

**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, 2003.

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

(State or other jurisdiction of incorporation or organization)

1170 Peachtree Street, N.E., Suite 2400,

Atlanta, Georgia

(Address of principal executive offices)

58-2632672

(I.R.S. Employer Identification Number)

30309

(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 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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). 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.

Based on the closing price of \$13.30 as quoted on the New York Stock Exchange on February 28, 2003, the aggregate market value of the voting stock held by nonaffiliates of the registrant, was \$548,567,225.

The number of shares outstanding of the registrant's common stock, \$0.01 par value, was 41,772,985 shares as of October 23, 2003.

DOCUMENTS INCORPORATED BY REFERENCE

Location in Form 10-K

Incorporated Document

Part II, Item 5
Part III, Items 10, 11, 12, 13, and 14

Proxy Statement for 2003 Annual Meeting of Stockholders
Proxy Statement for 2003 Annual Meeting of Stockholders

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ACUITY BRANDS, INC.

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PART I

Item 1. Business

Acuity Brands, Inc. (“Acuity Brands” or the “Company”) operates in two business segments – lighting equipment and specialty products. The lighting equipment segment of the Company (“Acuity Brands Lighting” or “ABL”) manufactures and distributes a broad array of indoor and outdoor lighting fixtures for markets throughout North America and select international markets. The specialty products segment of Acuity Brands (“Acuity Specialty Products Group” or “ASP”) produces and distributes cleaning, maintenance, and sanitation chemicals and other products for customers primarily throughout the United States, Canada, and Western Europe. Of the Company’s fiscal 2003 net sales of approximately \$2.0 billion, the lighting equipment segment generated approximately 75 percent of total net sales while the specialty products segment provided the remaining 25 percent. Information relating to the net sales, operating profits or losses, and total assets of the Company’s two segments for the past three fiscal years is reported in the *Consolidated Financial Statements* included in this report.

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” or “Spin-off”) of 100 percent of the outstanding shares of common stock of Acuity Brands on November 30, 2001. Each NSI stockholder of record as of November 16, 2001, the record date for the Distribution, received one share of Acuity Brands common stock for each share of NSI common stock held at that date.

Business Segments

Lighting Equipment

The lighting equipment business of Acuity Brands is operated under Acuity Brands Lighting. Management of Acuity Brands believes that Acuity Brands Lighting is one of the world’s leading manufacturers of lighting fixtures for both new construction and renovation. Products include a full range of indoor and outdoor lighting for commercial and institutional, industrial, and residential applications. Lighting products are manufactured in the United States, Canada, Mexico, and Europe and are marketed under numerous brand names, including Lithonia®, Holophane®, Home-View®, Light Concepts®, Gotham®, Hydrel®, Peerless®, Antique Street Lamps™, American Electric®, SpecLight™, and Reloc®. ABL manufactures products in 21 plants in North America and in three plants in Europe.

Principal customers include electrical distributors, retail home improvement centers, national accounts, lighting showrooms, and electric utilities 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 adopts distribution methods to meet individual customer or country requirements. In fiscal 2003, North American sales accounted for approximately 97 percent of ABL’s net sales.

Specialty Products

The specialty products business of Acuity Brands is operated under Acuity Specialty Products Group. ASP is a leading provider of specialty chemical products in the institutional and industrial (“I&I”) and retail markets. Products include cleaners, sanitizers, disinfectants, polishes, floor finishes, degreasers, deodorizers, pesticides, insecticides, and herbicides. ASP manufactures products in four North American plants and two European plants.

Acuity Specialty Products Group sells products to customers primarily in North America and Western Europe. In fiscal 2003, North American sales accounted for approximately 94 percent of the net sales of ASP.

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ASP serves a range of institutional and industrial customers, from small sole proprietorships to Fortune 1000 corporations and municipalities. Individual markets in the I&I channel include food processing and preparation, transportation, education, automotive, government, and hospitality and are serviced through a direct commissioned sales force. ASP also sells numerous products under such well-known brands as Enforcer®, Selig™, and Zep® through retail channels such as large and small home improvement centers, mass merchandisers, and hardware stores.

Industry Overview

Lighting Equipment

The current size of the North American lighting fixture market is estimated at approximately \$8.7 billion. The U.S. market, which represents approximately 94 percent of the North American market, is relatively fragmented. The Company estimates that the top four manufacturers (including Acuity Brands Lighting) represent approximately 50 percent of the total North American lighting market.

The primary demand driver is non-residential construction, both new and renovation. Major industry trends include the on-going development of new and more efficient lamp sources and optical designs, increased adoption of new lighting ordinances, and continued emphasis on energy efficiency.

There has been a significant increase in the size and relative presence of the retail home improvement center segment. 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 from Asian manufacturers. European-based electrical distributors have increased their presence in the U.S. with the acquisition of U.S.-based local and regional distributor chains, and smaller U.S. distributors continue to seek leverage through alignment with buying groups.

Specialty Products

The approximately \$8.0 billion U.S. I&I market is highly fragmented. The Company estimates that five major players (including Acuity Specialty Products Group) represent approximately 50 percent of the total U.S. I&I market with the remainder divided among hundreds of regional players. In general, the Company estimates that the U.S. I&I market grows at a rate approximating Gross Domestic Product (“GDP”). To some extent, consumption of janitorial cleaning and sanitation products is discretionary, but in a health-driven, sophisticated market such as the U.S., the Company believes that health and safety regulations and customer expectations somewhat buffer demand downturns. Increasing legislation in the areas of food and occupational health that require increased ranges of application and frequency of use is fueling demand increases. In addition to the U.S. I&I market, there is a U.S. retail chemical market of approximately \$4.3 billion, including a \$2.8 billion market for cleaners and a \$1.5 billion market for pest control.

The Company believes that two major trends are reshaping the industry. First, health and safety regulations are shrinking the pool of available chemicals while at the same time increasing the total use rates. This has pushed development of improved physical product formulations and application methods. Second, increased centralized corporate buying and consolidation of the supply chain are threatening reselling distributors and requiring increased base manufacturing and logistics skills.

Products

Lighting Equipment

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

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include recessed, surface and suspended fluorescent lighting products, recessed downlighting, and track lighting, as well as “high-abuse” lighting products. The outdoor areas associated with these application segments are addressed by the lighting equipment business’ outdoor lighting products, such as area and floodlighting, 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 high-mast, off-set roadway, and sign lighting.
- **Consumer** — 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 used in non-residential buildings, and lighting control and flexible wiring systems.

Fluorescent lighting products accounted for approximately 25 percent of total consolidated net sales during fiscal years 2003, 2002, and 2001. No other product category accounted for more than 10 percent of total consolidated net sales for these periods.

Specialty Products

ASP produces and supplies a wide variety of specialty chemical products that are used in numerous applications in a broad range of markets. These include:

- **Food Process and Food Preparation** – ASP provides a total solution approach to serving the sanitation needs of its customers. New products, increased technical training for the sales reps, integrated dispensing systems, and innovative approaches to antimicrobial control have been implemented to complement the existing cleaners and sanitizers.
- **Transportation** – Applications include cleaning and maintenance products for numerous types of transportation equipment including individual or fleets of aircraft, public transport, trucks, and cars. New products have delivered increased efficiency, regulatory compliance, and integrated application equipment. Major products are used to provide exterior cleaning and enhanced appearance.
- **Education** – Applications include schools and universities. The product range is broad and covers all cleaning and maintenance areas with specific emphasis on floor care and general cleaning and deodorizing.
- **Automotive** – Applications include original equipment manufacturers, dealerships, and repair/service facilities. A comprehensive range of products includes aerosols, powders, solvents, absorbents, emulsions, acids, and aqueous alkaline cleaners and degreasers to satisfy necessary cleaning requirements.
- **Hospitality** – Applications include hotels and motels. Products and dispensing systems are designed to supply maintenance, housekeeping, and laundry applications with a complete cleaning solution.
- **Contractors and Homeowners** – Applications include contract cleaners, small business owners, and homeowners and are supplied through retail channels. Products provide a comprehensive range of floor care, general-purpose cleaners and sanitizers, drain maintenance, and pest control in convenient ready-to-use packaging.
- **Municipalities** – Applications include city governments, airports, transit authorities, and police and fire departments. The broad product range covers all cleaning and maintenance areas. Emphasis is on the total cost of cleaning solutions.

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Sales and Marketing

Lighting Equipment

Sales. ABL provides North American market coverage with separate sales forces targeted at delivering appropriate products and services to specific customer, channel, and geographic segments. In total, these sales forces are comprised of approximately 1,700 salespeople (200 factory-employed and 1,500 independent sales representatives in over 200 separate sales agencies). ABL also operates two separate European sales forces and an international sales group coordinating sales to the balance of the globe.

Marketing. ABL markets its products through a broad spectrum of marketing and promotional vehicles, including direct customer contact, on-site training at training facilities, print advertising in industry publications, product brochures, and other literature, as well as electronic media. Direct customer contact is performed by specification sales managers, whose primary role is the promotion of select products to the many buying influences involved in the specification/bid process common in the industry. Most on-site training is conducted at a dedicated product training facility at ABL's headquarters in Conyers, Georgia.

Specialty Products

Sales. The sales organization at ASP consists of 1,850 sales representatives worldwide. The compensation model in the I&I channel is primarily 100 percent commission. Net sales are primarily dependent on the hiring, training, and retention of the commissioned sales representatives.

The ASP sales organization covers a wide geographic territory. The I&I market is serviced primarily through four U.S. divisions, as well as Canadian and European divisions. Each of the four U.S. divisions includes from 230 to 370 sales representatives supplemented by a complement of customer and technical service personnel. The Canadian and European operations have approximately 150 and 250 sales representatives, respectively. The retail sales division utilizes approximately 160 salaried sales and management personnel to focus on the do-it-yourself home center channel.

Marketing. ASP's marketing efforts are focused on supporting a sell-through program from ASP through the sales organization and to the customer. ASP's primary focus is in four distinct areas. Market planning includes comprehensive strategic and tactical plan development and support emphasizing financial objectives and accountability. Product management includes new product development and chemical dispensing equipment management. Market-based pricing takes into account competitive analysis and leverages the flexibility of the ASP operating platform. Marketing services provides sales support tools and collateral sales information to ASP's worldwide sales force and customer base.

Customers

A single customer in the home improvement channel, The Home Depot, accounted for 10 percent, 7 percent and 3 percent of the net sales of Acuity Brands in fiscal years 2003, 2002, and 2001, respectively. The loss of that customer would adversely affect the Company's results of operations.

Lighting Equipment

Customers of Acuity Brands Lighting include electrical distributors, retail home improvement centers, national accounts, lighting showrooms, and electric utilities. 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 engineers, architects, and lighting designers. For the year ended August 31, 2003, sales to electrical distributors represented approximately 63 percent of ABL's net sales. For the same period, net sales to retail home improvement centers and national accounts each represented approximately 12 percent of the net sales of ABL.

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Specialty Products

Customers of ASP consist of I&I customers (approximately 80 percent of ASP net sales) and retail customers (approximately 20 percent of ASP net sales). I&I customers range from sole proprietorships to Fortune 1000 corporations and governmental agencies and are in various markets, including food processing and preparation, transportation, education, automotive, and hospitality. Retail customers primarily include large and small home improvement centers, mass merchandisers, and hardware stores.

Manufacturing

Acuity Brands operates 30 manufacturing facilities, including 16 facilities in the United States, three facilities in Canada, six facilities in Mexico, and five facilities in Europe.

Lighting Equipment

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. Investment is focused on improving 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 via frequent just-in-time deliveries. ABL also utilizes contract manufacturing for certain products and purchases certain finished goods, primarily poles to complement its area lighting fixtures, and also a variety of residential and commercial lighting equipment, from Asian and European sources.

U.S. operations represent approximately 52 percent of production; Mexico accounts for approximately 35 percent of production; Canada accounts for approximately three percent of production; and Europe accounts for approximately two percent of production. The remaining eight percent of production is outsourced using contract manufacturing and finished good suppliers.

During fiscal 2004, management will continue to focus on initiatives to make the Company more globally competitive. One of these initiatives at ABL, related to enhancing its global supply chain, includes the consolidation of up to seven manufacturing facilities into its most efficient locations. Management believes this initiative will result in increased production in international locations, primarily Mexico, and greater sourcing from its network of worldwide vendors. Although this initiative is not expected to have a significant impact on the Company's results of operations during fiscal 2004, management expects to realize benefits beginning in fiscal 2005.

Specialty Products

ASP manufactures products at six facilities located in the United States, Canada, Holland and Italy. The three U.S. facilities produce approximately 94 percent of total manufactured product; Canada accounts for approximately three percent of manufactured product; and Europe accounts for approximately three percent of manufactured product. Certain finished goods purchased from contract manufacturers and finished goods suppliers supplement the manufactured product line. Sales of outsourced product currently account for approximately 30 percent of the net sales volume of ASP. 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

Lighting Equipment

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.

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Specialty Products

Products sold to I&I markets are shipped from strategically located distribution centers throughout North America, while the retail products are distributed nationwide from the Georgia plants and warehouses. Products are primarily delivered through common carriers.

Research and Development

Lighting Equipment

Research and development efforts at ABL are targeted toward the development of products with an ever-increasing performance-to-cost ratio, and close relationships with lamp and ballast manufacturers are maintained to understand and incorporate technology enhancements in ABL's fixture designs. ABL operates six separate product development model shops and seven 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 the years ended August 31, 2003, 2002, and 2001, research and development expense at ABL was \$26.1 million, \$20.3 million, and \$14.5 million, respectively.

Specialty Products

At ASP, the research and development focus is directed towards product systems aimed at comprehensive solutions for a broad customer base. Efforts to enhance existing formulations by utilizing new raw materials or combinations of raw materials have resulted in both new and improved products. Technical expertise was employed to move proven technologies into new applications. Research and development expense at ASP for the years ended August 31, 2003, 2002, and 2001, excluding technical services, was \$1.3 million, \$1.7 million, and \$1.1 million, respectively.

Competition

Lighting Equipment

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 and design, customer relationships, and service capabilities. Main competitors in the lighting industry include Cooper Industries, Genlyte Thomas Group, and Hubbell. The management of Acuity Brands believes that the four largest lighting manufacturers (including ABL) possess approximately a 50 percent share of the total North American lighting market.

Specialty Products

The specialty products industry served by ASP is highly competitive. Overall, competition is fragmented, with numerous local and regional operators selling directly to customers as well as 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 specialty products industry include NCH, Rochester Midland, State Chemical, JohnsonDiversey, and Ecolab. Management estimates that the major players (including ASP) have approximately 50 percent of the total U.S. I&I market and the remainder is divided among hundreds of regional players.

