borrowing Notice, the Agent will determine whether VFCC agrees to make each requested Advance. If VFCC declines to make a proposed Advance, the Borrower may cancel the Borrowing Notice or, in the absence of such a cancellation, the requested Advance will be made by the Liquidity Banks. On the date of each Advance, upon satisfaction of the applicable conditions precedent set forth in Article VI, VFCC or the Liquidity Banks, as applicable, shall wire transfer to the Borrower's account specified in the applicable Borrowing Notice, in immediately available funds, no later than 2:00 p.m. (New York time), an aggregate amount equal to (i) in the case of VFCC, the principal amount of the requested Advances or (ii) in the case of a Liquidity Bank, such Liquidity Bank's Pro Rata Share of the principal amount of the requested Advances.

Section 1.3 Decreases. Except as provided in Section 1.4, the Borrower shall provide the Agent with prior written notice in conformity with the Required Notice Period (a ***"Reduction Notice"***) of any proposed reduction of the aggregate principal balance of the Advances outstanding. Such Reduction Notice shall designate (i) the date (the ***"Proposed Reduction Date"***) upon which any such principal reduction shall occur (which date shall give effect to the applicable Required Notice Period), and (ii) the principal amount owing from the Borrower to be reduced which shall be applied ratably to the Borrower's Loans from VFCC and the Liquidity Banks in accordance with the amount of principal (if any) owing to VFCC, on the one hand, and the amount of principal (if any) owing to the Liquidity Banks (ratably, based on their respective Pro Rata Shares), on the other hand (the ***"Aggregate Reduction"***). Only one (1) Reduction Notice shall be outstanding at any time.

Section 1.4 Deemed Collections; Borrowing Base.

(a) If on any day:

(i) the Outstanding Balance of any Receivable is reduced as a result of any defective or rejected goods or services, any cash discount or any other adjustment by Originator or any Affiliate thereof, or as a result of any tariff or other governmental or regulatory action, or

(ii) the Outstanding Balance of any Receivable is reduced or canceled as a result of a setoff in respect of any claim by the Obligor thereof (whether such claim arises out of the same or a related or an unrelated transaction), or

(iii) the Outstanding Balance of any Receivable is reduced on account of the obligation of Originator or any Affiliate thereof to pay to the related Obligor any rebate or refund, or

(iv) the Outstanding Balance of any Receivable is less than the amount included in calculating the Net Pool Balance for purposes of any Monthly Report (for any reason other than such Receivable becoming a Defaulted Receivable), or

(v) any of the representations or warranties of the Borrower set forth in Section 5.1(i), (j), (q), (r), (s) or (t) were not true when made with respect to any Receivable,

then, on such day, the Borrower shall be deemed to have received a Collection of such Receivable (A) in the case of clauses (i)-(iv) above, in the amount of such reduction or cancellation or the difference between the actual Outstanding Balance and the amount included in calculating such Net Pool Balance, as applicable; and (B) in the case of clause (v) above, in the amount of the Outstanding Balance of such Receivable and, effective as of the date on which the next succeeding Monthly Report is required to be delivered, the Borrowing Base of the Borrower shall be reduced by the amount of such Deemed Collection.

(b) The Borrower shall ensure that the aggregate principal balance of the Advances outstanding at no time exceeds the Borrowing Base and that the Aggregate Principal outstanding at no time exceeds the Aggregate Commitment. If at any time the aggregate

principal balance of the Advances outstanding to the Borrower exceeds the Borrowing Base, the Borrower agrees pay to the Agent not later than the next succeeding Settlement Date an amount to be applied to reduce such outstanding principal balance (as allocated by the Agent), such that after giving effect to such payment the aggregate principal balance of the Advances outstanding is less than or equal to the Borrowing Base. If at any time the Aggregate Principal exceeds the Aggregate Commitment, the Borrower agrees to pay to the Agent not later than the next succeeding Settlement Date an amount to be applied to reduce Aggregate Principal (as allocated by the Agent), such that after giving effect to such payment, the Aggregate Principal is less than or equal to the Aggregate Commitment.

Section 1.5 Payment Requirements. All amounts to be paid or deposited by any Loan Party pursuant to any provision of this Agreement shall be paid or deposited in accordance with the terms hereof no later than 12:00 noon (New York time) on the day when due in immediately available funds, and if not received before 12:00 noon (New York time) shall be deemed to be received on the next succeeding Business Day. If such amounts are payable to a Lender, they shall be paid to the Agent's Account, for the account of such Lender, until otherwise notified by the Agent. Upon notice to the Borrower, the Agent may debit the Borrower's accounts for all amounts due and payable hereunder. All computations of CP Costs, Interest, *per annum* fees calculated as part of any CP Costs, *per annum* fees hereunder and *per annum* fees under the Fee Letter shall be made on the basis of a year of 360 days for the actual number of days elapsed. If any amount hereunder shall be payable on a day which is not a Business Day, such amount shall be payable on the next succeeding Business Day.

Section 1.6 Ratable Loans; Funding Mechanics; Liquidity Fundings.

(a) Each Advance hereunder shall consist of one or more Loans made by VFCC and/or the Liquidity Banks.

(b) Each Lender funding any Loan shall wire transfer the principal amount of its Loan to the Agent in immediately available funds not later than 12:00 noon (New York City time) on the applicable Borrowing Date and, subject to its receipt of such Loan proceeds, the Agent shall wire transfer such funds to the Borrower's account specified in the applicable Borrowing Request not later than 2:00 p.m. (New York City time) on such Borrowing Date.

(c) While it is the intent of VFCC to fund each requested Advance through the issuance of its Commercial Paper, the parties acknowledge that if VFCC is unable, or determines in good faith that it is undesirable, to issue Commercial Paper to fund all or any portion of its Loans, or is unable to repay such Commercial Paper upon the maturity thereof, VFCC may put all or any portion of its Loans to the Liquidity Banks at any time pursuant to the Liquidity Agreement to finance or refinance the necessary portion of its Loans through a Liquidity Funding to the extent available. The Liquidity Fundings may be Alternate Base Rate Loans or LIBO Rate Loans, or a combination thereof, selected by the Borrower in accordance with Article IV. Regardless of whether a Liquidity Funding constitutes the direct funding of a Loan, an assignment of a Loan made by VFCC or the sale of one or more participations in a Loan made by VFCC, each Liquidity Bank participating in a Liquidity Funding shall have the rights of a "Lender" hereunder with the same force and effect as if it had directly made a Loan to the Borrower in the amount of its Liquidity Funding.

(d) Nothing herein shall be deemed to commit VFCC to make Loans.

ARTICLE II.

PAYMENTS AND COLLECTIONS

Section 2.1 Payments. The Borrower hereby promises to pay:

(a) the Aggregate Principal on and after the Facility Termination Date as and when Collections are received;

(b) the fees set forth in the Fee Letter on the dates specified therein;

(c) all accrued and unpaid Interest on the Alternate Base Rate Loans on each Settlement Date applicable thereto;

(d) all accrued and unpaid Interest on the LIBO Rate Loans on the last day of each Interest Period applicable thereto;

(e) all accrued and unpaid CP Costs on the CP Rate Loans on each Settlement Date; and

(f) all Broken Funding Costs and Indemnified Amounts upon demand.

Section 2.2 Collections Prior to Amortization; Repayment of Certain Demand Advances. Without limiting recourse to the Borrower for the Obligations under Section 2.1:

(a) On each Settlement Date prior to the Amortization Date, the Servicer shall deposit to the Agent's Account, for distribution to the Lenders, a portion of the Collections received by the Servicer during the preceding Settlement Period (after deduction of the accrued and unpaid Servicing Fee for such Settlement Period) equal to the sum of the following amounts for application to the Obligations in the order specified:

first, ratably to the payment of all accrued and unpaid CP Costs, Interest and Broken Funding Costs (if any) that are then due and owing,

second, ratably to the payment of all accrued and unpaid fees under the Fee Letter (if any) that are then due and owing,

third, if required under Section 1.3 or 1.4, to the ratable reduction of Aggregate Principal, and

fourth, for the ratable payment of all other unpaid Obligations, if any, that are then due and owing.

The balance, if any, shall be paid to the Borrower or otherwise in accordance with the Borrower's instructions. Collections applied to the payment of Obligations shall be distributed in accordance with the aforementioned provisions, and, giving effect to each of the priorities set

forth above in this Section 2.2(a), shall be shared ratably (within each priority) among the Agent and the Lenders in accordance with the amount of such Obligations owing to each of them in respect of each such priority.

(b) If the Collections are insufficient to pay the Servicing Fee and the Obligations specified above on any Settlement Date, the Borrower shall make demand upon ABL for repayment of any outstanding Demand Advances in an aggregate amount equal to the lesser of (i) the amount of such shortfall in Collections, and (ii) the aggregate outstanding principal balance of the Demand Advances, together with all accrued and unpaid interest thereon, and ABL hereby agrees to pay the amount demanded of it to the Agent's Account on such Settlement Date.

Section 2.3 Repayment of Demand Advances on the Amortization Date; Collections Following Amortization.

(a) On the Amortization Date, ABL hereby agrees to repay the aggregate outstanding principal balance of all Demand Advances made to it, together with all accrued and unpaid interest thereon, to the Agent's Account, without demand or notice of any kind, all of which are hereby expressly waived by ABL.

(b) Without limiting recourse to the Borrower for the Obligations under Section 2.1, on the Amortization Date and on each day thereafter, the Servicer shall set aside and hold in trust for the Secured Parties, all Collections received by the Servicer on such day. On and after the Amortization Date, the Servicer shall, on each Settlement Date and on each other Business Day specified by the Agent (after deduction of the accrued and unpaid Servicing Fee as of such date): (i) remit to the Agent's Account the amounts set aside pursuant to the preceding two sentences, and (ii) apply such amounts to reduce the Obligations as follows:

first, to the reimbursement of the Agent's actual and reasonable costs of collection and enforcement of this Agreement,

second, ratably to the payment of all accrued and unpaid CP Costs, Interest and Broken Funding Costs,

third, ratably to the payment of all accrued and unpaid fees under the Fee Letter,

fourth, to the ratable reduction of Aggregate Principal, and

fifth, for the ratable payment of all other unpaid Obligations.

After the Obligations have been indefeasibly reduced to zero, all Collections shall be paid to the Borrower or otherwise in accordance with the Borrower's instructions. Collections applied to the payment of Obligations shall be distributed in accordance with the aforementioned provisions, and, giving effect to each of the priorities set forth above in this Section 2.3(b), shall be shared ratably (within each priority) among the Agent and the Lenders in accordance with the amount of such Obligations owing to each of them in respect of each such priority.

Section 2.4 Payment Rescission. No payment of any of the Obligations shall be considered paid or applied hereunder to the extent that, at any time, all or any portion of such payment or application is rescinded by application of law or judicial authority, or must otherwise be returned or refunded for any reason. The Borrower shall remain obligated for the amount of any payment or application so rescinded, returned or refunded, and shall promptly pay to the Agent (for application to the Person or Persons who suffered such rescission, return or refund) the full amount thereof, plus Interest on such amount at the Default Rate from the date of any such rescission, return or refunding.

ARTICLE III.

VFCC FUNDING

Section 3.1 CP Costs. The Borrower agrees to pay CP Costs with respect to the principal balance of each of VFCC's Loans from time to time outstanding. Each Loan of VFCC that is funded substantially with Pooled Commercial Paper will accrue CP Costs each day on a pro rata basis, based upon the percentage share that the principal in respect of such Loan represents in relation to all assets held by VFCC and funded substantially with related Pooled Commercial Paper.

Section 3.2 Calculation of CP Costs. Not later than the 3rd Business Day immediately preceding each Monthly Reporting Date, VFCC shall calculate the aggregate amount of CP Costs applicable to its CP Rate Loans for the Calculation Period then most recently ended and shall notify the Borrower of such aggregate amount.

Section 3.3 CP Costs Payments. On each Settlement Date, the Borrower agrees to pay to the Agent (for the benefit of VFCC) an aggregate amount equal to all accrued and unpaid CP Costs in respect of the principal associated with all CP Rate Loans for the Calculation Period then most recently ended in accordance with Article II.

Section 3.4 Default Rate. From and after the occurrence and during the continuation of an Amortization Event, all Loans of VFCC shall accrue Interest at the Default Rate and shall cease to be CP Rate Loans.

ARTICLE IV.

LIQUIDITY BANK FUNDING

Section 4.1 Liquidity Bank Funding. Prior to the occurrence of an Amortization Event, the outstanding principal balance of each Liquidity Funding shall accrue interest for each day during its Interest Period at either the LIBO Rate or the Alternate Base Rate in accordance with the terms and conditions hereof. Until the Borrower gives notice to the Agent of another Interest Rate in accordance with Section 4.4, the initial Interest Rate for any Loan transferred to the Liquidity Banks by VFCC pursuant to the Liquidity Agreement shall be the Alternate Base Rate (unless the Default Rate is then applicable). If the Liquidity Banks acquire by assignment from VFCC any Loan pursuant to the Liquidity Agreement, each Loan so assigned shall each be deemed to have an Interest Period commencing on the date of any such assignment.

Section 4.2 Interest Payments. On the Settlement Date for each Liquidity Funding, the Borrower agrees to pay to the Agent (for the benefit of the Liquidity Banks) an aggregate amount equal to the accrued and unpaid Interest for the entire Interest Period of each such Liquidity Funding in accordance with Article II.

Section 4.3 Selection and Continuation of Interest Periods.

(a) With consultation from (and approval by) the Agent (which approval shall not be unreasonably withheld or delayed), the Borrower shall from time to time request Interest Periods for the Liquidity Fundings, ***provided that*** if at any time any Liquidity Funding is outstanding, the Borrower shall always request Interest Periods such that at least one Interest Period shall end on the date specified in clause (A) of the definition of Settlement Date.

(b) The Borrower or the Agent, upon notice to and consent by the other received at least three (3) Business Days prior to the end of an Interest Period (the ***"Terminating Tranche"***) for any Liquidity Funding, may, effective on the last day of the Terminating Tranche: (i) divide any such Liquidity Funding into multiple Liquidity Fundings, (ii) combine any such Liquidity Funding with one or more other Liquidity Fundings that have a Terminating Tranche ending on the same day as such Terminating Tranche or (iii) combine any such Liquidity Funding with a new Liquidity Funding to be made by the Liquidity Banks on the day such Terminating Tranche ends.

Section 4.4 Liquidity Bank Interest Rates. The Borrower may select the LIBO Rate or the Alternate Base Rate for each Liquidity Funding. The Borrower shall by 12:00 noon (New York time): (i) at least three (3) Business Days prior to the expiration of any Terminating Tranche with respect to which the LIBO Rate is being requested as a new Interest Rate and (ii) at least one (1) Business Day prior to the expiration of any Terminating Tranche with respect to which the Alternate Base Rate is being requested as a new Interest Rate, give the Agent irrevocable notice of the new Interest Rate for the Liquidity Funding associated with such Terminating Tranche. Until the Borrower gives notice to the Agent of another Interest Rate, the initial Interest Rate for any Loan transferred to the Liquidity Banks pursuant to the Liquidity Agreement shall be the Alternate Base Rate (unless the Default Rate is then applicable).

Section 4.5 Suspension of the LIBO Rate.

(a) If any Liquidity Bank notifies the Agent that it has reasonably determined that funding its Pro Rata Share of the Liquidity Fundings at a LIBO Rate would violate any applicable law, rule, regulation, or directive of any governmental or regulatory authority, whether or not having the force of law, or that (i) deposits of a type and maturity appropriate to match fund its Liquidity Funding at such LIBO Rate are not available or (ii) such LIBO Rate does not accurately reflect the cost of acquiring or maintaining a Liquidity Funding at such LIBO Rate, then the Agent shall suspend the availability of such LIBO Rate and require the Borrower to select the Alternate Base Rate for any Liquidity Funding accruing Interest at such LIBO Rate.

(b) If less than all of the Liquidity Banks give a notice to the Agent pursuant to Section 4.5(a), each Liquidity Bank which gave such a notice shall be obliged, at the request of the Borrower, VFCC or the Agent, to assign all of its rights and obligations hereunder to (i)

another Liquidity Bank or (ii) another funding entity nominated by the Borrower or the Agent that is an Eligible Assignee willing to participate in this Agreement through the Liquidity Termination Date in the place of such notifying Liquidity Bank; ***provided that*** (i) the notifying Liquidity Bank receives payment in full, pursuant to an Assignment Agreement, of all Obligations owing to it (whether due or accrued), and (ii) the replacement Liquidity Bank otherwise satisfies the requirements of Section 12.1(b).

Section 4.6 Default Rate. From and after the occurrence and during the continuation of an Amortization Event, all Liquidity Fundings shall accrue Interest at the Default Rate.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES

Section 5.1 Representations and Warranties of the Loan Parties. Each Loan Party hereby represents and warrants to the Agent and the Lenders, as to itself, as of the date hereof and except for such representations or warranties that are limited to a certain date or period, as of the date of each Advance and as of each Settlement Date that:

(a) Existence and Power. Such Loan Party is a corporation duly organized, validly existing and in good standing under the laws of the state indicated in the preamble to this Agreement, is duly qualified to transact business in every jurisdiction where, by the nature of its business, such qualification is necessary, and where the failure to qualify would have or could reasonably be expected to cause a Material Adverse Effect, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

(b) Power and Authority; Due Authorization, Execution and Delivery. The execution, delivery and performance by such Loan Party of the Transaction Documents to which it is a party (i) are within such Loan Party's corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) require no action by or in respect of or filing with, any governmental body, agency or official, (iv) do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of such Loan Party or of any agreement, judgment, injunction, order, decree or other instrument binding upon such Loan Party or any of its Subsidiaries, and (v) do not result in the creation or imposition of any Adverse Claim on any asset of such Loan Party (except as created hereunder). This Agreement and each other Transaction Document to which such Loan Party is a party has been duly executed and delivered by such Loan Party.

(c) No Bulk Sale. No transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(d) Governmental Authorization. Other than the filing of the financing statements required hereunder, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by such Loan Party of this Agreement and each other Transaction Document to which it is a party and the performance of its obligations hereunder and thereunder.

(e) Actions, Suits. There is no action, suit or proceeding pending, or to the knowledge of such Loan Party overtly threatened in writing, against or affecting such Loan Party or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official which has had or is likely to have a Material Adverse Effect.

(f) Binding Effect. This Agreement constitutes and, when executed and delivered in accordance with this Agreement, each other Transaction Document to which such Loan Party is a party, will constitute valid and binding obligations of such Loan Party enforceable in accordance with their respective terms, ***provided*** that the enforceability hereof and thereof is subject in each case to general principles of equity and to bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

(g) Accuracy of Information. All information heretofore furnished by such Loan Party to the Agent or any of the Lenders for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by such Loan Party to the Agent or any of the Lenders will be, true and accurate in every material respect or based on reasonable estimates on the date as of which such information is stated or certified. Such Loan Party has disclosed to the Agent in writing any and all facts known to its Executive Officers which would have or reasonably would be expected to cause a Material Adverse Effect.

(h) Use of Proceeds. The Borrower is not engaged principally, or as one of its important activities, in the business of purchasing or carrying any Margin Stock, and no part of the proceeds of any Advance will be used to purchase or carry any Margin Stock (except to the extent expressly permitted under the proviso to Section 7.1(i)(L)) or to extend credit to others for the purpose of purchasing or carrying any Margin Stock, or be used for any purpose which violates, or which is inconsistent with, the provisions of Regulation T, U or X.

(i) Good Title. The Borrower (i) is the legal and beneficial owner of the Receivables and (ii) is the legal and beneficial owner of the Related Security with respect thereto or possesses a valid and perfected security interest therein, in each case, free and clear of any Adverse Claim, except for Permitted Encumbrances. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Borrower's ownership interest in each such Receivable, its Collections and the Related Security and the Agent's security interest therein.

(j) Perfection. This Agreement, together with the filing of the financing statements contemplated hereby, is effective to create in favor of the Agent, for the benefit of the Lenders, a valid and perfected security interest in all of the Borrower's right, title and interest in and to each Receivable pledged by it existing and hereafter arising, together with all Collections and Related Security with respect thereto, in each case, free and clear of any Adverse Claim, except for Permitted Encumbrances.

(k) Places of Business and Locations of Records. The principal places of business and chief executive office of each Loan Party and the offices where it keeps all of its

Records are located at the address(es) listed on Exhibit III or such other locations of which the Agent has been notified in accordance with Section 7.2(a) in jurisdictions where all action required by Section 7.2(a) has been taken and completed. The Borrower's Federal Employer Identification Number and Organization Identification Number is correctly set forth on Exhibit III.

(l) Collections. The conditions and requirements set forth in Section 7.1(j) have at all times been satisfied and duly performed. The names and addresses of all Collection Banks, together with the account numbers of the Collection Accounts at each Collection Bank and the post office box number of each Lock-Box, are listed on Exhibit IV. The Borrower has not granted any Person, other than the Agent under Section 8.3 hereof and the Collection Account Agreements dominion and control of any Lock-Box or Collection Account, or the right to take dominion and control of any such Lock-Box or Collection Account at a future time or upon the occurrence of a future event.

(m) Material Adverse Effect. During the period **May 31, 2007** through and including the date of this Agreement, in the good faith judgment of the Executive Officers, no event has occurred that has had or could reasonably be expected to have a Material Adverse Effect.

(n) Names. The name in which the Borrower has executed this Agreement is identical to the name of Borrower as indicated on the public record of its state of organization which shows Borrower to have been organized. In the past five (5) years, the Borrower has not used any corporate names, trade names or assumed names other than the name in which it has executed this Agreement and as listed on Exhibit III.

(o) Not an Investment Company. The Borrower is not an *"investment company"* within the meaning of the Investment Company Act of 1940, as amended, or any successor statute.

(p) Compliance with Law. The Borrower has complied in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. Each Receivable, together with the Contract related thereto, does not contravene any laws, rules or regulations applicable thereto (***including***, ***without limitation***, laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy), and no part of such Contract is in violation of any such law, rule or regulation, except where such contravention or violation could not reasonably be expected to have a Material Adverse Effect.

(q) Compliance with Credit and Collection Policy. The Borrower has complied in all material respects with the Credit and Collection Policy with regard to each Receivable and the related Contract, and has not made any material change to such Credit and Collection Policy, except such material change as to which the Agent has been notified in accordance with Section 7.1(a).

(r) Enforceability of Contracts. Each Contract with respect to each Receivable is effective to create, and has created, a legal, valid and binding obligation of the related Obligor to pay the Outstanding Balance of the Receivable created thereunder and any accrued interest thereon, enforceable against the Obligor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(s) Accounting. The manner in which the Borrower accounts for the transactions contemplated by the Receivables Sale Agreement does not jeopardize the characterization of the transactions contemplated therein as being true sales.

(t) Eligible Receivables. Each Receivable reflected in any Monthly Report as an Eligible Receivable was an Eligible Receivable on the date of such Monthly Report.

(u) Borrowing Limitations. Immediately after giving effect to each Advance and each settlement on any Settlement Date hereunder, the aggregate principal balance of the Advances outstanding is less than or equal to the Borrowing Base, and the Aggregate Principal outstanding is less than or equal to the Aggregate Commitment.

Section 5.2 Liquidity Bank Representations and Warranties. Each Liquidity Bank hereby represents and warrants to the Agent, VFCC and the Loan Parties that:

(a) Existence and Power. Such Liquidity Bank is a banking association duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and has all organizational power to perform its obligations hereunder and under the Liquidity Agreement.

(b) No Conflict. The execution and delivery by such Liquidity Bank of this Agreement and the Liquidity Agreement and the performance of its obligations hereunder and thereunder are within its corporate powers, have been duly authorized by all necessary corporate action, do not contravene or violate (i) its certificate or articles of incorporation or association or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on its assets. This Agreement and the Liquidity Agreement have been duly authorized, executed and delivered by such Liquidity Bank.

(c) Governmental Authorization. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by such Liquidity Bank of this Agreement or the Liquidity Agreement and the performance of its obligations hereunder or thereunder.

(d) Binding Effect. Each of this Agreement and the Liquidity Agreement constitutes the legal, valid and binding obligation of such Liquidity Bank enforceable against such Liquidity Bank in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law).

ARTICLE VI.

CONDITIONS OF ADVANCES

Section 6.1 Conditions Precedent to Initial Advance. The initial Advance under this Agreement is subject to the conditions precedent that (a) the Agent shall have received on or before the date of such Advance those documents listed on Schedule A to the Receivables Sale Agreement and those documents listed on Schedule B to this Agreement, and (b) the Agent shall have received all fees and expenses required to be paid on such date pursuant to the terms of this Agreement and the Fee Letter.

Section 6.2 Conditions Precedent to All Advances. Each Advance and each rollover or continuation of any Advance shall be subject to the further conditions precedent that (a) the Servicer shall have delivered to the Agent on or prior to the date thereof, in form and substance satisfactory to the Agent, all Monthly Reports as and when due under Section 8.5; (b) the Facility Termination Date shall not have occurred; (c) the Agent shall have received such other approvals, opinions or documents as it may reasonably request; and (d) on the date thereof, the following statements shall be true (and acceptance of the proceeds of such Advance shall be deemed a representation and warranty by the Borrower that such statements are then true):

(i) the representations and warranties set forth in Section 5.1 are true and correct in all material respects on and as of the date of such Advance (or such Settlement Date, as the case may be) as though made on and as of such date;

(ii) no event has occurred and is continuing, or would result from such Advance (or the continuation thereof), that will constitute an Amortization Event, and no event has occurred and is continuing, or would result from such Advance (or the continuation thereof), that would constitute an Unmatured Amortization Event; and

(iii) after giving effect to such Advance (or the continuation thereof), the aggregate principal balance of the Advances outstanding to will not exceed the Borrowing Base and the Aggregate Principal outstanding is less than or equal to the Aggregate Commitment.

ARTICLE VII.

COVENANTS

Section 7.1 Affirmative Covenants of the Loan Parties. Until the Final Payout Date, each Loan Party hereby covenants, as to itself, as set forth below:

(a) Financial Reporting. Such Loan Party will maintain, for itself and each of its Subsidiaries, a system of accounting established and administered in accordance with GAAP, and furnish or cause to be furnished to the Agent:

(i) Annual Reporting. As soon as available and in any event within 90 days (or such longer period as may be the subject of an extension granted by the Securities and Exchange Commission) after the end of each Fiscal Year, (A) a consolidated balance sheet of the Performance Guarantor and its Consolidated Subsidiaries as of the end of such Fiscal Year and the related consolidated statements of income, stockholders' equity and cash flows for such Fiscal Year, setting forth in each case in comparative form the figures for the previous fiscal year, all certified by Ernst & Young, LLP or other independent public accountants of nationally recognized standing, with such certification to be free of exceptions and qualifications not acceptable to the Agent, and (B) an unaudited balance sheet and income statement for the Borrower for such Fiscal Year, certified in a manner acceptable to the Agent by the Borrower's chief financial officer.

(ii) Quarterly Reporting. As soon as available and in any event within 45 days (or such longer period as may be the subject of an extension granted by the Securities and Exchange Commission) after the end of each of the first 3 Fiscal Quarters of each Fiscal Year, (A) a consolidated balance sheet of the Performance Guarantor and its Consolidated Subsidiaries as of the end of such Fiscal Quarter and the related statement of income and statement of cash flows for the portion of the Fiscal Year ended at the end of such Fiscal Quarter, setting forth in each case in comparative form the figures for the corresponding Fiscal Quarter and the corresponding portion of the previous Fiscal Year, all certified (subject to normal year-end adjustments) as to fairness of presentation, GAAP and consistency by the chief financial officer or the chief accounting officer of the Performance Guarantor, and (B) an unaudited balance sheet and income statement for the Borrower for such Fiscal Quarter, certified in a manner acceptable to the Agent by the Borrower's chief financial officer.

(iii) Compliance Certificate. Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit V signed by an Authorized Officer of the Performance Guarantor and dated the date of such annual financial statement or such quarterly financial statement, as the case may be.

(iv) Shareholders Statements and Reports. Promptly upon the mailing thereof to the shareholders of the Performance Guarantor generally, copies of all financial statements, reports and proxy statements so mailed.

(v) S.E.C. Filings. Promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and annual, quarterly or monthly reports which the Performance Guarantor shall have filed with the Securities and Exchange Commission.

(vi) Copies of Notices. Promptly upon its receipt of any notice, request for consent, financial statements, certification, report or other communication under or in connection with any Transaction Document from any Person other than the Agent or VFCC, copies of the same.

(vii) Change in Credit and Collection Policy. At least thirty (30) days prior to the effectiveness of any material change in or material amendment to the Credit and Collection Policy, a copy of the Credit and Collection Policy then in effect and a notice (A) indicating such change or amendment, and (B) if such proposed change or amendment would be reasonably likely to adversely affect the collectibility of the Receivables or decrease the credit quality of any newly created Receivables, requesting the Agent's consent thereto.

(viii) Other Information. Promptly, from time to time, such other information, documents, records or reports relating to the Receivables or the condition or operations, financial or otherwise, of such Loan Party as the Agent may from time to time reasonably request in order to protect the interests of the Agent, for the benefit of VFCC, under or as contemplated by this Agreement.

(b) Notices. Such Loan Party will notify the Agent in writing of any of the following promptly upon learning of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:

(i) Amortization Events or Unmatured Amortization Events. Within one (1) Business Day after any Responsible Officer learns thereof, the occurrence of each Amortization Event and each Unmatured Amortization Event, by a statement of an Authorized Officer of such Loan Party.

(ii) Termination Events or Unmatured Termination Events. Within one (1) Business Day after any Responsible Officer learns thereof, the occurrence of each Termination Event and each Unmatured Termination Event, by a statement of an Authorized Officer of ABL.

(iii) Defaults Under Other Agreements. Within one (1) Business Day after any Responsible Officer learns thereof, the occurrence of a default or an event of default under any other financing arrangement pursuant to which any Loan Party is a debtor or an obligor which relates to debt in excess of $25,000,000.

(iv) ERISA Events. If and when any member of the Controlled Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which could reasonably be expected to constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA, a copy of such notice; or (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate or appoint a trustee to administer any Plan, a copy of such notice; provided, however, that each of the foregoing notices shall not be required to be given unless the reportable event, withdrawal liability, plan termination or trustee appointment involved could reasonably be expected to give rise to a liability of more than $1,000,000 on the part of the Performance Guarantor or any of its Subsidiaries.

(v) Termination Date. Within one (1) Business Day after any Responsible Officer learns thereof, the occurrence of the ***"Termination Date"*** under and as defined in the Receivables Sale Agreement.

(vi) Notices under Receivables Sale Agreement. Copies of all notices delivered under the Receivables Sale Agreement.

(c) Compliance with Laws and Preservation of Corporate Existence.

(i) Such Loan Party will comply in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. Such Loan Party will preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where its business is conducted, except (A) where the failure to so preserve and maintain or qualify could not reasonably be expected to have a Material Adverse Effect, and (B) to the extent permitted under Section 7.1(c)(ii) below.

(ii) Notwithstanding anything herein or in any of the other Transaction Documents to the contrary:

(A) ABL or the Parent may merge or consolidate with any other Person *provided* that (1) the surviving corporation is the Parent or a wholly-owned Subsidiary of the Parent, (2) the survivor executes and delivers such Uniform Commercial Code financing statements and other documents as the Administrative Agent may reasonably request in order to maintain the perfection of the interests conveyed under the Transaction Documents and (3) no Amortization Event or Unmatured Amortization Event has occurred and is continued after giving effect to such transaction, and

(B) ABL may merge or consolidate with the Parent *provided* that (1) the Parent is the corporation surviving such merger, (2) the Parent executes and delivers such Uniform Commercial Code financing statements and other documents as the Administrative Agent may reasonably request in order to maintain the perfection of the interests conveyed under the Transaction Documents and (3) no Amortization Event or Unmatured Amortization Event has occurred and is continued after giving effect to such transaction.

(d) Audits. Such Loan Party will furnish to the Agent from time to time such information with respect to it and the Receivables as the Agent may reasonably request. Such Loan Party will, at the sole cost of such Loan Party from time to time upon prior written request of the Agent given (unless an Amortization Event shall have occurred and be continuing) not less than three (3) Business Days prior to a requested visit, permit the Agent, or its agents or representatives (and shall cause each Originator to permit the Agent or its agents or representatives) during normal business hours: (i) to examine and make copies of and abstracts from all Records in the possession or under the control of such Person relating to the Collateral,

including, without limitation, the related Contracts, and (ii) to visit the offices and properties of such Person for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to such Person's financial condition or the Collateral or any Person's performance under any of the Transaction Documents or any Person's performance under the Contracts and, in each case, with any of the officers or employees of the Borrower or the Servicer having knowledge of such matters (each of the foregoing examinations and visits, a ***"Review"***); ***provided, however,*** that, so long as no Amortization Event has occurred and is continuing, (A) the Loan Parties shall only be responsible for the costs and expenses of one (1) Review in any one calendar year, and (B) the Agent will not request more than four (4) Reviews in any one calendar year. To the extent that Agent, in the course of any Review, obtains possession of any Proprietary Information pertaining to any Loan Party or any of its Affiliates, Agent shall handle such information in accordance with the requirements of Section 14.5 hereof.

(e) Keeping and Marking of Records and Books.

(i) The Servicer will (and will cause each Originator to) maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the immediate identification of each new Receivable and all Collections of and adjustments to each existing Receivable). The Servicer will (and will cause each Originator to) give the Agent notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) Such Loan Party will (and will cause each Originator to): (A) on or prior to the date hereof, mark its master data processing records and other books and records relating to the Receivables with a legend, acceptable to the Agent, describing the Agent's security interest in the Collateral and (B) upon the request of the Agent following the occurrence and during the continuance of an Amortization Event: (x) mark each Contract with a legend describing the Agent's security interest and (y) deliver to the Agent all Contracts (including, without limitation, all multiple originals of any such Contract constituting an instrument, a certificated security or chattel paper) relating to the Receivables.