Environmental Regulation

The operations of the Company are subject to comprehensive laws and regulations relating to the generation, storage, handling, transportation, and disposal of hazardous substances and solid and hazardous

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wastes and to the remediation of contaminated sites. 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. Acuity Brands believes that it is in substantial compliance with all material environmental laws, regulations, and permits. On an ongoing basis, Acuity Brands incurs capital and operating costs relating to environmental compliance. Environmental laws and regulations have generally become stricter in recent years, and the cost of responding to future changes may be substantial. See Item 3: *Legal Proceedings* below 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, and certain grades of steel. Acuity Brands purchases most of these raw materials on the open market and relies on third parties for the sourcing of some finished goods. As such, 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. Acuity Brands does not expect to engage in significant commodity hedging transactions for raw materials. Significant increases in the prices of Acuity Brands' products due to increases in the cost of raw materials or sourcing could have a negative effect on demand for products and on profitability as well as a material adverse effect on the results of operations of Acuity Brands.

ASP has a sole supplier of a critical packaging raw material. While this material only accounts for approximately three percent of the total raw material costs, it is used in products that account for approximately 10 percent of sales.

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, and finished goods.

Backlog Orders

The Company produces and stocks large quantities of inventory at key distribution centers and warehouses throughout North America. As a consequence, it satisfies a significant portion of customer demand within 24 to 48 hours from the time a customer order is placed. This is the situation at ASP and is becoming more the case at ABL, due to improved manufacturing ability, where the backlog currently represents approximately one month of net sales. Sales order backlogs of the lighting equipment business believed to be firm as of August 31, 2003 and 2002 were \$136.1 million and \$144.7 million, respectively. Sales order backlogs for the specialty products business were not material.

Patents, Licenses and Trademarks

Acuity Brands owns or has licenses to use various domestic and foreign patents, patent applications, 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 the businesses of Acuity Brands. 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 that 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 Cyclicity

The businesses of Acuity Brands are somewhat seasonal, 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 its fiscal year ended August 31.

A significant portion of the net sales of ABL relates to customers in the new construction and renovation industries primarily for commercial and industrial applications. These industries are 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, demand for which 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 40 percent and six percent of the products of the lighting equipment and specialty products segments, respectively, are manufactured outside the United States, primarily in Mexico. Acuity Brands also obtains components and certain finished goods from suppliers located outside the United States. Approximately 35 percent of Acuity Brands' lighting equipment products are produced in Mexico. 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 in the past and could in the future result in increased labor costs. Acuity Brands may be required to make additional investments in automating equipment to partially offset potential increased labor costs.

The Company's initiatives to become more globally competitive include streamlining ABL'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 the fiscal year ended August 31, 2003, net sales outside the U.S. represented approximately 12 percent and 15 percent of the total net sales of the lighting equipment and specialty products businesses, respectively.

Employees

Acuity Brands employs approximately 11,400 employees, of whom approximately 7,800 are employed in the United States, 2,400 in Mexico, 600 in Canada, and 600 in other international locations, including Europe and Asia/Pacific. Union recognition and collective bargaining arrangements are in place, covering approximately 3,900 persons (including approximately 2,100 in the United States). Management believes that it generally has a good relationship with both its unionized and non-unionized employees.

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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:

<u>Division</u>	<u>Owned</u>	<u>Leased</u>	<u>Nature of Facilities</u>
Lighting Equipment	17	7	Manufacturing Facilities
	1	8	Warehouses
	2	5	Distribution Centers
	8	20	Offices
Specialty Products	4	2	Manufacturing Facilities
	10	41	Warehouses/Branches
	1	3	Distribution Centers
	—	9	Offices

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

	<u>United States</u>	<u>Canada</u>	<u>Mexico</u>	<u>Europe</u>	<u>Total</u>
Lighting Equipment					
Owned	11	1	4	1	17
Leased	2	1	2	2	7
Specialty Products					
Owned	3	—	—	1	4
Leased	—	1	—	1	2
Total	16	3	6	5	30

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. Acuity Brands' 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 significantly increase production without substantial capital expenditures. As noted above, initiatives related to enhancing the global supply chain in the lighting equipment segment will result in the consolidation of up to seven manufacturing facilities over the next three years. However, the Company believes that the remaining facilities will have sufficient capacity to serve the 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. Based on information currently available, and except as described below, 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 or results of operations of Acuity Brands. However, in the event of unexpected future developments, it is possible that the ultimate resolution of such matters, if unfavorable, could have a material adverse effect on the results of operations 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.

Litigation

In August 2003, ABL settled the patent infringement suit brought against it by Genlyte Thomas Group (“Genlyte”) in March 2000 in the United States District Court, Western District of Kentucky. In the suit, Genlyte claimed that a Lithonia Lighting® recessed downlighting product introduced in 1994 infringed a Genlyte patent. The Court had previously found that the product did infringe the patent but had not yet ruled whether the patent was invalid based on the contention of Acuity Brands that the claimed invention was obvious. The settlement agreement requires that Acuity Brands discontinue sales of the current version of the product by December 31, 2003, refrain from directly or indirectly challenging the validity of Genlyte’s patent, and pay \$8.0 million to Genlyte. Acuity Brands recorded and paid the \$8.0 million pre-tax settlement expense in its fiscal quarter ending August 31, 2003.

Environmental

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 higher than that reserved due to difficulty in estimating such costs and potential changes in the status of government regulations.

Certain environmental laws can impose liability regardless of fault. The federal Superfund law is an example of such an environmental law. However, management believes that the Company’s potential liability under Superfund is mitigated by the presence of other parties who will share in the costs associated with the clean up of sites. The extent of liability is determined on a case-by-case basis taking into account many factors, including the number of other parties whose status or activities also subjects them to liability regardless of fault.

Acuity Brands is currently a party to, or otherwise involved in, legal proceedings in connection with state and federal Superfund sites. Based on information currently available, the Company believes its liability is immaterial at each of the currently active sites which it does not own where it has been named as a responsible party or a potentially responsible party (“PRP”) due to its limited involvement at the site and/or the number of viable PRPs. For example, the preliminary allocation among 48 PRPs at the Crymes Landfill site in Georgia indicates that Acuity Brands’ liability is not significant, and there are more than 1,000 PRPs at the M&J Solvents site in Georgia. For property that Acuity Brands owns on Seaboard Industrial Boulevard in Atlanta, Georgia, the Company has conducted an investigation on its property and adjoining properties and submitted a Compliance Status Report (“CSR”) and a proposed Corrective Action Plan (“CAP”) to the State of Georgia Environmental Protection Division (“EPD”) pursuant to the Georgia Hazardous Site Response Act. Until the EPD approves the CSR and CAP, Acuity Brands will not be able to determine whether corrective action will be required and what the costs of such action will be.

In August 2003, ASP received a grand jury subpoena from the United States Attorney for the Northern District of Georgia concerning the operation of ASP’s wastewater pretreatment plant and ASP’s management of hazardous waste at a facility in Atlanta, Georgia. The grand jury investigation appears to relate to the discharge of wastewater from the facility to the City of Atlanta’s sanitary sewer system and ASP’s practices in connection with the sampling of the facility’s wastewater discharges for permitting purposes. ASP is cooperating with the investigation by the U.S. Attorney’s Office and is in the process of completing the collection of the required documents. The U.S. Attorney’s Office investigation follows an inquiry by the City of Atlanta, which regulates the wastewater discharge at the facility. The Company has tentatively settled the matter with the City of Atlanta. For the fourth quarter of fiscal 2003, the Company recorded an aggregate charge of approximately \$2.7 million to cover various costs including the estimated costs of resolution of these proceedings with the City of Atlanta and the U.S. Attorney’s Office, off-site disposal, and the estimated legal expenses to be incurred by the Company in these matters. The proceedings with the U.S. Attorney are at a preliminary stage, and developments in the investigation and the terms of any final settlement or adjudication of these matters could cause the Company to record additional charges in future periods.

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, 2003.

PART II**Item 5. Market for Registrant's Common Equity and Related Stockholder Matters**

The common stock of Acuity Brands is listed on the New York Stock Exchange under the symbol "AYI". At October 23, 2003, there were 5,322 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	
2003			
First Quarter	\$ 15.60	\$ 11.00	\$ 0.15
Second Quarter	\$ 15.26	\$ 12.24	\$ 0.15
Third Quarter	\$ 16.57	\$ 12.71	\$ 0.15
Fourth Quarter	\$ 19.05	\$ 14.90	\$ 0.15
2002			
First Quarter	*	*	*
Second Quarter	\$ 14.89	\$ 10.70	\$ 0.15
Third Quarter	\$ 19.40	\$ 14.00	\$ 0.15
Fourth Quarter	\$ 18.60	\$ 11.35	\$ 0.15

* Public trading of the Acuity Brands shares (other than on a when-issued basis) did not commence until December 3, 2001.

The information required by this item with respect to equity compensation plans is included under the caption *Disclosure with Respect to Equity Compensation Plans* of the Company's proxy statement for the annual meeting of stockholders to be held December 18, 2003, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

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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, 2003. 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. Operating expenses in the historical income statements prior to December 1, 2001 reflect direct expenses of the businesses of Acuity Brands together with allocations of certain NSI corporate expenses that were charged to Acuity Brands based on usage or other methodologies appropriate for such expenses. In the opinion of Acuity Brands management, these allocations have been made on a reasonable basis. Actual per-share data has not been presented since the businesses that comprise Acuity Brands were wholly-owned subsidiaries of NSI during all or a portion of such periods. Pro forma basic earnings per share as shown is calculated as net income divided by the historical NSI weighted average shares outstanding during the period.

	Years Ended August 31,				
	2003	2002	2001	2000	1999
	(In thousands, except per-share data)				
Net sales	\$ 2,049,308	\$ 1,972,796	\$ 1,982,700	\$ 2,023,644	\$ 1,701,568
Net income	47,782	52,024	40,503	83,691	89,116
Basic earnings per share	1.15	n/a	n/a	n/a	n/a
Diluted earnings per share	1.15	n/a	n/a	n/a	n/a
Pro forma basic earnings per share	n/a	1.26	0.99	n/a	n/a
Total assets	1,288,219	1,357,954	1,330,575	1,422,880	1,337,038
Long-term debt (excluding current portion)	391,469	410,630	373,707	380,518	435,199
Total debt	445,808	543,121	608,830	636,434	544,577
Cash dividends declared per common share	0.60	0.45	n/a	n/a	n/a

In September 2001, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets. Refer to Note 2 of the *Notes to Consolidated Financial Statements* for information related to the impact of the adoption of this standard on the Company's net income and pro forma earnings per share.

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

Certain financial measures included in this section exclude items that are included in the most directly comparable U.S. Generally Accepted Accounting Principles ("GAAP") measures. A detailed reconciliation of these financial measures to the most directly comparable U.S. GAAP measures is included below.

The following discussion should be read in conjunction with the *Consolidated Financial Statements* and related notes. 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, 2003, 2002, and 2001 and to describe certain potential risk factors associated with the Company. For a more complete understanding of this discussion, please read the *Notes to Consolidated Financial Statements* included in this report. Also, please refer to the Company's Registration Statement on Form 10/A filed with the Securities and Exchange Commission on November 9, 2001 for additional information regarding the Company, its formation, and potential risk factors associated with the Spin-off.

Overview

Company

On November 7, 2001, the board of directors of National Service Industries, Inc. approved the Spin-off of its lighting equipment and specialty products businesses into a separate publicly traded company with its own management and board of directors. The Spin-off was effected on November 30, 2001 through a tax-free distribution to NSI stockholders of 100 percent of the outstanding shares of common stock of Acuity Brands, Inc., at that time a wholly-owned subsidiary of NSI owning and operating the lighting equipment and specialty products businesses. Each NSI stockholder of record as of November 16, 2001, the record date for the Distribution, received one share of Acuity Brands common stock for each share of NSI common stock held at that date. The Company operates on a fiscal year end of August 31. Therefore, the results of operations prior to November 30, 2001 are based on certain assumptions more fully described in Note 1 of the *Notes to Consolidated Financial Statements*.

Acuity Brands is a holding company that owns and manages two business units, each operating a collection of businesses, which sell products and provide services to customers in numerous channels, primarily for consumer, commercial, and industrial applications. The business units of Acuity Brands operate in two distinct segments based on the different products designed, manufactured, and distributed and the customers served: Acuity Brands Lighting (“ABL”) and Acuity Specialty Products Group (“ASP”). The Company believes ABL is one of the world’s leading manufacturers and distributors 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 31 factories and distribution facilities to serve its extensive customer base. ASP is a leading producer and distributor of cleaning and maintenance products in North America and portions of Western Europe. ASP manufactures over 9,000 different products from six plants and serves over 300,000 customers through a network of distribution centers and warehouses. Acuity Brands, with its principal office in Atlanta, Georgia, has approximately 11,400 employees worldwide. While Acuity Brands is less than two years old, the two segments that make up the Company are comprised of organizations with long histories and well-known brands.

Strategy

A long-term objective of Acuity Brands is to be a broader, more diversified manufacturing and distribution organization capable of delivering consistent growth in earnings and cash flow. A broader and more diversified organization is one that creates less dependency on a single market or customer and generally reduces volatility in earnings and cash flow caused by the cyclicity of a dominant industry. Acuity Brands focused on the following four initiatives during fiscal 2003 directed at the achievement of the Company’s long-term financial goals of growing earnings per share in excess of 15 percent per annum, generating consolidated operating margins in excess of 10 percent, providing a return on stockholder’s equity of 15 percent or better, and reducing the Company’s debt to total capitalization ratio to below 40 percent:

- Provide customers with superior, value-added products and services
- Diversify the customer base and channels of distribution
- Implement profit improvement and cost containment programs
- Reduce debt

Overall, fiscal 2003 proved to be a challenging year for Acuity Brands, enjoying success on many fronts while managing through a number of issues. These issues included difficult economic conditions that were more prolonged than many economists predicted at the start of the year. Although Gross Domestic Product in the United States, the Company’s primary area of operation, is expected to increase between two and three percent for calendar year 2003, continued weakness was particularly evident in certain key sectors of the economy,

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including commercial construction, electrical utilities, and industrial manufacturing, many of which have reported declines from the previous year. For Acuity Brands, these conditions created a business environment characterized by weak demand in key markets, rising product-related costs (including steel and petroleum-based components), and pricing pressures from certain competitors. In addition, the Company experienced higher costs associated with non-discretionary spending for various insurance programs. The Company also resolved the patent litigation with Genlyte at ABL and addressed certain environmental matters at ASP.

However, in spite of these issues, Acuity Brands grew sales by approximately four percent due primarily to initiatives to diversify the Company's customer base and channels of distribution, largely through continued expansion into the home improvement channel at both ABL and ASP. Further, the Company made investments to expand and enlarge its global supply chain, to develop and introduce new products, to accelerate sales and marketing initiatives, and to implement new organizational development programs. The cost of many of these initiatives and the negative influences impacting the Company's key markets was offset by profit improvement programs implemented to better manage working capital and control discretionary spending, to lower product costs, and to enhance manufacturing efficiencies. These actions allowed the Company to generate substantial cash flow and to reduce debt by \$97.3 million during fiscal 2003 through a combination of operating income, improved working capital management, and the impact of profit improvement and cost containment programs implemented throughout the Company.