(f) Compliance with Contracts and Credit and Collection Policy. Such Loan Party will (and will cause each Originator to) timely and fully (i) perform and comply in all material respects with all provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables, and (ii) comply in all material respects with the Credit and Collection Policy in regard to each Receivable and the related Contract.

(g) Performance and Enforcement of Receivables Sale Agreement. The Borrower will, and will require each Originator to, perform each of their respective obligations and undertakings under and pursuant to the Receivables Sale Agreement, will purchase Receivables thereunder in strict compliance with the terms of the Receivables Sale Agreement and will vigorously enforce the rights and remedies accorded to the Borrower under the

Receivables Sale Agreement. The Borrower will take all actions to perfect and enforce its rights and interests (and the rights and interests of the Agent, as the Borrower's assignee) under the Receivables Sale Agreement as the Agent may from time to time reasonably request, including, without limitation, making claims to which it may be entitled under any indemnity, reimbursement or similar provision contained in the Receivables Sale Agreement.

(h) Ownership. The Borrower will (or will cause the applicable Originator to) take all necessary action to (i) vest legal and equitable title to the Collateral purchased under the Receivables Sale Agreement irrevocably in the Borrower, free and clear of any Adverse Claims (other than Permitted Encumbrances) including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Borrower's interest in such Collateral and such other action to perfect, protect or more fully evidence the interest of the Borrower therein as the Agent may reasonably request), and (ii) establish and maintain, in favor of the Agent, for the benefit of the Secured Parties, a valid and perfected first priority security interest in all Collateral, free and clear of any Adverse Claims (other than Permitted Encumbrances), including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Agent's (for the benefit of the Secured Parties) security interest in the Collateral and such other action to perfect, protect or more fully evidence the interest of the Agent for the benefit of the Secured Parties as the Agent may reasonably request.

(i) Reliance. The Borrower acknowledges that the Agent and VFCC are entering into the transactions contemplated by this Agreement in reliance upon the Borrower's identity as a legal entity that is separate from the Originator. Therefore, from and after the date of execution and delivery of this Agreement, the Borrower shall take all reasonable steps, including, without limitation, all steps that the Agent or VFCC may from time to time reasonably request, to maintain the Borrower's identity as a separate legal entity and to make it manifest to third parties that the Borrower is an entity with assets and liabilities distinct from those of the Originator and any Affiliates thereof (other than the Borrower) and not just a division of the Originator or any such Affiliate. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, the Borrower will:

(A) conduct its own business in its own name;

(B) compensate all employees, consultants and agents directly, from the Borrower's own funds, for services provided to the Borrower by such employees, consultants and agents and, to the extent any employee, consultant or agent of the Borrower is also an employee, consultant or agent of Originator or any Affiliate thereof, allocate the compensation of such employee, consultant or agent between the Borrower and the Originator or such Affiliate, as applicable, on a basis that reflects the services rendered to the Borrower and the Originator or such Affiliate, as applicable;

(C) clearly identify its offices (by signage or otherwise) as its offices and, if such office is located in the offices of Originator, the Borrower shall lease such office at a fair market rent;

(D) have a separate telephone number, which will be answered only in its name and separate stationery and checks in its own name;

(E) conduct all transactions with each Originator strictly on an arm's-length basis, allocate all overhead expenses (including, without limitation, telephone and other utility charges) for items shared between the Borrower and the Originator on the basis of actual use to the extent practicable and, to the extent such allocation is not practicable, on a basis reasonably related to actual use;

(F) at all times have a Board of Directors consisting of three members, at least one member of which is an Independent Director;

(G) observe all corporate formalities as a distinct entity, and ensure that all corporate actions relating to (A) the selection, maintenance or replacement of the Independent Director, (B) the dissolution or liquidation of the Borrower or (C) the initiation of, participation in, acquiescence in or consent to any bankruptcy, insolvency, reorganization or similar proceeding involving the Borrower, are duly authorized by unanimous vote of its Board of Directors (including the Independent Director);

(H) maintain the Borrower's books and records separate from those of each Originator and any Affiliate thereof and otherwise readily identifiable as its own assets rather than assets of Originator or any Affiliate thereof;

(I) prepare its financial statements separately from those of each Originator and insure that any consolidated financial statements of Originator or any Affiliate thereof that include the Borrower and that are filed with the Securities and Exchange Commission or any other governmental agency have notes clearly stating that the Borrower is a separate corporate entity and that its assets will be available first and foremost to satisfy the claims of the creditors of the Borrower;

(J) except as herein specifically otherwise provided, maintain the funds or other assets of the Borrower separate from, and not commingled with, those of Originator or any Affiliate thereof and only maintain bank accounts or other depository accounts to which the Borrower alone is the account party, into which the Borrower alone makes deposits and from which the Borrower alone (or the Agent hereunder) has the power to make withdrawals;

(K) pay all of the Borrower's operating expenses from the Borrower's own assets (except for certain payments by Originator or other Persons pursuant to allocation arrangements that comply with the requirements of this Section 7.1(i));

(L) operate its business and activities such that: it does not engage in any business or activity of any kind, or enter into any transaction or indenture, mortgage, instrument, agreement, contract, lease or other undertaking, other than the transactions contemplated and authorized by this Agreement and the Receivables Sale Agreement; and does not create, incur, guarantee, assume or suffer to exist any indebtedness or other liabilities, whether direct or contingent, other than (1) as a result of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business,

(2) the incurrence of obligations under this Agreement, (3) the incurrence of obligations, as expressly contemplated in the Receivables Sale Agreement, to make payment to the applicable Originator thereunder for the purchase of Receivables from the Originator under the Receivables Sale Agreement, and (4) the incurrence of operating expenses in the ordinary course of business of the type otherwise contemplated by this Agreement;

(M) maintain its corporate charter in conformity with this Agreement, such that it does not amend, restate, supplement or otherwise modify its Certificate of Incorporation or By-Laws in any respect that would materially impair its ability to comply with the terms or provisions of any of the Transaction Documents, including, without limitation, Section 7.1(i) of this Agreement;

(N) maintain the effectiveness of, and continue to perform under the Receivables Sale Agreement, such that it does not amend, restate, supplement, cancel, terminate or otherwise modify the Receivables Sale Agreement or give any consent, waiver, directive or approval thereunder or waive any default, action, omission or breach under the Receivables Sale Agreement or otherwise grant any indulgence thereunder, without (in each case) the prior written consent of the Agent;

(O) maintain its corporate separateness such that it does not merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions, and except as otherwise contemplated herein) all or substantially all of its assets (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets of, any Person, nor at any time create, have, acquire, maintain or hold any interest in any Subsidiary.

(P) maintain at all times the Required Capital Amount (as defined in the Receivables Sale Agreement) and refrain from making any dividend, distribution, redemption of capital stock or payment of any subordinated indebtedness which would cause the Required Capital Amount to cease to be so maintained; and

(Q) take such other actions as are necessary on its part to ensure that the facts and assumptions set forth in the opinion issued by Kilpatrick Stockton LLP, as counsel for the Borrower, in connection with the closing or initial Advance under this Agreement and relating to substantive consolidation issues, and in the certificates accompanying such opinion, remain true and correct in all material respects at all times.

(j) Collections. Such Loan Party will cause (1) all proceeds from all Lock-Boxes to be directly deposited by a Collection Bank into a Collection Account and (2) each Lock-Box and Collection Account to be subject at all times to a Collection Account Agreement that is in full force and effect. In the event any payments relating to the Collateral are remitted directly to the Borrower or any Affiliate of the Borrower, the Borrower will remit (or will cause all such payments to be remitted) directly to a Collection Bank and deposited into a Collection Account within two (2) Business Days following receipt thereof, and, at all times prior to such remittance, the Borrower will itself hold or, if applicable, will cause such payments to be held in trust for the exclusive benefit of the Agent and VFCC. The Borrower will maintain exclusive ownership, dominion and control (subject to the terms of this Agreement) of each Lock-Box and

Collection Account into which Collections on the Receivables pledged by it are deposited and shall not grant the right to take dominion and control of any such Lock-Box or Collection Account at a future time or upon the occurrence of a future event to any Person, except to the Agent as contemplated by this Agreement.

(k) Taxes. Such Loan Party will file all material tax returns and reports required by law to be filed by it and will promptly pay all material taxes and governmental charges at any time owing, except any such taxes which are not yet delinquent or are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books. The Borrower will pay when due any taxes payable in connection with the Receivables pledged by it, exclusive of taxes on or measured by income or gross receipts of the Agent or VFCC.

(l) Payment to Applicable Originator. With respect to any Receivable purchased by the Borrower from Originator, such sale shall be effected under, and in strict compliance with the terms of, the Receivables Sale Agreement, including, without limitation, the terms relating to the amount and timing of payments to be made to the Originator in respect of the purchase price for such Receivable.

Section 7.2 Negative Covenants of the Loan Parties. Until the Final Payout Date, each Loan Party hereby covenants, as to itself, that:

(a) Name Change, Offices and Records. Such Loan Party will not change its name, identity or structure (within the meaning of any applicable enactment of the UCC), relocate its chief executive office at any time while the location of its chief executive office is relevant to perfection of the Agent's security interest, for the benefit of the Secured Parties, in the Receivables, Related Security and Collections, or change any office where Records are kept unless it shall have: (i) given the Agent at least ten (10) days' prior written notice thereof and (ii) delivered to the Agent all financing statements, instruments and other documents reasonably requested by the Agent in connection with such change or relocation.

(b) Change in Payment Instructions to Obligors. Except as may be required by the Agent pursuant to Section 8.2(b), such Loan Party will not add or terminate any bank as a Collection Bank, or make any change in the instructions to Obligors regarding payments to be made to any Lock-Box or Collection Account, unless the Agent shall have received, at least ten (10) days before the proposed effective date therefor, (i) written notice of such addition, termination or change and (ii) with respect to the addition of a Collection Bank or a Collection Account or Lock-Box, an executed Collection Account Agreement with respect to the new Collection Account or Lock-Box; ***provided, however,*** that the Servicer may make changes in instructions to Obligors regarding payments if such new instructions require such Obligor to make payments to another existing Collection Account.

(c) Modifications to Contracts and Credit and Collection Policy. Such Loan Party will not, and will not permit Originator to, make any material change to the Credit and Collection Policy that could adversely affect the collectibility of the Receivables or decrease the credit quality of any newly created Receivables. Except as provided in Section 8.2(d), the Servicer will not, and will not permit Originator to, extend, amend or otherwise modify the terms of any Receivable or any Contract related thereto other than in accordance with the Credit and Collection Policy.

(d) Sales, Liens. The Borrower will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to, any of the Collateral, or assign any right to receive income with respect thereto (other than Permitted Encumbrances), and the Borrower will defend the right, title and interest of the Secured Parties in, to and under any of the foregoing property, against all claims of third parties claiming through or under the Borrower or Originator (other than Permitted Encumbrances). The Borrower will not create or suffer to exist any mortgage, pledge, security interest, encumbrance, lien, charge or other similar arrangement on any of its inventory.

(e) Use of Proceeds. The Borrower will not use the proceeds of the Advances for any purpose other than (i) paying for Receivables and Related Security under and in accordance with the Receivables Sale Agreement, (ii) making Demand Advances to the Originator at any time prior to the Facility Termination Date while the Originator is acting as a Servicer and no Amortization Event or Unmatured Amortization Event exists and is continuing, (iii) paying its ordinary and necessary operating expenses when and as due, (iv) making Restricted Junior Payments to the extent permitted under this Agreement.

(f) Termination Date Determination. The Borrower will not designate the Termination Date (as defined in the Receivables Sale Agreement), or send any written notice to the applicable Originator in respect thereof, without the prior written consent of the Agent, except with respect to the occurrence of such Termination Date arising pursuant to Section 5.1(d) of the Receivables Sale Agreement.

(g) Restricted Junior Payments. The Borrower will not make any Restricted Junior Payment if after giving effect thereto, the Borrower's Net Worth (as defined in the Receivables Sale Agreement) would be less than the Required Capital Amount (as defined in the Receivables Sale Agreement).

(h) Borrower Indebtedness. The Borrower will not incur or permit to exist any Indebtedness or liability on account of deposits except: (i) the Obligations, and (ii) other current accounts payable arising in the ordinary course of business and not overdue.

(i) Prohibition on Additional Negative Pledges. No Loan Party will enter into or assume any agreement (other than this Agreement, the other Transaction Documents and the Acuity Credit Agreements) prohibiting the creation or assumption of any Adverse Claim upon the Collateral except as contemplated by the Transaction Documents, or otherwise prohibiting or restricting any transaction contemplated hereby or by the other Transaction Documents.

ARTICLE VIII.

ADMINISTRATION AND COLLECTION

Section 8.1 Designation of Servicer.

(a) The servicing, administration and collection of the Receivables shall be conducted by such Person (the ***"Servicer"***) so designated from time to time in accordance with this Section 8.1. ABL is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms of this Agreement. The Agent may at any time following the occurrence of an Amortization Event designate as Servicer any Person to succeed ABL or any successor Servicer ***provided that*** the Rating Agency Condition is satisfied.

(b) Without the prior written consent of the Agent and the Required Liquidity Banks, ABL shall not be permitted to delegate any of its duties or responsibilities as Servicer to any Person other than, with respect to certain Defaulted Receivables, outside collection agencies in accordance with its customary practices.

(c) Notwithstanding any delegation pursuant to the foregoing subsection (b): (i) ABL shall be and remain primarily liable to the Agent and the Lenders for the full and prompt performance of all duties and responsibilities of the Servicer hereunder and (ii) the Agent and the Lenders shall be entitled to deal exclusively with ABL in matters relating to the discharge by the Servicer of its duties and responsibilities hereunder. The Agent and the Lenders shall not be required to give notice, demand or other communication to any Person other than ABL and the Borrower in order for communication to the Servicer and its sub-servicer or other delegate with respect thereto to be accomplished. ABL, at all times that it is the Servicer, shall be responsible for providing any sub-servicer or other delegate of the Servicer with any notice given to the Servicer under this Agreement.

Section 8.2 Duties of Servicer.

(a) ABL, as Servicer (or its successor) shall take or cause to be taken all such actions as may be necessary or advisable to collect each Receivable from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy.

(b) The Servicer will instruct all Obligors to pay all Collections directly to a Lock-Box or Collection Account. The Servicer shall effect a Collection Account Agreement substantially in the form of Exhibit VI with each bank party to a Collection Account at any time. In the case of any remittances received in any Lock-Box or Collection Account that shall have been identified, to the satisfaction of the Servicer, to not constitute Collections or other proceeds of the Receivables or the Related Security, the Servicer shall promptly remit such items to the Person identified to it as being the owner of such remittances. From and after the date the Agent delivers to any Collection Bank a Collection Notice pursuant to Section 8.3, the Agent may request that the Servicer, and the Servicer thereupon promptly shall instruct all Obligors with respect to the Receivables, to remit all payments thereon to a new depositary account specified by the Agent and, at all times thereafter, the Borrower and the Servicer shall not deposit or otherwise credit, and shall not permit any other Person to deposit or otherwise credit to such new depositary account any cash or payment item other than Collections.

(c) The Servicer shall administer the Collections in accordance with the procedures described herein and in Article II. The Servicer shall set aside and hold in trust for the account of the Borrower and the Lenders their respective shares of the Collections in accordance with Article II. The Servicer shall, upon the request of the Agent, segregate, in a manner acceptable to the Agent, all cash, checks and other instruments received by it from time to time constituting Collections from the general funds of the Servicer or the Borrower prior to the remittance thereof in accordance with Article II. If the Servicer shall be required to segregate Collections pursuant to the preceding sentence, the Servicer shall segregate and deposit with a bank designated by the Agent such allocable share of Collections of Receivables set aside for the Lenders on the first Business Day following receipt by the Servicer of such Collections, duly endorsed or with duly executed instruments of transfer.

(d) The Servicer may, in accordance with the Credit and Collection Policy, extend the maturity of any Receivable for which the Servicer is responsible or adjust the Outstanding Balance of any such Receivable as the Servicer determines to be appropriate to maximize Collections thereof; ***provided, however,*** that such extension or adjustment shall not alter the status of such Receivable as a Delinquent Receivable or Defaulted Receivable or limit the rights of the Agent or the Lenders under this Agreement. Notwithstanding anything to the contrary contained herein, from and after the occurrence of an Amortization Event, the Agent shall have the absolute and unlimited right to direct the applicable Servicer to commence or settle any legal action with respect to any Receivable or to foreclose upon or repossess any Related Security; ***provided that*** (i) in lieu of commencing any such action or taking other enforcement action, the Servicer may, at its option, elect to pay to the Agent an amount equal to the Outstanding Balance of such Receivable and (ii) no Servicer shall, unless indemnified to its satisfaction by the Lenders, be obligated to commence or take any legal action that is in contravention of applicable law or regulation, or to settle any action that would entail an admission by any Servicer, Borrower or Originator of legal wrongdoing or culpability or require the payment of damages by Originator or Servicer to any third party.

(e) The Servicer shall hold in trust for the Borrower and the Lenders all Records that (i) evidence or relate to the Receivables, the related Contracts and Related Security or (ii) are otherwise necessary or desirable to collect the Receivables and shall, as soon as practicable upon demand of the Agent at any time when an Amortization Event exists, deliver or make available to the Agent all such Records, at a place selected by the Agent. The Servicer shall, as soon as practicable following receipt thereof turn over to the Borrower any cash collections or other cash proceeds received with respect to Indebtedness not constituting Receivables. The Servicer shall, from time to time at the request of any Lender, furnish to the Lenders (promptly after any such request) a calculation of the amounts set aside for the Lenders pursuant to Article II.

(f) Any payment by an Obligor in respect of any indebtedness owed by it to Originator or the Borrower shall, except as otherwise specified by such Obligor or otherwise required by contract or law and unless otherwise instructed by the Agent, be applied as a Collection of any Receivable of such Obligor (starting with the oldest such Receivable) to the extent of any amounts then due and payable thereunder before being applied to any other receivable or other obligation of such Obligor.

Section 8.3 Collection Notices. The Agent is authorized at any time after the occurrence and during the continuance of an Amortization Event to date and to deliver to the Collection Banks the Collection Notices. The Borrower hereby transfers to the Agent for the benefit of the Lenders, effective when the Agent delivers such notice, the exclusive ownership and control of each Lock-Box and the Collection Accounts. In case any authorized signatory of the Borrower whose signature appears on a Collection Account Agreement shall cease to have such authority before the delivery of such notice, such Collection Notice shall nevertheless be valid as if such authority had remained in force. The Borrower hereby authorizes the Agent, and agrees that the Agent shall be entitled (i) at any time after delivery of the Collection Notices, to endorse the Borrower's name on checks and other instruments representing Collections, (ii) at any time after the occurrence and during the continuance of an Amortization Event, to enforce the Receivables, the related Contracts and the Related Security, and (iii) at any time after the occurrence and during the continuance of an Amortization Event, to take such action as shall be necessary or desirable to cause all cash, checks and other instruments constituting Collections of Receivables to come into the possession of the Agent rather than Borrower.

Section 8.4 Responsibilities of Borrower. Anything herein to the contrary notwithstanding, the exercise by the Agent and the Lenders of their rights hereunder shall not release the Servicer, the Originator or the Borrower from any of its duties or obligations with respect to any Receivables or under the related Contracts. The Lenders shall have no obligation or liability with respect to any Receivables or related Contracts, nor shall any of them be obligated to perform the obligations of the Borrower or Originator.

Section 8.5 Monthly Reports. The Servicer shall prepare and forward to the Agent (i) on each Monthly Reporting Date, a Monthly Report and an electronic file of the data contained therein and (ii) at such times as the Agent shall request, a listing by Obligor of all Receivables together with an aging of such Receivables; provided, however, that if an Amortization Event shall exist and be continuing, the Agent may request a Monthly Report be prepared and forwarded to the Agent more frequently than monthly.

Section 8.6 Servicing Fee. As compensation for the Servicer's servicing activities on their behalf, the Borrower hereby agrees to pay the Servicer the Servicing Fee in arrears on each Settlement Date. Notwithstanding the fact that Sections 2.2 and 2.3 authorize the Servicer to deduct the Servicing Fee from Collections, the Borrower is and shall remain the Persons ultimately responsible for paying the Servicing Fee and other costs of servicing the Receivables.

ARTICLE IX.

AMORTIZATION EVENTS

Section 9.1 Amortization Events. The occurrence of any one or more of the following events shall constitute an Amortization Event:

(a) Any Loan Party or Performance Guarantor shall fail to make any payment or deposit required to be made by it under the Transaction Documents when due and, for any such payment or deposit which is not in respect of principal, such failure continues for two (2) consecutive Business Days.

(b) Any representation, warranty, certification or statement made by Performance Guarantor or any Loan Party in any Transaction Document to which it is a party or in any other document delivered pursuant thereto shall prove to have been incorrect in any material respect when made or deemed made (it being understood and agreed that any error or omission which results in the aggregate principal balance of the Advances outstanding exceeding the Borrowing Base or the Aggregate Principal outstanding to exceed the Aggregate Commitment shall *per se* constitute a material error).

(c) Any Loan Party or Performance Guarantor shall fail to perform or observe any covenant contained in Section 7.1(b), 7.1(j), 7.2 or 8.5 when due.

(d) Any Loan Party or Performance Guarantor shall fail to perform or observe any other term, covenant or agreement hereunder or any other Transaction Document (other than a term, covenant or agreement covered by another clause of this Section 9.1) to which it is a party and such failure shall continue for and such failure shall not have been cured within 30 days after the earlier to occur of (i) written notice thereof has been given by such Loan Party or Performance Guarantor to Agent or (ii) an Executive Officer of such Loan Party or Performance Guarantor otherwise becomes aware of any such failure; ***provided, however,*** that, except in the case of a failure to perform or observe Section 7.1(a)(vii), such cure period shall be extended for a period of time, not to exceed an additional 30 days, reasonably sufficient to permit such Loan Party or Performance Guarantor to cure such failure if such failure cannot be cured within the initial 30-day period but reasonably could be expected to be capable of cure within such additional 30 days, such Loan Party or Performance Guarantor has commenced efforts to cure such failure during the initial 30-day period and such Loan Party or Performance Guarantor is diligently pursuing such cure.

(e) Failure of the Borrower to pay any Debt (other than the Obligations) when due or the default by the Borrower in the performance of any term, provision or condition contained in any agreement under which any such Debt was created or is governed, the effect of which is to cause, or to permit the holder or holders of such Debt to cause, such Debt to become due prior to its stated maturity; or any such Debt of the Borrower shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof.

(f) An Event of Bankruptcy shall occur with respect to Parent or any of its Material Subsidiaries.

(g) As at the end of any Calculation Period:

(i) the three-month rolling average Delinquency Ratio shall exceed 4.25%,

(ii) the three-month rolling average Default Ratio shall exceed 2.55%, or

(iii) the three-month rolling average Dilution Ratio shall exceed 8.00%.

(h) A Change of Control shall occur.

(i) One or more final judgments for the payment of money in an aggregate amount of $11,600 or more shall be entered against Borrower.

(j) The occurrence of any ***"Termination Event"*** or of the ***"Termination Date"*** (as each of the foregoing is defined in the Receivables Sale Agreements).

(k) This Agreement shall terminate in whole or in part (except in accordance with its terms), or shall cease to be effective or to be the legally valid, binding and enforceable obligation of Borrower, or any Obligor shall directly or indirectly contest in any manner such effectiveness, validity, binding nature or enforceability, or the Agent for the benefit of VFCC shall cease to have a valid and perfected first priority (except for Permitted Encumbrances) security interest in the Collateral.

(l) The Internal Revenue Service shall commence enforcement of any federal tax lien under Section 6323 of the Tax Code against any of the Collateral, or the PBGC shall commence enforcement any lien under Section 4068 of ERISA against any of the Collateral.

(m) Any event shall occur which materially and adversely impairs (i) the ability of the Originators to originate Receivables of a credit quality that is at least equal to the credit quality of the Receivables sold or contributed to the Borrower on the date of this Agreement or (ii) the legality, validity or enforceability of this Agreement or any other Transaction Document, (iii) the Agent's security interest, for the benefit of the Secured Parties, in the Receivables generally or in any significant portion of the Receivables, the Related Security or the Collections with respect thereto.

(n) On any Settlement Date, after giving effect to the turnover of Collections by the Servicer on such date and the application thereof to the Obligations in accordance with this Agreement, the aggregate principal balance of the Advances outstanding to the Borrower shall exceed the Borrowing Base or the Aggregate Principal shall exceed the Aggregate Commitment.

(o) Either of the Performance Undertakings shall cease to be effective or to be the legally valid, binding and enforceable obligation of Performance Guarantor, or Performance Guarantor shall directly or indirectly contest in any manner such effectiveness, validity, binding nature or enforceability of its obligations thereunder.

Section 9.2 Remedies. Upon the occurrence and during the continuation of an Amortization Event, the Agent may, or upon the direction of the Required Liquidity Banks shall, upon notice to the Borrower and the Servicer, take any of the following actions: (i) replace each Person then acting as a Servicer (ii) declare the Amortization Date to have occurred, whereupon

the Aggregate Commitment shall immediately terminate and the Amortization Date shall forthwith occur, all without demand, protest or further notice of any kind, all of which are hereby expressly waived by each Loan Party; ***provided, however,*** that upon the occurrence of an Event of Bankruptcy with respect to any Loan Party, the Amortization Date shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by each Loan Party, (iii) deliver the Collection Notices to the Collection Banks, (iv) exercise all rights and remedies of a secured party upon default under the UCC and other applicable laws, and (v) notify Obligors of the Agent's security interest in the Receivables and other Collateral. The aforementioned rights and remedies shall be without limitation, and shall be in addition to all other rights and remedies of the Agent and the Lenders otherwise available under any other provision of this Agreement, by operation of law, at equity or otherwise, all of which are hereby expressly preserved, including, without limitation, all rights and remedies provided under the UCC, all of which rights shall be cumulative.

ARTICLE X.

INDEMNIFICATION

Section 10.1 Indemnities by the Loan Parties. Without limiting any other rights that the Agent or any Lender may have hereunder or under applicable law, (A) the Borrower hereby agrees to indemnify (and pay upon demand to) the Agent, VFCC, each of the Liquidity Banks and each of the respective assigns, officers, directors, agents and employees of the foregoing (each, an ***"Indemnified Party"***) from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including actual and reasonable attorneys' fees (which attorneys may be employees of the Agent or such Lender) and disbursements (all of the foregoing being collectively referred to as ***"Indemnified Amounts"***) awarded against or actually incurred by any of them arising out of or as a result of this Agreement or the acquisition, either directly or indirectly, by a Lender of an interest in the Receivables, and (B) the Servicer hereby agrees to indemnify (and pay upon demand to) each Indemnified Party for Indemnified Amounts awarded against or incurred by any of them arising out of the Servicer's activities as Servicer hereunder ***excluding, however,*** in all of the foregoing instances under the preceding clauses (A) and (B):

(a) Indemnified Amounts to the extent a final judgment of a court of competent jurisdiction holds that such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of any Indemnified Party seeking indemnification or by reason of such Indemnified Party's breach of its obligations hereunder or other legal duty;

(b) Indemnified Amounts to the extent the same includes losses in respect of Receivables that are uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor; or

(c) taxes imposed by the jurisdiction in which such Indemnified Party's principal executive office is located (including, without limitation, in the case of the Agent or VFCC, the States of North Carolina and Georgia), on or measured by the overall net income of such Indemnified Party to the extent that the computation of such taxes is

consistent with the characterization for income tax purposes of the acquisition by the Lenders of Loans as a loan or loans by the Lenders to the Borrower secured by the Receivables, the Related Security, the Collection Accounts and the Collections;

provided, however, that nothing contained in this sentence shall limit the liability of any Loan Party or limit the recourse of the Lenders to any Loan Party for amounts otherwise specifically provided to be paid by such Loan Party under the terms of this Agreement. Without limiting the generality of the foregoing indemnification, the Borrower shall indemnify the Agent and the Lenders for Indemnified Amounts (including, without limitation, losses in respect of uncollectible receivables, regardless of whether reimbursement therefor would constitute recourse to the Borrower or the Servicer) relating to or resulting from:

(i) any representation or warranty made by any Loan Party or Originator (or any officers of any such Person) under or in connection with this Agreement, any other Transaction Document or any other information or report delivered by any such Person pursuant hereto or thereto, which shall have been false or incorrect when made or deemed made;

(ii) the failure by the Borrower, Servicer or Originator to comply with any applicable law, rule or regulation with respect to any Receivable or Contract related thereto, or the nonconformity of any Receivable or Contract included therein with any such applicable law, rule or regulation or any failure of Originator to keep or perform any of its obligations, express or implied, with respect to any Contract;

(iii) any failure of the Borrower, Servicer or Originator to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement or any other Transaction Document;

(iv) any products liability, personal injury or damage suit, or other similar claim arising out of or in connection with merchandise, insurance or services that are the subject of any Contract or any Receivable;

(v) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or service related to such Receivable or the furnishing or failure to furnish such merchandise or services;

(vi) the commingling of Collections of Receivables at any time with other funds;

(vii) any investigation, litigation or proceeding related to or arising from this Agreement or any other Transaction Document, the transactions contemplated hereby, the use of the proceeds of any Advance, the Collateral or any other investigation, litigation or proceeding relating to the Borrower, Servicer or Originator in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby;

(viii) any inability to litigate any claim against any Obligor in respect of any Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

(ix) any Amortization Event;

(x) any failure of the Borrower to acquire and maintain legal and equitable title to, and ownership of any of the Collateral from the applicable Originator, free and clear of any Adverse Claim (other than as created hereunder); or any failure of the Borrower to give reasonably equivalent value to the applicable Originator under the applicable Receivables Sale Agreement in consideration of the transfer by the Originator of any Receivable, or any attempt by any Person to void such transfer under statutory provisions or common law or equitable action;

(xi) any failure to vest and maintain vested in the Agent for the benefit of the Lenders, or to transfer to the Agent for the benefit of the Secured Parties, a valid first priority perfected security interests in the Collateral, free and clear of any Adverse Claim (except as created by the Transaction Documents);

(xii) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Collateral, and the proceeds thereof, whether at the time of any Advance or at any subsequent time;

(xiii) any action or omission by any Loan Party which reduces or impairs the rights of the Agent or the Lenders with respect to any Collateral or the value of any Collateral (for any reason other than the application of Collections thereto or charge-off of any Receivable as uncollectible);

(xiv) any attempt by any Person to void any Advance or the Agent's security interest in the Collateral under statutory provisions or common law or equitable action; and

(xv) the failure of any Receivable included in the calculation of the Net Pool Balance as an Eligible Receivable to be an Eligible Receivable at the time so included.

Section 10.2 Increased Cost and Reduced Return.

(a) If after the date hereof, any Funding Source shall be charged any fee, expense or increased cost on account of any Regulatory Change: (i) that subjects any Funding Source to any charge or withholding on or with respect to any Funding Agreement or a Funding Source's obligations under a Funding Agreement, or on or with respect to the Receivables, or changes the basis of taxation of payments to any Funding Source of any amounts payable under any Funding Agreement (except for changes in the rate of tax on the overall net income of a Funding Source or taxes excluded by Section 10.1) or (ii) that imposes, modifies or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of a Funding Source, or credit extended by a Funding Source pursuant to a Funding Agreement or (iii) that imposes any other condition the

result of which is to increase the cost to a Funding Source of performing its obligations under a Funding Agreement, or to reduce the rate of return on a Funding Source's capital as a consequence of its obligations under a Funding Agreement, or to reduce the amount of any sum received or receivable by a Funding Source under a Funding Agreement or to require any payment calculated by reference to the amount of interests or loans held or interest received by it, then, upon written demand by the Agent no later than ninety (90) days after the adoption of such Regulatory Change, the Borrower agrees to pay to the Agent, for the benefit of the relevant Funding Source, such amounts charged to such Funding Source or such amounts to otherwise compensate such Funding Source for such increased cost or such reduction. In the event that the Agent fails to give the Borrower notice within the ninety (90) day time limitation prescribed above, the Borrower shall have no obligation to pay such claim for compensation hereunder. The Borrower shall have no obligation to pay any amount with respect to claims accruing under this Section 10.2(a) prior to the 90th day preceding written demand therefor from Agent.

(b) The Agent and each Funding Source agrees, if requested by the Borrower, it will use reasonable efforts (subject to the overall policy considerations of such Funding Source) to designate an alternate lending office with respect to Loans affected by any of the matters or circumstances prescribed in Section 10.2(a) hereof in order to reduce the liability of the Borrower or avoid the results provided thereunder, so long as such designation is not disadvantageous to such Funding Source as determined by such Funding Source, which determination, if made in good faith, shall be conclusive and binding on all parties hereto. Nothing in this Section 10.2(b) shall affect or postpone any of the obligation of the Borrower hereunder or any right of any Funding Source hereunder

Section 10.3 Other Costs and Expenses. The Borrower agrees to pay to the Agent and VFCC on demand all reasonable costs and out-of-pocket expenses actually incurred in connection with the preparation, execution, delivery and administration of this Agreement, the transactions contemplated hereby and the other documents to be delivered hereunder, including without limitation, the cost of VFCC's auditors auditing the books, records and procedures of the Borrower, reasonable fees and out-of-pocket expenses of legal counsel for VFCC and the Agent (which such counsel may be employees of VFCC or the Agent) with respect thereto and with respect to advising VFCC and the Agent as to their respective rights and remedies under this Agreement. The Borrower agrees to pay to the Agent on demand any and all reasonable costs and expenses of the Agent and the Lenders, if any, including reasonable counsel fees and expenses, actually incurred in connection with the amendment, waiver or enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following an Amortization Event. The Borrower agrees to reimburse VFCC on demand for all other reasonable costs and expenses actually incurred by VFCC (***"Other Costs"***), including, without limitation, the cost of auditing VFCC's books by certified public accountants, the cost of rating the Commercial Paper by independent financial rating agencies, and the reasonable fees and out-of-pocket expenses of counsel for VFCC or any counsel for any shareholder of VFCC with respect to advising VFCC or such shareholder as to matters relating to VFCC's operations.

Section 10.4 Allocations. VFCC shall allocate the liability for (a) increased costs covered by Section 10.2 arising under Funding Agreements that are not specifically related solely to this Agreement (***"Shared Increased Costs"***) and (b) Other Costs among the Borrower and other Persons with whom VFCC has entered into agreements to purchase interests in or finance receivables and other financial assets (***"Other Customers"***). If any Other Costs are attributable to the Borrower and not attributable to any Other Customer or any Shared Increased Costs are attributable to the facility evidenced by this Agreement and not to any Other Customers' facilities, the Borrower shall be solely liable for such Other Costs or Shared Increased Costs. However, if Other Costs or Shared Increased Costs are attributable to Other Customers and their facilities but not attributable to Borrower or the facility evidenced hereby, such Other Customer shall be solely liable for such Other Costs or Shared Increased Costs, as the case may be. All allocations to be made pursuant to the foregoing provisions of this Article X shall be made by VFCC in its sole discretion and shall be binding on the Borrower and the Servicer.

ARTICLE XI.

THE AGENT

Section 11.1 Authorization and Action. Each Lender hereby designates and appoints Wachovia to act as its agent under the Transaction Documents and under the Liquidity Agreement, and authorizes the Agent to take such actions as agent on its behalf and to exercise such powers as are delegated to the Agent by the terms of the Liquidity Agreement or the Transaction Documents, together with such powers as are reasonably incidental thereto. The Agent shall not have any duties or responsibilities, except those expressly set forth in the Liquidity Agreement or in any Transaction Document, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of the Agent shall be read into the Liquidity Agreement or any Transaction Document or otherwise exist for the Agent. In performing its functions and duties under the Liquidity Agreement and the Transaction Documents, the Agent shall act solely as agent for the Lenders and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for any Loan Party or any of such Loan Party's successors or assigns. The Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to the Liquidity Agreement or any Transaction Document or applicable law. The appointment and authority of the Agent hereunder shall terminate upon the indefeasible payment in full of all Obligations. Each Lender hereby authorizes the Agent to execute each of the UCC financing statements, each Collection Account Agreement on behalf of such Lender (the terms of which shall be binding on such Lender).

Section 11.2 Delegation of Duties. The Agent may execute any of its duties under the Liquidity Agreement and each Transaction Document by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section 11.3 Exculpatory Provisions. Neither the Agent nor any of its directors, officers, agents or employees shall be (i) liable for any action lawfully taken or omitted to be taken by it or them under or in connection with the Liquidity Agreement or any Transaction Document (except for its, their or such Person's own gross negligence or willful misconduct), or

(ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Loan Party contained in the Liquidity Agreement, any Transaction Document or any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, any Transaction Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of the Liquidity Agreement or any Transaction Document or any other document furnished in connection therewith, or for any failure of any Loan Party to perform its obligations under any Transaction Document, or for the satisfaction of any condition specified in Article VI, or for the perfection, priority, condition, value or sufficiency of any collateral pledged in connection herewith. The Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, any Transaction Document, or to inspect the properties, books or records of the Loan Parties. The Agent shall not be deemed to have knowledge of any Amortization Event or Unmatured Amortization Event unless the Agent has received notice from a Loan Party or a Lender.

Section 11.4 Reliance by Agent. The Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Agent. The Agent shall in all cases be fully justified in failing or refusing to take any action under the Liquidity Agreement or any Transaction Document unless it shall first receive such advice or concurrence of VFCC or the Required Liquidity Banks or all of the Lenders, as applicable, as it deems appropriate and it shall first be indemnified to its satisfaction by the Lenders, ***provided that*** unless and until the Agent shall have received such advice, the Agent may take or refrain from taking any action, as the Agent shall deem advisable and in the best interests of the Lenders. The Agent shall in all cases be fully protected in acting, or in refraining from acting, in accordance with a request of VFCC or the Required Liquidity Banks or all of the Lenders, as applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders.

Section 11.5 Non-Reliance on Agent and Other Lenders. Each Lender expressly acknowledges that neither the Agent, nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by the Agent hereafter taken, including, without limitation, any review of the affairs of any Loan Party, shall be deemed to constitute any representation or warranty by the Agent. Each Lender represents and warrants to the Agent that it has and will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Borrower and made its own decision to enter into the Liquidity Agreement, the Transaction Documents and all other documents related thereto.

Section 11.6 Reimbursement and Indemnification. The Liquidity Banks agree to reimburse and indemnify the Agent and its officers, directors, employees, representatives and agents ratably according to their Pro Rata Shares, to the extent not paid or reimbursed by the Loan Parties (i) for any amounts for which the Agent, acting in its capacity as Agent, is entitled to reimbursement by the Loan Parties hereunder and (ii) for any other expenses incurred by the Agent, in its capacity as Agent and acting on behalf of the Lenders, in connection with the administration and enforcement of the Liquidity Agreement and the Transaction Documents.

Section 11.7 Agent in its Individual Capacity. The Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower or any Affiliate of the Borrower as though the Agent were not the Agent hereunder. With respect to the making of Loans pursuant to this Agreement, the Agent shall have the same rights and powers under the Liquidity Agreement and this Agreement in its individual capacity as any Lender and may exercise the same as though it were not the Agent, and the terms ***"Liquidity Bank," "Lender," "Liquidity Banks"*** and ***"Lenders"*** shall include the Agent in its individual capacity.

Section 11.8 Successor Agent. The Agent, upon five (5) days' notice to the Loan Parties and the Lenders, may voluntarily resign and may be removed at any time, with or without cause, by the Required Liquidity Banks; ***provided, however,*** that Wachovia shall not voluntarily resign as the Agent so long as any of the Liquidity Commitments remain in effect or VFCC has any outstanding Loans. If the Agent (other than Wachovia) shall voluntarily resign or be removed as Agent under this Agreement, then the Required Liquidity Banks during such five-day period shall appoint, with the consent of the Borrower from among the remaining Liquidity Banks, a successor Agent, whereupon such successor Agent shall succeed to the rights, powers and duties of the Agent and the term "Agent" shall mean such successor agent, effective upon its appointment, and the former Agent's rights, powers and duties as Agent shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement. Upon resignation or replacement of any Agent in accordance with this Section 11.8, the retiring Agent shall execute such UCC-3 assignments and amendments, and assignments and amendments of the Liquidity Agreement and the Transaction Documents, as may be necessary to give effect to its replacement by a successor Agent. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article XI and Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

ARTICLE XII.

ASSIGNMENTS; PARTICIPATIONS

Section 12.1 Assignments.

(a) Each of the Agent, the Loan Parties and the Liquidity Banks hereby agrees and consents to the complete or partial assignment by VFCC of all or any portion of its rights under, interest in, title to and obligations under this Agreement to the Liquidity Banks pursuant to the Liquidity Agreement.

(b) Any Liquidity Bank may at any time and from time to time assign to one or more Eligible Assignees (each, a ***"Purchasing Liquidity Bank"***) all or any part of its rights and obligations under this Agreement pursuant to an assignment agreement substantially in the form set forth in Exhibit VII hereto (an ***"Assignment Agreement"***) executed by such Purchasing Liquidity Bank and such selling Liquidity Bank; ***provided, however,*** that any assignment of a Liquidity Bank's rights and obligations hereunder shall include a pro rata assignment of its rights and obligations under the Liquidity Agreement. The consent of VFCC (and, if no Amortization Event then exists, the Borrower, which consent shall not be unreasonably withheld or delayed) shall be required prior to the effectiveness of any such assignment. Each assignee of a Liquidity Bank must (i) be an Eligible Assignee and (ii) agree to deliver to the Agent, promptly following any request therefor by the Agent or VFCC, an enforceability opinion in form and substance satisfactory to the Agent and VFCC. Upon delivery of an executed Assignment Agreement to the Agent, such selling Liquidity Bank shall be released from its obligations hereunder and under the Liquidity Agreement to the extent of such assignment. Thereafter the Purchasing Liquidity Bank shall for all purposes be a Liquidity Bank party to this Agreement and the Liquidity Agreement and shall have all the rights and obligations of a Liquidity Bank hereunder and thereunder to the same extent as if it were an original party hereto and thereto and no further consent or action by the Borrower, the Lenders or the Agent shall be required. The Agent shall give the Borrower and the Servicer prior notice of each assignment made under this Section.

(c) Each of the Liquidity Banks agrees that in the event that it shall suffer a Downgrading Event, such Downgraded Liquidity Bank shall be obliged to notify the Agent, the Borrower and the Servicer thereof and shall be obliged, at the request of VFCC or the Agent, to (i) collateralize its Commitment and its Liquidity Commitment in a manner acceptable to the Agent, or (ii) assign all of its rights and obligations hereunder and under the Liquidity Agreement to an Eligible Assignee nominated by the Agent or a Loan Party and acceptable to VFCC (and, if no Amortization Event then exists, the Borrower, which consent shall not be unreasonably withheld or delayed) and willing to participate in this Agreement and the Liquidity Agreement through the Liquidity Termination Date in the place of such Downgraded Liquidity Bank; ***provided that*** the Downgraded Liquidity Bank receives payment in full, pursuant to an Assignment Agreement, of an amount equal to such Liquidity Bank's Pro Rata Share of the Obligations owing to the Liquidity Banks.

(d) No Loan Party may assign any of its rights or obligations under this Agreement without the prior written consent of the Agent and each of the Lenders and without satisfying the Rating Agency Condition.

Section 12.2 Participations. Any Liquidity Bank may, in the ordinary course of its business at any time sell to one or more Persons (each, a ***"Participant"***) participating interests in its Pro Rata Share of the Aggregate Commitment, its Loans, its Liquidity Commitment or any other interest of such Liquidity Bank hereunder or under the Liquidity Agreement. Notwithstanding any such sale by a Liquidity Bank of a participating interest to a Participant, such Liquidity Bank's rights and obligations under this Agreement and the Liquidity Agreement shall remain unchanged, such Liquidity Bank shall remain solely responsible for the performance of its obligations hereunder and under the Liquidity Agreement, and the Loan Parties, VFCC and the Agent shall continue to deal solely and directly with such Liquidity Bank in connection with such Liquidity Bank's rights and obligations under this Agreement and the Liquidity Agreement. Each Liquidity Bank agrees that any agreement between such Liquidity Bank and any such Participant in respect of such participating interest shall not restrict such Liquidity Bank's right to agree to any amendment, supplement, waiver or modification to this Agreement, except for any amendment, supplement, waiver or modification described in Section 14.1(b)(i).

ARTICLE XIII.

SECURITY INTEREST

Section 13.1 Grant of Security Interest. To secure the due and punctual payment of the Obligations, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, including, without limitation, all Indemnified Amounts, in each case pro rata according to the respective amounts thereof, the Borrower hereby grants to the Agent, for the benefit of the Secured Parties, a security interest in, all of the Borrower's right, title and interest, whether now owned and existing or hereafter arising in and to all of the Receivables, the Related Security, the Collections and all proceeds of the foregoing (collectively, the ***"Collateral"***).

Section 13.2 Termination after Final Payout Date. Each of the Secured Parties hereby authorizes the Agent, and the Agent hereby agrees, promptly after the Final Payout Date to deliver to the Borrower authorization to file such UCC termination statements as may be necessary to terminate the Agent's security interest in and Lien upon the Collateral, all at Borrower's expense. Upon the Final Payout Date, all right, title and interest of the Agent and the other Secured Parties in and to the Collateral shall terminate.

ARTICLE XIV.

MISCELLANEOUS

Section 14.1 Waivers and Amendments.

(a) No failure or delay on the part of the Agent or any Lender in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing in accordance with the provisions of this Section 14.1(b). VFCC, the Borrower and the Agent, at the direction of the Required Liquidity Banks, may enter into written modifications or waivers of any provisions of this Agreement, ***provided, however,*** that no such modification or waiver shall:

(i) without the consent of each affected Lender, (A) extend the Liquidity Termination Date or the date of any payment or deposit of Collections by the Borrower or the Servicer, (B) reduce the rate or extend the time of payment of Interest or any CP Costs (or any component of Interest or CP Costs), (C) reduce any fee payable to the Agent for the benefit of the Lenders, (D) except pursuant to Article XII hereof, change the amount of the principal of any Lender, any Liquidity Bank's Pro Rata Share or any Liquidity Bank's Commitment, (E) amend, modify or waive any provision of the definition of Required Liquidity Banks or this Section 14.1(b), (F) consent to or permit the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement, (G) change the definition of ***"Eligible Receivable," "Loss Reserve," "Dilution Reserve," "Yield Reserve," "Servicing Reserve," "Servicing Fee Rate," "Required Reserve"*** or ***"Required Reserve Factor Floor"*** or (H) amend or modify any defined term (or any defined term used directly or indirectly in such defined term) used in clauses (A) through (G) above in a manner that would circumvent the intention of the restrictions set forth in such clauses; or

(ii) without the written consent of the then Agent, amend, modify or waive any provision of this Agreement if the effect thereof is to affect the rights or duties of such Agent,

and any material amendment, waiver or other modification of this Agreement shall require satisfaction of the Rating Agency Condition. Notwithstanding the foregoing, (i) without the consent of the Liquidity Banks, but with the consent of the Borrower, the Agent may amend this Agreement solely to add additional Persons as Liquidity Banks hereunder and (ii) the Agent, the Required Liquidity Banks and VFCC may enter into amendments to modify any of the terms or provisions of Article XI, Article XII, Section 14.13 or any other provision of this Agreement without the consent of the Borrower, ***provided that*** such amendment has no negative impact upon the Borrower. Any modification or waiver made in accordance with this Section 14.1 shall apply to each of the Lenders equally and shall be binding upon the Borrower, the Servicer, the Lenders and the Agent.

Section 14.2 Notices. Except as provided in this Section 14.2, all communications and notices provided for hereunder shall be in writing (including bank wire, telecopy or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or telecopy numbers set forth on the signature pages hereof or at such other address or telecopy number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto. Each such notice or other communication shall be effective (i) if given by telecopy, upon the receipt thereof, (ii) if given by mail, three (3) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (iii) if

given by any other means, when received at the address specified in this Section 14.2. The Borrower hereby authorizes the Agent to effect Advances and Interest Period and Interest Rate selections based on telephonic notices made by any Person whom the Agent in good faith believes to be acting on behalf of the Borrower. The Borrower agrees to deliver promptly to the Agent a written confirmation of each telephonic notice signed by an authorized officer of the Borrower; ***provided, however,*** the absence of such confirmation shall not affect the validity of such notice. If the written confirmation differs from the action taken by the Agent, the records of the Agent shall govern absent manifest error.

Section 14.3 Ratable Payments. If any Lender, whether by setoff or otherwise, has payment made to it with respect to any portion of the Obligations owing to such Lender (other than payments received pursuant to Section 10.2 or 10.3) in a greater proportion than that received by any other Lender entitled to receive a ratable share of such Obligations, such Lender agrees, promptly upon demand, to purchase for cash without recourse or warranty a portion of such Obligations held by the other Lenders so that after such purchase each Lender will hold its ratable proportion of such Obligations; ***provided that*** if all or any portion of such excess amount is thereafter recovered from such Lender, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

Section 14.4 Protection of Agent's Security Interest.

(a) The Borrower agrees that from time to time, at its expense, it will promptly deliver and, as applicable, authorize the filing of all instruments and documents, and take all actions, that may be necessary or desirable, or that the Agent may reasonably request, to perfect, protect or more fully evidence the Agent's security interest in the Collateral, or to enable the Agent or the Lenders to exercise and enforce their rights and remedies hereunder. At any time after the occurrence and during the continuation of an Amortization Event, the Agent may, or the Agent may direct the Borrower and/or Servicer to, notify the Obligors of Receivables, at the Borrower's expense, of the security interests of the Agent on behalf of the Lenders under this Agreement and may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to the Agent or its designee. The Borrower or Servicer (as applicable) shall, at any Lender's request, withhold the identity of such Lender in any such notification.

(b) If any Loan Party fails to perform any of its obligations hereunder, the Agent or any Lender may (but shall not be required to) perform, or cause performance of, such obligations, and the Agent's or such Lender's actual and reasonable costs and expenses incurred in connection therewith shall be payable by the Borrower as provided in Section 10.3. Each Loan Party irrevocably authorizes the Agent at any time and from time to time in the sole discretion of the Agent, and appoints the Agent as its attorney-in-fact, to act on behalf of such Loan Party (i) to execute on behalf of the Borrower as debtor (if execution is required) and to file financing statements necessary or desirable in the Agent's reasonable opinion to perfect and to maintain the perfection and priority of the interest of the Lenders in the Receivables (including, without limitation, financing statements naming the Borrower as debtor that describe the collateral as "all assets whether now existing or hereafter arising" or "all personal property now owned or hereafter acquired" or words of similar effect) and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Receivables

as a financing statement in such offices as the Agent in its reasonable opinion deems necessary or desirable to perfect and to maintain the perfection and priority of the Agent's security interest in the Collateral, for the benefit of the Secured Parties. This appointment is coupled with an interest and is irrevocable.

Section 14.5 Confidentiality.

(a) Each Loan Party and each Lender shall maintain and shall cause each of its employees, officers and Affiliates to maintain the confidentiality of the Fee Letter and the other confidential or proprietary information with respect to the Agent and VFCC and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that such Loan Party and such Lender and its officers and employees may disclose such information to such Loan Party's and such Lender's external consultants, accountants and attorneys and as required by any applicable law, rule or regulation or order of any judicial or administrative proceeding or to enforce its rights under the Transaction Documents.

(b) Unless otherwise agreed to in writing by the Parent, each Lender and the Agent hereby agrees to keep all Proprietary Information confidential and not to disclose or reveal any Proprietary Information to any Person other than its (or its Affiliates') directors, officers, employees, agents, attorneys, auditors, advisors, consultants or other representatives who reasonably require such information in connection with their activities concerning this Agreement or the transactions contemplated hereby and to actual or potential Participants or Purchasing Liquidity Banks, and then only upon a confidential basis in any such case***; provided, however,*** that Proprietary Information may be disclosed: (i) to the Agent or any other Lender, (ii) to any provider of credit or liquidity enhancement to VFCC (each, an ***"Enhancer"***), (iii) to the extent reasonably required in connection with any litigation to which the Agent, any Lender, any Enhancer or their respective Affiliates may be a party, (iv) to the extent reasonably required in connection with the exercise of any remedy hereunder, (v) as required by law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law), (vi) to bank regulatory authorities or other governmental authorities, (vii) to any rating agency that rates the commercial paper or other debt securities of any Lender or any Enhancer, (viii) to any commercial paper dealer of any Lender or Enhancer which has agreed in writing to be bound by the provisions of this Section 14.5, and (ix) to any directors, officers, employees, agents, attorneys, auditors, advisors, consultants or other representatives of the entities described in subsections (i), (ii) , (vi), (vii) or (viii) above who reasonably require such information in connection with their activities concerning this Agreement or the transactions contemplated hereby (but only upon a confidential basis).

Section 14.6 Bankruptcy Petition. The Borrower, the Servicer, the Agent and each Liquidity Bank hereby covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of VFCC, it will not institute against, or join any other Person in instituting against, VFCC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 14.7 Limitation of Liability. Except with respect to any claim arising out of the willful misconduct or gross negligence of VFCC, the Agent or any Liquidity Bank, no claim may be made by any Loan Party or any other Person against VFCC, the Agent or any Liquidity Bank or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and each Loan Party hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor. Notwithstanding any other provision of this Agreement, the obligations of Borrower hereunder shall be payable solely from Collections, other proceeds of Receivables and Related Security and the other Assets of Borrower, and following realization of such Collections, other proceeds of Receivables and Related Security and the other Assets of Borrower, any claims of any Purchaser or Agent hereunder shall be extinguished.

Section 14.8 CHOICE OF LAW. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF GEORGIA, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF (EXCEPT IN THE CASE OF THE OTHER TRANSACTION DOCUMENTS, TO THE EXTENT OTHERWISE EXPRESSLY STATED THEREIN) AND EXCEPT TO THE EXTENT THAT THE PERFECTION OF THE OWNERSHIP INTERESTS OF THE BORROWER OR THE SECURITY INTERESTS OF THE AGENT, FOR THE BENEFIT OF THE SECURED PARTIES, IN ANY OF THE COLLATERAL IS GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF GEORGIA.

Section 14.9 CONSENT TO JURISDICTION. EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR GEORGIA STATE COURT SITTING IN FULTON COUNTY, GEORGIA, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH PERSON PURSUANT TO THIS AGREEMENT, AND EACH SUCH PARTY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST ANY LOAN PARTY IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ANY LOAN PARTY AGAINST THE AGENT OR ANY LENDER OR ANY AFFILIATE OF THE

AGENT OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH LOAN PARTY PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN FULTON COUNTY, GEORGIA.

Section 14.10 WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY DOCUMENT EXECUTED BY ANY LOAN PARTY PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 14.11 Integration; Binding Effect; Survival of Terms.

(a) This Agreement and each other Transaction Document contain the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings, including without limitation the Existing Agreeement.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns (including any trustee in bankruptcy). This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and shall remain in full force and effect until terminated in accordance with its terms; ***provided, however,*** that the rights and remedies with respect to (i) any breach of any representation and warranty made by any Loan Party pursuant to Article V, (ii) the indemnification and payment provisions of Article X, and Sections 14.5, 14.6 and 14.7 shall be continuing and shall survive any termination of this Agreement.

Section 14.12 Counterparts; Severability; Section References. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of a signature page to this Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Unless otherwise expressly indicated, all references herein to ***"Article," "Section," "Schedule"*** or ***"Exhibit"*** shall mean articles and sections of, and schedules and exhibits to, this Agreement.

Section 14.13 Wachovia Roles. Each of the Liquidity Banks acknowledges that Wachovia acts, or may in the future act: (i) as administrative agent for VFCC or any Liquidity Bank, (ii) as an issuing and paying agent for the Commercial Paper, (iii) to provide credit or liquidity enhancement for the timely payment for the Commercial Paper, and/or (iv) to provide other services from time to time for VFCC or any Liquidity Bank (collectively, the ***"Wachovia Roles"***). Without limiting the generality of this Section 14.13, each Liquidity Bank hereby acknowledges and consents to any and all Wachovia Roles and agrees that in connection with any Wachovia Role, Wachovia may take, or refrain from taking, any action that it, in its discretion, deems appropriate, including, without limitation, in its role as administrative agent for VFCC, and the giving of notice of a mandatory purchase pursuant to the Liquidity Agreement.

Section 14.14 Interest. In no event shall the amount of interest, and all charges, amounts or fees contracted for, charged or collected pursuant to this Agreement or the other Transaction Documents and deemed to be interest under applicable law (collectively, ***"Interest Amounts"***) exceed the highest rate of interest allowed by applicable law (the *"**Maximum Rate**"*), and in the event any such payment is inadvertently received by VFCC or any Liquidity Bank, then the excess sum (the *"**Excess**"*) shall be credited as a payment of principal, unless the relevant Borrower shall notify the applicable recipient in writing that it elects to have the Excess returned forthwith. It is the express intent hereof that the Borrower not pay and VFCC and the Liquidity Banks not receive, directly or indirectly in any manner whatsoever, interest in excess of that which may legally be paid by the Borrower under applicable law. The right to accelerate maturity of any of the Loans does not include the right to accelerate any interest that has not otherwise accrued on the date of such acceleration, and the Agent and the Liquidity Banks do not intend to collect any unearned interest in the event of any such acceleration. All monies paid to the Agent or the Liquidity Banks hereunder or under any of the other Transaction Documents, whether at maturity or by prepayment, shall be subject to rebate of unearned interest as and to the extent required by applicable law. By the execution of this Agreement, the Borrower covenants, to the fullest extent permitted by law, that (i) the credit or return of any Excess shall constitute the acceptance by the Borrower of such Excess, and (ii) the Borrower shall not seek or pursue any other remedy, legal or equitable, against the Agent or any Liquidity Bank, based in whole or in part upon contracting for charging or receiving any Interest Amounts in excess of the Maximum Rate. For the purpose of determining whether or not any Excess has been contracted for, charged or received by the Agent or any Liquidity Bank, all interest at any time contracted for, charged or received from the Borrower in connection with this Agreement or any of the other Transaction Documents shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread in equal parts throughout the full term of the Commitments. The Borrower, the Agent and each Lender shall, to the maximum extent permitted under applicable law, (i) characterize any non-principal payment as an expense, fee or premium rather than as Interest Amounts and (ii) exclude voluntary prepayments and the effects thereof. The provisions of this Section shall be deemed to be incorporated into each of the other Transaction Documents (whether or not any provision of this Section is referred to therein). All such Transaction Documents and communications relating to any Interest Amounts owed by the Borrower and all figures set forth therein shall, for the sole purpose of computing the extent of the obligations hereunder and under the other Transaction Documents be automatically recomputed by the Borrower, and by any court considering the same, to give effect to the adjustments or credits required by this Section.

Section 14.15 Source of Funds — ERISA. Each of VFCC and the Liquidity Banks hereby severally (and not jointly) represents to the Borrower that no part of the funds to be used by it to fund the Loans hereunder from time to time constitutes (i) assets allocated to any separate account maintained by it in which any employee benefit plan (or its related trust) has any interest nor (ii) any other assets of any employee benefit plan. As used in this Section, the terms "employee benefit plan" and "separate account" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

<*signature pages follow*>

IN WITNESS WHEREOF, the parties hereto have caused this Amended and Restated Credit and Security Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

ACUITY UNLIMITED, INC.

By: /s/ Kenyon W. Murphy
Name: Kenyon W. Murphy
Title: Executive Vice President

Address:

Acuity Unlimited, Inc.
One Lithonia Way
Conyers, GA 30012

Attention: General Counsel

Phone: (770) 922-9000
Fax: (770) 785-9511

ACUITY BRANDS LIGHTING, INC., AS A SERVICER

By: /s/ Kenyon W. Murphy
Name: Kenyon W. Murphy
Title: Executive Vice President

Address:
Acuity Brands Lighting, Inc.
One Lithonia Way
Conyers, GA 30012

Attention: General Counsel

Phone: (770) 922-9000
Fax: (770) 785-9511

VARIABLE FUNDING CAPITAL COMPANY LLC

BY: WACHOVIA CAPITAL MARKETS, LLC, ITS ATTORNEY-IN-FACT

By: /s/ Douglas R. Wilson, Sr.
Name: Douglas R. Wilson, Sr.
Title: Director

Address:

Variable Funding Capital Company LLC
c/o Wachovia Bank, National Association
301 S. College St.,
FLR TRW 10 NC0610
Charlotte, NC 28288-0610

Attention: Douglas R. Wilson, Sr.
Phone: (704) 374-2520
Fax: (704) 383-9579

With a copy to:

Variable Funding Capital Company LLC
c/o AMACAR Group, L.L.C.
6525 Morrison Blvd., Suite 318
Charlotte, North Carolina 28211
Attention: Douglas K. Johnson

Phone: (704) 365-0569
Fax: (704) 365-1362

WACHOVIA BANK, NATIONAL ASSOCIATION, as a Liquidity Bank and as Agent

By: /s/ Michael J. Landry
Name: Michael J. Landry
Title: Vice President

Address:

Wachovia Bank, National Association
171 17th Street, N.W., 4th Floor
Mail-stop GA4524
Atlanta, GA 30363
Attention: Michael Landry

Phone: (404) 214-6388
Fax: (404) 214-5481

EXHIBIT I

DEFINITIONS

Capitalized terms used and not otherwise defined herein shall have the meanings attributed thereto in the Receivables Sale Agreement (hereinafter defined).

In addition, as used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Acuity Credit Agreements" means that certain (i) 5-Year Revolving Credit Agreement, dated as of April 2, 2004, among Acuity Brands, Inc., a Delaware corporation (its successor now known as Old ABI, LLC, a Georgia limited liability company), the other borrowers party thereto, Bank One, NA (Main Office Chicago), as Administrative Agent, and Wachovia Bank, National Association, as Syndication Agent, LaSalle Bank National Association and Key Bank National Association, as Co-Documentation Agents, the lenders party thereto as amended, supplemented and modified (as so amended, supplemented and modified, the ***"Existing Bank Credit Agreement"***), and (ii) that certain 5-Year Revolving Credit Agreement to be entered into on or after the date hereof among Performance Guarantor, the other borrowers party thereto, JP Morgan Chase Bank, National Association as Administrative Agent and the other lenders party thereto, pursuant to which all or a portion of the credit facilities provided under the Existing Bank Credit Agreement will be replaced or refinanced, as the same may be amended, restated or replaced from time to time.

"Adjusted Dilution Ratio" means, at any time, the rolling average of the Dilution Ratio for the 12 Calculation Periods then most recently ended.

"Advance" means a borrowing hereunder consisting of the aggregate amount of the several Loans made on the same Borrowing Date.

"Adverse Claim" means a lien, security interest, charge or encumbrance, or other right or claim in, of or on any Person's assets or properties in favor of any other Person.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person or any Subsidiary of such Person. A Person shall be deemed to control another Person if the controlling Person owns 20% or more of any class of voting securities of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Agent" has the meaning set forth in the preamble to this Agreement.

"Agent's Account" means account #2000010384921 at Wachovia Bank, National Association, ABA #053000219.

"Aggregate Commitment" means, on any date of determination, the aggregate amount of the Liquidity Banks' Commitments to make Loans hereunder. As of the date hereof, the Aggregate Commitment is $75,000,000.

"Aggregate Principal" means, on any date of determination, the aggregate outstanding principal amount of all Advances (regardless of the Borrower) outstanding on such date.

"Aggregate Reduction" has the meaning specified in Section 1.3.

"Agreement" means this Amended and Restated Credit and Security Agreement, as it may be amended or modified and in effect from time to time.

"Alternate Base Rate" means for any day, the rate *per annum* equal to the higher as of such day of (i) the Prime Rate, or (ii) one-half of one percent (0.50%) above the Federal Funds Rate. For purposes of determining the Alternate Base Rate for any day, changes in the Prime Rate or the Federal Funds Rate shall be effective on the date of each such change.

"Alternate Base Rate Loan" means a Loan which bears interest at the Alternate Base Rate or the Default Rate.

"Amortization Date" means the earliest to occur of (i) the Business Day immediately prior to the occurrence of an Event of Bankruptcy with respect to any Loan Party, (ii) the Business Day specified in a written notice from the Agent following the occurrence and during the continuation of any other Amortization Event, (iii) the date which is 10 Business Days after the Agent's receipt of written notice from the Borrower that it wishes to terminate the facility evidenced by this Agreement, and (iv) October 17, 2008.

"Amortization Event" has the meaning specified in Article IX.

"Applicable Margin" means, for each Interest Period applicable to any Loan for which Interest is calculated on the basis of the LIBO Rate, the greater of the following on the first day of such Interest Period:

(a) two times the sum of (i) the Usage Fee plus (ii) the Program Fee; or

(b) the margin then applicable to borrowings under the Acuity Credit Agreements at a London interbank offered rate or Eurodollar rate, as the case may be (and if more than one such margin is then applicable, the greater of the two applicable margins).

"Assignment Agreement" has the meaning set forth in Section 12.1(b).

"Authorized Officer" means, with respect to any Person, its president, corporate controller, treasurer, vice president of finance or chief financial officer.

"Borrower" has the meaning set forth in the preamble to this Agreement.

"Borrowing Base" means, on any date of determination, the Net Pool Balance as of the last day of the period covered by the most recent Monthly Report, ***minus*** the Required Reserve as of the last day of the period covered by the most recent Monthly Report, and ***minus*** Deemed Collections that have occurred since the most recent Cut-Off Date to the extent that such Deemed Collections exceed the Dilution Reserve, and ***minus*** the FX Reserve.

"Borrowing Date" means a Business Day on which an Advance is made hereunder.

"Borrowing Notice" has the meaning set forth in Section 1.2.

"Broken Funding Costs" means for any CP Rate Loan or LIBO Rate Loan which: (a) in the case of a CP Rate Loan, has its principal reduced without compliance by the Borrower with the notice requirements hereunder, (b) in the case of a CP Rate Loan or a LIBO Rate Loan, does not become subject to an Aggregate Reduction following the delivery of any Reduction Notice, (c) in the case of a CP Rate Loan, is assigned under the Liquidity Agreement, or (d) in the case of a LIBO Rate Loan, is terminated or reduced prior to the last day of its Interest Period, an amount equal to the excess, if any, of (i) the CP Costs or Interest (as applicable) that would have accrued during the remainder of the Interest Periods or the tranche periods for Commercial Paper determined by the Agent to relate to such Loan (as applicable) subsequent to the date of such reduction, assignment or termination (or in respect of clause (b) above, the date such Aggregate Reduction was designated to occur pursuant to the Reduction Notice) of the principal of such Loan if such reduction, assignment or termination had not occurred or such Reduction Notice had not been delivered, over (ii) the sum of (x) to the extent all or a portion of such principal is allocated to another Loan, the amount of CP Costs or Interest actually accrued during the remainder of such period on such principal for the new Loan, and (y) to the extent such principal is not allocated to another Loan, the income, if any, actually received during the remainder of such period by the holder of such Loan from investing the portion of such principal not so allocated. In the event that the amount referred to in clause (B) exceeds the amount referred to in clause (A), the relevant Lender or Lenders agree to pay to the Borrower the amount of such excess. All Broken Funding Costs shall be due and payable hereunder upon demand.