During fiscal 2004, management intends to build on the success and momentum of initiatives implemented in prior years as well as new programs to enhance product development, productivity, and profitability. In 2004, the Company will focus on programs to enhance the following areas:

- Pricing and selling effectiveness
- Retail channel of distribution
- Global supply chain
- Information technology
- Organizational development

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 *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 capital structure of the Company is comprised principally of an asset-backed securitization program, borrowings from banks, senior notes, and the equity of its stockholders. The ability of the Company to generate sufficient cash flow from operations and to be able to access certain capital markets, including banks, is necessary for the Company to meet its obligations as they become due and maintain compliance with its debt covenants. The Company's ongoing liquidity will depend on a number of factors, including available cash resources, cash flow from operations, and the Company's ability to comply with covenants contained in certain of its financing agreements.

Based on current earnings projections and prevailing market conditions, both for customer demand and various capital markets, the Company believes that over the next twelve months it will have sufficient liquidity and availability under its financing arrangements to fund its operations as currently planned and its anticipated capital investment and profit improvement initiatives, to repay borrowings as currently scheduled, to pay the same quarterly stockholder dividends in 2004 as were paid in 2003, and to make required contributions into the

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Company's defined benefit plans. The Company expects to invest between \$50.0 million and \$55.0 million for new plant and equipment during 2004. The increase in capital spending in fiscal 2004 compared to 2003 is due primarily to expenditures related to the consolidation of certain manufacturing facilities and enhancements to information technology capabilities within ABL and investments to improve manufacturing and waste management capabilities at ASP. Approximately 60 percent of the consolidated capital spending is expected to occur in the first half of 2004. As a consequence, the Company expects total indebtedness to increase by up to 10 percent in the first half of 2004 from \$445.8 million reported at August 31, 2003. Overall, the Company expects to reduce total debt by the end of fiscal 2004 to approximately \$400.0 million. See further information in the *Outlook* section below.

Cash Flow

The Company continues to generate substantial cash flow from operations. In 2003, the Company generated \$160.3 million in cash flow from operations compared to \$146.8 million and \$183.7 million reported in 2002 and 2001, respectively. Earnings and improved working capital management in each segment were the primary contributors to the Company's cash flow from operations in 2003, partially offset by the payment of approximately \$8.0 million related to the settlement of litigation with Genlyte. The Company used its cash flow in 2003 primarily to reduce debt, to fund capital expenditures, and to fund quarterly dividend payments.

Management believes that achieving the proper returns on its invested capital is a key factor in driving stockholder value. The Company spent \$28.2 million and \$33.5 million in 2003 and 2002, respectively, for new tooling, machinery and equipment. The decrease in spending in 2003 is due primarily to a slower pace of investment caused by the timing of the Company's supply chain initiative at ABL. Over the last three years, the Company invested a total of \$109.2 million for new plant, equipment and tooling primarily to improve productivity and product quality, increase manufacturing efficiencies, and enhance its customer service capabilities in each segment. As noted above, management expects capital spending to increase during 2004 primarily due to the consolidation of certain manufacturing facilities and enhancements to information technology capabilities within ABL and investments to improve manufacturing and waste management capabilities at ASP. The Company believes that these investments will enhance its operations and financial performance in the future.

Consolidated working capital at August 31, 2003 was \$199.1 million compared to \$160.2 million at August 31, 2002, an increase of \$38.9 million. Consolidated working capital at August 31, 2001 was \$117.0 million. The increase in working capital in 2003 compared to 2002 was primarily due to reduced short-term borrowings partially offset by favorable declines in accounts receivable and inventory. More importantly, operating working capital (calculated by adding accounts receivable, net, plus inventory, and subtracting accounts payable) declined \$52.6 million (14 percent) to \$325.4 million at August 31, 2003 from the end of 2002 and \$73.9 million (19 percent) from the end of 2001. The decline in operating working capital during 2003 was due primarily to lower accounts receivable resulting from more favorable terms negotiated with certain customers and lower inventory levels. The Company lowered inventory levels, primarily at ABL, because improved manufacturing efficiencies resulted in reduced cycle times and better coordination with vendors, while continuing to meet the needs of customers and increasing net sales. Operating working capital as a percentage of net sales at the end of 2003 declined to 16 percent from 19 percent in 2002. Despite the weak economic environment in 2003, the Company did manage to generate a significant amount of operating cash flow, which was used to reduce outstanding debt as more fully described below. At August 31, 2003, the current ratio of the Company improved to 1.55 compared to 1.37 at the end of 2002. The Company's consolidated cash position grew to \$16.1 million at August 31, 2003 compared to \$2.7 million at August 31, 2002, primarily due to the timing of the availability of funds received from customers at year-end.

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Contractual Obligations

The following table summarizes the Company's contractual obligations at August 31, 2003:

	Payments Due by Period				
	Total	Less than One Year	1 to 3 Years	4 to 5 Years	After 5 Years
Long-term debt (1)	\$ 392,808	\$ 1,339	\$ 19,988	\$ 727	\$ 370,754
Revolving Credit Facility (2)	5,000	5,000	—	—	—
Short-term secured borrowings (3)	48,000	48,000	—	—	—
Operating leases (4)	89,454	16,989	24,268	13,440	34,757
Other purchase obligations	390	390	—	—	—
Total	\$ 535,652	\$ 71,718	\$ 44,256	\$ 14,167	\$ 405,511

- (1) These amounts 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) This amount is included in the Company's *Consolidated Balance Sheets*. See Note 4: Long-Term Debt and Lines of Credit for additional information regarding the Company's Revolving Credit Facility.
- (3) This amount is included in the Company's *Consolidated Balance Sheets*. Receivables pledged as security for borrowings under the Receivables Facility were \$265.9 million at August 31, 2003. See Note 4: Long-Term Debt and Lines of Credit for additional information regarding the Company's Receivables Facility.
- (4) The Company's operating lease obligations are described in Note 6: Commitments and Contingencies.

Capitalization

Total debt outstanding at August 31, 2003 was \$445.8 million compared to \$543.1 million at August 31, 2002 and \$643.7 million at November 30, 2001. This represents a decrease of \$97.3 million (18 percent) and \$197.9 million (31 percent) from August 31, 2002 and November 30, 2001, respectively. The decrease in fiscal 2003 was due primarily to the strong cash flow from operations, partially offset by capital expenditures and the payment of dividends.

In April 2003, the Company modified certain terms and conditions of its Revolving Credit Facility primarily to extend the 364-day component of the credit facility and to incorporate changes to the Maximum Leverage Ratio, the ratio of total indebtedness to EBITDA (earnings before interest, taxes, depreciation expense, and amortization expense) as such terms are defined in the Revolving Credit Facility. The Maximum Leverage Ratio, currently at 3.50, decreases to 3.25 at November 30, 2003, and then to 3.00 at May 31, 2004. The Leverage Ratio is computed at the end of each fiscal quarter. In addition, maximum available borrowings under the 364-day component of the Revolving Credit Facility, which now matures in April 2004, decreased to \$92.5 million from \$105.0 million. No changes were made to the maximum available borrowings or the maturity date of the three-year component of the credit facility. At August 31, 2003, the Company was in compliance with all financial covenants in the Revolving Credit Facility and had additional borrowing capacity of \$112.8 million under the most restrictive covenant in effect at that time. See Note 4 of the *Notes to Consolidated Financial Statements* for additional information regarding restrictions contained in the Revolving Credit Facility.

During 2003, the Company's consolidated stockholders' equity increased \$6.3 million to \$408.3 million at August 31, 2003 as net income during 2003 was partially offset by dividend payments of \$24.9 million and an after-tax adjustment of \$22.5 million related to the Company's pension obligations. The Company's debt to total capital ratio was approximately 52 percent at August 31, 2003, down from approximately 58 percent at August 31, 2002.

Dividends

The Company paid cash dividends on common stock of \$24.9 million (\$0.60 per share) during 2003 compared to \$18.6 million in 2002. Prior to November 30, 2001, the Company was a subsidiary of NSI, as more fully described above, and did not pay dividends separately to stockholders of NSI. The Company does not currently have any plans to change its dividend rate; however, each quarterly dividend must be approved by the board of directors.

Results of Operations

Fiscal Year 2003 Compared with Fiscal Year 2002

Consolidated Results

Consolidated net sales were \$2.05 billion in 2003 compared to \$1.97 billion reported in 2002, an increase of 3.9 percent. For the year ended August 31, 2003, the Company reported net income of \$47.8 million compared to \$52.0 million earned in 2002. Earnings per share were \$1.15 in 2003 compared to \$1.26 reported in 2002. Included in net income and earnings per share for 2003 were \$8.0 million of pre-tax expense (\$0.12 per share) related to the settlement of patent litigation with Genlyte (discussed below) and approximately \$2.7 million of pre-tax expense (\$0.04 per share) related to environmental matters at ASP (discussed below). In addition, the Company incurred approximately \$2.0 million in legal costs over the past two years associated with the Genlyte patent litigation.

Net sales increased approximately 4.3 percent and 2.5 percent at ABL and ASP, respectively, in spite of weak economic conditions in key markets. The increase in net sales at ABL was due primarily to greater shipments of products through channels of distribution serving national accounts and home improvement centers and to price increases for certain products. This was partially offset by lower shipments to certain other key commercial and industrial markets due primarily to the continued economic weakness that prevailed throughout the year. Net sales at ASP increased as greater shipments to mass merchandisers and home improvement centers and higher sales in Europe and Canada were partially offset by decreased net sales in the core industrial and institutional channel attributable to weak economic conditions.

Consolidated operating profit was \$110.3 million (5.4 percent of net sales) in 2003 compared to \$120.1 million (6.1 percent of net sales) reported in 2002, a decrease of 8.2 percent. As noted above, 2003 operating profit included approximately \$8.0 million of pre-tax expense related to the settlement of patent litigation with Genlyte and approximately \$2.7 million of pre-tax expense related to certain environmental matters. Excluding these items, operating profit in 2003 would have been approximately \$121.0 million (5.9 percent of net sales). The slight increase in operating profit in 2003, excluding the legal settlement and environmental matters, was due primarily to the additional contribution from the increase in sales noted above, offset primarily by pricing pressures from certain competitors, rising product related costs (including steel and petroleum-based components), and non-discretionary spending for various insurance programs. The Company also made investments to expand its global supply chain, to develop and introduce new products, to accelerate sales and marketing initiatives, and to implement a new organizational development program. Overall in 2003, the Company was able to offset the cost of many of these new initiatives and the negative influences impacting the Company's key markets through profit improvement programs implemented to better manage discretionary spending, to lower product costs (including strategic sourcing), and to enhance manufacturing efficiencies.

Consolidated gross profit margins increased to 41.6 percent of net sales in 2003 from 40.7 percent reported in 2002. Gross profit margins increased largely as a result of the higher net sales noted above and the impact of profit improvement initiatives that helped offset the cost of higher raw materials and expenses associated with the consolidation of certain manufacturing facilities at ABL. Operating expenses at Acuity Brands in 2003 were \$741.2 million (36.2 percent of net sales) compared to \$683.4 million (34.6 percent of net sales) in 2002. Benefits of cost containment programs throughout the Company were more than offset by increases in non-discretionary spending, the settlement of the Genlyte litigation, charges related to environmental matters at ASP, higher expenses for sales and marketing initiatives, higher logistics costs, and higher corporate expenses associated primarily with stock-based benefit programs.

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Other income (expense), net, for Acuity Brands was made up primarily of interest expense and other miscellaneous, non-operating activity including the gain or loss on the sale of assets, certain restructuring charges, and gains or losses on foreign currency transactions. Interest expense, net was \$37.4 million and \$40.7 million in 2003 and 2002, respectively. Interest expense, net was down 8.1 percent in 2003 compared to 2002 primarily because of reduced levels of debt outstanding throughout the period. The Company generated a pre-tax gain of \$1.4 million in fiscal 2003 compared to \$3.2 million in fiscal 2002 on the sale of certain non-core assets. The effective tax rate reported by the Company was 36.0 percent and 37.2 percent in 2003 and 2002, respectively.

Acuity Brands Lighting

Acuity Brands Lighting reported net sales of approximately \$1.54 billion and \$1.47 billion for the years ending August 31, 2003, and 2002, respectively, an increase of 4.3 percent. The increase in net sales during 2003 was due primarily to greater shipments of products through channels of distribution serving national accounts and home improvement centers and the impact of price increases for certain products. This was partially offset by lower shipments to certain other key commercial and industrial markets due to the continued economic weakness that prevailed throughout the year. The backlog at ABL decreased \$8.6 million, or 5.9 percent, to \$136.1 million at August 31, 2003 from August 31, 2002.

Operating profit increased 8.1 percent in 2003 to \$96.8 million from \$89.6 million reported in 2002. Operating profit in 2003 included \$8.0 million of pre-tax expense related to the settlement of litigation with Genlyte discussed below. Excluding this item, operating profit would have increased 17.1 percent to \$104.8 million. The increase in operating profit in 2003 was primarily the result of the contribution margin from the higher sales noted above and continuous improvement programs, including sourcing initiatives to lower product costs and improvements in the manufacturing operations at many ABL locations. These items were partially offset by costs associated with the consolidation of certain manufacturing facilities, higher raw materials costs, greater spending for sales and marketing initiatives associated with new product introductions and penetration of the home improvement channel, and higher logistics costs. In August 2003, ABL settled a patent infringement suit brought against it by Genlyte in March 2000 in the United States District Court, Western District of Kentucky. Acuity Brands recorded and paid the \$8.0 million pre-tax settlement expense in its fiscal quarter ending August 31, 2003. See Item 3: *Legal Proceedings* for more information regarding the settlement. ABL will discontinue sales of the product as currently designed and will begin manufacturing an alternative design late in calendar 2003 so that it will be available by January 1, 2004. The Company does not expect any disruption of service to customers.

Acuity Specialty Products

Net sales at ASP were \$510.6 million in 2003 compared with \$497.9 million in 2002. The increase in 2003 net sales was primarily due to greater shipments to mass merchandisers and home improvement centers and higher net sales in Europe and Canada, partially offset by softness in the core industrial and institutional channel attributable to weak economic conditions. In the retail channel, sales increased in 2003 due primarily to the number of home improvement centers served and greater shipments to mass merchandisers.

Operating profit decreased 30.3 percent in 2003 to \$31.3 million from \$44.9 million reported in 2002. The decrease in operating profit in 2003 was primarily the result of the higher costs for certain initiatives, including new product introductions, increased spending to penetrate the mass merchandise channel, and expanded sales, marketing and logistics programs; rising costs for certain raw materials, partially offset by various initiatives to reduce expenses; a \$2.7 million charge related to environmental matters; and a \$1.9 million charge to reflect the fair market value of certain inventories. See Item 3: *Legal Proceedings* for more information regarding the environmental matters at ASP.

Corporate

Corporate expenses increased to \$17.9 million in 2003 from \$14.4 million reported in 2002. The increase in corporate expense in 2003 was primarily due to increased expenses associated with certain stock-based benefit programs, liability insurance, and expanded audit services.