"Business Day" means any day on which banks are not authorized or required to close in New York, New York or Atlanta, Georgia, and The Depository Trust Company of New York is open for business, and, if the applicable Business Day relates to any computation or payment to be made with respect to the LIBO Rate, any day on which dealings in dollar deposits are carried on in the London interbank market.

"Calculation Period" means a Fiscal Month.

"Capital Leases" means leases which are required to be capitalized in accordance with GAAP.

"Change of Control" means (a) a "Change of Control" under and as defined in the Receivables Sale Agreement shall occur (other than any Change in Control resulting from the Spin-Off Transaction), or (b) the Originator ceases to own 100% of the outstanding shares of voting stock of the Borrower.

"Collateral" has the meaning set forth in Section 13.1.

"Collection Account" means each concentration account, depositary account, lock-box account or similar account in which any Collections are collected or deposited and which is listed on Exhibit IV.

"Collection Account Agreement" means an agreement among one or both Originators, the Borrower, the Agent and a Collection Bank with respect to a Lock-Box and/or Collection Account, in a form reasonably acceptable to the Loan Parties and the Agent.

"Collection Bank" means, at any time, any of the banks holding one or more Collection Accounts.

"Collection Notice" means a notice, in substantially the form of Annex A to Exhibit VI, from the Agent to a Collection Bank.

"Collections" means, with respect to any Receivable, all cash collections and other cash proceeds in respect of such Receivable, including, without limitation, all Finance Charges or other related amounts accruing in respect thereof and all cash proceeds of Related Security with respect to such Receivable.

"Commercial Paper" means promissory notes of VFCC issued by VFCC in the commercial paper market.

"Commitment" means, for each Liquidity Bank, the commitment of such Liquidity Bank to make Loans to the Borrower hereunder in the event the VFCC elects not to fund any Advance in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Liquidity Bank's name on Schedule A to this Agreement.

"Consolidated Operating Profits" means, for any period, the Operating Profits of the Parent and its Consolidated Subsidiaries.

"Consolidated Subsidiary" means at any date any Subsidiary or other entity the accounts of which, in accordance with GAAP, would be consolidated with those of the Parent in its consolidated financial statements as of such date.

"Contingent Obligation" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or application for a letter of credit.

"Contract" means, with respect to any Receivable, any and all instruments, agreements, invoices or other writings pursuant to which such Receivable arises or which evidences such Receivable.

"CP Costs" means, for each day, the sum of (i) discount or interest accrued on Pooled Commercial Paper on such day, plus (ii) any and all accrued commissions in respect of placement agents and Commercial Paper dealers, and issuing and paying agent fees incurred, in respect of such Pooled Commercial Paper for such day, plus (iii) other costs associated with funding small or odd-lot amounts with respect to all receivable purchase facilities which are funded by Pooled Commercial Paper for such day, minus (iv) any accrual of income net of expenses received on such day from investment of collections received under all receivable purchase or financing facilities funded substantially with Pooled Commercial Paper, minus (v) any payment received on such day net of expenses in respect of Broken Funding Costs (or similar costs) related to the prepayment of any investment of VFCC pursuant to the terms of any receivable purchase or financing facilities funded substantially with Pooled Commercial Paper. In addition to the foregoing costs, if the Borrower shall request any Advance during any period of time determined by the Agent in its sole discretion to result in incrementally higher CP Costs applicable to such Advance, the principal associated with any such Advance shall, during such period, be deemed to be funded by VFCC in a special pool (which may include capital associated with other receivable purchase or financing facilities) for purposes of determining such additional CP Costs applicable only to such special pool and charged each day during such period against such principal.

"CP Rate Loan" means, for each Loan of VFCC prior to the time, if any, when (i) it is refinanced with a Liquidity Funding pursuant to the Liquidity Agreement, or (ii) the occurrence of an Amortization Event and the commencement of the accrual of Interest thereon at the Default Rate.

"Credit and Collection Policy" means each Originator's credit and collection policies and practices relating to Contracts and Receivables existing on the date hereof and summarized in the Exhibits to the Receivables Sale Agreement, as modified from time to time in accordance with this Agreement.

"Cut-Off Date" means the last day of a Calculation Period.

"Days Sales Outstanding" means, as of any day, an amount equal to the product of (x) 91, multiplied by (y) the amount obtained by dividing (i) the aggregate outstanding balance of Receivables as of the most recent Cut-Off Date, by (ii) the aggregate amount of Receivables created during the three (3) Calculation Periods including and immediately preceding such Cut-Off Date.

"Deemed Collections" means Collections deemed received by the Borrower under Section 1.4(a).

"Default Horizon Ratio" means, as of any Cut-Off Date, the ratio (expressed as a decimal) computed by dividing (i) the aggregate sales generated by the Originators during the 5 Calculation Periods ending on such Cut-Off Date, by (ii) the Net Pool Balance as of such Cut-off Date.

"Default Rate" means a rate per annum equal to the sum of (i) the Alternate Base Rate plus (ii) 2.00%, changing when and as the Alternate Base Rate changes.

"Default Ratio" means, as of any Cut-Off Date, the ratio (expressed as a percentage) computed by dividing (x) the total amount of Receivables which became Defaulted Receivables during the Calculation Period that includes such Cut-Off Date, by (y) the aggregate amount of Receivables generated by the Originators during the Calculation Period occurring 5 months prior to the Calculation Period ending on such Cut-Off Date.

"Defaulted Receivable" means a Receivable: (i) as to which the Obligor thereof has suffered an Event of Bankruptcy; (ii) which, consistent with the Credit and Collection Policy, would be written off the Borrower's books as uncollectible; or (iii) as to which any payment, or part thereof, remains unpaid for 91 days or more from the original due date for such payment.

"Delinquency Ratio" means, at any time, a percentage equal to (i) the aggregate Outstanding Balance of all Receivables that were Delinquent Receivables at such time divided by (ii) the aggregate Outstanding Balance of all Receivables at such time.

"Delinquent Receivable" means a Receivable as to which any payment, or part thereof, remains unpaid for 61-90 days from the original due date for such payment.

"Demand Advance" means any advance made by the Borrower to ABL at any time while it is acting as the Servicer, which advance (a) is payable upon demand, (b) is not evidenced by an instrument, a promissory note, chattel paper or a certificated security, (c) bears interest at a market rate determined by the Borrower and Servicer from time to time, (d) is not subordinated to any other Debt or obligation of the Servicer, and (e) may not be offset by ABL against amounts due and owing from the Borrower to it; ***provided, however,*** that no Demand Advance may be made after the Facility Termination Date or on any date prior to the Facility Termination Date on which an Amortization Event or an Unmatured Amortization Event exists and is continuing.

"Dilution" means the amount of any reduction or cancellation of the Outstanding Balance of a Receivable as described in Section 1.4(a).

"Dilution Horizon Ratio" means, as of any Cut-off Date, a ratio (expressed as a decimal), computed by dividing (i) the aggregate sales generated by the Originators during the 2 Calculation Periods ending on such Cut-Off Date, by (ii) the Net Pool Balance as of such Cut-Off Date.

"Dilution Ratio" means, as of any Cut-Off Date, a ratio (expressed as a percentage), computed by dividing (i) the total amount of decreases in Outstanding Balances due to Dilutions during the Calculation Period ending on such Cut-Off Date, by (ii) the aggregate dollar amount of Receivables generated by the Originators during the Calculation Period ending 1-month prior to the Calculation Period ending on such Cut-Off Date.

"Dilution Reserve" means, for any Calculation Period, the product (expressed as a percentage) of:

(a) the sum of (i) two (2) times the Adjusted Dilution Ratio as of the immediately preceding Cut-Off Date, *plus* (ii) the Dilution Volatility Component as of the immediately preceding Cut-Off Date, ***times***

(b) the Dilution Horizon Ratio as of the immediately preceding Cut-Off Date.

"Dilution Volatility Component" means the product (expressed as a percentage) of (i) the difference between (a) the highest three (3)-month rolling average Dilution Ratio over the past 12 Calculation Periods and (b) the Adjusted Dilution Ratio, and (ii) a fraction, the numerator of which is equal to the amount calculated in (i)(a) of this definition and the denominator of which is equal to the amount calculated in (i)(b) of this definition.

"Downgraded Liquidity Bank" means a Liquidity Bank which has been the subject of a Downgrading Event.

"Downgrading Event" with respect to any Person means the lowering of the rating with regard to the short-term securities of such Person to below (i) A-1+ by S&P, or (ii) P-1 by Moody's.

"Eligible Assignee" means a commercial bank having a combined capital and surplus of at least $250,000,000 with a rating of its (or its parent holding company's) short-term securities equal to or higher than (i) A-1+ by S&P and (ii) P-1 by Moody's.

"Eligible Receivable" means, at any time, a Receivable:

(i) the Obligor of which (a) if a natural person, is a resident of the United States or Puerto Rico or, if a corporation or other business organization, is organized under the laws of the United States, Puerto Rico or any political subdivision of the United States or Puerto Rico and has its chief executive office in the United States or Puerto Rico; (b) is not an Affiliate of any of the Loan Parties; and (c) is not a government or a governmental subdivision or agency; ***provided, however,*** that not more than 1% of total Receivables may be comprised of Receivables owing from Obligors organized under the laws of or resident in Puerto Rico;

(ii) which is not a Defaulted Receivable,

(iii) which is not owing from an Obligor as to which more than 35% of the aggregate Outstanding Balance of all Receivables owing from such Obligor are Defaulted Receivables,

(iv) which was not a Delinquent Receivable on the date on which it was acquired by Borrower from the applicable Originator,

(v) which by its terms is due and payable within 60 days of the original billing date therefor and has not had its payment terms extended more than once (except that up to 5% of the aggregate Outstanding Balance of all Receivables may have terms payable within 61-90 days of the original billing date therefor and up to 4% of the aggregate Outstanding Balance of all Eligible Receivables may arise from progress billings to The Home Depot, Inc. or one of its Affiliates),

(vi) which is an "account" within the meaning of Article 9 of the UCC of all applicable jurisdictions,

(vii) which is denominated and payable only in (A) United States dollars in the United States, or (B) in the case of Receivables on which The Home Depot, Inc. or one of its Affiliates is the Obligor, Canadian dollars in the United States,

(viii) which arises under a Contract which, together with such Receivable, is in full force and effect and constitutes the legal, valid and binding obligation of the related Obligor enforceable against such Obligor in accordance with its terms,

(ix) which arises under a Contract which does not contain a confidentiality provision that purports to restrict the ability of VFCC to exercise its rights under this Agreement, including, without limitation, its right to review the Contract,

(x) which arises under a Contract that contains an obligation to pay a specified sum of money, contingent only upon the sale of goods or the provision of services by the applicable Originator,

(xi) which, together with the Contract related thereto, does not contravene any law, rule or regulation applicable thereto (including, without limitation, any law, rule and regulation relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which no part of the Contract related thereto is in violation of any such law, rule or regulation,

(xii) which satisfies all applicable requirements of the Credit and Collection Policy,

(xiii) which was generated in the ordinary course of the applicable Originator's business,

(xiv) which arises solely from the sale of goods or the provision of services to the related Obligor by the applicable Originator, and not by any other Person (in whole or in part),

(xv) which is not subject to any dispute, counterclaim, right of rescission, set-off, counterclaim or any other defense (including defenses arising out of violations of usury laws) of the applicable Obligor against the applicable Originator or any other Adverse Claim, and the Obligor thereon holds no right as against the Originator to cause the Originator to repurchase the goods or

merchandise the sale of which shall have given rise to such Receivable (except with respect to sale discounts effected pursuant to the Contract, or defective goods returned in accordance with the terms of the Contract); provided, however, that if such dispute, offset, counterclaim or defense affects only a portion of the Outstanding Balance of such Receivable, then such Receivable may be deemed an Eligible Receivable to the extent of the portion of such Outstanding Balance which is not so affected, and provided, further, that (A) Receivables of any Obligor which has any accounts payable by the applicable Originator or by a wholly-owned Subsidiary of the Originator (thus giving rise to a potential offset against such Receivables) may be treated as Eligible Receivables to the extent that the Obligor of such Receivables has agreed pursuant to a written agreement in form and substance satisfactory to the Agent, that such Receivables shall not be subject to such offset, and (B) the Agent, in its sole discretion, may chose to allow certain disputed receivables to be counted as Eligible Receivables,

(xvi) as to which the applicable Originator has satisfied and fully performed all obligations on its part with respect to such Receivable required to be fulfilled by it, and no further action is required to be performed by any Person with respect thereto other than payment thereon by the applicable Obligor (excluding (A) warranty obligations for which no claim exists, and (B) progress billings to The Home Depot, Inc. or one of its Affiliates to the extent permitted under clause (v) above),

(xvii) as to which each of the representations and warranties contained in Sections 5.1(g), (i), (j), (q), (r), (s) and (t) is true and correct, and

(xviii) all right, title and interest to and in which has been validly transferred by the applicable Originator directly to Borrower under and in accordance with the Receivables Sale Agreement, and Borrower has good and marketable title thereto free and clear of any Adverse Claim (other than Permitted Encumbrances).

"Event of Bankruptcy" shall be deemed to have occurred with respect to a Person if either:

(a) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person or all or substantially all of its assets, or any similar action with respect to such Person under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue undismissed, or unstayed and in effect, for a period of 60 consecutive days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy laws or other similar laws now or hereafter in effect; or

(b) such Person shall commence a voluntary case or other proceeding under any applicable bankruptcy, insolvency, reorganization, debt arrangement, dissolution or other similar law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee (other than a trustee under a deed of trust, indenture or similar instrument), custodian, sequestrator (or other similar official) for, such Person or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall be adjudicated insolvent, or admit in writing its inability to pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors shall vote to implement any of the foregoing.

"Executive Officer" means any of the chief executive officer, president, executive vice president or senior vice president of the Parent.

"Existing Agreement" has the meaning set forth in the preamble to this Agreement.

"Facility Termination Date" means the earlier of (i) the Liquidity Termination Date and (ii) the Amortization Date.

"Federal Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as amended and any successor statute thereto.

"Federal Funds Effective Rate" means, for any period, a fluctuating interest rate *per annum* for each day during such period equal to (a) the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York in the Composite Closing Quotations for U.S. Government Securities; or (b) if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 11:30 a.m. (New York time) for such day on such transactions received by the Agent from three federal funds brokers of recognized standing selected by it.

"Fee Letter" means that certain letter agreement dated as of October 19, 2007 between the Borrower and the Agent, as it may be amended, restated or otherwise modified and in effect from time to time.

"Final Payout Date" means the date on which all Obligations have been paid in full and the Aggregate Commitment has been terminated.

"Finance Charges" means, with respect to a Contract, any finance, interest, late payment charges or similar charges owing by an Obligor pursuant to such Contract.

"Fiscal Month" means any fiscal month of the Performance Guarantor.

"Fiscal Quarter" means any fiscal quarter of the Performance Guarantor.

"Fiscal Year" means any fiscal year of the Performance Guarantor.

"Funding Agreement" means (i) this Agreement, (ii) the Liquidity Agreement and (iii) any other agreement or instrument executed by any Funding Source with or for the benefit of VFCC.

"Funding Source" means (i) any Liquidity Bank or (ii) any insurance company, bank or other funding entity providing liquidity, credit enhancement or back-up purchase support or facilities to VFCC.

"FX Reserve" means, at any time, an amount equal to 10% of the aggregate Outstanding Balance of all Eligible Receivables on which The Home Depot, Inc. or one of its Affiliates is the Obligor that are denominated in Canadian dollars.

"GAAP" means generally accepted accounting principles in effect in the United States of America as of the date of this Agreement.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to secure, purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to provide collateral security, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term ***"Guarantee"*** used as a verb has a corresponding meaning.

"Indebtedness" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee under Capital Leases, (v) all obligations of such Person to reimburse any bank or other Person in respect of amounts payable under a banker's acceptance, (vi) all Redeemable Preferred Stock of such Person (in the event such Person is a corporation), (vii) all obligations of such Person to reimburse any bank or other Person in respect of amounts paid or to be paid under a letter of credit or similar instrument, (viii) all Indebtedness of others secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person, and (ix) all Indebtedness of others Guaranteed by such Person.

"Independent Director" shall mean a member of the Board of Directors of the Borrower who is not at such time, and has not been at any time during the preceding five (5) years: (A) a director, officer, employee or affiliate of Performance Guarantor, Originator or any of their respective Subsidiaries or Affiliates (other than the Borrower), or (B) the beneficial owner (at the time of such individual's appointment as an Independent Director or at any time thereafter while serving as an Independent Director) of any of the outstanding common shares of

the Borrower, Originator, or any of their respective Subsidiaries or Affiliates, having general voting rights (excepting immaterial beneficial interests in mutual funds or similar managed investment accounts which in no case shall exceed 5% of any class of such shares).

"Initial Cutoff Date" means the Business Day immediately prior to the date hereof.

"Interest" means for each respective Interest Period relating to Loans of the Liquidity Banks, an amount equal to the product of the applicable Interest Rate for each Loan multiplied by the principal of such Loan for each day elapsed during such Interest Period, annualized on a 360 day basis.

"Interest Period" means, with respect to any Loan held by a Liquidity Bank:

(a) if Interest for such Loan is calculated on the basis of the LIBO Rate, a period of one, two, three or six months, or such other period as may be mutually agreeable to the Agent and the Borrower, commencing on a Business Day selected by the Borrower or the Agent pursuant to this Agreement. Such Interest Period shall end on the day in the applicable succeeding calendar month which corresponds numerically to the beginning day of such Interest Period, ***provided, however,*** that if there is no such numerically corresponding day in such succeeding month, such Interest Period shall end on the last Business Day of such succeeding month; or

(b) if Interest for such Loan is calculated on the basis of the Alternate Base Rate, a period commencing on a Business Day selected by the Borrower and agreed to by the Agent, ***provided that*** no such period shall exceed one month.

If any Interest Period would end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day, ***provided, however,*** that in the case of Interest Periods corresponding to the LIBO Rate, if such next succeeding Business Day falls in a new month, such Interest Period shall end on the immediately preceding Business Day. In the case of any Interest Period for any Loan which commences before the Amortization Date and would otherwise end on a date occurring after the Amortization Date, such Interest Period shall end on the Amortization Date. The duration of each Interest Period which commences after the Amortization Date shall be of such duration as selected by the Agent.

"Interest Rate" means, with respect to each Loan of the Liquidity Banks, the LIBO Rate, the Alternate Base Rate or the Default Rate, as applicable.

"Interest Reserve" means, for any Calculation Period, the product (expressed as a percentage) of (i) 1.5 times (ii) the Alternate Base Rate as of the immediately preceding Cut-Off Date times (iii) a fraction the numerator of which is the highest Days Sales Outstanding for the most recent 12 Calculation Periods and the denominator of which is 360.

"Lender" means VFCC and each Liquidity Bank.

"LIBO Rate" means, for any Interest Period, the rate per annum determined on the basis of the offered rate for deposits in U.S. dollars of amounts equal or comparable to the

principal amount of the related Loan offered for a term comparable to such Interest Period, which rates appear on a Bloomberg L.P. terminal, displayed under the address *"US0001M <Index> Q <Go>"* effective as of 11:00 A.M., London time, two Business Days prior to the first day of such Interest Period, ***provided*** that if no such offered rates appear on such page, the LIBO Rate for such Interest Period will be the arithmetic average (rounded upwards, if necessary, to the next higher 1/100th of 1%) of rates quoted by not less than two major banks in New York, New York, selected by the Agent, at approximately 10:00 a.m.(New York time), two Business Days prior to the first day of such Interest Period, for deposits in U.S. dollars offered by leading European banks for a period comparable to such Interest Period in an amount comparable to the principal amount of such Loan, divided by (b) one minus the maximum aggregate reserve requirement (including all basic, supplemental, marginal or other reserves) which is imposed against the Agent in respect of Eurocurrency liabilities, as defined in Regulation D of the Board of Governors of the Federal Reserve System as in effect from time to time (expressed as a decimal), applicable to such Interest Period plus (ii) the Applicable Margin *per annum*. The LIBO Rate shall be rounded, if necessary, to the next higher 1/16 of 1%.

"LIBO Rate Loan" means a Loan which bears interest at the LIBO Rate.

"***Lien***" shall mean any lien, charge, claim, security interest, mortgage or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever.

"Liquidity Agreement" means that certain Liquidity Asset Purchase Agreement, dated as of October 19, 2007 by and among VFCC, the Agent and the banks from time to time party thereto, as the same may be amended, restated and/or otherwise modified from time to time in accordance with the terms thereof.

"Liquidity Banks" has the meaning set forth in the preamble in this Agreement.

"Liquidity Commitment" means, as to each Liquidity Bank, its commitment under the Liquidity Agreement (which shall equal 102% of its Commitment hereunder).

"Liquidity Funding" means (a) a purchase made by any Liquidity Bank pursuant to its Liquidity Commitment of all or any portion of, or any undivided interest in, a VFCC Loan, or (b) any Loan made by a Liquidity Bank in lieu of VFCC pursuant to Section 1.1.

"Liquidity Termination Date" means the earlier to occur of the following:

(a) the date on which the Liquidity Banks' Liquidity Commitments expire, cease to be available to VFCC or otherwise cease to be in full force and effect; or

(b) the date on which a Downgrading Event with respect to a Liquidity Bank shall have occurred and been continuing for not less than 30 days, and either (i) the Downgraded Liquidity Bank shall not have been replaced by an Eligible Assignee pursuant to the Liquidity Agreement, or (ii) the Liquidity Commitment of such Downgraded Liquidity Bank shall not have been funded or collateralized in such a manner that will avoid a reduction in or withdrawal of the credit rating applied to the Commercial Paper to which such Liquidity Agreement applies by any of the rating agencies then rating such Commercial Paper.

"Loan" means any loan made by a Lender pursuant to this Agreement (including, without limitation, any Liquidity Funding). Each Loan shall either be a CP Rate Loan, an Alternate Base Rate Loan or a Eurodollar Rate Loan, selected in accordance with the terms of this Agreement. For purposes of determining compliance with the Borrowing Bases, each Loan shall be deemed to be made to the Borrower that receives the proceeds thereof even though the Borrower shall be liable for the repayment thereof.

"Loan Parties" has the meaning set forth in the preamble to this Agreement.

"Lock-Box" means each locked postal box with respect to which a bank who has executed a Collection Account Agreement has been granted exclusive access for the purpose of retrieving and processing payments made on the Receivables and which is listed on Exhibit IV.

"Loss Reserve" means, for any Calculation Period, the product (expressed as a percentage) of (a) 2.00, times (b) the highest three-month rolling average Default Ratio during the 12 Calculation Periods ending on the immediately preceding Cut-Off Date, times (c) the Default Horizon Ratio as of the immediately preceding Cut-Off Date.

"Margin Stock" means "margin stock" as defined in Regulations T, U or X.

"Material Adverse Effect" means a material adverse effect on (i) the financial condition or operations of the Parent and its Subsidiaries taken as a whole, (ii) the ability of any Loan Party to perform its obligations under this Agreement or the Performance Guarantor to perform its obligations under the Performance Undertaking, (iii) the legality, validity or enforceability of this Agreement or any other Transaction Document, (iv) the Agent's security interest, for the benefit of the Secured Parties, in the Receivables generally or in any significant portion of the Receivables, the Related Security or the Collections with respect thereto, or (v) the collectibility of the Receivables generally or of any significant portion of the Receivables.

"Material Subsidiary" means (i) each of the Borrower and ABL and (ii) each other Consolidated Subsidiary, now existing or hereinafter established or acquired, that at any time prior to the payment in full of all Aggregate Unpaids under this Agreement either (x) has or acquires total assets in excess of 10% of Consolidated Total Assets at the end of the most recent Fiscal Quarter, or (y) contributed more than 10% of Consolidated Operating Profits for the 4 most recent Fiscal Quarters then ended (or, with respect to any Subsidiary which existed during the entire 4 Fiscal Quarter period but was acquired by the Parent during such period, which would have contributed more than 10% of Consolidated Operating Profits for such period had it been a Subsidiary for the entire period, as determined on a pro forma basis in accordance with GAAP).

"Monthly Report" means a report, in substantially the form of Exhibit VIII hereto (appropriately completed), furnished by the Servicer to the Agent pursuant to Section 8.5.

"Monthly Reporting Date" means the 15th Business Day of each month after the date of this Agreement or such other days of each month as the Agent shall request in connection with Section 8.5 hereof.

"Moody's" means Moody's Investors Service, Inc.

"Net Pool Balance" means, at any time, the aggregate Outstanding Balance of all Eligible Receivables at such time reduced by the aggregate amount by which the Outstanding Balance of all Eligible Receivables of each Obligor and its Affiliates exceeds the Obligor Concentration Limit for such Obligor.

"Obligations" means, at any time, any and all obligations of either of the Loan Parties to any of the Secured Parties arising under or in connection with the Transaction Documents, whether now existing or hereafter arising, due or accrued, absolute or contingent, including, without limitation, obligations in respect of Aggregate Principal, CP Costs, Interest, fees under the Fee Letter, Broken Funding Costs and Indemnified Amounts.

"Obligor" means a Person obligated to make payments pursuant to a Contract.

"Obligor Concentration Limit" means, at any time, in relation to the aggregate Outstanding Balance of Receivables owed by any single Obligor and its Affiliates (if any), the applicable concentration limit shall be determined as follows for Obligors who have short term unsecured debt ratings currently assigned to them by S&P and Moody's (or in the absence thereof, the equivalent long term unsecured senior debt ratings), the applicable concentration limit shall be determined according to the following table:

S&P Rating	Moody's Rating	Allowable % of Eligible Receivables
A-1+	P-1	10%
A-1	P-1	8%
A-2	P-2	6%
A-3	P-3	5%
Below A-3 or Not Rated by either S&P or Moody's	Below P-3 or Not Rated by either S&P or Moody's	5%

; ***provided, however,*** that (a) if any Obligor has a split rating, the applicable rating will be the lower of the two, (b) if any Obligor is not rated by either S&P or Moody's, the applicable Obligor Concentration Limit shall be the one set forth in the last line of the table above, and (c) subject to satisfaction of the Rating Agency Condition and/or an increase in the percentage set forth in clause (a)(i) of the definition of ***"Required Reserve,"*** upon Borrower's request from time to time, the Agent may agree to a higher percentage of Eligible Receivables for a particular Obligor and its Affiliates (each such higher percentage, a ***"Special Concentration Limit"***), it being understood that any Special Concentration Limit may be cancelled by the Agent upon not less than five (5) Business Days' written notice to the Loan Parties. As of September 28, 2006, the Special Concentration Limit for all Receivables owing from The Home Depot, Inc. and its Affiliates is 25% of aggregate Outstanding Balance of all Eligible Receivables, and the Special

Concentration Limit for all Receivables owing from Rexel, Inc. and its Affiliates is 8% of aggregate Outstanding Balance of all Eligible Receivables, ***provided that*** not more than 2% of the aggregate Outstanding Balance of the Eligible Receivables owing from all such special Obligors are denominated in Canadian dollars.

"Operating Profits" means, as applied to any Person for any period, the sum of (i) net revenues, less (ii) cost of goods and services sold, less (iii) operating expenses (including depreciation and amortization) of such Person for such period, as determined in accordance with GAAP.

"Originator" means ABL in its capacity as seller under the Receivables Sale Agreement.

"Outstanding Balance" of any Receivable at any time means the then outstanding principal balance thereof.

"Participant" has the meaning set forth in Section 12.2.

"Performance Guarantor" means Acuity Brands, Inc., a Delaware corporation (formerly known as Acuity Brands Holdings, Inc.), and its successors and permitted assigns.

"Performance Undertaking" means each Performance Undertaking, dated as of October 19, 2007, by Performance Guarantor in favor of the Borrower, substantially in the form of Exhibit IX, as the same may be amended, restated or otherwise modified from time to time.

"Permitted Encumbrances" shall mean the following: (a) Liens for taxes or assessments or other governmental charges not yet due and payable; and (b) Liens created by the Transaction Documents.

"Person" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Pooled Commercial Paper" means Commercial Paper notes of VFCC subject to any particular pooling arrangement by VFCC, but excluding Commercial Paper issued by VFCC for a tenor and in an amount specifically requested by any Person in connection with any agreement effected by VFCC.

"Prime Rate" means a rate *per annum* equal to the prime rate of interest announced from time to time by Wachovia (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Pro Rata Share" means, for each Liquidity Bank, a percentage equal to the Commitment of such Liquidity Bank, divided by the Aggregate Commitment.

"Program Fee" has the meaning set forth in the Fee Letter.

"Proposed Reduction Date" has the meaning set forth in Section 1.3.

"Proprietary Information" means all information about the Performance Guarantor or any of its Subsidiaries which has been furnished to the Agent or any Lender by or on behalf of the Performance Guarantor or any of its Subsidiaries before or after the date hereof or which is obtained by any Lender or the Agent in the course of any Review made pursuant to Section 7.1(d) of the Agreement; ***provided, however,*** that the term ***"Proprietary Information"*** does not include information which (x) is or becomes publicly available (other than as a result of a breach of Section 14.5 of the Agreement), (y) is possessed by or available to the Agent or any Lender on a non-confidential basis prior to its disclosure to the Agent or such Lender by the Borrower or Subsidiary or (z) becomes available to the Agent or any Lender on a non-confidential basis from a Person which, to the knowledge of the Agent or such Lender, as the case may be, is not bound by a confidentiality agreement with the Performance Guarantor or any of its Subsidiaries and is not otherwise prohibited from transmitting such information to the Agent or such Lender. In the event the Agent or any Lender is required to disclose any Proprietary Information by virtue of clause (ii) (but only if and to the extent such disclosure has not been sought by the Agent or any Lender, and if neither the Performance Guarantor nor the Borrower is a party to such litigation), (iv) or (v) above, to the extent such Lender or the Agent (as the case may be) determines in good faith that it is permissible by law so to do, it shall promptly notify the Performance Guarantor of same so as to allow the Performance Guarantor or its Subsidiaries to seek a protective order or to take other appropriate action; ***provided, however,*** neither any Lender nor the Agent shall be required to delay compliance with any directive to disclose any such information so as to allow the Performance Guarantor or any of Subsidiaries to effect any such action.

"Purchasing Liquidity Bank" has the meaning set forth in Section 12.1(b).

"Rating Agency Condition" means that VFCC has received written notice from S&P and Moody's that an amendment, a change or a waiver to the Liquidity Agreement, this Agreement or the Receivables Sale Agreement, will not result in a withdrawal or downgrade of the then current ratings on VFCC's Commercial Paper.

"Receivable" means each "Receivable" under and as defined in the Receivables Sale Agreement in which the Borrower now has or hereafter acquires any interest. Debt and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual invoice, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction; provided further, that any indebtedness, rights or obligations referred to in the immediately preceding sentence shall be a Receivable regardless of whether the account debtor or the Borrower treats such indebtedness, rights or obligations as a separate payment obligation.

"Receivables Sale Agreement" means that certain Amended and Restated Receivables Sale and Contribution Agreement dated as of September 2, 2003, between ABL and the Borrower, as amended as of October 19, 2007, as the same may be further amended, restated or otherwise modified from time to time.

"Records" means, with respect to any Receivable, all Contracts and other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to such Receivable, any Related Security therefor and the related Obligor.

"Redeemable Preferred Stock" of any Person means any preferred stock issued by such Person which is at any time prior to the Amortization Date either (i) mandatorily redeemable (by required sinking fund or similar payments or otherwise) or (ii) redeemable at the option of the holder thereof.

"Reduction Notice" has the meaning set forth in Section 1.3.

"***Regulation T***" means Regulation T of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Regulation X" means Regulation X of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Regulatory Change" means any change after the date of this Agreement in United States (federal, state or municipal) or foreign laws, regulations (including Regulation D) or accounting principles or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks (including the Liquidity Banks) of or under any United States (federal, state or municipal) or foreign laws, regulations (whether or not having the force of law) or accounting principles by any court, governmental or monetary authority, or accounting board or authority (whether or not part of government) charged with the establishment, interpretation or administration thereof. For the avoidance of doubt, any interpretation of Accounting Research Bulletin No. 51 by the Financial Accounting Standards Board shall constitute a Regulatory Change.

"Related Security" means all of (i) the "Related Security" under and as defined in the Receivables Sale Agreement, (ii) the Borrower's right, title and interest in, to and under the Receivables Sale Agreement, (iii) the Borrower's right, title and interest in and to the Demand Advances made by it, and (iv) the proceeds of any of the foregoing.

"Required Liquidity Banks" means, at any time, Liquidity Banks with Commitments in excess of 66-2/3% of the Aggregate Commitment.

"Required Notice Period" means the number of days required notice set forth below applicable to the Aggregate Reduction indicated below:

Aggregate Reduction	Required Notice Period
less than 25% of the then-current Aggregate Commitment	2 Business Days
greater than or equal to 25% but less than 50% of the then-current Aggregate Commitment	5 Business Days
greater than or equal to 50% of the then-current Aggregate Commitment	10 Business Days

"Required Reserve" means, on any day during a Calculation Period, the product of (a) the greater of (i) the Required Reserve Factor Floor and (ii) the sum of the Loss Reserve, the Interest Reserve, the Dilution Reserve and the Servicing Reserve, times (b) the Net Pool Balance as of the Cut-Off Date immediately preceding such Calculation Period.