Fiscal 2002 Compared with Fiscal 2001

Consolidated Results

Fiscal 2002 can best be characterized as managing well to modestly mitigate the effects of a difficult economic environment. While many economists were predicting a soft landing for the economy, with a rebound expected in the second half of the Company's fiscal year, it became evident early on that this was not going to be the case, particularly in the Company's largest market, the non-residential, commercial construction industry. The impact on Acuity Brands of this weak economic environment was lower shipments of products to customers in many of its key sales channels in both segments and severe price competition for remaining orders, primarily in the commercial construction market. This, along with rising costs in non-discretionary areas such as insurance, made expanding profitability very difficult. As a consequence, management initiated programs to adapt to these changing market conditions by focusing on other levers to drive financial performance, including generating additional revenue from new products and channels of distribution, implementing various profit improvement and cost containment programs to limit spending and improve manufacturing efficiencies, and generating free cash flow through better working capital utilization. These concerted actions allowed the Company to generate substantial cash flow in 2002 and modest earnings while continuing to serve its vast customer base.

Overall, consolidated net sales were \$1.97 billion in 2002 compared to \$1.98 billion reported in 2001. For the year ended August 31, 2002, the Company reported net income of \$52.0 million compared to \$40.5 million earned in 2001. Earnings per share were \$1.26 in 2002 compared to \$0.99 reported in 2001. Excluding the results from the divestiture of certain foreign operations of ASP in fiscal 2001 and the acquisition of American Electric Lighting® ("American Electric") in early fiscal 2002, net sales would have been \$1.91 billion in 2002 and \$1.96 billion in 2001. Similarly, excluding the pre-tax impact of \$3.2 million in gains on the sale of assets and \$0.9 million for the reversal of certain restructuring expenses, net income in 2002 would have been \$49.5 million, or \$1.20 per share. In 2001, net income would have been \$66.7 million, or \$1.63 per share, excluding the pre-tax impact of the \$15.3 million loss from the divested operations at ASP, \$4.1 million for restructuring and impairment charges, \$3.1 million for the termination of a purchase obligation, and \$12.1 million in discontinued amortization expense from the adoption of SFAS No. 142. Please refer to Notes 2 and 7 of the *Notes to Consolidated Financial Statements*, which more fully describe the discontinuation of amortization of goodwill and certain intangibles, the acquisition of American Electric, and the divestiture of the foreign operations of ASP.

Excluding the acquisition of American Electric and the divestiture of the foreign operations noted above, net sales at Acuity Brands decreased approximately three percent in 2002 when compared to 2001. The decline occurred at ABL and was partially offset by a modest increase at ASP. The decline was primarily due to soft demand and lower selling prices at ABL for certain types of fixtures for industrial and office applications, partially offset by an increase in sales through the retail channel at both ABL and ASP.

Consolidated operating profit was down 13.9 percent in 2002 to \$120.1 million (6.1 percent of net sales) from \$139.6 million (7.0 percent of net sales) reported in 2001. The decline in operating profit in 2002 was primarily a result of the lost contribution margin on the lower sales noted above, including price erosion experienced in certain key lighting fixture markets, and higher spending for non-discretionary items, partially offset by various profit improvement and cost containment programs and lower corporate expenses. Consolidated gross profit margins declined to 40.7 percent of net sales in 2002 from 42.4 percent reported in 2001. The decline in gross profit margins occurred primarily at ABL due to the impact of significant price competition noted above, partially offset by lower costs and expenses due to various profit improvement initiatives and cost containment programs implemented in 2002. Gross profit margins remained essentially flat at ASP over the two-year period. Operating expenses at Acuity Brands in 2002 were \$683.4 million (34.6 percent of net sales) compared to

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\$701.8 million (35.4 percent of net sales) in 2001. Excluding amortization expense, operating expenses as a percentage of sales in 2002 remained essentially the same as 2001. Benefits of cost containment programs throughout the Company were primarily offset by increases in non-discretionary spending.

Other income (expense), net, for Acuity Brands is made up primarily of interest expense and other miscellaneous, non-operating activity including the gain or loss on the sale of assets, certain restructuring charges, and gains or losses on foreign currency transactions. Interest expense, net was \$40.7 million and \$48.8 million in 2002 and 2001, respectively. Interest expense, net was down 16.6 percent in 2002 compared to 2001 primarily because of reduced levels of debt outstanding throughout the period and lower interest rates for much of 2002. In 2002, the Company generated a pre-tax gain of \$3.2 million on the sale of certain non-core assets. In 2001, the Company incurred other expenses associated with non-operating activities totaling a pre-tax loss of \$21.6 million, primarily for the loss associated with the disposal of certain foreign assets at ASP and restructuring and other charges related to non-operating activities of the Company.

The effective tax rate reported by the Company was 37.2 percent and 41.4 percent in 2002 and 2001, respectively. The decline in the tax rate was primarily the result of the legal entity restructuring that occurred in connection with the Spin-off and the elimination of amortization of goodwill.

Acuity Brands Lighting

Acuity Brands Lighting reported net sales of approximately \$1.47 billion for each of the years ending August 31, 2002 and 2001. Excluding net sales contributed from the acquisition of American Electric Lighting in October 2001, net sales would have decreased approximately 4.1 percent during 2002. The decline in net sales during 2002 was due primarily to lower shipments to certain commercial and industrial markets and reduced selling prices for certain key products due to intense price competition for available orders.

Operating profit was down 24.6 percent in 2002 to \$89.6 million (6.1 percent of net sales) from \$118.8 million (8.1 percent of net sales) reported in 2001. The decline in operating profit in 2002 was primarily the result of the lost contribution on the lower sales noted above due principally to product mix changes and price erosion experienced in certain lighting fixture markets, higher spending for non-discretionary items such as medical and property insurance, and greater investments in certain sales and marketing programs. This decline was partially offset by profit improvement initiatives and cost containment programs that reduced costs and improved productivity in key factories in 2002. These programs included efforts to source materials more effectively, streamline production through better integration with suppliers and eliminate costs associated with non-value added activities. Also, ABL expanded its channels of distribution and the types of customers served in 2002. The adoption of a new accounting standard that eliminated amortization of goodwill and certain intangibles contributed approximately \$10.0 million to operating profit at ABL.

Acuity Specialty Products

Net sales at ASP were \$497.9 million in 2002, compared with \$514.1 million reported in 2001. Excluding the results from the divestiture of certain foreign operations during 2001, net sales would have been \$493.7 million in 2001. The increase in 2002 net sales was primarily due to continued strength in the retail sector and, to a lesser extent, in certain niche markets.

Operating profit increased 8.7 percent in 2002 to \$44.9 million (9.1 percent of net sales) from \$41.3 million (8.1 percent of net sales) reported in 2001. Excluding the results from the divestiture of certain foreign operations during 2001, operating profit would have been \$42.0 million in 2001. The increase in operating profit in 2002 was primarily the result of the profit contribution on higher volumes, the impact of profit improvement programs, and the elimination of approximately \$2.1 million of amortization expense. These items were partially offset by greater investments in sales initiatives and higher insurance costs. ASP implemented programs such as sourcing initiatives, cost containment programs and aggressive marketing strategies that allowed the segment to produce solid financial performance while expanding penetration of key market niches and further diversifying the customer base. Unfortunately in 2002, many of those efforts merely offset the impact of rising costs for insurance programs.

Corporate

Corporate expenses decreased 30.2 percent in 2002 to \$14.4 million from \$20.6 million reported in 2001. The decrease in corporate expense in 2002 was primarily due to cost containment programs and the reorganization of the corporate staff.

Outlook

Management projects total year earnings for 2004 to be between \$1.25 and \$1.45 per share compared to \$1.15 per share reported in 2003. The range for 2004 is based on the current economic environment and assumes that the Company's key markets do not deteriorate further. Included in the projected earnings per share range for 2004 for Acuity Brands are incremental expenses anticipated for stock-based plans (approximately \$7.2 million pre-tax, or \$0.11 per share), primarily related to stock-based awards expected to be granted in the second quarter of 2004, and for pension expense (approximately \$3.8 million, pre-tax, or \$0.06 per share), due primarily to declines in the discount rates used to compute the 2004 expense and the August 31, 2003 pension obligations.

In 2004, the Company anticipates that various profit improvement programs and changes in product mix will more than offset expected higher costs for wages and employee benefits, insurance programs, and raw materials, all of which could be significant, and the potential impact of pricing pressures driven by over-capacity and weak customer demand in key markets in North America. The Company expects earnings in the first half of 2004 to approximate those reported in the same period in 2003, given the negative impact of the items noted above and current economic conditions, and expects improvement in the second half of fiscal 2004 due primarily to the anticipated seasonal pattern and the benefit of profit improvement programs, some of which are just now getting underway.

Management of Acuity Brands remains confident in the long-term potential of the businesses that comprise Acuity Brands and the expected impact of the initiatives the Company continues to implement. However, management continues to be cautious about near-term results due primarily to uncertainty in the economic environment, particularly for non-residential construction and certain industrial markets. While some economists and forecasting organizations continue to predict that the domestic economy will improve in the near-term, management does not expect any significant rebound until late in 2004 nor does management expect that this late recovery will meaningfully impact 2004. As a consequence, the Company is preparing for another year of very difficult conditions. Based on management's current view of the economy and demand in the Company's key markets, management expects net sales to improve nominally in 2004 compared to 2003. Therefore, the Company expects that a substantial portion of any improvement in earnings in 2004 compared to 2003 will be due primarily to benefits from profit improvement initiatives aimed at creating a stronger, more capable organization.

The focus of the organization will remain on improving the products and services provided to customers, becoming more productive and efficient, and enhancing profitability while continuing to diversify and expand the many end markets and customers served. As part of that effort in 2003, the Company commenced an initiative to improve the capabilities and cost structure of the manufacturing, distribution and procurement base at ABL. This multi-faceted initiative, which will take almost three years to complete, will result in the consolidation of certain facilities into ABL's most productive and efficient plants as well as expand the worldwide sourcing capabilities of ABL. A significant portion of the capital investment for this initiative will occur in 2004, while the expenses associated with the consolidation for severance and relocation are expected to be largely offset by cost savings and asset sales from the program. While the timing of expense recognition will depend on the actual dates of certain events and may impact the Company's quarterly results differently than management currently anticipates, management expects that the program will have a relatively neutral impact on 2004 earnings per share. The Company expects the benefits from this program to have a positive impact on earnings in 2005.

Critical Accounting Policies

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 *Consolidated Financial Statements*, which have been prepared in accordance with accounting principles generally accepted in the United States. As discussed in Note 1 of the *Notes to Consolidated Financial Statements*, the preparation of financial statements in conformity with accounting principles generally accepted in the United States 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; 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. 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 policies:

Inventories

Acuity Brands records inventory at the lower of cost (on a first-in, first-out 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.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142 ("SFAS No. 142"), *Goodwill and Other Intangible Assets*. Acuity Brands adopted SFAS No. 142 as of September 1, 2001. SFAS No. 142 requires companies to cease amortizing goodwill that existed at June 30, 2001 and establishes a new method for testing goodwill for impairment. SFAS No. 142 also requires that an identifiable intangible asset that is determined to have an indefinite useful economic life not be amortized, but be separately tested for impairment using a fair-value-based approach. 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.

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Specifically, Acuity Brands has two unamortized trade names with an aggregate carrying value of \$65.0 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 to 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. To illustrate the potential impact of unfavorable changes in the assumptions underlying the fair value model, a one hundred basis point reduction in the theoretical royalty rate related to the 2003 valuation of the Holophane trade name acquired in 1999 would result in a pre-tax impairment charge of approximately 28 percent, or \$17.6 million, of the carrying value of the trade name.

Self-Insurance

It is the policy of the Company to self-insure for certain insurable property and casualty risks consisting primarily of physical loss to property, business interruptions resulting from property losses, workers' compensation, comprehensive general liability, and auto liability. Insurance coverage is obtained for catastrophic property and casualty exposures as well as those risks required to be insured by law or contract. Based on an independent actuary's estimate of the aggregate liability for claims incurred, a provision for claims under the self-insured program is recorded and revised annually. 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 and future expense.

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, legislation, and general economic conditions could materially affect the Company's medical benefit plan liabilities and future expense.

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. Although historical warranty costs have been within expectations, 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 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 than the amounts reserved.

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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 than that reserved primarily due to difficulty in estimating such costs and potential changes in the status of government regulations.

Summary of Non-GAAP Financial Measures

(Amounts in thousands, except per-share data)

Net sales, net income, and operating profit before certain items is reported GAAP net sales, net income, and operating profit excluding certain charges or gains recognized during fiscal 2003, 2002, and 2001 and certain acquired or divested operations. Net sales, net income, and operating profit before these items should not be considered as a substitute for GAAP net sales, net income, or operating profit as an indicator of the Company's financial performance. However, the Company believes these measures enable stockholders to perform meaningful comparisons of operating results from year to year. A detailed reconciliation of GAAP net sales, net income, and operating profit to net sales, net income, and operating profit before these items is set forth in the tables below:

Fiscal 2003 Compared to Fiscal 2002

Net Income and Earnings per Share Reconciliation

	Year Ended August 31,			
	Net Income		Diluted Earnings Per Share	Pro Forma Earnings Per Share (1)
	2003	2002	2003	2002
Net income before patent litigation settlement and wastewater-related charges	\$ 54,630	\$ 52,024	\$ 1.31	\$ 1.26
Patent litigation settlement	(5,120)	—	(0.12)	—
Wastewater-related charges	(1,728)	—	(0.04)	—
GAAP net income	\$ 47,782	\$ 52,024	\$ 1.15	\$ 1.26

Operating Profit Reconciliation

	Year Ended August 31, 2003			
	GAAP Operating Profit	Patent Litigation Settlement	Wastewater-related Charges	Operating Profit Before Patent Litigation Settlement and Wastewater-related Charges
ABL	\$ 96,825	\$ 8,000	\$ —	\$ 104,825
ASP	31,313	—	2,700	34,013
Corporate	(17,862)	—	—	(17,862)
	\$ 110,276	\$ 8,000	\$ 2,700	\$ 120,976

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Fiscal 2002 Compared to Fiscal 2001

Fiscal 2001 Net Sales Reconciliation

	Year Ended August 31, 2001			
	GAAP Net Sales	American Electric	Certain Foreign Operations at ASP	Net Sales Excluding American Electric and Certain Foreign Operations at ASP
ABL	\$ 1,468,558	\$ —	\$ —	\$ 1,468,558
ASP	514,142	—	20,482	493,660
	<u>\$ 1,982,700</u>	<u>\$ —</u>	<u>\$ 20,482</u>	<u>\$ 1,962,218</u>

Fiscal 2002 Net Sales Reconciliation

	Year Ended August 31, 2002			
	GAAP Net Sales	American Electric	Certain Foreign Operations at ASP	Net Sales Excluding American Electric and Certain Foreign Operations at ASP
ABL	\$ 1,474,882	\$ 66,799	\$ —	\$ 1,408,083
ASP	497,914	—	—	497,914
	<u>\$ 1,972,796</u>	<u>\$ 66,799</u>	<u>\$ —</u>	<u>\$ 1,905,997</u>

Net Income and Earnings per Share Reconciliation

	Year Ended August 31,			
	Net Income		Pro Forma Earnings per Share (1)	
	2002	2001	2002	2001
Net income before certain items	\$ 49,470	\$ 66,745	\$ 1.20	\$ 1.63
Gain on sale of assets	2,018	—	0.05	—
Restructure charges	536	(2,572)	0.01	(0.06)
Loss on sale of certain foreign operations at ASP	—	(10,836)	—	(0.26)
Termination of purchase contract	—	(1,953)	—	(0.05)
Discontinued amortization expense	—	(10,881)	—	(0.27)
GAAP net income	<u>\$ 52,024</u>	<u>\$ 40,503</u>	<u>\$ 1.26</u>	<u>\$ 0.99</u>

Consolidated Operating Expense Reconciliation

	Year Ended August 31,			
	2002	Percent of Net Sales	2001	Percent of Net Sales
Operating expenses before amortization expense	\$ 679,071	34.4%	\$ 683,793	34.5%
Amortization expense	4,316		17,965	
GAAP operating expenses	<u>\$ 683,387</u>	<u>34.6%</u>	<u>\$ 701,758</u>	<u>35.4%</u>

ASP Operating Profit Reconciliation

	Year Ended August 31, 2001
Operating profit before certain foreign operations at ASP	\$ 42,032
Certain foreign operations at ASP	(695)
GAAP operating profit	<u>\$ 41,337</u>

(1) Actual per share data has not been presented for periods prior to the second quarter of fiscal year 2002 since the businesses that comprise Acuity Brands were wholly owned subsidiaries of National Service Industries, Inc. during those periods. Additionally, public trading of the Acuity Brands shares (other than on a when-issued basis) did not commence until December 3, 2001; therefore, no historical market share prices exist for the calculation of the potential dilutive effect of stock options for the periods prior to the second quarter of fiscal year 2002. As a result, pro forma diluted earnings per share is not presented for those periods.