"Required Reserve Factor Floor" means, for any Calculation Period, the sum (expressed as a percentage) of (a) 23% plus (b) the product of the Adjusted Dilution Ratio and the Dilution Horizon Ratio, in each case, as of the immediately preceding Cut-Off Date.

"Responsible Officer" means any Executive Officer as well as any other officer of the Parent who is primarily responsible for the administration of the transactions contemplated by the Transaction Documents.

"Restricted Junior Payment" means (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of capital stock of the Borrower now or hereafter outstanding, except a dividend payable solely in shares of that class of stock or in any junior class of stock of the Borrower, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of capital stock of the Borrower now or hereafter outstanding, (iii) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of capital stock of the Borrower now or hereafter outstanding, and (iv) any payment of management fees by the Borrower (except for reasonable management fees to Originator or its Affiliates in reimbursement of actual management services performed).

"S&P" means Standard and Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.

"Secured Parties" means the Indemnified Parties.

"Servicer" means at any time the Person (which may be the Agent) then authorized pursuant to Article VIII to service, administer and collect Receivables.

"Servicing Fee" means, for each day in a Calculation Period:

(a) an amount equal to (i) the Servicing Fee Rate (or, at any time while ABL or one of its Affiliates is the Servicer, such lesser percentage as may be agreed between the

Borrower and the Servicer on an arms' length basis based on then prevailing market terms for similar services), ***times*** (ii) the aggregate Outstanding Balance of all Receivables at the close of business on the Cut-Off Date immediately preceding such Calculation Period, ***times*** (iii) 1/360; or

(b) on and after the Servicer's reasonable request made at any time when ABL or one of its Affiliates are no longer acting as Servicer hereunder, an alternative amount specified by the successor Servicer not exceeding (i) 110% of the Servicer's reasonable costs and expenses of performing its obligations under this Agreement during the preceding Calculation Period, ***divided by*** (ii) the number of days in the current Calculation Period.

"Servicing Fee Rate" means 0.25% *per annum* (or such higher percentage as the Agent and the Borrower may from time to time agree upon based upon then prevailing market conditions).

"Servicing Reserve" means, for any Calculation Period, the product (expressed as a percentage) of (a) 1.00%, ***times*** (b) a fraction, the numerator of which is the highest Days Sales Outstanding for the most recent 12 Calculation Periods and the denominator of which is 360.

"Settlement Date" means (A) the 2nd Business Day after each Monthly Reporting Date, and (B) the last day of the relevant Interest Period in respect of each Loan of the Liquidity Banks.

"Settlement Period" means (A) in respect of each Loan of VFCC, the immediately preceding Calculation Period, and (B) in respect of each Loan of the Liquidity Banks, the entire Interest Period of such Loan.

"Spin Off Transaction" means the Parent's plan, authorized by its board of directors, to separate its lighting equipment business and its specialty products business by spinning off the business currently known as Zep Inc. (as well as each of Zep Inc.' Subsidiaries) into and independent publicly-traded company pursuant to which the capital stock of Zep Inc will be distributed to the record holders of the shares of the Parent on or after the date hereof.

"Subsidiary" means, with respect to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

"Tax Code" means the Internal Revenue Code of 1986, as the same may be amended from time to time.

"Termination Date" has the meaning set forth in Section 2.2.

"Termination Percentage" has the meaning set forth in Section 2.2.

"Terminating Tranche" has the meaning set forth in Section 4.3(b).

"Transaction Documents" means, collectively, this Agreement, each Borrowing Notice, the Receivables Sale Agreement, each Collection Account Agreement, the Performance Undertakings, the Fee Letter, and all other instruments, documents and agreements executed and delivered in connection herewith.

"UCC" means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

"Unmatured Amortization Event" means an event which, with the passage of time or the giving of notice, or both, would constitute an Amortization Event.

"Usage Fee" has the meaning set forth in the Fee Letter.

"VFCC" has the meaning set forth in the preamble to this Agreement.

"Wachovia" means Wachovia Bank, National Association, in its individual capacity and its capacity as agent.

Unless otherwise specified herein, all terms of an accounting character used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with GAAP, applied on a basis consistent (except for changes concurred in by the Parent's independent public accountants or otherwise required by a change in GAAP) with the most recent audited consolidated financial statements of the Parent and its Consolidated Subsidiaries delivered to the Agent unless with respect to any such change concurred in by the Parent's independent public accountants or required by GAAP, in determining compliance with any of the provisions of this Agreement or any of the other Transaction Documents: (i) the Parent shall have objected to determining such compliance on such basis at the time of delivery of such financial statements, or (ii) the Agent shall so object in writing within 30 days after the delivery of such financial statements, in either of which events such calculations shall be made on a basis consistent with those used in the preparation of the latest financial statements as to which such objection shall not have been made.

All terms used in Article 9 of the UCC in the State of Georgia, and not specifically defined herein, are used herein as defined in such Article 9.

EXHIBIT II

FORM OF BORROWING NOTICE

—

ACUITY UNLIMITED, INC.

BORROWING NOTICE
dated _____, 20__
for Borrowing on _____, 20__

Wachovia Bank, National Association, as Agent
171 17th Street, N.W., 4th Floor
Mail-stop GA4524
Atlanta, GA 30363
Attention: Michael Landry

Phone: (404) 214-6388
Fax: (404) 214-5481

Ladies and Gentlemen:

Reference is made to the Amended and Restated Credit and Security Agreement dated as of October 19, 2007 (as amended, supplemented or otherwise modified from time to time, the ***"Credit Agreement"***) among Acuity Unlimited, Inc. (the ***"Borrower"***), Acuity Brands Lighting, Inc. as initial Servicer, Variable Funding Capital Company LLC, and Wachovia Bank, National Association, individually and as Agent. Capitalized terms defined in the Credit Agreement are used herein with the same meanings.

1. The **[**Servicer, on behalf of the**]** Borrower hereby certifies, represents and warrants to the Agent and the Lenders that on and as of the Borrowing Date (as hereinafter defined):

(a) all applicable conditions precedent set forth in Article VI of the Credit Agreement have been satisfied;

(b) each of its representations and warranties contained in Section 5.1 of the Credit Agreement will be true and correct, in all material respects, as if made on and as of the Borrowing Date;

(c) no event will have occurred and is continuing, or would result from the requested Advance, that constitutes an Amortization Event or Unmatured Amortization Event;

(d) the Facility Termination Date has not occurred; and

(e) after giving effect to the Advances requested below, the aggregate principal balance of the Advances outstanding will not exceed the Borrowing Base and the Aggregate Principal outstanding will not exceed the Aggregate Commitment.

2. The **[**Servicer, on behalf of the**]** Borrower hereby requests that VFCC (or its Liquidity Banks) make Advances on _____, 20__ (the ***"Borrowing Date"***) as follows:

(a) Aggregate Amount of Advances: $_____.

(b) If the Advances are not funded by VFCC, the **[**Servicer on behalf of the**]** Borrower requests that the Liquidity Banks make Alternate Base Rate Loans that convert into LIBO Rate Loans with an Interest Period of _____ months on the third Business Day after the Borrowing Date).

3. Please disburse the proceeds of the Loans as follows:

[Apply $_____ to payment of principal and interest of existing Loans due on the Borrowing Date**]**. **[**Apply $_____ to payment of fees due on the Borrowing Date**]**. **[**Wire transfer $_____ to account no. _____ at _____ Bank, in **[**city, state**]**, ABA No. _____, Reference: _____, and $_____ to account no. _____ at _____ Bank, in **[**city, state**]**, ABA No. _____, Reference: _____**]**.

IN WITNESS WHEREOF, the **[**Servicer, on behalf of the**]** Borrower has caused this Borrowing Request to be executed and delivered as of this ____ day of _____, ____.

[ACUITY BRANDS LIGHTING, INC., AS SERVICER, *on behalf of***]** ACUITY UNLIMITED, INC., AS BORROWER

By: _____
Name:
Title:

EXHIBIT III

PLACES OF BUSINESS OF THE LOAN PARTIES; LOCATIONS OF RECORDS;

FEDERAL EMPLOYER AND ORGANIZATIONAL IDENTIFICATION NUMBER(S);

PRIOR NAMES

Places of Business and Locations of Records:

One Lithonia Way
Conyers, Georgia 30012

214 Oakwood Avenue
Newark, Ohio 43055

Federal Employer Identification Numbers:

ABL #58-2633371
AUI #58-2616706

Organizational Identification Numbers:

ABL #3409762
AUI #3384145

Prior Legal Names, Trade and Assumed Names of Borrower: NSI Funding, Inc. and L & C Funding, Inc.

EXHIBIT IV

NAMES OF COLLECTION BANKS; LOCK-BOXES & COLLECTION ACCOUNTS

LOCK-BOX	RELATED COLLECTION ACCOUNT	
P.O. Box 100863 Atlanta, GA 30384-4628	Name of Current Account Holder: Account Number:	Lithonia Lighting, a division of ABL Lockbox #100863, DDA#3750249781
File 57450 Los Angeles, CA 90074-0188	Bank Name: ABA Number: Contact Person: Contact's Tel: Contact's Fax:	Bank of America 111000012 Louvenia Parker 404-607-5441 404-532-3404

EXHIBIT V

FORM OF COMPLIANCE CERTIFICATE

To: Wachovia Bank, National Association, as Agent

This Compliance Certificate is furnished pursuant to that certain Amended and Restated Credit and Security Agreement dated as of October 19, 2007 among Acuity Unlimited, Inc. (the ***"Borrower"***), Acuity Brands Lighting, Inc. as initial Servicer, Variable Funding Capital Company LLC, and Wachovia Bank, National Association, individually and as Agent (the ***"Agreement"***).

THE UNDERSIGNED HEREBY CERTIFIES IN HIS OR HER REPRESENTATIVE CAPACITY ON BEHALF OF PERFORMANCE GUARANTOR THAT:

1. I am the duly elected _____ of _____.

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Performance Guarantor and its Subsidiaries during the accounting period covered by the attached financial statements.

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes an Amortization Event or Unmatured Amortization Event, as each such term is defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate**[**, except as set forth in paragraph 5 below**]**.

4. Schedule I attached hereto sets forth financial data and computations evidencing the compliance with certain covenants of the Agreement, all of which data and computations are true, complete and correct.

[5. Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which _____ has taken, is taking, or proposes to take with respect to each such condition or event: _____]

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered by the undersigned in his or her representative capacity on behalf of _____, all as of _____, 20__.

By: _____
Name:
Title:

SCHEDULE I TO COMPLIANCE CERTIFICATE

A. Schedule of Compliance as of _____, 200_ with Section ____ of the Agreement. Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

This schedule relates to the month ended: _____

EXHIBIT VI

[intentionally omitted]

EXHIBIT VII

FORM OF ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT (this ***"Assignment Agreement"***) is entered into as of the ____ day of _____, ____, by and between _____ (***"Assignor"***) and _____ (***"Assignee"***).

PRELIMINARY STATEMENTS

A. This Assignment Agreement is being executed and delivered in accordance with Section 12.1(b) of that certain Amended and Restated Credit and Security Agreement dated as of October 19, 2007 by and among Acuity Unlimited, Inc. (the ***"Borrower"***), Acuity Brands Lighting, Inc. as initial Servicer, Variable Funding Capital Company LLC, and Wachovia Bank, National Association, as Agent, and the Liquidity Banks party thereto (as amended, modified or restated from time to time, the ***"Credit and Security Agreement"***) and that certain Liquidity Asset Purchase Agreement dated as of October __, 2007 by and among VFCC, the Liquidity Banks from time to time party thereto and Wachovia Bank, National Association, as Agent (as amended, modified or restated from time to time, the ***"Liquidity Agreement"***). Capitalized terms used and not otherwise defined herein are used with the meanings set forth or incorporated by reference in the Credit and Security Agreement.

B. Assignor is a Liquidity Bank party to the Credit and Security Agreement and the Liquidity Agreement, and Assignee wishes to become a Liquidity Bank thereunder; and

C. Assignor is selling and assigning to Assignee an undivided _____% (the ***"Transferred Percentage"***) interest in all of Assignor's rights and obligations under the Transaction Documents and the Liquidity Agreement, including, without limitation, Assignor's Commitment, Assignor's Liquidity Commitment and (if applicable) Assignor's Loans to the Borrower as set forth herein.

AGREEMENT

The parties hereto hereby agree as follows:

1. The sale, transfer and assignment effected by this Assignment Agreement shall become effective (the ***"Effective Date"***) two (2) Business Days (or such other date selected by the Agent in its sole discretion) following the date on which a notice substantially in the form of Schedule II to this Assignment Agreement (***"Effective Notice"***) is delivered by the Agent to VFCC, Borrower, Servicer, Assignor and Assignee. From and after the Effective Date, Assignee shall be a Liquidity Bank party to the Credit and Security Agreement for all purposes thereof as if Assignee were an original party thereto and Assignee agrees to be bound by all of the terms and provisions contained therein.

2. If Assignor has no outstanding principal under the Credit and Security Agreement or the Liquidity Agreement, on the Effective Date, Assignor shall be deemed to have hereby transferred and assigned to Assignee, without recourse, representation or warranty

(except as provided in paragraph 6 below), and the Assignee shall be deemed to have hereby irrevocably taken, received and assumed from Assignor, the Transferred Percentage of Assignor's Commitment and Liquidity Commitment and all rights and obligations associated therewith under the terms of the Credit and Security Agreement and the Liquidity Agreement, including, without limitation, the Transferred Percentage of Assignor's future funding obligations under the Credit and Security Agreement and the Liquidity Agreement.

3. If Assignor has any outstanding principal under the Credit and Security Agreement and Liquidity Agreement, at or before 12:00 noon, local time of Assignor, on the Effective Date Assignee shall pay to Assignor, in immediately available funds, an amount equal to the sum of (i) the Transferred Percentage of the outstanding principal of Assignor's Loans and, without duplication, Assignor's Percentage Interests (as defined in the Liquidity Agreement) (such amount, being hereinafter referred to as the ***"Assignee's Principal"***); (ii) all accrued but unpaid (whether or not then due) Interest attributable to Assignee's Principal; and (iii) accruing but unpaid fees and other costs and expenses payable in respect of Assignee's Principal for the period commencing upon each date such unpaid amounts commence accruing, to and including the Effective Date (the ***"Assignee's Acquisition Cost"***); whereupon, Assignor shall be deemed to have sold, transferred and assigned to Assignee, without recourse, representation or warranty (except as provided in paragraph 6 below), and Assignee shall be deemed to have hereby irrevocably taken, received and assumed from Assignor, the Transferred Percentage of Assignor's Commitment, Liquidity Commitment, Loans (if applicable) and Percentage Interests (if applicable) and all related rights and obligations under the Transaction Documents and the Liquidity Agreement, including, without limitation, the Transferred Percentage of Assignor's future funding obligations under the Credit and Security Agreement and the Liquidity Agreement.

4. Concurrently with the execution and delivery hereof, Assignor will provide to Assignee copies of all documents requested by Assignee which were delivered to Assignor pursuant to the Credit and Security Agreement or the Liquidity Agreement.

5. Each of the parties to this Assignment Agreement agrees that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Assignment Agreement.

6. By executing and delivering this Assignment Agreement, Assignor and Assignee confirm to and agree with each other, the Agent and the Liquidity Banks as follows: (a) other than the representation and warranty that it has not created any Adverse Claim upon any interest being transferred hereunder, Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made by any other Person in or in connection with any of the Transaction Documents or the Liquidity Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of Assignee, the Credit and Security Agreement, the Liquidity Agreement or any other instrument or document furnished pursuant thereto or the perfection, priority, condition, value or sufficiency of any Collateral; (b) Assignor makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower, any Obligor, any Affiliate of the Borrower or the performance or observance by the Borrower, any Obligor, any Affiliate of the

Borrower of any of their respective obligations under the Transaction Documents or any other instrument or document furnished pursuant thereto or in connection therewith; (c) Assignee confirms that it has received a copy of each of the Transaction Documents and the Liquidity Agreement, and other documents and information as it has requested and deemed appropriate to make its own credit analysis and decision to enter into this Assignment Agreement; (d) Assignee will, independently and without reliance upon the Agent, VFCC, Borrower or any other Liquidity Bank or Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Transaction Documents and the Liquidity Agreement; (e) Assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Transaction Documents and the Liquidity Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (f) Assignee agrees that it will perform in accordance with their terms all of the obligations which, by the terms of the Liquidity Agreement, the Credit and Security Agreement and the other Transaction Documents, are required to be performed by it as a Liquidity Bank or, when applicable, as a Lender.

7. Each party hereto represents and warrants to and agrees with the Agent that it is aware of and will comply with the provisions of the Credit and Security Agreement, including, without limitation, Sections 14.5 and 14.6 thereof.

8. Schedule I hereto sets forth the revised Commitment and Liquidity Commitment of Assignor and the Commitment and Liquidity Commitment of Assignee, as well as administrative information with respect to Assignee.

9. THIS ASSIGNMENT AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

10. Assignee hereby covenants and agrees that, prior to the date which is one year and one day after the payment in full of all senior indebtedness for borrowed money of VFCC, it will not institute against, or join any other Person in instituting against, VFCC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment Agreement to be executed by their respective duly authorized officers of the date hereof.

[ASSIGNOR]

By: _____
Title:

[ASSIGNEE]

By: _____
Title:

SCHEDULE I TO ASSIGNMENT AGREEMENT

LIST OF LENDING OFFICES, ADDRESSES FOR NOTICES AND COMMITMENT AMOUNTS

Date: _____, _____

Transferred Percentage: _____%

	A-1	A-2	B-1	B-2	C-1	C-2
Assignor	**Commitment (prior to giving effect to the Assignment Agreement)**	**Commitment (after giving effect to the Assignment Agreement)**	**Outstanding principal (if any)**	**Ratable Share of Outstanding principal**	**Liquidity Commitment (prior to giving effect to the Assignment Agreement)**	**Liquidity Commitment (after giving effect to the Assignment Agreement)**

	A-1	A-2	B-1	B-2	C-1	C-2
Assignee	**Commitment (prior to giving effect to the Assignment Agreement)**	**Commitment (after giving effect to the Assignment Agreement)**	**Outstanding principal (if any)**	**Ratable Share of Outstanding principal**	**Liquidity Commitment (prior to giving effect to the Assignment Agreement)**	**Liquidity Commitment (after giving effect to the Assignment Agreement)**

Address for Notices

_____

_____

Attention:
Phone:
Fax:

SCHEDULE II TO ASSIGNMENT AGREEMENT

EFFECTIVE NOTICE

TO: _____ , Assignor

TO: _____ , Assignee

The undersigned, as Agent under the Amended and Restated Credit and Security Agreement dated as of October 19, 2007 by and among Acuity Unlimited, Inc., as Borrower and Acuity Brands Lighting, Inc., as initial Servicer, Variable Funding Capital Company LLC, Wachovia Bank, National Association, as Agent, and the Liquidity Banks party thereto, hereby acknowledges receipt of executed counterparts of a completed Assignment Agreement dated as of _____, 200_ between _____, as Assignor, and _____, as Assignee. Terms defined in such Assignment Agreement are used herein as therein defined.

1. Pursuant to such Assignment Agreement, you are advised that the Effective Date will be _____, ____.

2. Each of the undersigned hereby consents to the Assignment Agreement as required by Section 12.1(b) of the Credit and Security Agreement.

[3. Pursuant to such Assignment Agreement, the Assignee is required to pay $_____ to Assignor at or before 12:00 noon (local time of Assignor) on the Effective Date in immediately available funds.**]**

Very truly yours,

WACHOVIA BANK, NATIONAL ASSOCIATION, as Agent

By: _____
Title: _____

VARIABLE FUNDING CAPITAL COMPANY LLC

BY: WACHOVIA CAPITAL MARKETS, LLC, ITS ATTORNEY-IN-FACT

By: _____
Name:
Title:

***[The Borrower hereby consents to the foregoing assignment:*

ACUITY UNLIMITED, INC.

By: _____
Name:
Title:]****

EXHIBIT VIII

FORM OF MONTHLY REPORT

[attached]

Acuity Unlimited Inc. Monthly Servicer Report
For the Month Ended:
8/31/07
(Page 1)
($)

Borrowing Base	
A/R ROLLFORWARD	
Beginning Balance	
Add: Sales	
Less: Credit Memos (-)	
Add: Debits/Chargebacks (+)	
Less: Bad Debt Write-offs	
Less: Collections (-)	
Less: Discounts (-)	
Less: Roll Forward Adjustments (-)	
EOM AR Balance	
AGING SCHEDULE	
Current	
1-30 DPD	
31-60 DPD	
61-90 DPD	
91-120 DPD	
121+ Days Past Due	
Total Aging	
A/R RECONCILIATIONS	
Calculated Ending A/R	
Reported Ending A/R	
Difference	
Calculated Ending A/R	
Total Aging	
Difference	
INELIGIBLES	
Defaulted Receivables	
Unapplied Cash and Credits in 91-120 DPD bucket	
Unapplied Cash and Credits in 121+ DPD bucket	
Gov't	Not Ineligible
Foreign	
Contra or Intercompany	
Bankrupt	
Terms > 60 Days	Not Ineligible
>90 day terms	Not Ineligible
Cross-aged and Installment	
Home Depot Progress Billed Receivables	Not Ineligible
Ineligible Terms	
Ineligible Govt Receivables	
Total Ineligibles	
Eligible Receivables	

EXHIBIT IX

[FORM OF] PERFORMANCE UNDERTAKING

THIS PERFORMANCE UNDERTAKING (this ***"Undertaking"***), dated as of October 19, 2007, is executed by Acuity Brands, Inc., a Delaware corporation (formerly known as Acuity Brands Holdings, Inc.) (the ***"Performance Guarantor"***) in favor of Acuity Unlimited, Inc., a Delaware corporation (together with its successors and assigns, ***"Recipient"***).

RECITALS

1. Acuity Brands Lighting, Inc., a Delaware corporation (***"Originator"***), and Recipient are parties to an Second Amended and Restated Receivables Sale and Contribution Agreement, dated as of October 19, 2007 (as amended, restated or otherwise modified from time to time, the ***"Sale and Contribution Agreement"***), pursuant to which Originator, subject to the terms and conditions contained therein, is selling its right, title and interest in its accounts receivable and certain related assets to Recipient.

2. Recipient intends to finance its purchases under the Sale and Contribution Agreement in part by borrowing under an Amended and Restated Credit and Security Agreement dated as of October 19, 2007 (as the same may from time to time hereafter be amended, supplemented, restated or otherwise modified, the ***"Credit and Security Agreement"*** and, together with the Sale and Contribution Agreement, the ***"Agreements"***) among Recipient, as Borrower, Acuity Brands Lighting, Inc., as initial servicer (in such capacity, the ***"Initial Servicer"***), Variable Funding Capital Company LLC (***"VFCC"***), the banks and other financial institutions from time to time party thereto as "Liquidity Banks" (together with VFCC, the ***"Lenders"***) and Wachovia Bank, National Association or any successor agent appointed pursuant to the terms of the Credit and Security Agreement, as agent for the Lenders (in such capacity, the ***"Agent"***).

3. Performance Guarantor owns, directly or indirectly, one hundred percent (100%) of the capital stock of Originator, the other Initial Servicer and Recipient, and Originator (and accordingly, Performance Guarantor) is expected to receive substantial direct and indirect benefits from its sale and contribution of receivables pursuant to the Sale and Contribution Agreement (which benefits are hereby acknowledged).

4. As an inducement for Recipient to acquire Originator's accounts receivable pursuant to the Sale and Contribution Agreement, Performance Guarantor has agreed to guaranty (a) the due and punctual performance by Originator of its obligations under the Sale and Contribution Agreement, and (b) the due and punctual performance by the Initial Servicer of its servicing duties under the Credit and Security Agreement.

5. Performance Guarantor wishes to guaranty the due and punctual performance by Originator and the Initial Servicer of the aforesaid obligations as provided herein.

AGREEMENT

NOW, THEREFORE, Performance Guarantor hereby agrees as follows:

Section 1. Definitions. Capitalized terms used herein and not defined herein shall the respective meanings assigned thereto in the Agreements. In addition:

"Guaranteed Obligations" means, collectively, (a) all covenants, agreements, terms, conditions and indemnities to be performed and observed by Originator as seller and contributor under the Sale and Contribution Agreement, including, without limitation, the due and punctual payment of all sums which are or may become due and owing by Originator in its capacity as a seller or seller and contributor under the Sale and Contribution Agreement, whether for fees, expenses (including actual and reasonable counsel fees), indemnified amounts or otherwise, whether upon any termination or for any other reason, and (b) all Servicing-Related Obligations.

"Servicing Related Obligations" means all covenants, agreements, terms, conditions and indemnities to be performed and observed by the Initial Servicer in its capacity as such under the Credit and Security Agreement.

Section 2. Guaranty of Performance of Guaranteed Obligations. Performance Guarantor hereby guarantees to Recipient, the full and punctual payment and performance by Originator and the Initial Servicer of their respective Guaranteed Obligations. This Undertaking is an absolute, unconditional and continuing guaranty of the full and punctual performance of all Guaranteed Obligations and is in no way conditioned upon any requirement that Recipient first attempt to collect any amounts owing by Originator or either Initial Servicer, as the case may be, to Recipient, the Agent or VFCC from any other Person or resort to any collateral security, any balance of any deposit account or credit on the books of Recipient, the Agent or VFCC in favor of Originator, the Initial Servicer or any other Person or other means of obtaining payment. Should Originator or the Initial Servicer default in the payment or performance of any of its Guaranteed Obligations, Recipient (or its assigns) may cause the immediate performance by Performance Guarantor of such Guaranteed Obligations and cause any such payment Guaranteed Obligations to become forthwith due and payable to Recipient (or its assigns), without demand or notice of any nature (other than as expressly provided herein), all of which are hereby expressly waived by Performance Guarantor. Notwithstanding the foregoing, this Undertaking is not a guarantee of the payment or collection of any of the Receivables or the Loans, and Performance Guarantor shall not be responsible for any Guaranteed Obligations to the extent the failure to perform such Guaranteed Obligations by Originator or the Initial Servicer results from Receivables being uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor; ***provided that*** nothing herein shall relieve Originator or the Initial Servicer from performing in full its Guaranteed Obligations under the Agreements or Performance Guarantor of its undertaking hereunder with respect to the full performance of such duties.

Section 3. Performance Guarantor's Further Agreements to Pay. Performance Guarantor further agrees, as the principal obligor and not as a guarantor only, to pay to Recipient (and its assigns), forthwith upon demand in funds immediately available to Recipient, all reasonable costs and expenses (including court costs and reasonable legal expenses) actually

incurred or expended by Recipient in connection with enforcement of the Guaranteed Obligations and/or this Undertaking, together with interest on amounts not paid by Performance Guarantor under this Undertaking within two Business Days after such amounts become due until payment, at a rate of interest (computed for the actual number of days elapsed based on a 360 day year) equal to the Prime Rate plus 2% *per annum*, such rate of interest changing when and as the Prime Rate changes.

Section 4. Waivers by Performance Guarantor. Performance Guarantor waives notice of acceptance of this Undertaking, notice of any action taken or omitted by Recipient (or its assigns) in reliance on this Undertaking, and any requirement that Recipient (or its assigns) be diligent or prompt in making demands under this Undertaking, giving notice of any Termination Event, Amortization Event, other default or omission by Originator or the Initial Servicer or asserting any other rights of Recipient under this Undertaking. Performance Guarantor warrants that it has adequate means to obtain from Originator and the Initial Servicer, on a continuing basis, information concerning the financial condition of such Person, and that it is not relying on Recipient to provide such information, now or in the future. Performance Guarantor also irrevocably waives all defenses (i) that at any time may be available in respect of the Guaranteed Obligations by virtue of any statute of limitations, valuation, stay, moratorium law or other similar law now or hereafter in effect or (ii) that arise under the law of suretyship, including impairment of collateral. Recipient (and its assigns) shall be at liberty, without giving notice to or obtaining the assent of Performance Guarantor and without relieving Performance Guarantor of any liability under this Undertaking, to deal with Originator and the Initial Servicer and with each other party who now is or after the date hereof becomes liable in any manner for any of the Guaranteed Obligations, in such manner as Recipient in its sole discretion deems fit, and to this end Performance Guarantor agrees that the validity and enforceability of this Undertaking, including without limitation, the provisions of Section 7 hereof, shall not be impaired or affected by any of the following: (a) any extension, modification or renewal of, or indulgence with respect to, or substitutions for, the Guaranteed Obligations or any part thereof or any agreement relating thereto at any time; (b) any failure or omission to enforce any right, power or remedy with respect to the Guaranteed Obligations or any part thereof or any agreement relating thereto, or any collateral securing the Guaranteed Obligations or any part thereof; (c) any waiver of any right, power or remedy or of any Termination Event, Amortization Event, or default with respect to the Guaranteed Obligations or any part thereof or any agreement relating thereto; (d) any release, surrender, compromise, settlement, waiver, subordination or modification, with or without consideration, of any other obligation of any person or entity with respect to the Guaranteed Obligations or any part thereof; (e) the enforceability or validity of the Guaranteed Obligations or any part thereof or the genuineness, enforceability or validity of any agreement relating thereto or with respect to the Guaranteed Obligations or any part thereof; (f) the application of payments received from any source to the payment of any payment obligations of Originator or the Initial Servicer or any part thereof or amounts which are not covered by this Undertaking even though Recipient (or its assigns) might lawfully have elected to apply such payments to any part or all of the payment obligations of such Person or to amounts which are not covered by this Undertaking; (g) the existence of any claim, setoff or other rights which Performance Guarantor may have at any time against Originator or the Initial Servicer in connection herewith or any unrelated transaction; (h) any assignment or transfer of the Guaranteed Obligations or any part thereof; or (i) any failure on the part of Originator or the Initial Servicer to perform or comply with any term of the Agreements or any other document

executed in connection therewith or delivered thereunder, all whether or not Performance Guarantor shall have had notice or knowledge of any act or omission referred to in the foregoing clauses (a) through (i) of this Section 4.

Section 5. Unenforceability of Guaranteed Obligations Against Originator and Initial Servicer. Notwithstanding (a) any change of ownership of Performance Guarantor, Originator or the Initial Servicer or the insolvency, bankruptcy or any other change in the legal status of Originator or the Initial Servicer; (b) the change in or the imposition of any law, decree, regulation or other governmental act which does or might impair, delay or in any way affect the validity, enforceability or the payment when due of the Guaranteed Obligations (unless the same shall be applicable to the Performance Guarantor); (c) the failure of Originator, the Initial Servicer or Performance Guarantor to maintain in full force, validity or effect or to obtain or renew when required all governmental and other approvals, licenses or consents required in connection with the Guaranteed Obligations or this Undertaking, or to take any other action required in connection with the performance of all obligations pursuant to the Guaranteed Obligations or this Undertaking; or (d) if any of the moneys included in the Guaranteed Obligations have become irrecoverable from Originator or the Initial Servicer for any other reason other than final payment in full of the payment obligations in accordance with their terms or lawful setoff of claims against the Purchasers, this Undertaking shall nevertheless be binding on Performance Guarantor. This Undertaking shall be in addition to any other guaranty or other security for the Guaranteed Obligations, and it shall not be rendered unenforceable by the invalidity of any such other guaranty or security. In the event that acceleration of the time for payment of any of the Guaranteed Obligations is stayed upon the insolvency, bankruptcy or reorganization of Originator or the Initial Servicer or for any other reason with respect to Originator or the Initial Servicer, all such amounts then due and owing with respect to the Guaranteed Obligations under the terms of the Agreements, or any other agreement evidencing, securing or otherwise executed in connection with the Guaranteed Obligations, shall be immediately due and payable by Performance Guarantor.

Section 6. Representations and Warranties. Performance Guarantor hereby represents and warrants to Recipient and its assigns that (a) Performance Guarantor is a corporation duly organized, validly existing and in good standing under the laws of Delaware and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, and (b) this Undertaking has been duly executed and delivered by Performance Guarantor and constitutes its legally valid and binding obligation, enforceable against Performance Guarantor in accordance with its terms, ***provided*** that the enforceability hereof is subject to general principles of equity and to bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

Section 7. Subrogation. Notwithstanding anything to the contrary contained herein, until the Guaranteed Obligations are paid in full Performance Guarantor: (a) will not enforce or otherwise exercise any right of subrogation to any of the rights of Recipient, the Agent or VFCC against Originator or the Initial Servicer, (b) hereby waives all rights of subrogation (whether contractual, under Section 509 of the United States Bankruptcy Code, at law or in equity or otherwise) to the claims of Recipient, the Agent and VFCC against Originator or the Initial Servicer and all contractual, statutory or legal or equitable rights of contribution,

reimbursement, indemnification and similar rights and "claims" (as that term is defined in the United States Bankruptcy Code) which Performance Guarantor might now have or hereafter acquire against Originator or the Initial Servicer that arise from the existence or performance of Performance Guarantor's obligations hereunder, (c) will not claim any setoff, recoupment or counterclaim against Originator or the Initial Servicer in respect of any liability of Performance Guarantor to the Originator and (d) waives any benefit of and any right to participate in any collateral security which may be held by Beneficiaries, the Agent or VFCC.

Section 8. Termination of Performance Undertaking. Performance Guarantor's obligations hereunder shall continue in full force and effect until all Obligations are finally paid and satisfied in full and the Credit and Security Agreement is terminated, ***provided that*** this Undertaking shall continue to be effective or shall be reinstated, as the case may be, if at any time payment or other satisfaction of any of the Guaranteed Obligations is rescinded or must otherwise be restored or returned upon the bankruptcy, insolvency, or reorganization of Originator or the Initial Servicer or otherwise, as though such payment had not been made or other satisfaction occurred, whether or not Recipient (or its assigns) is in possession of this Undertaking. No invalidity, irregularity or unenforceability by reason of the federal bankruptcy code or any insolvency or other similar law, or any law or order of any government or agency thereof purporting to reduce, amend or otherwise affect the Guaranteed Obligations shall impair, affect, be a defense to or claim against the obligations of Performance Guarantor under this Undertaking.

Section 9. Effect of Bankruptcy. This Performance Undertaking shall survive the insolvency of Originator or the Initial Servicer and the commencement of any case or proceeding by or against Originator or the Initial Servicer under the federal bankruptcy code or other federal, state or other applicable bankruptcy, insolvency or reorganization statutes. No automatic stay under the federal bankruptcy code with respect to Originator or the Initial Servicer or other federal, state or other applicable bankruptcy, insolvency or reorganization statutes to which Originator or the Initial Servicer is subject shall postpone the obligations of Performance Guarantor under this Undertaking.

Section 10. Setoff. Regardless of the other means of obtaining payment of any of the Guaranteed Obligations, Recipient (and its assigns) is hereby authorized at any time and from time to time during the existence of any Amortization Event, without notice to Performance Guarantor (any such notice being expressly waived by Performance Guarantor) and to the fullest extent permitted by law, to set off and apply any deposits and other sums against the obligations of Performance Guarantor under this Undertaking then past due for more than two Business Days.

Section 11. Taxes. All payments to be made by Performance Guarantor hereunder shall be made free and clear of any deduction or withholding (except for taxes excluded under Section 10.1 of the Credit and Security Agreement). If Performance Guarantor is required by law to make any deduction or withholding on account of any Taxes or otherwise from any such payment (except for taxes excluded under Section 10.1 of the Credit and Security Agreement), the sum due from it in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, Recipient receive a net sum equal to the sum which they would have received had no deduction or withholding been made.

Section 12. Further Assurances. Performance Guarantor agrees that it will from time to time, at the request of Recipient (or its assigns), provide information relating to the business and affairs of Performance Guarantor as Recipient may reasonably request.

Section 13. Successors and Assigns. This Performance Undertaking shall be binding upon Performance Guarantor, its successors and permitted assigns, and shall inure to the benefit of and be enforceable by Recipient and its successors and assigns. Without limiting the generality of the foregoing sentence, Recipient may pledge or assign, and hereby notifies Performance Guarantor that it has pledged and assigned, this Performance Undertaking to the Agent, for the benefit of the Lenders, as security for the Obligations, and Performance Guarantor hereby acknowledges that the Agent may enforce this Performance Undertaking, on behalf of Recipient and the Lenders, with the same force and effect as though the Agent were the Recipient hereunder. Subject to Section 7.1(c)(ii) of the Credit and Security Agreement, Performance Guarantor may not assign or transfer any of its obligations hereunder without the prior written consent of each of Recipient and the Agent.

Section 14. Amendments and Waivers. No amendment or waiver of any provision of this Undertaking nor consent to any departure by Performance Guarantor therefrom shall be effective unless the same shall be in writing and signed by Recipient, the Agent and Performance Guarantor. No failure on the part of Recipient to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

Section 15. Notices. All notices and other communications provided for hereunder shall be made in writing and shall be addressed as follows: if to Performance Guarantor, at the address set forth beneath its signature hereto, and if to Recipient, at the addresses set forth beneath its signature to the Credit and Security Agreement, or at such other addresses as each of Performance Guarantor or any Recipient may designate in writing to the other. Each such notice or other communication shall be effective (a) if given by telecopy, upon the receipt thereof, (b) if given by mail, five (5) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (c) if given by any other means, when received at the address specified in this Section 15.

Section 16. GOVERNING LAW. THIS UNDERTAKING SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF GEORGIA.

Section 17. CONSENT TO JURISDICTION. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW: (A) EACH OF PERFORMANCE GUARANTOR AND RECIPIENT HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR GEORGIA STATE COURT SITTING IN FULTON COUNTY, GEORGIA IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS UNDERTAKING, THE AGREEMENTS OR

ANY OTHER DOCUMENT EXECUTED IN CONNECTION THEREWITH OR DELIVERED THEREUNDER AND (B) EACH OF PERFORMANCE GUARANTOR AND RECIPIENT HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM.

Section 18. WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH OF PERFORMANCE GUARANTOR AND RECIPIENT HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS UNDERTAKING, THE AGREEMENTS OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION THEREWITH OR DELIVERED THEREUNDER OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER

Section 19. Bankruptcy Petition. Performance Guarantor hereby covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness owed by VFCC, it will not institute against, or join any other Person in instituting against, VFCC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 20. Miscellaneous. This Undertaking constitutes the entire agreement of Performance Guarantor with respect to the matters set forth herein and supersedes and replaces that certain Performance Undertaking dated as of September 26, 2007, executed by Performance Guarantor in favor of Recipient. The rights and remedies herein provided are cumulative and not exclusive of any remedies provided by law or any other agreement, and this Undertaking shall be in addition to any other guaranty of or collateral security for any of the Guaranteed Obligations. The provisions of this Undertaking are severable, and in any action or proceeding involving any state corporate law, or any state or federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of Performance Guarantor hereunder would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of Performance Guarantor's liability under this Undertaking, then, notwithstanding any other provision of this Undertaking to the contrary, the amount of such liability shall, without any further action by Performance Guarantor or Recipient, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding. Any provisions of this Undertaking which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Unless otherwise specified, references herein to ***"Section"*** shall mean a reference to sections of this Undertaking.

IN WITNESS WHEREOF, Performance Guarantor has caused this Undertaking to be executed and delivered as of the date first above written.

ACUITY BRANDS, INC., A DELAWARE CORPORATION

By: _____
Name: _____
Title: _____

Address for Notices:

One Lithonia Way
Conyers, GA 30012

Attention: General Counsel

Fax No.: (770) 785-9511
Telephone No.: (770) 922-9000

SCHEDULE A

COMMITMENTS OF LIQUIDITY BANKS

LIQUIDITY BANK	COMMITMENT
Wachovia Bank, National Association	$ 75,000,000

July 23, 2007

Mr. John K. Morgan
1074 Robin Lane
Atlanta, GA 30306

Dear John:

This amended and restated letter agreement ("Agreement") sets forth the terms and conditions of your employment with Acuity Brands, Inc. ("Acuity") and your election as President and Chief Executive Officer of Acuity Specialty Products Group, Inc. (ASP"), effective at the close of business on July 23, 2007 ("Effective Date") (Acuity and ASP are sometimes referred to collectively hereinafter as the "Company"). As of the Effective Date, this Agreement shall replace in its entirety the amended and restated employment letter agreement, dated August 1, 2005 ("Prior Agreement"), between you and Acuity and Acuity Brands Lighting, Inc. f/k/a Acuity Lighting Group, Inc. ("ABL"), and you will no longer be employed by ABL. However, as provided in Paragraph 4.11 below, you will continue to be subject to certain restrictive covenants with respect to the business of ABL.

In entering into this Agreement, you and the Company acknowledge that the parties contemplate a corporate restructuring of Acuity and a subsequent distribution by Acuity of the stock of ASP (or a successor to ASP's business and operations) to the stockholders of Acuity (the "Spinoff"), but also recognize that the restructuring and Spinoff are subject to final approval of the Board of Directors of Acuity after satisfaction of certain conditions. Effective at the date of the Spinoff, the term "Company" under this Agreement (and in the Exhibits) shall refer only to ASP and shall no longer include Acuity (and references to the Board or a Committee of the Board shall refer to the Board of Directors of ASP or the appropriate Committee of ASP). Further, as provided below, in the event the restructuring and Spinoff are consummated, certain provisions of this Agreement will become effective.

After you have reviewed the terms and conditions of this letter, please sign below to signify your acceptance.

1. Title and Responsibilities. Effective as of the Effective Date, you (hereinafter "Executive") will serve as President and Chief Executive Officer of ASP and an Executive Vice President of Acuity and will report to the Chief Executive Officer of Acuity. Executive shall have such duties, responsibilities, and authority as are commensurate with such positions, as established by corporate law or Acuity's governance documents or delegated to him from time to time by the Chief Executive Officer and the Board of Directors of Acuity ("Board"). Executive accepts the duties described above and agrees to render his services for the term of this Agreement. At the date of the Spinoff, Executive will serve as the Chairman, President and Chief Executive Officer of ASP, and Executive will cease to be an Executive Vice President of Acuity or to report to the Chief Executive Officer of Acuity or the Board.

2. Term. This Agreement shall commence as of the Effective Date and continue in effect until either the Company or Executive gives notice to the other of termination (the period of this Agreement is hereinafter referred to as the "term of this Agreement"). Either the Company or Executive may terminate this Agreement for any reason and at any time with or without cause and with or without advance notice, subject to Executive's and the Company's rights under any severance agreement, change in control agreement or other agreement relating to Executive's termination of employment. Notwithstanding any such rights in any such severance agreement, change in control agreement or other agreement, Executive may be terminated as an Executive Vice President of Acuity at the effective time of the Spinoff, and the other changes contemplated by this Agreement may be made, without any severance or other similar payments being due Executive as a result of such termination by Acuity. In the event the Spinoff does not occur within one (1) year after the Effective Date, Executive may exercise the "Good Reason" provision of his Severance Agreement (as described in Paragraph 4.7 below) with respect to his termination as an executive of ABL on the Effective Date, and terminate his employment with Acuity and ASP, provided, however, that the amount of the severance payments under Section 4 of the Severance Agreement shall be reduced by $1 million, the value of the Restricted Stock award under Paragraph 4.5 below.

3. Extent of Services. Executive agrees that commencing on the Effective Date and during the term of this Agreement he will devote his full working time and requisite energy and skill to the diligent performance of Executive's duties as set forth in Paragraph 1. With the consent and the assistance of the Board, Executive may serve on the board of directors or board of trustees of other companies or institutions, provided, however, that approval of the Board shall be required as set forth in the Company's Corporate Governance Guidelines, as they may be revised from time to time.

4. Consideration. As consideration for the services performed by Executive pursuant to this Agreement and the restrictive covenants set forth or referenced in Paragraph 5, the Company will compensate Executive during the term of this Agreement as follows:

4.1 Base Salary. Commencing on the Effective Date, Executive will be entitled to an annual base salary of $500,000, subject to periodic review and change by the Compensation Committee of the Board. Executive's base salary will be payable in accordance with the Company's regular payroll practices for executives as in effect from time to time.

4.2 Benefits. Executive will be entitled to participate in all employee benefit plans and perquisites of the Company in effect from time to time (including health, life, disability, dental, and retirement plans) in which executive officers of the Company are entitled to participate

4.3 Annual Incentive. Executive will be eligible for an annual incentive payment in accordance with the Management Compensation and Incentive Plan (the "Incentive Plan") and the Plan Rules thereunder in effect for each year. Pursuant to those Plan Rules: (a) for the fiscal year ending August 31, 2007, the amount of Executive's incentive payment will be determined by ABL's overall financial performance and Executive's individual performance (which is projected to be approximately 100%), with the target bonus of 60% of base salary, in accordance with the Plan Rules previously adopted by the Board for such year, (b) for the fiscal year ending August 31, 2008, the amount of Executive's incentive payment will be determined by ASP's overall financial performance and Executive's individual performance, and Executive's target bonus will be 65% of base salary (85% of base salary in the event the Spinoff occurs during such fiscal year). Executive's target bonus for future years will be determined by the Board (or in the event of the Spinoff, the Board of Directors of ASP). The Incentive Plan and the Plan Rules thereunder may be modified at any time in the Company's sole discretion, subject to any applicable shareholder approval requirements.

4.4 Long-Term Incentive Plan. As of the Effective Date, Executive shall be eligible for annual equity awards under Acuity's Long-Term Incentive Plan ("Acuity LTIP"). For the fiscal year ending August 31, 2007, the amount of Executive's long-term incentive award will be determined by the Compensation Committee based on ABL's overall financial performance and Executive's individual performance, with the target long-term incentive plan award approximately equal 120% of Base Salary (based upon current expectations of ABL's performance and Executive's individual performance, Acuity projects this award to have a value of not less than $1 million). In the event of the Spinoff, Executive shall be eligible for annual equity awards under ASP's Long-Term Incentive Plan ("ASP LTIP") in an amount approximately equal to 175% of Base Salary, at target. The awards under the Acuity LTIP and the ASP LTIP may be made in the form of any of the equity awards provided for under such Plans.

4.5 Restricted Stock Award. As of the Effective Date, Acuity has granted Executive an award of 15,810 shares of Acuity Common Stock as a Restricted Stock Award under the Acuity LTIP [the number of shares of Restricted Stock to be awarded shall have an award value of not less than $1 million], which will vest in equal installments annually over 3 years commencing one year from the grant date, such that the shares of Restricted Stock will be fully vested upon the third anniversary of the date of grant. In the event of the Spinoff, (i) 25% of the shares of Restricted Stock that would become vested on the first anniversary of the grant date shall become immediately vested, and (ii) Acuity shall cause Executive to receive a distribution of shares of ASP (which shall remain subject to the same restrictions) with respect to the unvested shares of Restricted Stock (in accordance with applicable tax, accounting and other rules). In the event the Spinoff does not occur within one (1) year of the Effective Date, and Executive exercises the "Good Reason" provision of his Severance Agreement, as provided in Section 2 of this Agreement, the Restricted Stock granted pursuant to this Paragraph 4.5 shall fully vest upon the effective date of Executive's termination of employment for "Good Reason". This grant is subject to the additional terms and conditions set forth in the Restrictive Covenants Agreement described in Section 4.11 below.

4.6 Stock Options. In the event of the Spinoff, (i) Acuity shall cause all vested stock options for Acuity Common Stock held by Executive at the date of the Spinoff to be converted to the number of post-Spinoff stock options in Acuity having an aggregate inherent value (spread) equal to such value at the time of the Spinoff and shall treat Executive's employment with ASP as continuing employment with Acuity for purposes of exercising such options, and (ii) Acuity shall cause all unvested stock options held by Executive to be converted into the number of post-Spinoff stock options for ASP Common Stock having an aggregate inherent value (spread) equal to such value at the time of the Spinoff. The conversions provided for in this paragraph shall be made in accordance with applicable tax, accounting and other rules.

4.7 Severance Agreement. Executive's Severance Agreement with Acuity, dated as of August 1, 2005 and amended as of April 21, 2006 ("Severance Agreement"), will continue in effect and will be amended effective as of the date of this Agreement to reflect Executive's new title and responsibilities under this Agreement. Executive, Acuity and ASP will enter into an amendment to the Severance Agreement (or an amended and restated Severance Agreement) in substantially the form attached hereto to reflect the changes required by this Agreement.

4.8 Change in Control Agreement. Executive will continue to be covered by the Change in Control Agreement, dated as of April 21, 2006 ("CIC Agreement") , with Acuity, which shall be amended effective as of the date of this Agreement to reflect the changes in this Agreement and which shall be substantially in the form of an amendment to the Change in Control Agreement (or an amended and restated Change in Control Agreement) attached hereto (the "CIC Amendment"). Executive and Acuity acknowledge that the CIC Amendment excludes from the definition of Change in Control (CIC) any voluntarily negotiated transaction (a "Noncovered CIC Transaction") which would otherwise constitute a CIC under the CIC Agreement involving a company identified as a Direct ABL Competitor in the ABL Restrictive Covenants Agreement described in Paragraph 4.11 below, provided that the stockholders of Acuity receive or retain all stock or substantially all stock in such transaction and do not receive primarily cash as consideration in the transaction.

4.9 Supplemental Retirement Benefits. Executive will continue to be covered by the Acuity Brands, Inc. 2002 Supplemental Executive Retirement Plan ("SERP") and the Acuity Brands, Inc. Supplemental Deferred Savings Plans ("SDSP"). Executive agrees that if he is entitled to a payment based upon the crediting of additional service under the SERP pursuant to Section 3.1(d) of the CIC Agreement (as amended by the CIC Amendment) and such service is also separately credited under the SERP, his retirement benefit under the SERP shall be reduced in an equitable manner to reflect the payment under Section 3.1(d) of the CIC Agreement. In the event of the Spinoff, Executive shall no longer accrue benefits under the SERP as of the date thereof and Acuity shall cause

ASP to adopt an executive retirement plan covering Executive which provides, during the period of Executive's employment after the Spinoff, for crediting of a benefit of actuarial equivalent value to the additional benefit that Executive would have earned under the SERP had he remained employed by Acuity and been covered under the SERP.

4.10 Current Restricted Stock Agreements. Executive agrees to enter into amendments effective as of the date of this Agreement to his current Restricted Stock Agreements for shares of Acuity Common Stock providing that a Noncovered CIC Transaction (as described in Paragraph 4.8 above) shall not constitute a Change in Control under such Agreements and that, as a result, no acceleration of the vesting of unvested shares of Restricted Stock shall occur.

4.11 ABL Restrictive Covenants Agreement. In consideration of the compensation and benefits provided to Executive pursuant to the Prior Agreement, the grant of Restricted Stock pursuant to Paragraph 4.5 and other good and valuable consideration, Executive agrees to execute and deliver to Acuity and ABL, the Confidentiality and Restrictive Covenants Agreement ("Restrictive Covenants Agreement") attached hereto. Executive and Acuity acknowledge that because of Executive's senior executive status with ABL, knowledge of its customers, manufacturing operations and processes and special knowledge of its business, the restrictions in the Restrictive Covenants Agreement are reasonable.

4.12 Director and Officer Insurance. During the term of this Agreement and for a period of (i) three (3) years after Executive's termination of employment from Acuity at the time of the Spinoff with respect to his services for Acuity, and (ii) three (3) years after Executive's termination of employment from ASP with respect to his services for ASP, Executive shall be entitled to director and officer liability insurance coverage for his acts and omissions while an officer or director of Acuity and ASP (whichever is applicable) on a basis no less favorable to Executive than the coverage provided to then current officers and directors. For at least a period of three (3) years after the Effective Date, Executive shall also be entitled to director and officer liability insurance coverage for his acts and omissions while an officer or director of ABL on a basis no less favorable to Executive than the coverage then provided to current officers and directors.

4.13 Legal Expenses. Acuity shall promptly pay the reasonable legal fees and expenses incurred by Executive in connection with the negotiation and execution of this Agreement, the Restricted Stock Agreement, the Restrictive Covenants Agreement, and the amendments to the Severance Agreement and the CIC Agreement.

4.14 Supplemental Payment. If, during the period commencing on the Effective Date and ending on the earlier of the date of the Spinoff or August 24, 2008, Acuity elects as its President an individual other than Vernon J. Nagel or Executive (the date of such election is hereinafter referred to as the "Election Date"), Executive shall be entitled to receive a lump sum payment of $500,000 (subject to all applicable withholding taxes),

on the date six (6) months after the Election Date (such date is hereinafter referred to as the "Retention Date"), provided that Executive must remain employed by Acuity or ASP until the Retention Date to receive the payment under this Paragraph 4.14. The payment under this Paragraph 4.14 shall be made within five (5) days after the Retention Date. This paragraph shall not apply and no payment shall be due Executive if the election of a person other than Vernon Nagel or the Executive is directly related to a Noncovered CIC Transaction as provided in Paragraph 4.8.

If the Executive is eligible for the payment under the preceding paragraph, but his employment is terminated under circumstances that entitle him to benefits under Section 3.1(b) of the CIC Agreement (as amended) or Section 4 of the Severance Agreement (as amended), less than six months after the Election Date, the Executive shall be entitled to receive the compensation and benefits provided pursuant to Section 3.1(b) of the CIC Agreement or Section 4 of the Severance Agreement and not the payment under the preceding paragraph.

4.15 Founder's Equity Award. Within thirty (30) days following the date of the Spinoff, ASP will make a Founder's equity award ("Founder's Award") to Executive under the ASP LTIP. This Founder's Award will be one-half in shares of Restricted Stock of ASP and one-half in either stock options or stock-settled stock appreciation rights for shares of common stock of ASP (the exercise price of the awards will be the fair market value of the common stock of ASP on the date of grant). The Restricted Stock portion of the Founder's Award will vest in equal installments annually over 4 years commencing one year from the date of grant and the options or stock-settled stock appreciation rights portion of the Founder's Award will vest in equal annual installment over 4 years commencing one year from the date of grant. The Founder's Award will have an award value of not less than $1.5 million. This grant will be subject to the additional terms and conditions set forth in a separate agreement.

4.16 Section 409A.

(a) The Company shall have the authority to delay for six months after Executive's termination of employment the date of payment or commencement of payment of any amounts under this Agreement to Executive to the extent such delay is mandated by the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and in such event, the payments that would otherwise have been made during such six-month period shall be made during the seventh month after Executive's termination of employment.

(b) The Company hereby agrees to indemnify and hold Executive harmless for any additional income taxes, penalties and/or interest assessed against Executive pursuant to Section 409A of the Code, because of any actions taken, or failure to take any action, by the Company that results in a failure to comply with Code Section 409A, with regard to any payment or distribution made or to be made under this Agreement or the plans and benefits provided in

accordance with or referenced in, this Agreement. The Company agrees to pay Executive an additional payment for any such additional income taxes, penalties and/or interest that may be assessed under Code Section 409A (but not the regular income taxes payable by Executive as a result of receiving payments under this Agreement or the plans), such that after payment by Executive of the additional income taxes, penalties and/or interest assessed under Code Section 409A, Executive will be in the economic position he would have been in if such payment or distribution had not been determined to be noncompliant with Code Section 409A.

5. Confidentiality, Non-Solicitation and Non-Competition. In consideration of the compensation and benefits provided pursuant to this Agreement, Executive agrees that during the term of his employment by the Company and for the Restricted Period set forth in the Exhibits following his termination of employment with the Company, Executive shall comply with the non-competition, non-solicitation, non-recruitment and non-disclosure restrictions attached hereto as Exhibits A, B, and C, respectively (the "Restrictive Covenants"), provided, that if Executive is terminated by the Company without Cause or Executive terminates his employment for Good Reason under circumstances that entitle Executive to receive compensation and benefits under the Severance Agreement, as modified by this Agreement in accordance with Paragraph 4.7, the restrictive covenants in Section 5.1 of the Severance Agreement shall apply to Executive after termination of employment for the periods stated in the Severance Agreement and not the Restrictive Covenants as defined in this Paragraph 5.

The Company and Executive recognize that Executive may experience periodic material changes in his job title and/or to the duties, responsibilities or services that he is called upon to perform on behalf of Acuity and ASP. If Executive experiences such a material change, the parties shall, as soon as is practicable, enter into a signed, written addendum to Exhibit A hereto reflecting such material change. Moreover, in the event of any material change in corporate organization (including, without limitation, spin-offs, split-offs, or public offerings of subsidiaries' stock) on the part of the Direct Competitors set forth in Exhibit A hereto, the parties agree to amend Exhibit A, as necessary, at the Company's request, in order to reflect such change. Upon execution, each such written modification to Exhibit A shall represent an enforceable amendment to this Agreement and shall augment and supplant the definitions of the terms Executive Services or Direct Competitor set forth in Exhibit A hereto.

6. Assignability. This Agreement is binding on Acuity and ASP and any successors of Acuity and ASP. Acuity and ASP may assign this Agreement and their rights under this Agreement in whole or in part to any corporation or other entity with or into which Acuity or ASP may merge or consolidate or to which Acuity or ASP may transfer all or substantially all of its respective assets. Acuity and ASP will require any successor by merger or consolidation or transferee of all or substantially all of its assets, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that Acuity and ASP would be required to perform it if no such succession had taken place. In the event of the Spinoff, this Agreement shall be assigned to ASP or its successor which will expressly assume and agree to continue to perform this Agreement in accordance with its terms and conditions.

7. Amendment, Waiver. No provisions of this Agreement may be modified, waived or discharged unless the waiver, modification or discharge is agreed to in writing signed by Executive and such officer or officers as may be specifically designated by the Board to sign on their behalf. No waiver by any party at any time of any breach by any other party of, or compliance with, any condition or provision of this Agreement will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

8. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by the laws of the United States where applicable and otherwise the substantive laws of the State of Georgia.

9. Construction of Agreement. It is the intent of the parties that if any covenant or other provision hereof is determined to be unenforceable in any part, that portion of the Agreement will be severed or modified by the Court so as to permit enforcement of the Agreement to the extent reasonable. It is agreed by the parties that the obligations set forth herein will be considered to be independent of any other obligations between the parties, and the existence of any other claim or defense will not affect the enforceability of this Agreement. Except as otherwise expressly provided herein, all of the consideration to be provided to Executive hereunder shall be paid or otherwise provided on and in accordance with and subject to Acuity's and ASP's standard policies, practices, terms and conditions applicable from time to time under Acuity's plans, programs, agreements and arrangements relating to compensation and benefits of the type agreed to be provided, including without limitation the terms and conditions of Acuity's standard forms of stock option, restricted stock or other applicable executive compensation agreements. Without limiting the foregoing, any and all benefit plans or other plans, programs, agreements and arrangements may be modified, amended, replaced or terminated at Acuity's sole discretion unless otherwise expressly provided therein or herein.

Sincerely,

ACUITY BRANDS, INC.

By: /s/ Vernon J. Nagel
Vernon J. Nagel, Chairman,
Chairman, President, and Chief Executive Officer

I, John K. Morgan, have thoroughly read the terms and conditions contained in this letter pertaining to my employment by Acuity Brands, Inc. and Acuity Specialty Products Group, Inc. I fully agree to be bound by these terms and conditions, including the Restrictive Covenants set forth by incorporation in Paragraph 5.

/s/ John K. Morgan	July 23, 2007
John K. Morgan	Date

EXHIBIT A
TO ACUITY BRANDS, INC.
AGREEMENT WITH JOHN K. MORGAN
DATED AS OF JULY 23, 2007

NON-COMPETITION AND NON-SOLICITATION COVENANT

1. DEFINITIONS

Capitalized terms contained herein shall have the same meaning as those defined terms set forth in the Agreement. In addition, the following terms used in this Exhibit "A" shall have the following meanings:

(A) "ASP's Business" is defined as the manufacture or sale of the classes of products listed in paragraph B, below.

(B) "Direct Competitor" means the following entities: (1) Ecolab Inc.; (2) JohnsonDiversey Inc.; (3) NCH Corporation; (4) State Industrial Products Corporation; (5) Rochester Midland Corporation; (6) Amrep, Inc.; and (7) Ondeo Nalco Company, as well as any of their respective affiliates, subsidiaries and/or parent companies that are either located or transact business within the United States of America, but only to the extent each, and only with respect to the business operation which, engages in the manufacture and/or sale of one or more of the following classes of products: specialty chemical products, cleaners, degreasers, absorbents, sanitizers, deodorizers, polishes, floor finishes, sealants, lubricants, disinfectants, janitorial supplies, paint strippers, paint removers, rust strippers, soaps and detergents, bleaches, fabric softeners, liquid sweeping compounds, aerosol gasket forming compositions, non-slip adhesive film for brakes, tire and rubber mat dressings, floor waxes, asphalt and tar removers, concrete removers, vehicle drying agents, vehicle rain repellant and glass treatment, steam cleaning compositions, chemical preparations for unclogging pipes and septic tank cleaning, spill treatments, anti-seize compounds, treatment products for hazardous solvents, pesticides, pest control products and/or drain care products, preparations for killing weeds, fungicides, herbicides, rodenticides, vermicides, insect repellants, ground control chemicals, power operated industrial and commercial cleaning equipment (namely, sprayers, fog sprayers, steam cleaning machines, pressure washers, and air agitation cleaners and pumps for use in connection therewith, steam cleaners, vacuum cleaners, carpet cleaning and shampooing machines, floor cleaning and polishing machines and parts associated therewith), manually operated cleaning equipment and accessories (namely, brooms, dustpans, scrubbing brushes, mops, squeegees, dispensers for floor wax, buckets, mop wringers, sponges, scouring pads, plastic janitorial mats, wiping cloths, steel wool, chamois skins, soap and chemical dispensers, towel and sanitary napkin dispensers, cleaning gloves, pails and parts therefore, and waste receptacles).

(C) "Customers" shall mean customers of ASP that Executive (i) contacted directly or indirectly or otherwise serviced on behalf of ASP during the two-year period preceding the termination of Executive's employment with the Company; or (ii) about whom Executive possessed Confidential Information during such two-year period.

(D) “Executive Services” means those principal duties and responsibilities that Executive performed on behalf of the Company during his employment, within twenty-four (24) months prior to the date hereof, as President and Chief Executive Officer of Acuity Specialty Products Group, Inc. (“ASP”) and Executive Vice President of Acuity Brands, Inc., in which capacity Executive: (1) served as a member of a group of Executives responsible for a multi-profit center organization, with responsibility for the profitability of two or more distinct profit centers; (2) developed, coordinated and executed efforts directed towards enhancing branding, marketing, and business development capabilities; (3) worked to develop strategic customers and key channels of distribution; (4) coordinated with departmental heads concerning material business issues; (5) analyzed operations to pinpoint opportunities and areas that may have needed to be reorganized, down-sized, or eliminated; (6) conferred with other Executives to coordinate and prioritize planning concerning material business issues; (7) studied short-term and long-range economic trends and projects, prospects for future growth in overall sales and market share, opportunities for acquisitions or expansion into new product areas; (8) served as a member of the Acuity Leadership Team, reviewing, discussing, evaluating, and participating in decisions concerning material business and management issues, cost structures, sales and growth opportunities, crisis management, strategic prospects, personnel issues, litigation matters, leadership goals, and performance targets; and (9) provided support and analysis for key leadership analysis requirements; and

(E) “Restricted Period” means a period of twelve (12) months following termination of Executive’s employment with the Company, except in the case of a termination by Acuity or ASP without Cause or by Executive for Good Reason (both as defined in the Executive’s Severance Agreement), in which event as provided in Paragraph 5 of this Agreement, the provisions of the Severance Agreement shall apply.

2. ACKNOWLEDGEMENTS

Executive acknowledges that during the period of his employment as President and Chief Executive Officer of Acuity Specialty Products Group, Inc. (ASP) and Executive Vice President of Acuity Brands, Inc., Executive has and will render executive, strategic and managerial services, including the Executive Services, to and for ASP and Acuity throughout the United States, which are special, unusual, extraordinary, and of peculiar value to ASP and Acuity. Executive further acknowledges that the services he performs on behalf of ASP and Acuity, including the Executive Services, are at a senior managerial level and are not limited in their territorial scope to any particular city, state, or region, but instead have nationwide impact throughout the United States. Executive further acknowledges and agrees that: (a) ASP and Acuity’s business is, at the very least, national in scope; (b) these restrictions are reasonable and necessary to protect the Confidential Information, business relationships, and goodwill of ASP and Acuity; and (c) should Executive engage in or threaten to engage in activities in violation of these restrictions, it would cause ASP and Acuity irreparable harm which would not be adequately and fully redressed by the payment of damages to ASP and Acuity. In addition to

other remedies available to ASP and Acuity, ASP and Acuity shall accordingly be entitled to seek injunctive relief in any court of competent jurisdiction for any actual or threatened breach by Executive of the provisions of this Exhibit A. Executive further acknowledges that he will not be entitled to any compensation or benefits from Acuity or ASP or any of its affiliates in the event of a final non-appealable judgment that he materially breached his duties or obligations under this Exhibit A.

3. NON-COMPETITION

Executive agrees that while employed by the Company and for a period equal to the Restricted Period thereafter, he will not, directly (i.e., as an officer or employee) or indirectly (i.e., as an independent contractor, consultant, advisor, board member, agent, shareholder, investor, joint venturer, or partner), engage in, provide or perform any of the Executive Services on behalf of any Direct Competitor anywhere within the United States. This provision will not prohibit Executive from working for a Direct Competitor in a product area that is not competitive with ASP's Business as defined above. Nothing in this provision shall divest Executive from the right to acquire as a passive investor (with no involvement in the operations or management of the business) up to 1% of any class of securities which is: (i) issued by any Direct Competitor, and (ii) publicly traded on a national securities exchange or over-the-counter market.

4. NON-SOLICITATION OF CUSTOMERS

During the Restricted Period, Executive will not, directly or indirectly, solicit Customers for the purpose of providing goods and services competitive with ASP's Business.

5. SEPARABILITY

Executive acknowledges that the foregoing non-competition covenant is a separate and distinct obligation of Executive and is deemed to be separable from the remaining covenants of the Agreement and its various exhibits. If any of the provisions of the foregoing covenant should ever be deemed to exceed the time, geographic, product, or other limitations permitted by applicable law in any jurisdiction, then such provisions shall be deemed reformed in such jurisdiction to the maximum time, geographic, product, or other limitations permitted by applicable law. If any particular provision of the foregoing covenant is held to be invalid, the remainder of the covenant and the remaining obligations of the Agreement and its various exhibits shall not be affected thereby and shall remain in full force and effect.

EXHIBIT B
TO ACUITY BRANDS, INC.
AGREEMENT WITH JOHN K. MORGAN
DATED AS OF JULY 23, 2007

NON-RECRUITMENT COVENANT

1. DEFINITIONS

The following terms used in this Exhibit "B" shall have the following meanings:

(A) "Person" means any individual, firm, partnership, association, corporation, limited liability entity, trust, venture or other business organization, entity or enterprise;

(B) "Restricted Period" means the period set forth in Paragraph 1(E) of Exhibit A.

2. NON-RECRUITMENT COVENANT

During the Restricted Period, the Executive will not, directly or indirectly, for himself or on behalf of any other Person, solicit, induce, persuade, or encourage, or attempt to solicit, induce, persuade, or encourage, any employee of Acuity or ASP or ASP's business to terminate such employee's position with Acuity or ASP, whether or not such employee is a full-time or temporary employee of Acuity or ASP and whether or not such employment is pursuant to a written agreement, for a determined period or at will.