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Calculation of Working Capital, Operating Working Capital, and Ratio of Debt-to-Total Capitalization

(Amounts in thousands)

Detailed calculations related to various liquidity measures included in *Management's Discussion and Analysis of Financial Condition and Results of Operations* are set forth in the tables below.

Calculation of Working Capital

	August 31,		
	2003	2002	2001
Current assets	\$ 558,552	\$ 590,997	\$ 559,116
Current liabilities	(359,451)	(430,807)	(442,067)
Working capital	\$ 199,101	\$ 160,190	\$ 117,049

Calculation of Operating Working Capital

	August 31,		
	2003	2002	2001
Receivables	\$ 302,276	\$ 322,735	\$ 296,900
Inventories	188,799	216,942	210,783
Accounts payable	(165,656)	(161,713)	(108,380)
Operating working capital	\$ 325,419	\$ 377,964	\$ 399,303

Ratio of Debt-to-Total Capitalization

	August 31,	
	2003	2002
Total debt	\$445,808	\$543,121
Total stockholders' equity	408,294	401,952
Total capitalization	\$854,102	\$945,073
Debt-to-total capitalization ratio	52%	58%

Risk Factors

Risks Relating to the Distribution

Prior to November 30, 2001, Acuity Brands was a wholly-owned subsidiary of National Service Industries, Inc. 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 of 100 percent of the outstanding shares of common stock of Acuity Brands on November 30, 2001. Each NSI stockholder of record as of November 16, 2001, the record date for the Distribution, received one share of Acuity Brands common stock for each share of NSI common stock held at that date.

The following risks associated with Acuity Brands relate principally to the Distribution. If any of these risks develops into an actual event, the business, financial condition or results of operations of Acuity Brands could be materially adversely affected.

Creditors of NSI May Challenge the Distribution as a Fraudulent Conveyance

On November 7, 2001, the NSI board of directors made a determination, based on information provided by management and financial experts, that the Distribution was permissible under applicable dividend and solvency laws. There is no certainty, however, that a court would find the decision of the NSI board to be binding on creditors of NSI and Acuity Brands or that a court would reach the same conclusions as the NSI board in

determining whether NSI or Acuity Brands was insolvent at the time of, or after giving effect to, the Distribution. If a court in a lawsuit by an unpaid creditor or representative of creditors, such as a trustee in bankruptcy, were to find that at the time NSI effected the Distribution, NSI or Acuity Brands (1) was insolvent; (2) was rendered insolvent by reason of the Distribution; (3) was engaged in a business or transaction for which their respective remaining assets constituted unreasonably small capital; or (4) intended to incur, or believed it would incur, debts beyond its ability to pay as such debts matured, such court may be asked to void the Distribution (in whole or in part) as a fraudulent conveyance and require that the stockholders return the Acuity Brands shares (in whole or in part) to NSI or require Acuity Brands to fund certain liabilities for the benefit of creditors. The measure of insolvency for purposes of the foregoing would vary depending upon the jurisdiction whose law is being applied. Generally, however, NSI or Acuity Brands would be considered insolvent if the fair value of their respective assets was less than the amount of their respective liabilities or if they incurred debt beyond their ability to repay such debt as it matures.

As noted above, the NSI board of directors determined that the Distribution was permissible under applicable dividend and solvency laws. This conclusion was based on numerous factors including, but not limited to, the allocation of assets and liabilities contemplated by the Spin-off. The allocation of assets and liabilities associated with the Distribution left NSI appropriately capitalized with approximately \$5.0 million in debt. In addition, certain assets with substantial market value, such as the real property related to NSI's corporate headquarters, remained with NSI. Accordingly, management believes the likelihood that creditors of NSI could successfully challenge the Distribution is remote.

During the third quarter of fiscal 2003, a third party acquired NSI through a merger approved by NSI shareholders. Management believes that this transaction is strong confirmation that NSI was solvent at the time of the Distribution and remained solvent when it was acquired by the third party. The acquirer invested equity as well as funds borrowed from secured lenders. The willingness of the acquirer to invest funds, as well as the willingness of the lenders to loan funds to acquire NSI, represents an independent market assessment of NSI's continuing solvency, which the Company believes further diminishes the likelihood that creditors of NSI could successfully challenge the Distribution.

Failure to Qualify as a Tax-Free Transaction Could Result in Substantial Liability

NSI and Acuity Brands intended for the Distribution to be tax-free for U.S. Federal income tax purposes, and management of Acuity Brands believes the Distribution was tax-free for U.S. Federal income tax purposes. The Distribution was conditioned upon the receipt by each of NSI and Acuity Brands of opinions from each of King & Spalding, counsel to NSI and Acuity Brands, and Ernst & Young LLP, special tax advisor to NSI and Acuity Brands, that for U.S. Federal income tax purposes the receipt of Acuity Brands shares by NSI stockholders was tax-free. Neither NSI nor Acuity Brands requested an advance ruling from the Internal Revenue Service as to the tax consequences of the Distribution. The opinions of King & Spalding and Ernst & Young LLP are subject to certain assumptions and the accuracy and completeness of certain factual representations and statements made by NSI and Acuity Brands and certain other data, documentation and other materials that each of King & Spalding and Ernst & Young LLP deemed necessary for purposes of their respective opinions. If these assumptions and factual representations were incorrect or incomplete in a material respect, the conclusions set forth in the opinions may not be correct. These opinions represent the views of King & Spalding and Ernst & Young LLP as to the interpretation of existing tax law and accordingly, such opinions are not binding on the Internal Revenue Service or the courts and no assurance can be given that the Internal Revenue Service or the courts will agree with their opinions.

If the Distribution does not qualify for tax-free treatment, a substantial corporate tax would be payable by the consolidated group of which NSI is the common parent measured by the difference between (1) the aggregate fair market value of the Acuity Brands shares on the Distribution Date and (2) NSI's adjusted tax basis in the Acuity Brands shares on the Distribution Date. The corporate level tax would be payable by NSI. However, Acuity Brands agreed under certain circumstances to indemnify NSI for all or a portion of this tax liability. This

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indemnification obligation, if triggered, could have a material adverse effect on the results of operations and financial position of Acuity Brands. In addition, under the applicable treasury regulations, each member of NSI's consolidated group (including Acuity Brands) is severally liable for such tax liability.

Furthermore, if the Distribution does not qualify as tax-free, each NSI stockholder who received Acuity Brands shares in the Distribution would be taxed as if he had received a cash dividend equal to the fair market value of his Acuity Brands shares on the Distribution Date.

Even if the Distribution qualifies as tax-free, NSI could nevertheless incur a substantial corporate tax liability under Section 355(e) of the Internal Revenue Code of 1986, as amended, if NSI or Acuity Brands were to undergo a change in control (whether by acquisition, additional share issuance or otherwise) pursuant to a plan or series of related transactions which include the Distribution. Any transaction, which occurs within the four-year period beginning two years prior to the Distribution, is presumed to be part of a plan or series of related transactions that includes the Distribution unless NSI establishes otherwise. Under certain circumstances, Acuity Brands would be obligated to indemnify NSI for all or a portion of this substantial corporate tax liability under the tax disaffiliation agreement. This indemnification obligation would have a material adverse effect on the results of operations and financial position of Acuity Brands.

As required under the tax disaffiliation agreement, King & Spalding issued an opinion to NSI to the effect that the third party acquisition of all of the outstanding shares of NSI through a merger and the transactions contemplated therein will not cause Section 355(e) or 355(f) of the Internal Revenue Code of 1986, as amended, to apply to NSI's spin-off of Acuity Brands.

Cautionary Statement Regarding Forward-Looking Information

This filing contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Consequently, actual results may differ materially from those indicated by the forward-looking statements. Statements made herein that may be considered forward-looking include statements that relate to future performance or results of the Company, including in particular statements concerning: (a) the expected impact (including the timing of the expected benefits) of the Company's global supply chain initiative at ABL including a reduction and consolidation of up to seven manufacturing facilities, increased production in international locations, a reduction in the number of suppliers, increased worldwide procurement and sourcing of certain raw materials, component parts, and finished goods, the ability of the Company to continue to serve the needs of its customers after the consolidation of the manufacturing facilities, and the impact of this initiative on future earnings and capital investment; (b) the potential impact of the loss of any one supplier of outsourced product at ASP; (c) the potential impact of the loss of certain of the Company's facilities and the related impact of various insurance programs in place; (d) the Company's expectations regarding liquidity and availability under its financing arrangements to fund its operations, capital investments, profit improvement initiatives, debt payments, dividend payments, and required contributions into its pension plans; (e) planned spending of between \$50.0 million and \$55.0 million for new plant and equipment during 2004 (including the timing of these expenditures) and the expected future impact of these expenditures on the Company's future operations and performance; (f) expected changes in total indebtedness (including the timing of the changes in total indebtedness); (g) management's expectations regarding the production of an alternative design related to the Genlyte patent litigation and the impact of this change on customer service levels; (h) future revenue and earnings (including the timing of the future revenue and earnings within fiscal 2004); (i) anticipated future expenses associated with stock-based plans and pension obligations; (j) expected future benefits of the Company's profit improvement programs and changes in product mix; and (k) management's expectations regarding a recovery in the domestic economy.

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. The risks and uncertainties include without limitation the following: (a) the uncertainty of general business and economic

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conditions, including the potential for a more severe slowdown in non-residential construction and other industrial markets, changes in interest rates, and fluctuations in commodity and raw material prices or foreign currency rates; (b) the Company's ability to realize the anticipated benefits of initiatives expected to reduce costs, improve profits, enhance customer service, increase manufacturing efficiency, reduce debt, and expand product offerings and brands in the market through a variety of channels; (c) the risk that the Company will be unable to execute its various initiatives within expected timeframes; (d) unexpected developments in the Company's legal and environmental matters, including the matter related to the operation of ASP's wastewater pretreatment plant and ASP's management of hazardous waste at a facility in Atlanta, Georgia; (e) the risk that projected future cash flows from operations are not realized; (f) the potential that additional shares under the Company's long-term incentive program are not approved by shareholders; (g) the possibility that a new accounting standard related to the recognition of expense associated with stock-based compensation will be promulgated by the Financial Accounting Standards Board; (h) the impact of competition; (i) unexpected changes in the Company's share price and (j) the risk that underlying assumptions or expectations related to Distribution prove to be inaccurate or unrealized.

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 Income*, and *Consolidated Statements of Cash Flows* due primarily to changing interest rates and foreign exchange rates. Acuity Brands does not currently participate in any significant hedging activities, nor does it currently utilize any significant derivative financial instruments. Acuity Brands does not engage in speculative transactions, nor does Acuity Brands hold or issue financial instruments for trading purposes. The following discussion provides additional information regarding Acuity Brands' market risks.

Interest Rates. Interest rate fluctuations expose Acuity Brands' variable-rate debt to changes in interest expense and cash flows. The variable-rate debt of Acuity Brands, primarily short-term secured borrowings and amounts outstanding under the Company's Term Loan, amounted to \$85.8 million at August 31, 2003. Based on outstanding borrowings at year-end, a 10 percent increase in market interest rates at August 31, 2003 would have resulted in additional annual after-tax interest expense of approximately \$0.1 million. A fluctuation in interest rates would not affect interest expense or cash flows related to the \$360.0 million publicly traded notes, Acuity Brands' primary fixed-rate debt. A 10 percent increase in market interest rates at August 31, 2003 would have decreased the fair value of these notes by approximately \$11.1 million. See Note 4 of the *Notes to Consolidated Financial Statements* for additional information regarding the Company's long-term debt.

Foreign Exchange Rates. The substantial majority of Acuity Brands' revenue, expense, and capital purchases are transacted in U.S. dollars. Acuity Brands does not believe a 10 percent fluctuation in average foreign currency rates would have a material effect on its consolidated financial position or results of operations.

Item 8. Financial Statements and Supplementary Data

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REPORT OF MANAGEMENT
ACUITY BRANDS, INC.

The management of Acuity Brands, Inc. is responsible for the integrity and objectivity of the financial information in this annual report. These financial statements are prepared in conformity with accounting principles generally accepted in the United States, using informed judgments and estimates where appropriate. The information in other sections of this report is consistent with the financial statements. The Company maintains a system of internal controls and accounting policies and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are executed and recorded in accordance with management's authorization. The audit committee of the Board of Directors, composed entirely of outside directors, is responsible for monitoring the Company's accounting and reporting practices. The audit committee meets regularly with management, the internal auditors, and the independent auditors to review the work of each and to assure that each performs its responsibilities. Both the internal auditors and Ernst & Young LLP have unrestricted access to the audit committee allowing open discussion, without management's presence, on the quality of financial reporting and the adequacy of internal accounting controls.

James S. Balloun
Chairman, President, and
Chief Executive Officer

Vernon J. Nagel
Executive Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Acuity Brands, Inc.

We have audited the accompanying consolidated balance sheets of Acuity Brands, Inc. (formerly the National Service Industries, Inc. lighting equipment and specialty products businesses) as of August 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years then ended. Our audit 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 audit. The consolidated financial statements and schedule of the National Service Industries, Inc. lighting equipment and specialty products businesses for the year ended August 31, 2001, were audited by other auditors who have ceased operations and whose report dated October 12, 2001 expressed an unqualified opinion on those statements and schedule.

We conducted our audits in accordance with auditing standards generally accepted in the 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 2003 and 2002 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Acuity Brands, Inc. at August 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States. 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 2 to the Consolidated Financial Statements, in 2002 the Company ceased amortization of goodwill and other indefinite lived intangible assets in accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets.

As discussed above, the financial statements of the National Service Industries, Inc. lighting equipment and specialty products businesses for the year ended August 31, 2001, were audited by other auditors who have ceased operations. As described in Note 2, the consolidated financial statements of the Company for the year ended August 31, 2001 have been revised to include transitional disclosures required by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, which was adopted by the Company as of September 1, 2001. Our audit procedures with respect to the disclosures in Note 2 with respect to 2001 included (a) agreeing the previously reported net income to the previously issued financial statements and the adjustments to reported net income representing amortization expense (including any related tax effects) recognized in those periods related to goodwill and other intangible assets that are no longer being amortized as a result of initially applying Statement No. 142 (including any related tax effects) to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the reconciliation of adjusted net income to reported net income and the related earnings-per-share amounts. In our opinion, the disclosures for 2001 in Note 2 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 financial statements of the Company other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 financial statements taken as a whole.

Ernst & Young LLP

Atlanta, Georgia
October 2, 2003

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

NOTE: This is a copy of a report previously issued by Arthur Andersen LLP, the Company's former independent accountants. The Arthur Andersen LLP report refers to certain financial information for the years ended August 31, 2000 and 1999 and certain balance sheet information at August 31, 2001 and 2000, which are no longer included in the accompanying financial statements. Arthur Andersen LLP has not reissued this report in connection with the filing of this Annual Report on Form 10-K.

To National Service Industries, Inc.:

We have audited the accompanying combined balance sheets of the National Service Industries, Inc. lighting equipment and chemicals businesses (to be reorganized as Acuity Brands, Inc. — Note 1) as of August 31, 2001 and 2000 and the related combined statements of income, parent's equity and comprehensive income, and cash flows for each of the three years in the period ended August 31, 2001. These combined financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the National Service Industries, Inc. lighting equipment and chemicals businesses as of August 31, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2001 in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Atlanta, Georgia
October 12, 2001

ACUITY BRANDS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	August 31,	
	2003	2002
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 16,053	\$ 2,694
Receivables, less allowance for doubtful accounts of \$8,634 at August 31, 2003 and \$8,560 at August 31, 2002	302,276	322,735
Inventories	188,799	216,942
Deferred income taxes	23,047	24,247
Prepayments and other current assets	28,377	24,379
Total Current Assets	558,552	590,997
Property, Plant, and Equipment, at cost:		
Land	14,060	14,746
Buildings and leasehold improvements	164,974	162,296
Machinery and equipment	350,549	339,198
Total Property, Plant, and Equipment	529,583	516,240
Less-Accumulated depreciation and amortization	307,025	275,561
Property, Plant, and Equipment, net	222,558	240,679
Other Assets:		
Goodwill	345,676	344,218
Other intangibles	129,843	133,030
Other long term assets	31,590	49,030
Total Other Assets	507,109	526,278
Total Assets	\$ 1,288,219	\$ 1,357,954
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	\$ 1,339	\$ 746
Short-term secured borrowings	48,000	129,200
Revolving credit facility	5,000	—
Notes payable	—	2,545
Accounts payable	165,656	161,713
Accrued salaries, commissions, and bonuses	49,217	36,459
Other accrued liabilities	90,239	100,144
Total Current Liabilities	359,451	430,807
Long-Term Debt, less current maturities	391,469	410,630
Deferred Income Taxes	15,190	23,480
Self-Insurance Reserves, less current portion	16,126	16,517
Other Long-Term Liabilities	97,689	74,568
Commitments and Contingencies (see Note 6)		
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, 41,674,996 and 41,379,154 shares issued and outstanding at August 31, 2003 and August 31, 2002	417	414
Paid-in capital	407,621	403,389
Retained earnings	44,755	21,884
Unearned compensation on restricted stock	(1,734)	(500)
Accumulated other comprehensive loss items	(42,765)	(23,235)
Total Stockholders' Equity	408,294	401,952
Total Liabilities and Stockholders' Equity	\$ 1,288,219	\$ 1,357,954

ACUITY BRANDS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per-share data)

	Years Ended August 31,		
	2003	2002	2001
Net sales	\$ 2,049,308	\$ 1,972,796	\$ 1,982,700
Cost of products sold	1,197,787	1,169,282	1,141,353
Gross Profit	851,521	803,514	841,347
Selling, distribution, and administrative expenses	739,330	683,163	701,535
Stock compensation expense	1,915	224	223
Operating Profit	110,276	120,127	139,589
Other Expense (Income):			
Interest expense, net	37,383	40,690	48,797
Restructuring and other charges	—	(853)	4,083
Loss on sale of businesses	227	—	14,557
Miscellaneous (income) expense, net	(1,915)	(2,546)	3,000
Total Other Expense	35,695	37,291	70,437
Income before Provision for Income Taxes	74,581	82,836	69,152
Provision for Income Taxes	26,799	30,812	28,649
Net Income	\$ 47,782	\$ 52,024	\$ 40,503
Earnings Per Share:			
Basic Earnings per Share	\$ 1.15	n/a	n/a
Basic Weighted Average Number of Shares Outstanding	41,459	n/a	n/a
Diluted Earnings per Share	\$ 1.15	n/a	n/a
Diluted Weighted Average Number of Shares Outstanding	41,721	n/a	n/a
Pro Forma Earnings Per Share (Unaudited):			
Basic Earnings per Share	n/a	\$ 1.26	\$ 0.99
Basic Weighted Average Number of Shares Outstanding	n/a	41,286	41,068
Dividends Declared per Share	\$ 0.60	\$ 0.45	n/a

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,		
	2003	2002	2001
Cash Provided by (Used for) Operating Activities:			
Net income	\$ 47,782	\$ 52,024	\$ 40,503
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation and amortization	46,039	49,494	62,911
Gain on the sale of property, plant, and equipment	(699)	(3,214)	(194)
Loss on sale of businesses	227	—	14,557
Provision for losses on accounts receivable	4,399	5,445	4,930
Restructuring and other charges	—	(853)	4,083
Change in assets and liabilities net of effect of acquisitions and divestitures -			
Receivables	15,935	(31,822)	35,258
Inventories	28,043	4,471	23,189
Deferred income taxes	6,108	(2,920)	(4,433)
Prepayments and other current assets	(3,782)	1,328	(3,948)
Accounts payable	3,987	50,415	6,951
Other current liabilities	2,707	30,643	(1,814)
Other	9,599	(8,170)	1,660
Net Cash Provided by Operating Activities	160,345	146,841	183,653
Cash Provided by (Used for) Investing Activities:			
Purchases of property, plant, and equipment	(28,154)	(33,482)	(47,611)
Proceeds from the sale of property, plant, and equipment	1,907	8,358	1,837
Sale of businesses	(92)	—	1,632
Acquisitions	—	(24,765)	—
Net Cash Used for Investing Activities	(26,339)	(49,889)	(44,142)
Cash Provided by (Used for) Financing Activities:			
Net (repayments) borrowings of notes payable	(2,545)	(22,121)	4,381
Repayments of commercial paper, net (less than 90 days)	—	—	(221,801)
Issuances of commercial paper (greater than 90 days)	—	—	1,370
Repayments of commercial paper (greater than 90 days)	—	—	(15,200)
(Repayments) borrowings from revolving credit facility, net	(35,000)	(65,000)	105,000
(Repayments) proceeds from short-term secured borrowings	(81,200)	24,100	105,100
Proceeds from issuances of long-term debt	22,202	—	—
Repayments of long-term debt	(770)	(2,688)	(7,601)
Employee stock purchase plan issuances	1,666	830	—
Stock options exercised	128	—	—
Dividends	(24,911)	(18,606)	—
Net activity with NSI	—	(18,632)	(103,386)
Net Cash Used for Financing Activities	(120,430)	(102,117)	(132,137)
Effect of Exchange Rate Changes on Cash	(217)	(147)	173
Net Change in Cash and Cash Equivalents	13,359	(5,312)	7,547
Cash and Cash Equivalents at Beginning of Year	2,694	8,006	459
Cash and Cash Equivalents at End of Year	\$ 16,053	\$ 2,694	\$ 8,006
Supplemental Cash Flow Information:			
Income taxes paid during the year	\$ 25,674	\$ 11,869	\$ 32,659
Interest paid during the year	37,650	41,231	43,416

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)

	Comprehensive Income	NSI Investment	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss) Items	Unearned Compensation On Restricted Stock	Total
Balance, September 1, 2000		\$ 455,543	\$ —	\$ —	\$ —	\$ (12,741)	\$ —	\$ 442,802
Comprehensive income:								
Net income	\$ 40,503	40,503	—	—	—	—	—	40,503
Other comprehensive income (loss), net of tax:								
Foreign currency translation adjustment	(2,374)	—	—	—	—	(2,374)	—	(2,374)
Reclassification adjustment for translation loss included in net income	503	—	—	—	—	503	—	503
Minimum pension liability adjustment (net of tax of \$1,402)	(2,386)	—	—	—	—	(2,386)	—	(2,386)
Other comprehensive income (loss)	(4,257)							
Comprehensive income	\$ 36,246							
Net transactions with NSI		(95,750)	—	—	—	—	—	(95,750)
Balance, August 31, 2001		400,296	—	—	—	(16,998)	—	383,298
Allocation of NSI Investment		(400,296)	413	400,560	—	—	(677)	—
Comprehensive income:								
Net income	\$ 52,024		—	—	52,024	—	—	52,024
Other comprehensive income (loss), net of tax:								
Foreign currency translation adjustment	(267)	—	—	—	—	(267)	—	(267)
Minimum pension liability adjustment (net of tax of \$3,507)	(5,970)	—	—	—	—	(5,970)	—	(5,970)
Other comprehensive income (loss)	(6,237)							
Comprehensive income	\$ 45,787							
Amortization and forfeitures of restricted stock grants			—	—	—	—	177	177
Employee Stock Purchase Plan issuances (1)			1	829	—	—	—	830
Cash Dividends of \$0.45 per share paid on common stock			—	—	(18,606)	—	—	(18,606)
Net transactions with NSI		—	—	2,000	(11,534)	—	—	(9,534)
Balance, August 31, 2002		—	414	403,389	21,884	(23,235)	(500)	401,952
Comprehensive income:								
Net income	\$ 47,782		—	—	47,782	—	—	47,782
Other comprehensive income (loss), net of tax:								
Foreign currency translation adjustment	2,757	—	—	—	—	2,757	—	2,757
Reclassification adjustment for translation loss included in net income	185	—	—	—	—	185	—	185
Minimum pension liability adjustment (net of tax of \$13,197)	(22,472)	—	—	—	—	(22,472)	—	(22,472)
Other comprehensive income (loss)	(19,530)							
Comprehensive income	\$ 28,252							
Amortization, issuance, and forfeitures of restricted stock grants (2)			1	2,259	—	—	(1,234)	1,026
Employee Stock Purchase Plan issuances (3)			2	1,664	—	—	—	1,666
Stock issued in connection with long-term incentive plan (4)			—	181	—	—	—	181
Cash dividends of \$0.60 per share paid on common stock			—	—	(24,911)	—	—	(24,911)
Stock options exercised (5)			—	128	—	—	—	128
Balance, August 31, 2003		\$ —	\$ 417	\$ 407,621	\$ 44,755	\$ (42,765)	\$ (1,734)	\$ 408,294

- (1) 67,332 shares.
(2) 120,191 shares.
(3) 144,280 shares.
(4) 22,923 shares.
(5) 8,448 shares

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

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”) operates in two business segments – lighting equipment and specialty products. The lighting equipment segment produces a full range of indoor and outdoor lighting fixtures for commercial and institutional, industrial, and residential applications for markets throughout the United States, Canada, Mexico, and overseas. The specialty products segment produces specialty chemical products including cleaners, deodorizers, and pesticides for industrial and institutional, commercial, and residential applications for markets throughout North America and Western Europe.

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” or “Spin-off”) of 100 percent of the outstanding shares of common stock of Acuity Brands on November 30, 2001. Each NSI stockholder of record as of November 16, 2001, the record date for the Distribution, received one share of Acuity Brands common stock for each share of NSI common stock held at that date.

The *Consolidated Financial Statements* have been prepared on the historical cost basis in accordance with accounting principles generally accepted in the United States and present the financial position, results of operations, and cash flows of Acuity Brands and its wholly-owned subsidiaries, including Acuity Lighting Group, Inc. (“ABL”) and Acuity Specialty Products Group, Inc. (“ASP”). For periods prior to December 1, 2001, these financial statements were derived from the historical financial statements of NSI. Acuity Brands was allocated certain corporate assets, liabilities, and expenses of NSI during the periods prior to December 1, 2001 based on an estimate of the proportion of such amounts allocable to Acuity Brands, utilizing such factors as total revenue, employee headcount, and other relevant factors. The Company believes these allocations were made on a reasonable basis. The Company believes all amounts allocated to Acuity Brands are a reasonable representation of the costs that would have been incurred if Acuity Brands had performed these functions as a stand-alone company.

In conjunction with the Spin-off, Acuity Brands and 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, a tax disaffiliation agreement, and a transition services agreement. See Note 6 of *Notes to Consolidated Financial Statements* for a discussion of the Company’s contractual relationship with NSI.

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 and Product Warranty

Acuity Brands records revenue as products are shipped and title passes. A provision for estimated returns, allowances, and warranty costs is recorded when products are shipped based on historical experience.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions, which include estimates of NSI costs

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

allocated to Acuity Brands, 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.

Concentrations of Credit Risk

Concentrations of credit risk with respect to receivables, which are 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. As of August 31, 2003, receivables from The Home Depot were approximately \$40.2 million. No other single customer accounted for more than ten percent of consolidated receivables at August 31, 2003.

Reclassifications

Certain prior period amounts have been reclassified to conform to current year presentation.

Inventories

Inventories are valued at the lower of cost (on a first-in, first-out basis) or market and consist of the following:

	August 31,	
	2003	2002
Raw materials and supplies	\$ 74,091	\$ 97,036
Work in progress	22,201	19,884
Finished goods	104,932	108,659
	201,224	225,579
Less: reserves	(12,425)	(8,637)
	<u>\$ 188,799</u>	<u>\$ 216,942</u>

Goodwill and Other Intangibles

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 142 required companies to cease amortizing goodwill that existed at June 30, 2001 and established a new method for testing goodwill for impairment on an annual basis (or an interim basis if an event occurs that might reduce the fair value of a reporting unit below its carrying value). Any goodwill resulting from acquisitions completed after June 30, 2001 will not be amortized. SFAS No. 142 also required that an identifiable intangible asset which is determined to have an indefinite useful economic life not be amortized, but be separately tested for impairment using a fair-value-based approach. The Company adopted SFAS No. 142 effective September 1, 2001 resulting in a decrease in amortization expense of approximately \$12.1 million during the year ended August 31, 2002 when compared to the year ended August 31, 2001.