3. SEPARABILITY

The Executive acknowledges that the foregoing covenant, as well as each of those covenants set forth in the other Exhibits to the Agreement, is a separate and distinct obligation of the Executive and is deemed to be separable from the remaining covenants. If any of the provisions of any other such covenant should ever be held invalid, the foregoing covenant shall not be affected thereby and shall remain in full force and effect.

EXHIBIT C

TO ACUITY BRANDS, INC.
AGREEMENT WITH JOHN K. MORGAN
DATED AS OF JULY 23, 2007

NON-DISCLOSURE COVENANT

1. DEFINITIONS

The following terms used in this Exhibit "C" shall have the following meanings:

(A) "Trade Secrets" means Confidential Information constituting a trade secret under applicable law.

(B) "Confidential Information" means any information, without regard to form, relating to ASP's clients, operations, finances, and business that derives economic value, actual or potential, from not being generally known to other Persons, including but not limited to technical or non-technical data, compilations (including compilations of customer information), programs, methods, devices, techniques, processes, financial data, pricing methodology, formulas, patterns, strategies, studies, business development, software systems, marketing techniques and lists of actual or potential customers (including identifying information about customers), whether or not in writing. Confidential Information includes information disclosed to ASP by third parties that ASP is obligated to maintain as confidential. Confidential Information subject to this Agreement may include information that is not a trade secret under applicable law, but information not constituting a trade secret only shall be treated as Confidential Information under this Agreement for a two-year period following Executive's termination of employment.

(C) "Person" means any individual, firm, partnership, association, corporation, limited liability entity, trust, venture or other business organization, entity or enterprise;

(D) "Restricted Period" means the period of set forth in Paragraph 1(E) of Exhibit A.

2. NON-DISCLOSURE COVENANT

The Executive will not, directly or indirectly, for himself or on behalf of any other Person, use for the Executive's own benefit or disclose to any other party, any Trade Secrets or Confidential Information; provided, however, that Executive may make disclosures required by a valid order or subpoena issued by a court or administrative agency of competent jurisdiction, provided, further that in the event disclosure is required by such an order or subpoena, Executive shall promptly notify the Company prior to making any such disclosure so that the Company may seek an appropriate protective order to protect its interests. The foregoing confidentiality obligations shall continue (A) with respect to all Trade Secrets, at all times so long as such Trade Secrets constitute trade secrets under applicable law, and (B) with respect to all Confidential Information, at all times during the Restricted Period.

3. SEPARABILITY

The Executive acknowledges that the foregoing covenant, as well as each of those covenants set forth in the other Exhibits to the Agreement, is a separate and distinct obligation of the Executive and is deemed to be separable from the remaining covenants. If any of the provisions of any other such covenant should ever be held invalid, the foregoing covenant shall not be affected thereby and shall remain in full force and effect.

ATLANTA:4930448.1

ACUITY BRANDS, INC.
LONG-TERM INCENTIVE PLAN

RESTRICTED STOCK AWARD AGREEMENT

THIS AGREEMENT, made and entered into as of the 23rd day of July, 2007 by and between Acuity Brands, Inc., a Delaware Corporation, (the "Company") and John K. Morgan ("Grantee").

W • I • T • N • E • S • S • E • T • H T • H • A • T:

WHEREAS, the Company maintains the Acuity Brands, Inc. Long-Term Incentive Plan (the "Plan"), and Grantee has been selected by the Committee to receive a Restricted Stock Award under the Plan; and

WHEREAS, the Company and Grantee have determined that Grantee shall enter into certain non-competition, non-solicitation, non-recruitment and non-disclosure covenants, attached hereto as Exhibits A, B and C respectively, in consideration for receipt of the Restricted Stock award pursuant hereto, receipt of any such awards that Grantee may receive in the future, continued employment, and other good and valuable consideration;

NOW, THEREFORE, IT IS AGREED, by and between the Company and Grantee, as follows:

1. Award of Restricted Stock

1.1 The Company hereby grants to Grantee an award of 15,810 Shares of restricted stock ("Restricted Stock"), subject to, and in accordance with, the restrictions, terms, and conditions set forth in this Agreement. The grant date of this award of Restricted Stock is July 23, 2007 (the "Grant Date").

1.2 This Agreement (including any appendices or exhibits) shall be construed in accordance with, and subject to, the provisions of the Plan (the provisions of which are incorporated herein by reference) and, except as otherwise expressly set forth herein, the capitalized terms used in this Agreement shall have the same definitions as set forth in the Plan.

2. Restrictions

2.1 Subject to Sections 2.3, 2.5, and 2.6 below, if the Grantee remains employed by the Company, the Restricted Stock shall vest in equal annual installments over three (3) years, as follows (each such date on which the Restricted Stock vests is hereinafter referred to as a "Vesting Date"):

Number of Shares	Vesting Date
5,270	July 23, 2008
5,270	July 23, 2009
5,270	July 23, 2010

For purposes of this Agreement, employment with a Subsidiary of the Company or service as a member of the Board of Directors of the Company shall be considered employment with the Company.

2.2 Except as otherwise provided below, on each Vesting Date, Grantee shall own the Vested Shares of Restricted Stock free and clear of all restrictions imposed by this Agreement (except those imposed by Section 3.4 below). The Company shall transfer the Vested Shares of Restricted Stock to an unrestricted account in the name of the Grantee as soon as practical after each Vesting Date.

2.3 In the event, prior to the Vesting Date, (i) Grantee dies while actively employed by the Company, or (ii) Grantee has his employment terminated by reason of Disability, any Restricted Stock shall become fully vested and nonforfeitable as of the date of Grantee's death or Disability. The Company shall transfer the Shares of Restricted Stock, free and clear of any restrictions imposed by this Agreement (except for Section 3.4) to Grantee (or, in the event of death, to his surviving spouse or, if none, to his estate) as soon as practical after his date of death or termination for Disability.

2.4 In exchange for receipt of consideration in the form of the Restricted Stock award pursuant to this Agreement, the prospect of receiving such awards in the future, continued employment, and other good and valuable consideration, Grantee agrees that, in the event his employment with the Company is terminated, for the period set forth in the Exhibits attached hereto (the "Restricted Period"), Grantee shall comply with the non-competition, non-solicitation, non-recruitment, and non-disclosure restrictions attached hereto as Exhibits "A," "B," and "C," respectively (the "Restrictive Covenants"). The parties hereto recognize that Grantee may experience periodic material changes in his job title and/or to the principal duties, responsibilities or services that he is called upon to perform on the behalf of the Company. If Grantee experiences such a material job change, the parties shall, as soon as is practicable, enter into a signed, written addendum to Exhibit "A" hereto reflecting such material change. Moreover, in the event of any material change in corporate organization on the part of the Direct Competitors set forth in Exhibit A hereto, the parties agree to amend Exhibit "A", as necessary, at the Company's request, in order to reflect such change. Upon execution, any such written modification to Exhibit "A" shall represent an enforceable amendment to this Agreement and shall augment and supplant the definitions of the terms Executive Services or Direct Competitor set forth in Exhibit "A" hereto, as applicable.

2.5 Except for death or Disability as provided in Section 2.3 or as provided in Section 2.6, or except as otherwise provided in a severance agreement or change in control agreement with Grantee, if Grantee terminates his employment or if the Company terminates Grantee prior to the Vesting Date, the Restricted Stock shall cease to vest further, the unvested Shares of Restricted Stock shall be immediately forfeited, and Grantee shall only be entitled to the Restricted Stock that has vested as of his date of termination.

2.6 Notwithstanding the other provisions of this Agreement, (a) in the event of a Change in Control of the Company (for purposes of this Agreement, a Change in Control shall not include a "Noncovered Transaction", as defined in Grantee's Amended and Restated Change

in Control Agreement with the Company, dated as of April 21, 2006, and as amended on July 23, 2007, "CIC Agreement") prior to the Vesting Date, all Shares of Restricted Stock shall become fully vested and nonforfeitable as of the date of the Change in Control, and (b) in the event of the Spinoff (as defined in the CIC Agreement), 25% of the shares of Restricted Stock that would become vested on July 23, 2008, will become immediately vested at the effective time of the Spinoff. For the shares of Restricted Stock that become vested pursuant to this Section 2.6, the Company shall transfer the Vested Shares of Restricted Stock to an unrestricted account in the name of Grantee as soon as practical.

2.7 The Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered prior to the date Grantee becomes vested in the Restricted Stock.

3. Stock; Dividends; Voting

3.1 The Restricted Stock shall be registered in the name of Grantee as of the respective Grant Date for such Shares of Restricted Stock. The Company may issue stock certificates or evidence Grantee's interest by using a restricted book entry account with the Company's transfer agent. Physical possession or custody of any stock certificates that are issued shall be retained by the Company until such time as the Shares are vested in accordance with Section 2. The Company reserves the right to place a legend on such stock certificate(s) restricting the transferability of such certificates and referring to the terms and conditions (including forfeiture) of this Agreement and the Plan.

3.2 During the period the Restricted Stock is not vested, the Grantee shall be entitled to receive dividends or similar distributions declared on such Restricted Stock and Grantee shall be entitled to vote such Restricted Stock.

3.3 In the event of a Change in Capitalization, the number and class of Shares or other securities that Grantee shall be entitled to, and shall hold, pursuant to this Agreement shall be appropriately adjusted or changed to reflect the Change in Capitalization, provided that any such additional Shares or additional or different shares or securities shall remain subject to the restrictions in this Agreement.

3.4 Grantee represents and warrants that he is acquiring the Restricted Stock for investment purposes only, and not with a view to distribution thereof. Grantee is aware that the Restricted Stock may not be registered under the federal or any state securities laws and that in that event, in addition to the other restrictions on the Shares, they will not be able to be transferred unless an exemption from registration is available or the Shares are registered. By making this award of Restricted Stock, the Company is not undertaking any obligation to register the Restricted Stock under any federal or state securities laws.

4. No Right to Continued Employment or Additional Grants

Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon Grantee any right with respect to continuance of employment by the Company or a subsidiary, nor shall this Agreement or the Plan interfere in any way with the right of the Company or a Subsidiary to terminate Grantee's employment at any time. The Plan may be terminated at any time, and even if the Plan is not terminated, Grantee shall not be entitled to any additional awards under the Plan.

5. Taxes and Withholding

Grantee shall be responsible for all federal, state, and local income taxes payable with respect to this award of Restricted Stock and dividends paid on unvested Restricted Stock. Grantee shall have the right to make such elections under the Internal Revenue Code of 1986, as amended, as are available in connection with this award of Restricted Stock. The Company and Grantee agree to report the value of the Restricted Stock in a consistent manner for federal income tax purposes. The Company shall have the right to retain and withhold from any payment of Restricted Stock or cash the amount of taxes required by any government to be withheld or otherwise deducted and paid with respect to such payment. At its discretion, the Company may require Grantee to reimburse the Company for any such taxes required to be withheld and may withhold any distribution in whole or in part until the Company is so reimbursed. In lieu thereof, the Company shall have the right to withhold from any other cash amounts due to Grantee an amount equal to such taxes required to be withheld or withhold and cancel (in whole or in part) a number of shares of Restricted Stock having a market value not less than the amount of such taxes.

6. Grantee Bound by the Plan

Grantee hereby acknowledges receipt of a copy of the Plan and the prospectus for the Plan, and agrees to be bound by all the terms and provisions thereof.

7. Modification of Agreement

This Agreement may be modified, amended, suspended, or terminated, and any terms or conditions may be waived, but only by mutual agreement of the parties in writing.

8. Severability

Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

9. Governing Law

The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the state of Delaware without giving effect to the conflicts of laws principles thereof.

10. Successors in Interest

This Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns, whether by merger, consolidation, reorganization, sale of assets, or otherwise. This Agreement shall inure to the benefit of Grantee’s legal representatives. All

obligations imposed upon Grantee and all rights granted to the Company under this Agreement shall be final, binding, and conclusive upon Grantee's heirs, executors, administrators, and successors.

11. Resolution of Disputes

Any dispute or disagreement which may arise under, or as a result of, or in any way relate to the interpretation, construction, or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding, and conclusive on Grantee and the Company for all purposes.

12. Pronouns; Including

Wherever appropriate in this Agreement, personal pronouns shall be deemed to include the other genders and the singular to include the plural. Wherever used in this Agreement, the term "including" means "including, without limitation."

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ATTEST:

/s/ Helen D. Haines
Helen D. Haines, Secretary

ACUITY BRANDS, INC.

By: /s/ Vernon J. Nagel
Vernon J. Nagel,
Chairman, President, and Chief Executive Officer

GRANTEE:

/s/ John K. Morgan
JOHN K. MORGAN

EXHIBIT A
TO RESTRICTED STOCK AWARD AGREEMENT

NON-COMPETITION AND NON-SOLICITATION COVENANT

1. DEFINITIONS

Capitalized terms contained herein shall have the same meaning as those defined terms set forth in the Agreement. For purposes of Exhibits A, B, and C, "ASP" means Acuity Specialty Products Group, Inc. or its successors. In addition, the following terms used in this Exhibit "A" shall have the following meanings:

(A) "ASP's Business" is defined as the manufacture or sale of the classes of products listed in paragraph B, below.

(B) "Direct Competitor" means the following entities: (1) Ecolab Inc.; (2) JohnsonDiversey Inc.; (3) NCH Corporation; (4) State Industrial Products Corporation; (5) Rochester Midland Corporation; (6) Amrep, Inc.; and (7) Ondeo Nalco Company, as well as any of their respective affiliates, subsidiaries and/or parent companies that are either located or transact business within the United States of America, but only to the extent each, and only with respect to the business operation which, engages in the manufacture and/or sale of one or more of the following classes of products: specialty chemical products, cleaners, degreasers, absorbents, sanitizers, deodorizers, polishes, floor finishes, sealants, lubricants, disinfectants, janitorial supplies, paint strippers, paint removers, rust strippers, soaps and detergents, bleaches, fabric softeners, liquid sweeping compounds, aerosol gasket forming compositions, non-slip adhesive film for brakes, tire and rubber mat dressings, floor waxes, asphalt and tar removers, concrete removers, vehicle drying agents, vehicle rain repellant and glass treatment, steam cleaning compositions, chemical preparations for unclogging pipes and septic tank cleaning, spill treatments, anti-seize compounds, treatment products for hazardous solvents, pesticides, pest control products and/or drain care products, preparations for killing weeds, fungicides, herbicides, rodenticides, vermicides, insect repellants, ground control chemicals, power operated industrial and commercial cleaning equipment (namely, sprayers, fog sprayers, steam cleaning machines, pressure washers, and air agitation cleaners and pumps for use in connection therewith, steam cleaners, vacuum cleaners, carpet cleaning and shampooing machines, floor cleaning and polishing machines and parts associated therewith), manually operated cleaning equipment and accessories (namely, brooms, dustpans, scrubbing brushes, mops, squeegees, dispensers for floor wax, buckets, mop wringers, sponges, scouring pads, plastic janitorial mats, wiping cloths, steel wool, chamois skins, soap and chemical dispensers, towel and sanitary napkin dispensers, cleaning gloves, pails and parts therefore, and waste receptacles).

(C) "Customers" shall mean customers of ASP that Executive (i) contacted directly or indirectly or otherwise serviced on behalf of ASP during the two-year period preceding the termination of Executive's employment with the Company; or (ii) about whom Executive possessed Confidential Information during such two-year period.

(D) “Executive Services” means those principal duties and responsibilities that Executive performed on behalf of the Company during his employment, within twenty-four (24) months prior to the date hereof, as President and Chief Executive Officer of Acuity Specialty Products Group, Inc. and Executive Vice President of Acuity Brands, Inc., in which capacity Executive: (1) served as a member of a group of Executives responsible for a multi-profit center organization, with responsibility for the profitability of two or more distinct profit centers; (2) developed, coordinated and executed efforts directed towards enhancing branding, marketing, and business development capabilities; (3) worked to develop strategic customers and key channels of distribution; (4) coordinated with departmental heads concerning material business issues; (5) analyzed operations to pinpoint opportunities and areas that may have needed to be reorganized, down-sized, or eliminated; (6) conferred with other Executives to coordinate and prioritize planning concerning material business issues; (7) studied short-term and long-range economic trends and projects, prospects for future growth in overall sales and market share, opportunities for acquisitions or expansion into new product areas; (8) served as a member of the Acuity Leadership Team, reviewing, discussing, evaluating, and participating in decisions concerning material business and management issues, cost structures, sales and growth opportunities, crisis management, strategic prospects, personnel issues, litigation matters, leadership goals, and performance targets; and (9) provided support and analysis for key leadership analysis requirements; and

(E) “Restricted Period” means a period of twelve (12) months following termination of Executive’s employment with the Company.

2. ACKNOWLEDGEMENTS

Executive acknowledges that during the period of his employment as President and Chief Executive Officer of Acuity Specialty Products Group, Inc. and Executive Vice President of Acuity Brands, Inc., Executive has and will render executive, strategic and managerial services, including the Executive Services, to and for ASP and Acuity throughout the United States, which are special, unusual, extraordinary, and of peculiar value to ASP and Acuity. Executive further acknowledges that the services he performs on behalf of ASP and Acuity, including the Executive Services, are at a senior managerial level and are not limited in their territorial scope to any particular city, state, or region, but instead have nationwide impact throughout the United States. Executive further acknowledges and agrees that: (a) ASP and Acuity’s business is, at the very least, national in scope; (b) these restrictions are reasonable and necessary to protect the Confidential Information, business relationships, and goodwill of ASP and Acuity; and (c) should Executive engage in or threaten to engage in activities in violation of these restrictions, it would cause ASP and Acuity irreparable harm which would not be adequately and fully redressed by the payment of damages to ASP and Acuity. In addition to other remedies available to ASP and Acuity, ASP and Acuity shall accordingly be entitled to seek injunctive relief in any court of competent jurisdiction for any actual or threatened breach by Executive of the provisions of this Exhibit A. Executive further acknowledges that he will not be entitled to any compensation or benefits from Acuity or ASP or any of its affiliates in the event of a final non-appealable judgment that he materially breached his duties or obligations under this Exhibit A.

3. NON-COMPETITION

Executive agrees that while employed by the Company and for a period equal to the Restricted Period thereafter, he will not, directly (i.e., as an officer or employee) or indirectly (i.e., as an independent contractor, consultant, advisor, board member, agent, shareholder, investor, joint venturer, or partner), engage in, provide or perform any of the Executive Services on behalf of any Direct Competitor anywhere within the United States. This provision will not prohibit Executive from working for a Direct Competitor in a product area that is not competitive with ASP's Business as defined above. Nothing in this provision shall divest Executive from the right to acquire as a passive investor (with no involvement in the operations or management of the business) up to 1% of any class of securities which is: (i) issued by any Direct Competitor, and (ii) publicly traded on a national securities exchange or over-the-counter market.

4. NON-SOLICITATION OF CUSTOMERS

During the Restricted Period, Executive will not, directly or indirectly, solicit Customers for the purpose of providing goods and services competitive with ASP's Business.

5. SEPARABILITY

Executive acknowledges that the foregoing non-competition covenant is a separate and distinct obligation of Executive and is deemed to be separable from the remaining covenants of the Agreement and its various exhibits. If any of the provisions of the foregoing covenant should ever be deemed to exceed the time, geographic, product, or other limitations permitted by applicable law in any jurisdiction, then such provisions shall be deemed reformed in such jurisdiction to the maximum time, geographic, product, or other limitations permitted by applicable law. If any particular provision of the foregoing covenant is held to be invalid, the remainder of the covenant and the remaining obligations of the Agreement and its various exhibits shall not be affected thereby and shall remain in full force and effect.

EXHIBIT B
TO RESTRICTED STOCK AWARD AGREEMENT

NON-RECRUITMENT COVENANT

1. DEFINITIONS

The following terms used in this Exhibit "B" shall have the following meanings:

(A) "Person" means any individual, firm, partnership, association, corporation, limited liability entity, trust, venture or other business organization, entity or enterprise;

(B) "Restricted Period" means the period set forth in Paragraph 1(E) of Exhibit A.

2. NON-RECRUITMENT COVENANT

During the Restricted Period, the Executive will not, directly or indirectly, for himself or on behalf of any other Person, solicit, induce, persuade, or encourage, or attempt to solicit, induce, persuade, or encourage, any employee of Acuity or ASP or ASP's business to terminate such employee's position with Acuity or ASP, whether or not such employee is a full-time or temporary employee of Acuity or ASP and whether or not such employment is pursuant to a written agreement, for a determined period or at will.

3. SEPARABILITY

The Executive acknowledges that the foregoing covenant, as well as each of those covenants set forth in the other Exhibits to the Agreement, is a separate and distinct obligation of the Executive and is deemed to be separable from the remaining covenants. If any of the provisions of any other such covenant should ever be held invalid, the foregoing covenant shall not be affected thereby and shall remain in full force and effect.

EXHIBIT C
TO RESTRICTED STOCK AWARD AGREEMENT

NON-DISCLOSURE COVENANT

1. DEFINITIONS

The following terms used in this Exhibit "C" shall have the following meanings:

(A) "Trade Secrets" means Confidential Information constituting a trade secret under applicable law.

(B) "Confidential Information" means any information, without regard to form, relating to ASP's clients, operations, finances, and business that derives economic value, actual or potential, from not being generally known to other Persons, including but not limited to technical or non-technical data, compilations (including compilations of customer information), programs, methods, devices, techniques, processes, financial data, pricing methodology, formulas, patterns, strategies, studies, business development, software systems, marketing techniques and lists of actual or potential customers (including identifying information about customers), whether or not in writing. Confidential Information includes information disclosed to ASP by third parties that ASP is obligated to maintain as confidential. Confidential Information subject to this Agreement may include information that is not a trade secret under applicable law, but information not constituting a trade secret only shall be treated as Confidential Information under this Agreement for a two-year period following Executive's termination of employment.

(C) "Person" means any individual, firm, partnership, association, corporation, limited liability entity, trust, venture or other business organization, entity or enterprise;

(D) "Restricted Period" means the period of set forth in Paragraph 1(E) of Exhibit A.

2. NON-DISCLOSURE COVENANT

The Executive will not, directly or indirectly, for himself or on behalf of any other Person, use for the Executive's own benefit or disclose to any other party, any Trade Secrets or Confidential Information; provided, however, that Executive may make disclosures required by a valid order or subpoena issued by a court or administrative agency of competent jurisdiction, provided, further that in the event disclosure is required by such an order or subpoena, Executive shall promptly notify the Company prior to making any such disclosure so that the Company may seek an appropriate protective order to protect its interests. The foregoing confidentiality obligations shall continue (A) with respect to all Trade Secrets, at all times so long as such Trade Secrets constitute trade secrets under applicable law, and (B) with respect to all Confidential Information, at all times during the Restricted Period.

3. SEPARABILITY

The Executive acknowledges that the foregoing covenant, as well as each of those covenants set forth in the other Exhibits to the Agreement, is a separate and distinct obligation of the Executive and is deemed to be separable from the remaining covenants. If any of the provisions of any other such covenant should ever be held invalid, the foregoing covenant shall not be affected thereby and shall remain in full force and effect.

ACUITY BRANDS, INC.
LONG-TERM INCENTIVE PLAN

AMENDMENT
TO
RESTRICTED STOCK AWARD AGREEMENTS

THIS AMENDMENT, made as of the 23rd day of July, 2007 by and between ACUITY BRANDS, INC., a Delaware Corporation, (the "Company") and John K. Morgan ("Grantee").

W · I · T · N · E · S · S · E T · H T · H · A · T:

WHEREAS, the Company maintains the Acuity Brands, Inc. Long-Term Incentive Plan (the "Plan"), and Grantee has received Restricted Stock Awards under the Plan pursuant to the terms and conditions set forth in the Restricted Stock Award Agreements (collectively, the "Award Agreements"); and

WHEREAS, the Company and Grantee desire to amend the provisions of the Award Agreements relating to a Change in Control;

NOW, THEREFORE, for and in consideration of the premises and Grantee's continuing employment with the Company or its Subsidiaries, the Award Agreements are hereby amended, effective as of the date first above written, as follows:

1.

The appropriate Sections of the Award Agreements relating to accelerated vesting upon a Change in Control are hereby amended by adding the following sentence to such Sections:

"For purposes of this Agreement, a Change in Control shall not include a "Noncovered Transaction", as defined in Grantee's Amended and Restated Change in Control Agreement with the Company, dated as of April 21, 2006, and as amended on July 23, 2007."

2.

This amendment to the Award Agreements shall be effective as of the date of this Amendment. Except as hereby modified, the Award Agreements shall remain in full force and effect as originally written.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

ATTEST:

/s/ Helen D. Haines

ACUITY BRANDS, INC.

By: /s/ Vernon J. Nagel

GRANTEE:

/s/ John K. Morgan

John K. Morgan

AMENDMENT NO. 1
TO AMENDED AND RESTATED
CHANGE IN CONTROL AGREEMENT

THIS AMENDMENT made as of this 23rd day of July, 2007, by and between Acuity Brands, Inc. (the "Company") and John K. Morgan ("Executive");

WHEREAS, the Company and Executive entered into an Amended And Restated Change In Control Agreement, dated as of April 21, 2006 ("CIC Agreement"); and

WHEREAS, Executive has entered into an amended and restated employment letter agreement with the Company, dated as of July 23, 2007 ("Employment Agreement"), providing for certain changes in Executive's employment arrangements with the Company; and

WHEREAS, the Employment Agreement provides that the CIC Agreement shall be amended to modify the definition of Change in Control and in certain other respects;

NOW, THEREFORE, the CIC Agreement is hereby amended, as follows:

1.

Section 2.2(c) is hereby amended by adding the following proviso to the end of the present Section:

"provided, that, this subsection shall not include (and it shall not constitute a Change in Control hereunder) a merger, consolidation, or other transaction ("Noncovered Transaction") which is voluntarily negotiated between the Company and another entity if such other entity is one of the companies identified as a "Direct Competitor" in the Restrictive Covenants Agreement described in Paragraph 4.11 of the amended and restated employment letter agreement between the Company and Executive, dated as of July 23, 2007 ("Employment Agreement"), provided that the stockholders of Acuity Brands, Inc. receive or retain all stock or substantially all stock in the Noncovered Transaction and do not receive primary cash as consideration in the Noncovered Transaction."

2.

Section 2.5 is hereby amended by deleting the initial language of the Section and substituting the following in lieu thereof:

“For purposes of this Agreement, “Good Reason” shall mean the occurrence coincident with or after a Change in Control of any of events or conditions described in Subsections (1) through (9) below. The Company and Executive agree that events or conditions described below relate to the duties and responsibilities of Executive and the terms and conditions of Executive’s employment as set forth in the Employment Agreement. The termination of Executive as an Executive Vice President of the Company at the effective time of the Spinoff shall not constitute a Good Reason for Executive’s termination of employment”

3.

Section 2.6(a) is hereby amended by adding the following to the end of the present Section:

“and in each case described in either clause (1) or (2) in a transaction that would not constitute a “Noncovered Transaction (as described in Section 2.2(c));”

4.

Section 2 is hereby amended by the addition of a new Section 2.9:

“2.9 Spinoff. The proposed distribution of the stock of Acuity Specialty Products Group, Inc. to the stockholders of Acuity Brands, Inc.”

5.

Section 3.1(b) is hereby amended by adding the following proviso after the word “Disability” in the second line of the present Section:

“provided, that, the termination of Executive as an Executive Vice President of the Company at the effective time of the Spinoff shall not constitute a termination without Cause hereunder.”

This Amendment to the CIC Agreement shall be effective as of the date of this Amendment. Except as hereby modified, the CIC Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the day and year first above written.

ACUITY BRANDS, INC.

By: /s/ Vernon J. Nagel

/s/ John K. Morgan
JOHN K. MORGAN

AMENDMENT NO. 2
TO ACUITY BRANDS, INC. AMENDED AND RESTATED
SEVERANCE AGREEMENT

THIS AMENDMENT made as of this 23rd day of July, 2007, by and between Acuity Brands, Inc. (the "Company") and John K. Morgan ("Executive");

WHEREAS, the Company and Executive entered into an Amended And Restated Severance Agreement, dated as of August 1, 2005, which agreement was previously amended on April 21, 2006 ("Severance Agreement"); and

WHEREAS, Executive has entered into an amended and restated employment letter agreement with the Company, dated as of July 23, 2007 ("Employment Agreement"), providing for certain changes in Executive's employment arrangements with the Company; and

WHEREAS, the Employment Agreement provides that the Severance Agreement shall be amended to reflect Executive's new title and responsibilities and in certain other respects;

NOW, THEREFORE, the Severance Agreement is hereby amended, as follows:

1.

The first paragraph of Section 1 is hereby amended by deleting the proviso at the end of the first sentence of the present section and substituting the following in lieu thereof:

"; provided, further, that in the event of a Change in Control of the Company (as defined in Section 2.11 below), the Term of this Agreement shall not expire prior to the expiration of three (3) years after the occurrence of such Change in Control."

Section 2.6 is hereby amended by deleting the present Section in its entirety and substituting the following in lieu thereof:

"2.6 "Good Reason". A "Good Reason" for termination by Executive of Executive's employment with the Company shall mean the occurrence during the Term (without Executive's express consent) of any of the acts by the Company set forth below, or failures by the Company to act, and such act or failure to act has not been corrected within thirty (30) days after written notice of such act, or failure to act, is given by Executive to the Company.

(a) a change in Executive's title of President and Chief Executive Officer of Acuity Specialty Products Group, Inc. or Executive Vice President of the Company or a material adverse change in Executive's duties and responsibilities, provided that the termination of Executive as an Executive Vice President of the Company at the effective time of the Spinoff shall not constitute a Good Reason for termination by Executive;

(b) the relocation of the principal office where Executive is required to work to a location more than fifty (50) miles from the City of Atlanta, Georgia (i) for more than six (6) months, or (ii) if for less than six (6) months, without providing for Executive to travel to and from Atlanta, Georgia on a periodic basis at the Company's expense;

(c) a reduction in base salary and target bonus opportunity (not the bonus actually earned) below the level in effect on the date of this Agreement, unless such reduction is consistent with reductions being made at the same time for other executive officers of the Company;

(d) a material reduction in the aggregate benefits provided to Executive by the Company under its "employee benefits plans", as defined in Section 3(3) of ERISA ("Company Employee Benefit Plans"), on the date of this Agreement, except in connection with a reduction in such benefits which is consistent with reductions being made at the same time for other executive officers of the Company;

(e) an insolvency or bankruptcy filing by the Company; or

(f) a material breach by the Company of this Agreement.

3.

Section 2.9 is hereby amended by deleting the present section in its entirety and substituting the following in lieu thereof:

"2.9 Change in Control Agreement - An agreement between Executive and the Company providing for the payment of compensation and benefits to Executive in the event of Executive's termination of employment under certain circumstances following a Change in Control of the Company (as defined in Section 2.11 below)."

4.

Section 2 is hereby amended by adding the following definitions to the end of the present section:

"2.11 Change in Control - A change in control of the Company as defined in the Executive's Change in Control Agreement, as it may be amended from time to time."

"2.12 Spinoff - The proposed distribution by the Company of the stock of Acuity Specialty Products Group, Inc. to the stockholders of the Company."

5.

Section 3 is hereby amended by deleting the first paragraph of the present Section in its entirety and substituting the following in lieu thereof:

"3. SCOPE OF AGREEMENT

This Agreement provides for the payment of compensation and benefits to Executive in the event his employment (i) is involuntarily terminated by the Company without Cause, provided, that, the termination of Executive as an Executive Vice President of the Company at the effective time of the Spinoff shall not constitute an involuntary termination without Cause, or (ii) is terminated by Executive for Good Reason. If Executive is terminated by the Company for Cause, dies, incurs a Disability or voluntarily terminates employment (other than for Good Reason), this Agreement shall terminate, and Executive shall be entitled to no payments of compensation or benefits pursuant to the terms of this Agreement; provided, that in such events, Executive shall be subject to the restrictive covenants set forth in the amended and restated employment letter agreement, dated July 23, 2007, between the

Company and Executive and not the Restrictive Covenants set forth in Section 5 below; provided, further, that in such events, Executive will be entitled to whatever benefits are payable pursuant to the terms of any health, life insurance, disability, welfare (except for a severance plan or program), retirement, deferred compensation, or other plan or program maintained by the Company.

6.

The first paragraph of Section 4 is hereby amended by adding the following after the word “Cause” in the first line of the present Section:

“provided that the termination of Executive as an Executive Vice President of the Company at the effective time of the Spinoff shall not constitute an involuntary termination without Cause”

7.

Section 5.1 is hereby amended by deleting the present Section in its entirety and substituting the following in lieu thereof:

5. CONFIDENTIALITY, NON-SOLICITATION AND NON-COMPETITION.

5.1 In consideration of the compensation and benefits paid or provided to Executive pursuant to this Agreement, Executive agrees that for a period equal to the Restricted Period (as defined in Section 1(E) of Exhibit B) following his involuntary termination by the Company without Cause or Executive’s termination of his employment for Good Reason, Executive shall comply with the noncompetition, non-solicitation, non-recruitment and non-disclosure restrictions attached hereto as Exhibits B, C, and D respectively (the “Restrictive Covenants”). The Company and Executive recognize that Executive may experience periodic material changes in his job title and/or to the duties, responsibilities or services that he is called upon to perform on behalf of the Company. If Executive experiences such a material change, the parties shall, as soon as is practicable, enter into a signed, written addendum to Exhibit B hereto reflecting such material change. Moreover, in the event of any material change in corporate organization (including, without limitation, spin-offs, split-offs, or public offerings of subsidiaries’ stock) on the part of the Direct Competitors set forth in Exhibit B hereto, the parties agree to amend Exhibit B, as necessary, at the Company’s request, in order to reflect such change. Upon execution, any such written modification to Exhibit B shall represent an enforceable amendment to this Agreement and shall augment and supplant the definitions of the terms Executive Services or Direct Competitor set forth in Exhibit B hereto, as applicable.