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

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

	August 31, 2003		August 31, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Trade names and trademarks	\$ 13,030	\$ (1,782)	\$ 13,030	\$ (1,347)
Distribution network	53,000	(7,216)	53,000	(5,448)
Other	17,080	(9,283)	17,076	(8,295)
Total	\$ 83,110	\$ (18,281)	\$ 83,106	\$ (15,090)
Unamortized intangible assets:				
Trade names	\$ 65,014		\$ 65,014	

The Company amortizes trade names with definite lives, trademarks, and the distribution network over their estimated useful lives of 30 years. Other amortized intangible assets consist primarily of patented technology and restrictive covenant agreements, which are amortized over their estimated useful lives of 12 years and 3 years, respectively. The Company recorded amortization expense of \$3.2 million and \$4.3 million related to intangible assets with definite lives during fiscal 2003 and fiscal 2002, respectively. Projected amortization expense is approximately \$3.2 million in each of the next five years.

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

	ABL	ASP	Total
Balance as of August 31, 2002	\$ 314,103	\$30,115	\$344,218
Sale of business	—	(230)	(230)
Currency translation adjustments	1,093	595	1,688
Balance as of August 31, 2003	\$ 315,196	\$30,480	\$345,676

ABL and ASP each test goodwill and intangible assets with indefinite useful lives for impairment on an annual basis, as required by SFAS No. 142, using a combination of valuation techniques including the expected present value of future cash flows, a market multiple approach, and a comparable transaction approach. This analysis did not result in an impairment during fiscal 2003 or 2002.

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Prior to the adoption of SFAS No. 142, \$3,460 of goodwill associated with a 1969 acquisition was not amortized. Remaining amounts of goodwill (\$327,903 at August 31, 2001) were amortized over estimated useful lives ranging from 10 years to 40 years. Had the Company accounted for goodwill and intangibles with indefinite useful lives consistent with the provisions of SFAS No. 142 in prior periods, the Company's net income would have been affected as follows:

	Year ended August 31,		
	2003	2002	2001
Reported net income	\$ 47,782	\$ 52,024	\$ 40,503
Add back: Goodwill amortization	—	—	9,891
Add back: Trade name amortization	—	—	990
Adjusted net income	\$ 47,782	\$ 52,024	\$ 51,384
Basic earnings per share*:			
Reported net income	\$ 1.15	\$ 1.26	\$ 0.99
Add back: Goodwill amortization	—	—	0.24
Add back: Trade name amortization	—	—	0.03
Adjusted net income	\$ 1.15	\$ 1.26	\$ 1.26

* Earnings per share for the years ended August 31, 2002 and 2001 are pro forma. See Note 5 for additional information.

The Company is required to test its goodwill and intangibles with indefinite useful lives for impairment on a periodic basis, which could have an adverse effect on the Company's *Consolidated Financial Statements* if these assets are deemed impaired.

Other Long-Term Assets

Other long-term assets consisted of the following:

	August 31,	
	2003	2002
Long term investments (1)	\$ 25,805	\$ 28,677
Prepaid pension costs	—	12,693
Intangible pension asset	1,654	1,580
Note receivable, net	1,052	2,165
Debt issue costs	2,038	2,385
Miscellaneous	1,041	1,530
	\$ 31,590	\$ 49,030

(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 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 Income* and generally offset the change in the deferred compensation liability.

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

*(Dollar amounts in thousands, except share and per-share data and as indicated)***Other Long-Term Liabilities**

Other long-term liabilities consisted of the following:

	August 31,	
	2003	2002
Accrued pension liability	\$ 40,245	\$ 15,622
Postretirement benefits other than pensions (1)	54,602	56,380
Director stock unit plan	1,605	970
Postemployment benefit obligation (2)	430	497
Miscellaneous	807	1,099
	<u>\$ 97,689</u>	<u>\$ 74,568</u>

- (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 three percent of an eligible employee's compensation. Deferred compensation associated with these plans, together with the Company's contributions and accumulated earnings, is generally distributable in cash pursuant to the terms of the plans, either after specified periods of time or after retirement. 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.
- (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.

Earnings per Share

Earnings per share data for periods prior to fiscal 2003 has not been presented since the businesses that comprise Acuity Brands were wholly-owned subsidiaries of NSI, or businesses thereof, during a portion of or for all of the periods presented and were recapitalized as part of the Distribution.

Pro Forma Earnings Per Share (Unaudited)

Pro forma basic earnings per share is calculated as net income divided by the pro forma weighted average number of common shares outstanding. Pro forma weighted average shares outstanding has been computed by applying the distribution ratio of one share of Acuity Brands common stock to the historical NSI weighted average shares outstanding for the same period presented. Pro forma earnings per share information is unaudited and has been presented for the years ended August 31, 2002 and 2001 only.

Shipping and Handling Fees and Costs

In September 2000, the Emerging Issues Task Force issued EITF 00-10, *Accounting for Shipping and Handling Fees and Costs*. EITF 00-10 requires shipping and handling fees billed to customers to be classified as

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

revenue and shipping and handling costs to be either classified as cost of sales or disclosed in the notes to the financial statements. The Company includes shipping and handling fees billed to customers in *Net sales*. Shipping and handling costs associated with inbound freight are generally recorded in *Cost of products sold*. Other shipping and handling costs are included in *Selling, distribution, and administrative expenses* and totaled \$120.4 million, \$114.1 million, and \$114.6 million in fiscal 2003, 2002, and 2001, respectively.

Stock-Based Compensation

The Company issues stock options to employees and directors under certain of its benefit plans. Under all stock option plans, the options expire no later than 10 years from the date of grant and have an exercise price equal to the fair market value of the Company's stock on the date of grant. The Company accounts for the employee and director plans under the Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* and related interpretations. Accordingly, no compensation expense has been recognized for these stock option plans in the *Consolidated Financial Statements*.

Acuity Brands has adopted the disclosure provisions of SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure an Amendment to FASB Statement No. 123*. The Company expects to begin using the fair value approach to account for stock-based compensation, in accordance with the prospective method as prescribed by SFAS No. 148, beginning in the first quarter of fiscal 2004. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date for awards during fiscal 2003 and fiscal 2002, consistent with the recognition provisions of SFAS No. 123, the Company's net income and earnings per share would have been impacted as follows:

	Year Ended August 31,	
	2003	2002 (1)
Net income, as reported	\$ 47,782	\$ 52,024
Less: Compensation expense related to the Employee Stock Purchase Plan, net of tax	287	201
Less: Stock-based compensation determined under fair value based method for stock option awards, net of tax	2,326	2,541
Pro forma net income	\$ 45,169	\$ 49,282
Earnings per share:		
Basic earnings per share – as reported	\$ 1.15	\$ 1.26
Basic earnings per share – pro forma	\$ 1.09	\$ 1.19
Diluted earnings per share – as reported	\$ 1.15	n/a
Diluted earnings per share – pro forma	\$ 1.08	n/a

(1) Weighted average shares outstanding for the year ended August 31, 2002 has been computed by applying the distribution ratio of one share of Acuity Brands common stock to the historical NSI weighted average shares outstanding for the same period presented.

The above pro-forma calculations only include the effects of options granted subsequent to the Distribution. Accordingly, the pro forma effect of applying SFAS No. 123 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.

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

The following weighted average assumptions were used to estimate the fair value of stock options granted in the fiscal year:

	2003	2002
Dividend yield	4.4%	4.3%
Expected volatility	43.8%	34.0%
Risk-free interest rate	3.0%	5.2%
Expected life of options	8 years	10 years

See Note 5 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 (20 to 40 years for buildings and 3 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 are expensed as incurred. Research and development expenses amounted to \$27.4 million, \$22.0 million, and \$15.6 million during fiscal years 2003, 2002, and 2001, respectively.

Advertising

Advertising costs are expensed as incurred and were \$16.3 million, \$18.1 million, and \$13.8 million during fiscal years 2003, 2002, and 2001, respectively.

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 during the year. The gains or losses resulting from the translation are included in *Accumulated Other Comprehensive Income (Loss) Items* 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 (income) expense, net* in the *Consolidated Statements of Income* and were insignificant in fiscal years 2003, 2002, and 2001.

Interest Expense, Net

Interest expense, net, is comprised primarily of interest expense on long-term debt, revolving credit facility borrowings, and short-term secured borrowings partially offset by interest income on cash and cash equivalents.

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

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

	Years Ended August 31,		
	2003	2002	2001
Interest expense	\$37,804	\$41,196	\$49,421
Interest income	(421)	(506)	(624)
Interest expense, net	\$37,383	\$40,690	\$48,797

Miscellaneous (Income) Expense, Net

Miscellaneous (income) expense, net, is comprised primarily of gains or losses resulting from the sale of assets and gains or losses on foreign currency transactions. Additionally, during 2001, *Miscellaneous (income) expense, net*, includes a charge of approximately \$3.1 million related to the early termination of a purchase contract.

Accounting Standards Adopted in Fiscal 2003

In June 2001, the FASB issued SFAS No. 143, *Accounting for Retirement Obligations*. This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of a long-lived asset, except for certain obligations of lessees. A legal obligation is an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel. This statement amends FASB Statement No. 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies*. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. Acuity Brands adopted this statement effective September 1, 2002. Adoption of this statement did not have a significant effect on the Company's consolidated results of operations or financial position.

In August 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of* and supersedes the provisions of APB Opinion No. 30, *Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions* with regard to reporting the effects of a disposal of a segment of a business. SFAS No. 144 provides a single accounting model for long-lived assets to be disposed of and significantly changes the criteria required to classify an asset as held-for-sale. Under SFAS No. 144, more dispositions will qualify for discontinued operations treatment in the income statement and expected future operating losses from discontinued operations will be displayed in discontinued operations in the period in which the losses are incurred. SFAS No. 144 is effective for all fiscal years beginning after December 15, 2001. Acuity Brands adopted this statement effective September 1, 2002. Adoption of this statement did not have a significant effect on the Company's consolidated results of operations or financial position.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*.

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

The principal difference between SFAS No. 146 and Issue No. 94-3 relates to the requirements for recognition of a liability for a cost associated with an exit or disposal activity. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 also establishes that fair value is the objective for initial measurement of the liability. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. Acuity Brands adopted SFAS No. 146 effective September 1, 2002. Adoption of this statement did not have a significant effect on the Company's consolidated results of operations or financial position.

In November 2002, the FASB issued FASB Interpretation No. 45 ("FIN No. 45"), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. FIN No. 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. This interpretation does not prescribe a specific approach for subsequently measuring the guarantor's recognized liability over the term of the related guaranty. This interpretation also supersedes and incorporates the guidance in FASB Interpretation No. 34, *Disclosure of Indirect Guarantees of Indebtedness of Others*. The initial recognition and measurement provisions of FIN No. 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN No. 45, including those related to product warranties, are effective for financial statements for interim or annual periods ending after December 15, 2002. Acuity Brands adopted FIN No. 45 effective December 1, 2002. Adoption of this interpretation did not have a significant effect on the Company's consolidated results of operations or financial position. See Note 6 of *Notes to Consolidated Financial Statements* for further information.

Accounting Standards Yet to Be Adopted

On December 31, 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure—an Amendment of FASB Statement No. 123*. SFAS No. 148 amends SFAS No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition to the fair value method of accounting for stock-based employee compensation. The alternative methods include the prospective method, the modified prospective method, and the retroactive restatement method. The prospective method requires application of the recognition provisions of SFAS No. 123 for awards granted after the beginning of the fiscal year in which the adoption is made. Acuity Brands expects to adopt the prospective method for transitioning to the fair value method of accounting for stock-based employee compensation as prescribed by SFAS No. 123 during the first quarter of fiscal 2004. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 to require prominent disclosure of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements, regardless of the method used to account for stock-based employee compensation. The annual disclosure requirements of SFAS No. 148 are effective for all fiscal years ending after December 15, 2002. See Note 5 of *Notes to Consolidated Financial Statements* for further information. The Company expects to incur incremental expense of approximately \$7.2 million related to its stock-based plans in fiscal 2004, including approximately \$4.3 million in connection with the adoption of SFAS No. 123 on a prospective basis.

In January 2003, the FASB issued FIN No. 46, *Consolidation of Variable Interest Entities—An Interpretation of Accounting Research Bulletin No. 51*. FIN No. 46 requires the consolidation of entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual interests or other financial interests in the entity. FIN No. 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN No. 46 must be

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

applied during the first interim or annual period beginning after December 15, 2003. Acuity Brands will adopt FIN No. 46 effective in fiscal 2004. Adoption of this interpretation is not expected to have a significant effect on the Company's consolidated results of operations or 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. Plan assets are invested primarily in equity and fixed income securities.

The following tables reflect the status of Acuity Brands' domestic (U.S. based) and international pension plans at August 31, 2003 and 2002:

	Domestic Plans August 31,		International Plans August 31,	
	2003	2002	2003	2002
Change in Benefit Obligation:				
Benefit obligation at beginning of year	\$ 76,041	\$ 71,726	\$ 18,623	\$ 15,496
Service cost	2,729	2,778	928	659
Interest cost	5,532	5,383	1,196	1,151
Plan amendments	(506)	46	—	—
Curtailement	—	—	—	(952)
Actuarial loss	19,412	454	905	2,518
Benefits paid	(4,220)	(4,346)	(270)	(1,565)
Other	(444)	—	291	1,316
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Benefit obligation at end of year	\$ 98,544	\$ 76,041	\$ 21,673	\$ 18,623
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Change in Plan Assets:				
Fair value of plan assets at beginning of year	\$ 67,447	\$ 69,248	\$ 11,715	\$ 14,241
Actual return on plan assets	(88)	(1,200)	(358)	(2,678)
Employer contributions	1,591	3,745	629	1,083
Employee contributions	—	—	286	226
Benefits paid	(4,220)	(4,346)	(259)	(1,565)
Other	—	—	201	408
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fair value of plan assets at end of year	\$ 64,730	\$ 67,447	\$ 12,214	\$ 11,715
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Funded Status:				
Funded status	\$ (33,814)	\$ (8,594)	\$ (9,459)	\$ (6,908)
Unrecognized actuarial loss	41,107	16,555	11,584	9,213
Unrecognized transition asset	(370)	(503)	—	—
Unrecognized prior service cost	1,295	2,153	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net amount recognized at end of year	\$ 8,218	\$ 9,611	\$ 2,125	\$ 2,305
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amounts Recognized in the Consolidated Balance Sheets Consist of:				
Prepaid benefit cost	\$ —	\$ 12,693	\$ —	\$ —
Accrued benefit liability	(33,503)	(11,161)	(6,742)	(4,461)
Intangible asset	1,654	1,580	—	—
Accumulated other comprehensive loss	40,067	6,499	8,867	6,766
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net amount recognized at end of year	\$ 8,218	\$ 9,611	\$ 2,125	\$ 2,305
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

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 \$98.5 million, \$98.2 million, and \$64.7 million, respectively, as of August 31, 2003, and \$33.0 million, \$32.7 million, and \$22.4 million, respectively, as of August 31, 2002. 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 \$21.7 million, \$19.1 million, and \$12.2 million, respectively, as of August 31, 2003, and \$18.6 million, \$16.1 million, and \$11.7 million, respectively, as of August 31, 2002.