8.

The current Exhibits B, C, and D are hereby deleted in their entirety and the Exhibits B, C, and D attached to this Amendment are hereby substituted in lieu thereof.

9.

This Amendment to the Severance Agreement shall be effective as of the date of this Amendment. Except as hereby modified, the Severance Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the day and year first above written.

ACUITY BRANDS, INC.

By: /s/ Vernon J. Nagel

/s/ John K. Morgan
JOHN K. MORGAN

EXHIBIT B
TO AMENDED AND RESTATED SEVERANCE AGREEMENT

NON-COMPETITION AND NON-SOLICITATION COVENANT

1. DEFINITIONS

Capitalized terms contained herein shall have the same meaning as those defined terms set forth in the Agreement. For purposes of Exhibits B, C and D, "ASP" means Acuity Specialty Products Group, Inc. or its successors. In addition, the following terms used in this Exhibit "B" shall have the following meanings:

(A) "ASP's Business" is defined as the manufacture or sale of the classes of products listed in paragraph (B), below.

(B) "Direct Competitor" means the following entities: (1) Ecolab Inc.; (2) JohnsonDiversey Inc.; (3) NCH Corporation; (4) State Industrial Products Corporation; (5) Rochester Midland Corporation; (6) Amrep, Inc.; and (7) Ondeo Nalco Company, as well as any of their respective affiliates, subsidiaries and/or parent companies that are either located or transact business within the United States of America, but only to the extent each, and only with respect to the business operation which, engages in the manufacture and/or sale of one or more of the following classes of products: specialty chemical products, cleaners, degreasers, absorbents, sanitizers, deodorizers, polishes, floor finishes, sealants, lubricants, disinfectants, janitorial supplies, paint strippers, paint removers, rust strippers, soaps and detergents, bleaches, fabric softeners, liquid sweeping compounds, aerosol gasket forming compositions, non-slip adhesive film for brakes, tire and rubber mat dressings, floor waxes, asphalt and tar removers, concrete removers, vehicle drying agents, vehicle rain repellant and glass treatment, steam cleaning compositions, chemical preparations for unclogging pipes and septic tank cleaning, spill treatments, anti-seize compounds, treatment products for hazardous solvents, pesticides, pest control products and/or drain care products, preparations for killing weeds, fungicides, herbicides, rodenticides, vermicides, insect repellants, ground control chemicals, power operated industrial and commercial cleaning equipment (namely, sprayers, fog sprayers, steam cleaning machines, pressure washers, and air agitation cleaners and pumps for use in connection therewith, steam cleaners, vacuum cleaners, carpet cleaning and shampooing machines, floor cleaning and polishing machines and parts associated therewith), manually operated cleaning equipment and accessories (namely, brooms, dustpans, scrubbing brushes, mops, squeegees, dispensers for floor wax, buckets, mop wringers, sponges, scouring pads, plastic janitorial mats, wiping cloths, steel wool, chamois skins, soap and chemical dispensers, towel and sanitary napkin dispensers, cleaning gloves, pails and parts therefore, and waste receptacles).

(C) “Customers” shall mean customers of ASP that Executive (i) contacted directly or indirectly or otherwise serviced on behalf of ASP during the two-year period preceding the termination of Executive’s employment with the Company; or (ii) about whom Executive possessed Confidential Information during such two-year period.

(D) “Executive Services” means those principal duties and responsibilities that Executive performed on behalf of the Company during his employment, within twenty-four (24) months prior to the date hereof, as President and Chief Executive Officer of Acuity Specialty Products Group, Inc. and Executive Vice President of Acuity Brands, Inc., in which capacity Executive: (1) served as a member of a group of Executives responsible for a multi-profit center organization, with responsibility for the profitability of two or more distinct profit centers; (2) developed, coordinated and executed efforts directed towards enhancing branding, marketing, and business development capabilities; (3) worked to develop strategic customers and key channels of distribution; (4) coordinated with departmental heads concerning material business issues; (5) analyzed operations to pinpoint opportunities and areas that may have needed to be reorganized, down-sized, or eliminated; (6) conferred with other Executives to coordinate and prioritize planning concerning material business issues; (7) studied short-term and long-range economic trends and projects, prospects for future growth in overall sales and market share, opportunities for acquisitions or expansion into new product areas; (8) served as a member of the Acuity Leadership Team, reviewing, discussing, evaluating, and participating in decisions concerning material business and management issues, cost structures, sales and growth opportunities, crisis management, strategic prospects, personnel issues, litigation matters, leadership goals, and performance targets; and (9) provided support and analysis for key leadership analysis requirements; and

(E) “Restricted Period” means a period equal to the lesser of: (i) the “Severance Period” in the Severance Agreement, namely, a period equal to the lesser of: (x) twenty-four (24) months from the Executive’s Date of Termination, or (y) the number of months (rounded to the nearest month) from the Executive’s Date of Termination until the date he attains age 65; provided, however, that the Severance Period shall in no event be less than six (6) months; or (ii) the period Base Salary is paid to Executive under Section 4.1 of the Severance Agreement; provided, however, that if the Company’s cessation of payments of Base Salary results from Executive’s failure to comply with the Restrictive Covenants (as set forth in Exhibits B, C and D), the Restricted Period shall be the Severance Period.

2. ACKNOWLEDGEMENTS

Executive acknowledges that during the period of his employment as President and Chief Executive Officer of Acuity Specialty Products Group, Inc. and Executive Vice President of Acuity Brands, Inc., Executive has and will render executive, strategic and managerial services, including the Executive Services, to and for ASP and Acuity throughout the United States, which are special, unusual, extraordinary, and of peculiar value to ASP and Acuity. Executive further acknowledges that the services he performs on behalf of ASP and Acuity, including the Executive Services, are at a senior managerial level and are not limited in their territorial scope to any particular city, state, or region, but instead have nationwide impact throughout the United

States. Executive further acknowledges and agrees that: (a) ASP and Acuity's business is, at the very least, national in scope; (b) these restrictions are reasonable and necessary to protect the Confidential Information, business relationships, and goodwill of ASP and Acuity; and (c) should Executive engage in or threaten to engage in activities in violation of these restrictions, it would cause ASP and Acuity irreparable harm which would not be adequately and fully redressed by the payment of damages to ASP and Acuity. In addition to other remedies available to ASP and Acuity, ASP and Acuity shall accordingly be entitled to seek injunctive relief in any court of competent jurisdiction for any actual or threatened breach by Executive of the provisions of this Exhibit B. Executive further acknowledges that he will not be entitled to any compensation or benefits from Acuity or ASP or any of its affiliates in the event of a final non-appealable judgment that he materially breached his duties or obligations under this Exhibit B.

3. NON-COMPETITION

Executive agrees that while employed by the Company and for a period equal to the Restricted Period thereafter, he will not, directly (i.e., as an officer or employee) or indirectly (i.e., as an independent contractor, consultant, advisor, board member, agent, shareholder, investor, joint venturer, or partner), engage in, provide or perform any of the Executive Services on behalf of any Direct Competitor anywhere within the United States. This provision will not prohibit Executive from working for a Direct Competitor in a product area that is not competitive with ASP's Business as defined above. Nothing in this provision shall divest Executive from the right to acquire as a passive investor (with no involvement in the operations or management of the business) up to 1% of any class of securities which is: (i) issued by any Direct Competitor, and (ii) publicly traded on a national securities exchange or over-the-counter market.

4. NON-SOLICITATION OF CUSTOMERS

During the Restricted Period, Executive will not, directly or indirectly, solicit Customers for the purpose of providing goods and services competitive with ASP's Business.

5. SEPARABILITY

Executive acknowledges that the foregoing non-competition covenant is a separate and distinct obligation of Executive and is deemed to be separable from the remaining covenants of the Agreement and its various exhibits. If any of the provisions of the foregoing covenant should ever be deemed to exceed the time, geographic, product, or other limitations permitted by applicable law in any jurisdiction, then such provisions shall be deemed reformed in such jurisdiction to the maximum time, geographic, product, or other limitations permitted by applicable law. If any particular provision of the foregoing covenant is held to be invalid, the remainder of the covenant and the remaining obligations of the Agreement and its various exhibits shall not be affected thereby and shall remain in full force and effect.

EXHIBIT C
TO AMENDED AND RESTATED SEVERANCE AGREEMENT

NON-RECRUITMENT COVENANT

1. DEFINITIONS

The following terms used in this Exhibit "C" shall have the following meanings:

(A) "Person" means any individual, firm, partnership, association, corporation, limited liability entity, trust, venture or other business organization, entity or enterprise;

(B) "Restricted Period" means the period set forth in Paragraph 1(E) of Exhibit B.

2. NON-RECRUITMENT COVENANT

During the Restricted Period, the Executive will not, directly or indirectly, for himself or on behalf of any other Person, solicit, induce, persuade, or encourage, or attempt to solicit, induce, persuade, or encourage, any employee of Acuity or ASP or ASP's business to terminate such employee's position with Acuity or ASP, whether or not such employee is a full-time or temporary employee of Acuity or ASP and whether or not such employment is pursuant to a written agreement, for a determined period or at will.

3. SEPARABILITY

The Executive acknowledges that the foregoing covenant, as well as each of those covenants set forth in the other Exhibits to the Agreement, is a separate and distinct obligation of the Executive and is deemed to be separable from the remaining covenants. If any of the provisions of any other such covenant should ever be held invalid, the foregoing covenant shall not be affected thereby and shall remain in full force and effect.

EXHIBIT D

TO AMENDED AND RESTATED SEVERANCE AGREEMENT

NON-DISCLOSURE COVENANT

1. DEFINITIONS

The following terms used in this Exhibit "D" shall have the following meanings:

(A) "Trade Secrets" means Confidential Information constituting a trade secret under applicable law.

(B) "Confidential Information" means any information, without regard to form, relating to ASP's clients, operations, finances, and business that derives economic value, actual or potential, from not being generally known to other Persons, including but not limited to technical or non-technical data, compilations (including compilations of customer information), programs, methods, devices, techniques, processes, financial data, pricing methodology, formulas, patterns, strategies, studies, business development, software systems, marketing techniques and lists of actual or potential customers (including identifying information about customers), whether or not in writing. Confidential Information includes information disclosed to ASP by third parties that ASP is obligated to maintain as confidential. Confidential Information subject to this Agreement may include information that is not a trade secret under applicable law, but information not constituting a trade secret only shall be treated as Confidential Information under this Agreement for a two-year period following Executive's termination of employment.

(C) "Person" means any individual, firm, partnership, association, corporation, limited liability entity, trust, venture or other business organization, entity or enterprise;

(D) "Restricted Period" means the period of set forth in Paragraph 1(E) of Exhibit B.

2. NON-DISCLOSURE COVENANT

The Executive will not, directly or indirectly, for himself or on behalf of any other Person, use for the Executive's own benefit or disclose to any other party, any Trade Secrets or Confidential Information; provided, however, that Executive may make disclosures required by a valid order or subpoena issued by a court or administrative agency of competent jurisdiction, provided, further that in the event disclosure is required by such an order or subpoena, Executive shall promptly notify the Company prior to making any such disclosure so that the Company may seek an appropriate protective order to protect its interests. The foregoing confidentiality obligations shall continue (A) with respect to all Trade Secrets, at all times so long as such Trade Secrets constitute trade secrets under applicable law, and (B) with respect to all Confidential Information, at all times during the Restricted Period.

3. SEPARABILITY

The Executive acknowledges that the foregoing covenant, as well as each of those covenants set forth in the other Exhibits to the Agreement, is a separate and distinct obligation of the Executive and is deemed to be separable from the remaining covenants. If any of the provisions of any other such covenant should ever be held invalid, the foregoing covenant shall not be affected thereby and shall remain in full force and effect.

CONFIDENTIALITY AND RESTRICTIVE COVENANTS AGREEMENT

THIS AGREEMENT (the "Agreement") is entered into this 23rd day of July, 2007, between Acuity Brands, Inc. ("Acuity") and Acuity Brands Lighting, Inc. f/k/a Acuity Lighting Group, Inc. ("ABL") (Acuity and ABL are collectively referred to as the "Company") and John K. Morgan ("Executive").

Reasons for this Agreement: Executive is currently employed as President and Chief Executive Officer of ABL and as an Executive Vice President of Acuity pursuant to an amended and restated employment letter agreement dated August 1, 2005 ("Prior Agreement") between Executive and the Company. Simultaneously herewith, Executive is entering into a further amended and restated employment letter agreement (the "Employment Agreement"), which sets forth the terms and conditions of Executive's employment with Acuity and Executive's election as President and Chief Executive Officer of Acuity Specialty Products Group, Inc. ("ASP"). Executive and the Company acknowledge that Acuity is contemplating a corporate restructuring of Acuity and a subsequent distribution by Acuity of the stock of ASP (or a successor to ASP's business and operations) to the stockholders of Acuity (the "Spinoff"). The parties also recognize that the restructuring and Spinoff are subject to final approval of the Board of Directors of Acuity after satisfaction of certain conditions. After the Spinoff, Executive will serve as Chairman, President and Chief Executive Officer of ASP and will cease to be employed by Acuity and ABL.

Acknowledgements: The Company and Executive agree that during Executive's relationship with the Company, Executive has learned and has had access to important proprietary information related to ABL's Business, as defined below. Executive acknowledges that such proprietary information is not generally available to the public and includes information about ABL's customers, systems, operations, finances, suppliers, and business. Executive further acknowledges that such proprietary information has been and was developed through ABL's expenditure of substantial effort, time and money; and together with relationships developed by Executive with customers, employees, and suppliers, could be used to compete unfairly with ABL.

Executive acknowledges that during the period of his employment as President and Chief Executive Officer of Acuity Brands Lighting, Inc. and Executive Vice President of Acuity Brands, Inc., he has rendered executive, strategic and managerial services, including the Executive Services, to and for Acuity and ABL throughout the United States, which are special, unusual, extraordinary, and of peculiar value to Acuity and ABL. Executive further acknowledges that the services he performed on behalf of Acuity and ABL, including the Executive Services, were at a senior managerial level and were not limited in their territorial scope to any particular city, state, or region, but instead had nationwide impact throughout the United States. Executive further acknowledges and agrees that: (a) Acuity and ABL's business is, at the very least, national in scope; and (b) these restrictions are reasonable and necessary to protect the Confidential Information, business relationships, and goodwill of Acuity and ABL.

In consideration for the Company's agreement to provide the benefits described below, the sufficiency of which is acknowledged, the Company and Executive agree:

1) Definitions: For this Agreement, the following terms shall have the meaning specified below:

a) **ABL's Business** shall mean the manufacture and/or sale of one or more of the following classes of product: lighting fixtures, electric linear modular lighting systems comprised of plug-in relocatable modular wiring components, emergency lighting fixtures and systems (comprised of exit signs, emergency light units, back-up power battery packs, and combinations thereof), electric lighting track units, cast aluminum historically styled lighting poles, flexible wiring systems and components (namely, flexible branch circuits, attachment plugs, receptacles, connectors and fittings), lighting control systems intended to be used for switching, monitoring, and dimming electrical lighting, the manufacture and sale of all of the above classes of product and includes Confidential Information regarding the manufacture and sale of all of the above classes of product.

b) **Confidential Information** shall mean any information, without regard to form, relating to ABL's customers, operations, finances, and business that derives economic value, actual or potential, from not being generally known to other Persons, including but not limited to technical or non-technical data, compilations (including compilations of customer information), programs, methods, devices, techniques, processes, financial data, pricing methodology, formulas, patterns, strategies, studies, business development, software systems, marketing techniques and lists of actual or potential customers (including identifying information about customers), whether or not in writing. Confidential Information includes information disclosed to ABL by third parties that ABL is obligated to maintain as confidential. Confidential Information subject to this Agreement may include information that is not a trade secret under applicable law, but information not constituting a trade secret only shall be treated as Confidential Information under this Agreement for a two-year period after the Effective Date.

c) **Customers** shall mean customers of ABL that Executive (i) contacted directly or indirectly or otherwise serviced on behalf of ABL during the two-year period preceding the date of this Agreement; or (ii) about whom Executive possessed Confidential Information during the two-year period preceding the date of this Agreement, including, without limitation, The Home Depot, Consolidated Electrical Distributors, Graybar Electric, Rexel Inc., and Sonepar USA.

d) **Direct ABL Competitor** means the following entities: (1) Cooper Lighting, Inc.; (2) Genlyte Thomas Group LLC; (3) Juno Lighting, Inc. Schneider; (4) Hubbell Lighting, Inc.; (5) Philips, (6) General Electric, (7) Osram Sylvania, (8) Siemens, as well as any of their respective affiliates, subsidiaries and/or parent companies that are either located or transact business within the United States of America, but only to the extent each, and only with respect to the business operation which, engages in the manufacture and/or sale of one or more classes of products competitive with ABL's Business.

e) **Effective Date** shall mean the earlier of (i) the date on which the Spinoff is effective or (ii) November 30, 2007.

f) **Executive Services** means those principal duties and responsibilities that Executive performed on behalf of Acuity and ABL during his employment, within twenty-four (24) months prior to the date of this Agreement, as President and Chief Executive Officer of ABL and Executive Vice President of Acuity, in which capacity Executive: (1) served as a member of a group of Executives responsible for a multi-profit center organization, with responsibility for the profitability of two or more distinct profit centers; (2) developed, coordinated and executed efforts directed towards enhancing branding, marketing, and business development capabilities; (3) worked to develop strategic customers and key channels of distribution; (4) coordinated with departmental heads concerning material business issues; (5) analyzed operations to pinpoint opportunities and areas that may have needed to be reorganized, down-sized, or eliminated; (6) conferred with other Executives to coordinate and prioritize planning concerning material business issues; (7) studied short-term and long-range economic trends and projects, prospects for future growth in overall sales and market share, opportunities for acquisitions or expansion into new product areas; (8) served as a member of the Acuity Leadership Team, reviewing, discussing, evaluating, and participating in decisions concerning material business and management issues, cost structures, sales and growth opportunities, crisis management, strategic prospects, personnel issues, litigation matters, leadership goals, and performance targets; and (9) provided support and analysis for key leadership analysis requirements.

g) **Person** shall mean any individual, corporation, partnership, association, unincorporated organization or other entity.

h) **Territory** shall mean the territory of the United States. Executive acknowledges that ABL is licensed to do business and in fact does business in all fifty states in the United States.

2) Consideration: On or about the date of this Agreement, Acuity and ASP have entered into the Employment Agreement with Executive. This Agreement shall not become effective until the Employment Agreement has been fully executed. As provided in the Employment Agreement, Acuity has made or will make a Restricted Stock Award to Executive, which will vest annually over 3 years commencing one year from the grant date, unless earlier vested as provided in Paragraph 4.5 of the Employment Agreement. As consideration for this Agreement, in the event of the Spinoff and the effectiveness of this Agreement, a portion of the Restricted Stock shall become vested on the date of the Spinoff, as provided in the Employment Agreement. Acuity and ASP have agreed there is separate consideration for the Employment Agreement between them and Executive. In addition, Acuity is offering Executive employment as President and Chief Executive Officer of ASP in return, in part, for Executive's agreement to execute this Agreement with the Company.

3) Confidential Information:

- **a)** Company Trade Secrets: Executive shall hold in strictest confidence and shall not use, except for the benefit of Company and ASP, any trade secrets of Company, as that term is defined under applicable law.
- **b)** Company Confidential Information: During employment with ABL and for two years after the Effective Date, Executive shall hold in strictest confidence and shall not use, except for the benefit of the Company and ASP, any Confidential Information of Company.

4) Solicitation of Employees: For two years after the Effective Date of this Agreement, Executive will not, directly or indirectly, for himself or on behalf of any other Person, solicit, induce, persuade, or encourage, or attempt to solicit, induce, persuade, or encourage, any employee of the Company to terminate such employee's position with the Company, whether or not such employee is a full-time or temporary employee of the Company and whether or not such employment is pursuant to a written agreement, for a determined period or at will. This provision shall apply to those employees with whom Executive had material contact or about whom he possessed confidential information during the two-year period before the Effective Date.

5) Non-Competition: Executive agrees that for two years after the Effective Date, he will not, directly or indirectly, engage in, provide, or perform any of the Executive Services on behalf of any Direct ABL Competitor in the Territory. This provision will not prohibit Executive from working for a Direct ABL Competitor in a product area that is not competitive with ABL's Business, as defined above.

6) Non-Solicitation: For two years after the Effective Date, the Executive will not, directly or indirectly, solicit Customers for the purpose of providing goods and services competitive with ABL's Business. The goods and services currently being offered by ASP are not considered to be competitive with ABL's Business, and this provision therefore does not prohibit Executive from soliciting Customers for the purpose of providing such goods and services on behalf of ASP.

7) Non-Solicitation of Agencies: For two years after the Effective Date, the Executive will not, directly or indirectly, solicit the lighting agencies, or any principal or employee of such lighting agencies (the "Agencies") through which ABL has sold its products and services within the twelve-month period before the Effective Date for the purpose of providing goods and services competitive with ABL's Business. This provision is limited to Agencies with whom Executive had material contact or about which Executive had Confidential Information during the twelve-month period preceding the date of this Agreement.

8) Relief: Because any breach of this Agreement by Executive would result in continuing material and irreparable harm to the Company, and because it would be difficult or impossible to establish the full monetary value of such damage, the Company shall be entitled to injunctive

relief in the event of Executive's breach of this Agreement. Injunctive relief is in addition to any other available remedy. In the event that it shall become necessary for either party to retain the services of an attorney to enforce any terms under this Agreement, the prevailing party, in addition to all other rights and remedies hereunder or as provided by law, shall be entitled to reasonable attorneys' fees and related court costs and expenses.

9) Agreement Binding: This Agreement shall inure to the benefit of the Company and its successors and assignees, and shall be binding upon Executive and Executive's heirs, administrators, executors, and personal representatives.

10) Nonwaiver: The Company's failure to insist upon strict performance of any term or to exercise any right shall not be construed as a waiver or a relinquishment for the future of such term or right, which shall continue in full force and effect.

11) Governing Law; Exclusive Jurisdiction and Venue: This Agreement shall be governed by the laws of the State of Georgia. The Company may seek temporary or preliminary injunctive relief against Executive in any court with proper jurisdiction with respect to any and all preliminary injunctive or restraining procedures pertaining to this Agreement or the breach thereof.

12) Interpretations; Severability: Rights and restrictions in this Agreement may be exercised and are applicable only to the extent they do not violate any applicable laws, and are intended to be limited or modified to the extent necessary so they will not render this Agreement illegal, invalid, or unenforceable. If any term shall be held illegal, invalid, or unenforceable by a court of competent jurisdiction, the remaining terms shall remain in full force and effect. This Agreement does not in any way limit the Company's rights under the laws of unfair competition, trade secret, copyright, patent, trademark, or any other applicable law, which are in addition to rights under this Agreement. The existence of a claim by Executive, whether predicated on this Agreement or otherwise, shall not constitute a defense to the Company's enforcement of this Agreement.

(REMAINDER OF PAGE IS DELIBERATELY LEFT BLANK)

IN WITNESS WHEREOF, Acuity and ABL have caused this Agreement to be executed by their duly authorized officers and Executive has executed this Agreement, as of the date first written above.

ACUITY BRANDS, INC.

By: /s/ Vernon J. Nagel
Name: Vernon J. Nagel
Title: Chairman, President, and Chief Executive Officer

ACUITY BRANDS LIGHTING, INC.

By: /s/ Vernon J. Nagel
Name: Vernon J. Nagel
Title: Chairman, President, and Chief Executive Officer

"Executive"

By: /s/ John K. Morgan
Name: **John K. Morgan**
Employee Address:

Exhibit 21

LIST OF SUBSIDIARIES

ACUITY BRANDS, INC.

as of August 31, 2007

Subsidiary or Affiliate	Principal Location	State or Other Jurisdiction of Incorporation or Organization
Acuity Brands Insurance Ltd.	Hamilton, Bermuda	Bermuda
Strategic Services Group, Inc.	Atlanta, Georgia	Delaware
Zep Inc.	Atlanta, Georgia	Delaware
Acuity Brands Lighting, Inc.	Atlanta, Georgia	Delaware
Acuity Puerto Rico, Inc.	Atlanta, Georgia	Delaware
Acuity Unlimited, Inc.	Atlanta, Georgia	Delaware
Acuity Brands Lighting de Mexico, S de RL de CV	Monterrey, Nuevo Leon	Mexico
Acuity Brands Lighting Operations de Mexico, S de RL de CV	Monterrey, Nuevo Leon	Mexico
Acuity Brands Lighting Servicios de Mexico, S de RL de CV	Monterrey, Nuevo Leon	Mexico
Acuity Brands Servicios de Mexico, SA de CV	Tultitlan, Mexico City	Mexico
Acuity Brands Lighting (Hong Kong) Limited	Hong Kong	Hong Kong
Ai Rui Di Trading (Shanghai) Limited	Shanghai	Shanghai
Acuity Mexico Holdings LLC	Atlanta, Georgia	Delaware
Castlight de Mexico SA de CV	Matamoros, Tamaulipas	Mexico
Holophane Canada, Inc.	Richmond Hill, Ontario	Canada
HSA Acquisition Corporation	Atlanta, Georgia	Ohio
ID Limited	Douglas, Isle of Man	Isle of Man
Holophane SA de CV	Tultitlan, Mexico City	Mexico
Luxfab Limited	Milton Keynes, England	United Kingdom
Holophane Alumbrado Iberica SL	Barcelona, Spain	Spain
C&G Caradini	Barcelona, Spain	Spain
Holophane Europe Limited	Milton Keynes, England	United Kingdom
Holophane Lichttechnik GmbH	Düsseldorf, Germany	Germany
Holophane Lighting Limited	Milton Keynes, England	United Kingdom
Acuity Specialty Products Group, Inc.	Atlanta, Georgia	Delaware
Acuity Enterprise, Inc.	Atlanta, Georgia	Delaware
Acuity Holdings, Inc.	Montreal, Quebec, Canada	Canada
Zep Europe BV	Bergen op Zoom, Holland	Netherlands
Zep Belgium SA	Brussels, Belgium	Belgium
Zep Italy SRL	Aprilia, Italy	Italy
Graham International BV	Bergen op Zoom, Holland	Netherlands
Zep Benelux B.V.	Bergen op Zoom, Holland	Netherlands
Zep Industries, B.V.	Bergen op Zoom, Holland	Netherlands
Zep Manufacturing B.V.	Bergen op Zoom, Holland	Netherlands

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of our reports dated October 25, 2007, with respect to the consolidated financial statements and schedule of Acuity Brands, Inc. and the effectiveness of internal control over financial reporting of Acuity Brands, Inc. included in this Annual Report (Form 10-K) for the year ended August 31, 2007.

(1) Registration Statement No. 333-74242 on Form S-8 (Acuity Specialty Products 401(k) Plan, Acuity Brands, Inc. 401(k) Plan, Acuity Lighting Group, Inc. 401(k) Plan for Hourly Employees, Holophane Division of Acuity Lighting Group 401(k) Plan for Hourly Employees, Holophane Division of Acuity Lighting Group 401(k) Plan for Hourly Employees Covered by a Collective Bargaining Agreement);

(2) Registration Statement No. 333-74246 on Form S-8 (Acuity Brands, Inc. Employee Stock Purchase Plan, Acuity Brands, Inc. 2001 Nonemployee Directors' Stock Option Plan);

(3) Registration Statement No. 333-123999 on Form S-8 (Acuity Brands, Inc. 401(k) Plan);

(4) Registration Statement No. 333-126521 on Form S-8 (Acuity Brands, Inc. Long-Term Incentive Plan); and

(5) Registration Statement No. 333-138384 on Form S-8 (Acuity Brands, Inc. 2005 Supplemental Deferred Savings Plan, Acuity Brands, Inc. Nonemployee Director Deferred Compensation Plan).

/s/ Ernst & Young LLP
Atlanta, Georgia
October 25, 2007

Exhibit 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Kenyon W. Murphy and Vernon J. Nagel, and each of them individually, his true and lawful attorneys-in-fact (with full power of substitution and resubstitution) to act for him in his name, place, and stead in his capacity as a director or officer of Acuity Brands, Inc., to file a registrant's annual report on Form 10-K for the fiscal year ended August 31, 2007, and any and all amendments thereto, with any exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them individually, full power and authority to do and perform each and every act and thing requisite and necessary to be done in the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or either of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Peter C. Browning
Peter C. Browning

Dated: October 25, 2007

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Kenyon W. Murphy and Vernon J. Nagel, and each of them individually, his true and lawful attorneys-in-fact (with full power of substitution and resubstitution) to act for him in his name, place, and stead in his capacity as a director or officer of Acuity Brands, Inc., to file a registrant's annual report on Form 10-K for the fiscal year ended August 31, 2007, and any and all amendments thereto, with any exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them individually, full power and authority to do and perform each and every act and thing requisite and necessary to be done in the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or either of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ John L. Clendenin
John L. Clendenin

Dated: October 25, 2007

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Kenyon W. Murphy and Vernon J. Nagel, and each of them individually, his true and lawful attorneys-in-fact (with full power of substitution and resubstitution) to act for him in his name, place, and stead in his capacity as a director or officer of Acuity Brands, Inc., to file a registrant's annual report on Form 10-K for the fiscal year ended August 31, 2007, and any and all amendments thereto, with any exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them individually, full power and authority to do and perform each and every act and thing requisite and necessary to be done in the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or either of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Earnest W. Deavenport, Jr.
Earnest W. Deavenport

Dated: October 25, 2007

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Kenyon W. Murphy and Vernon J. Nagel, and each of them individually, his true and lawful attorneys-in-fact (with full power of substitution and resubstitution) to act for him in his name, place, and stead in his capacity as a director or officer of Acuity Brands, Inc., to file a registrant's annual report on Form 10-K for the fiscal year ended August 31, 2007, and any and all amendments thereto, with any exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them individually, full power and authority to do and perform each and every act and thing requisite and necessary to be done in the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or either of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Ray M. Robinson

Ray M. Robinson

Dated: October 25, 2007

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Kenyon W. Murphy and Vernon J. Nagel, and each of them individually, his true and lawful attorneys-in-fact (with full power of substitution and resubstitution) to act for him in his name, place, and stead in his capacity as a director or officer of Acuity Brands, Inc., to file a registrant's annual report on Form 10-K for the fiscal year ended August 31, 2007, and any and all amendments thereto, with any exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them individually, full power and authority to do and perform each and every act and thing requisite and necessary to be done in the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or either of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Neil Williams

Neil Williams

Dated: October 25, 2007

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Kenyon W. Murphy and Vernon J. Nagel, and each of them individually, her true and lawful attorneys-in-fact (with full power of substitution and resubstitution) to act for her in her name, place, and stead in her capacity as a director or officer of Acuity Brands, Inc., to file a registrant's annual report on Form 10-K for the fiscal year ended August 31, 2007, and any and all amendments thereto, with any exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them individually, full power and authority to do and perform each and every act and thing requisite and necessary to be done in the premises, as fully to all intents and purposes as she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or either of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Julia B. North

Julia B. North

Dated: October 25, 2007

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Kenyon W. Murphy and Vernon J. Nagel, and each of them individually, her true and lawful attorneys-in-fact (with full power of substitution and resubstitution) to act for her in her name, place, and stead in her capacity as a director or officer of Acuity Brands, Inc., to file a registrant's annual report on Form 10-K for the fiscal year ended August 31, 2007, and any and all amendments thereto, with any exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them individually, full power and authority to do and perform each and every act and thing requisite and necessary to be done in the premises, as fully to all intents and purposes as she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or either of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Robert F. McCullough

Robert F. McCullough

Dated: October 25, 2007

EXHIBIT 31(a)

I, Vernon J. Nagel, certify that:

1. I have reviewed this annual report on Form 10-K of Acuity Brands, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2007

/s/ Vernon J. Nagel
Vernon J. Nagel
Chairman, President, and Chief Executive Officer

[A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act has been provided to Acuity Brands, Inc. and will be retained by Acuity Brands, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]

EXHIBIT 31(b)

I, Richard K. Reece, certify that:

1. I have reviewed this annual report on Form 10-K of Acuity Brands, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

   (e) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (f) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (g) Evaluated the effectiveness of the registrant's disclosure controls and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   (h) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2007

/s/ Richard K. Reece

Richard K. Reece
Executive Vice President and Chief Financial Officer

[A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act has been provided to Acuity Brands, Inc. and will be retained by Acuity Brands, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]

Exhibit 32(a)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Annual Report on Form 10-K of Acuity Brands, Inc. (the "Corporation") for the year ended August 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the Chairman and Chief Executive Officer of the Corporation, certifies that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Vernon J. Nagel
Vernon J. Nagel
Chairman, President, and Chief Executive Officer
October 30, 2007

[A signed original of this written statement required by Section 906 has been provided to Acuity Brands, Inc. and will be retained by Acuity Brands, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]

Exhibit 32(b)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Annual Report on Form 10-K of Acuity Brands, Inc. (the "Corporation") for the year ended August 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the Vice President, Controller, and Interim Chief Financial Officer of the Corporation, certifies that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Richard K. Reece
Richard K. Reece
Executive Vice President and Chief Financial Officer
October 30, 2007

[A signed original of this written statement required by Section 906 has been provided to Acuity Brands, Inc. and will be retained by Acuity Brands, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]