Components of net periodic pension cost for the fiscal years ended August 31, 2003, 2002, and 2001 included the following:

	Domestic Plans			International Plans		
	2003	2002	2001	2003	2002	2001
Service cost	\$ 2,729	\$ 2,778	\$ 1,933	\$ 928	\$ 659	620
Interest cost	5,532	5,383	5,156	1,196	1,151	1,114
Expected return on plan assets	(6,261)	(6,390)	(6,745)	(964)	(1,210)	(1,293)
Amortization of prior service cost	385	434	418	—	—	—
Amortization of transitional asset	(133)	(126)	(140)	—	—	—
Recognized actuarial loss (gain)	764	207	(16)	(257)	(2)	(2)
Net periodic pension cost	\$ 3,016	\$ 2,286	\$ 606	\$ 903	\$ 598	\$ 439

Weighted average assumptions in fiscal years 2003, 2002, and 2001 included the following:

	Domestic Plans			International Plans		
	2003	2002	2001	2003	2002	2001
Discount rate	6.0%	7.5%	7.8%	5.5%	6.0%	7.4%
Expected return on plan assets	9.5%	9.5%	9.5%	7.0%	8.0%	8.5%
Rate of compensation increase	5.1%	5.1%	5.1%	4.3%	4.3%	4.9%

It is Acuity Brands' 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 domestic periodic pension cost, the Company's primary pension obligations, of approximately \$1.4 million. 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. As a result of this study during 2003, the expected return on plan assets for the Company's domestic plans will decrease by 100 basis points to 8.5 percent in 2004. The Company estimates that each 100 basis point reduction in the expected return on plan assets would result in additional net domestic periodic pension cost of \$0.6 million. The rate of compensation increase is also evaluated and is adjusted by the Company, if necessary, annually.

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Acuity Brands' pension plan asset allocation at August 31, 2003 and 2002 by asset category is as follows:

	% of Plan Assets			
	Domestic Plans		International Plans	
	2003	2002	2003	2002
Equity securities	59.0%	50.0%	79.6%	78.8%
Debt securities	33.0%	40.0%	13.5%	15.2%
Real estate	5.0%	5.0%	3.3%	3.2%
Other	3.0%	5.0%	3.6%	2.8%
Total	100.0%	100.0%	100.0%	100.0%

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 \$5.5 million in 2003, \$5.0 million in 2002, and \$4.3 million in 2001. 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, 2003, assets of the defined contribution plans included shares of the Company's common stock with a market value of approximately \$9.6 million, which represented approximately three percent of the total fair market value of the assets in the Company's defined contribution plans.

Note 4: Long-Term Debt and Lines of Credit

Long-term debt at August 31, 2003 and 2002, consisted of the following:

	2003	2002
3-Year Revolving Credit Facility	\$ —	\$ 40,000
6% notes due February 2009 with an effective interest rate of 6.04%, net of unamortized discount of \$226 in 2003 and \$268 in 2002	159,774	159,732
8.375% notes due August 2010 with an effective interest rate of 8.398%, net of unamortized discount of \$170 in 2003 and \$195 in 2002	199,830	199,805
Other notes, payable in installments to 2021	33,204	11,839
	392,808	411,376
Less — Amounts payable within one year included in current liabilities	1,339	746
	\$ 391,469	\$ 410,630

Future annual principal payments of long-term debt are as follows:

Fiscal Year	Amount
2004	\$ 1,339
2005	1,528
2006	18,460
2007	485
2008	242
Thereafter	370,754
	\$ 392,808

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

In May 2001, NSI entered into a three-year agreement (“Receivables Facility”) to borrow, on an ongoing basis, up to \$150.0 million secured by undivided interests in a defined pool of trade accounts receivable of the lighting equipment and specialty products businesses. Borrowings under the Receivables Facility are subject to the annual renewal of a supporting line of credit. Effective November 30, 2001, Acuity Brands assumed all of the outstanding borrowings and other obligations under the Receivables Facility. Net trade accounts receivable pledged as security for borrowings under the Receivables Facility totaled \$265.9 million at August 31, 2003. Borrowings at August 31, 2003 and 2002 under the Receivables Facility totaled \$48.0 million and \$129.2 million, respectively. Interest rates under the Receivables Facility vary with commercial paper rates plus an applicable margin. The interest rate, including the commitment and usage fee was approximately 1.95 percent and 2.18 percent at August 31, 2003 and 2002, respectively.

During fiscal 2002, the Company entered into financing agreements (“Revolving Credit Facility”) with a group of domestic and international banks that had two components allowing for borrowings of up to \$210.0 million. The first component was a \$105.0 million, 364-day committed credit facility that was scheduled to mature in April 2003. The second component was a three-year credit facility that allowed for borrowings up to \$105.0 million and was scheduled to mature in April 2005. The Revolving Credit Facility contained financial covenants including a maximum leverage ratio of total indebtedness to EBITDA (earnings before interest, taxes, depreciation and amortization expense), subject to certain adjustments, and a minimum interest coverage ratio.

In April 2003, the Company modified certain terms and conditions of its Revolving Credit Facility primarily to extend the 364-day component of the credit facility and to incorporate changes to the Maximum Leverage Ratio, the ratio of total indebtedness to EBITDA (earnings before interest, taxes, depreciation expense, and amortization expense) as such terms are defined in the Revolving Credit Facility. The Maximum Leverage Ratio, currently at 3.50, decreases to 3.25 at November 30, 2003, and then to 3.00 at May 31, 2004. The Leverage Ratio is computed at the end of each fiscal quarter. In addition, maximum available borrowings under the 364-day component of the Revolving Credit Facility, which now matures in April 2004, decreased to \$92.5 million from \$105.0 million. No changes were made to the maximum available borrowings or the maturity date of the three-year component of the credit facility. At August 31, 2003, the Company was in compliance with all financial covenants in the Revolving Credit Facility. At August 31, 2003, the Company had \$5.0 million in outstanding borrowings under the Revolving Credit Facility and had additional borrowing capacity of \$112.8 million under the Revolving Credit Facility under the most restrictive covenant in effect at that time.

The Company’s Receivable Facility and Revolving Credit Facility each contain “Material Adverse Effect” provisions. Generally, if the Company were to experience an event causing a material adverse effect on the Company’s financial condition, operations, or properties, as defined in the agreements, additional future borrowings under either facility may be denied. None of the Company’s existing debt instruments include provisions that would require an acceleration of repayments based solely on changes in the Company’s credit ratings.

In October 2002, Acuity Brands entered into a new 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 and to provide the Company additional liquidity. In April 2003, the financial covenants included in the Term Loan were modified to be consistent with the new financial covenants contained in the Revolving Credit Facility noted above. Interest rates under the Term Loan are based on one-month LIBOR plus a margin. Outstanding borrowings under the Term Loan were \$19.5 million at August 31, 2003. The interest rate was approximately 2.6 percent at August 31, 2003.

During fiscal 2003, the Company replaced approximately \$2.5 million of borrowings outstanding on an uncommitted revolving foreign credit line with a five-year note. The note is denominated in Euros and bears

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

interest at a variable rate, 3.2 percent at August 31, 2003. Principal payments are made in equal semi-annual installments. In addition, Acuity Brands also had uncommitted foreign bank lines of credit totaling \$2.0 million at August 31, 2003. There were no outstanding borrowings under the foreign bank lines at August 31, 2003.

At August 31, 2003, the Company had outstanding letters of credit totaling \$30.1 million primarily for the purpose of securing collateral requirements under the casualty insurance programs for both Acuity Brands and NSI and for providing credit support for the Company's industrial revenue bonds. A total of \$18.4 million of the letters of credit were issued under the three-year component of the Revolving Credit Facility thereby reducing the total availability under the line by such amount.

In January 1999, NSI issued \$160.0 million in ten-year publicly traded notes bearing a coupon rate of 6.0 percent. In August 2000, NSI issued \$200.0 million in ten-year publicly traded notes bearing a coupon rate of 8.375 percent. 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 a 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 \$163.4 million and \$228.5 million, respectively. 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.

Note 5: Common Stock and Related Matters

Stockholder Protection Rights Agreement

Prior to the Spin-off, the Company's board of directors 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.

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, 2003 and 2002.

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Pro forma basic earnings per share is calculated as net income divided by the pro forma weighted average number of common shares outstanding. Pro forma weighted average shares outstanding has been computed by applying the Distribution ratio of one share of Acuity Brands common stock to the historical NSI weighted average shares outstanding for the same period presented. Public trading of Acuity Brands stock did not commence until December 3, 2001; therefore, no historical market share prices exist for the calculation of the potential dilutive effect of stock options for periods prior to the second quarter of fiscal 2002. As a result, pro forma diluted earnings per share are not presented for the years ended August 31, 2002 and 2001.

The following table calculates basic earnings per common share and diluted earnings per common share for the year ended August 31, 2003 and pro forma basic earnings per common share for the years ended August 31, 2002 and 2001:

	Years Ended August 31,		
	2003	2002	2001
		PRO FORMA	PRO FORMA
Basic earnings per share:			
Net income	\$ 47,782	\$ 52,024	\$ 40,503
Basic weighted average number of shares outstanding	41,459	41,286	41,068
Basic earnings per share	\$ 1.15	\$ 1.26	\$ 0.99
Diluted earnings per share:			
Net income	\$ 47,782		
Basic weighted average number of shares outstanding	41,459		
Add – Shares of common stock issuable upon assumed exercise of diluted options	134		
Add – Unvested restricted stock	128		
Diluted weighted average number of shares outstanding	41,721		
Diluted earnings per share	\$ 1.15		

Stock-Based Compensation

Pursuant to the employee benefits agreement, 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. Acuity Brands multiplied the number of shares purchasable under each converted stock option by a ratio determined at the time of the Distribution, based on the respective trading prices of NSI and Acuity Brands shares, and divided the exercise price per share of each option by the same ratio. Fractional shares were rounded down to the nearest whole number of shares. 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.

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

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 are authorized for issuance under the Plan. Stock options generally become exercisable over a three or four-year period from the date of grant. The Plan also provides for the issuance of performance-based and restricted stock awards.

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 granted in 25 percent 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. Two-thirds of the value of the restricted shares at the vesting date is paid to the participants in unrestricted shares of the Company and the remainder is paid in cash. Participants may elect to defer payments under this performance-based restricted stock plan into a separate deferred compensation plan. In the event payments are deferred into the deferred compensation plan, the value of the restricted shares would be converted to share units that ultimately would be paid in cash. As of August 31, 2003, approximately 120,000 shares had been issued under this plan. Compensation expense recognized related to this plan was \$1.6 million in fiscal 2003.

In October 2000, the Company reserved approximately 240,000 shares of performance-based restricted stock for issuance to officers and other key employees under the Plan. Under this award, restricted shares are granted in 20 percent 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, 2003, approximately 50,000 shares had been issued under this plan. Compensation expense recognized related to this plan was \$0.3 million, \$0.2 million, and \$0.2 million in fiscal 2003, 2002, and 2001, respectively.

In November 2001, the Acuity Brands adopted the Acuity Brands, Inc. 2001 Directors’ Stock Option Plan, under which 300,000 shares are authorized for issuance. The stock options granted under this plan become exercisable one year from the date of grant. As of August 31, approximately 60,000 shares had been issued under this plan.

Under all stock option plans, the options generally expire 10 years from the date of grant and have an exercise price equal to the fair market value of the Company’s stock on the date of grant. Shares available for grant under all plans were approximately 710,000 and 1,060,000 at August 31, 2003 and 2002, respectively.

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Stock option transactions for the stock option plans and stock option agreements during the years ended August 31, 2002 and 2003 were as follows:

	Outstanding		Exercisable	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at August 31, 2001	—	—	—	—
NSI options converted at the Spin-off	4,278,325	\$ 22.97		
Granted	3,004,051	\$ 13.84		
Exercised	(1,053)	\$ 16.50		
Cancelled	(200,025)	\$ 16.38		
Outstanding at August 31, 2002	7,081,298	\$ 19.15	2,712,343	\$ 25.25
Granted	132,500	\$ 14.26		
Exercised	(8,448)	\$ 13.80		
Cancelled	(265,211)	\$ 20.68		
Outstanding at August 31, 2003	6,940,139	\$ 19.08	4,179,243	\$ 21.78
Range of option exercise prices:				
\$10.00 - \$15.00 (average life – 8.3 years)	2,962,575	\$ 13.82	1,072,619	\$ 13.83
\$15.01 - \$20.00 (average life – 7.2 years)	1,723,954	\$ 16.60	977,925	\$ 16.64
\$20.01 - \$25.00 (average life – 5.3 years)	958,566	\$ 23.37	839,217	\$ 23.33
\$25.01 - \$30.00 (average life – 3.7 years)	809,585	\$ 28.61	804,023	\$ 28.61
\$30.01 - \$40.00 (average life – 3.7 years)	485,459	\$ 35.67	485,459	\$ 35.67

Employee Stock Purchase Plan

In November 2001, Acuity Brands adopted the Acuity Brands, Inc. Employee Stock Purchase Plan for the benefit of eligible employees. Under the plan, employees may purchase, through payroll deduction, the Company's common stock at a 15 percent discount. Shares are purchased quarterly at 85 percent 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. There were 1,500,000 shares of the Company's common stock reserved for purchase under the plan, of which approximately 1,290,000 shares remain available for purchase under the plan. Employees may participate at their discretion.

Note 6: Commitments and Contingencies

Self-Insurance

It is the current policy of Acuity Brands to self insure, up to certain limits, for certain insurable risks consisting primarily of physical loss to property; business interruptions resulting from such loss; and workers' compensation, comprehensive general, and auto liability. Insurance coverage is obtained for catastrophic property and casualty exposures as well as those risks required to be insured by law or contract. Based on an independent actuary's estimate of the aggregate liability for claims incurred, a provision for claims under the self-insured program is recorded and revised annually.

The Company is also self-insured for the majority of its medical benefits 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, if necessary.

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

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, 2003, are as follows: 2004 — \$17.0 million; 2005 — \$14.4 million; 2006 — \$9.9 million; 2007 — \$7.5 million; 2008 — \$5.9 million; after 2008 — \$34.8 million.

Total rent expense was \$23.4 million in 2003, \$17.8 million in 2002, and \$12.3 million in 2001.

Collective Bargaining Agreements

Approximately 34 percent of the Company's total work force is covered by collective bargaining agreements. Collective bargaining agreements representing approximately 24 percent 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. Based on information currently available, and except as described below, 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 or results of operations of Acuity Brands. However, in the event of unexpected future developments, it is possible that the ultimate resolution of such matters, if unfavorable, could have a material adverse effect on the results of operations 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.

Environmental Matters

The operations of the Company are subject to comprehensive laws and regulations relating to the generation, storage, handling, transportation, and disposal of hazardous substances and solid and hazardous wastes and to the remediation of contaminated sites. 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. Acuity Brands believes that it is in substantial compliance with all material environmental laws, regulations, and permits. On an ongoing basis, Acuity Brands incurs capital and operating costs relating to environmental compliance. Environmental laws and regulations have generally become stricter in recent years, and 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 higher than that reserved due to difficulty in estimating such costs and potential changes in the status of government regulations.

Certain environmental laws can impose liability regardless of fault. The federal Superfund law is an example of such an environmental law. However, management believes that the Company's potential liability under Superfund is mitigated by the presence of other parties who will share in the costs associated with the clean up of sites. The extent of liability is determined on a case-by-case basis taking into account many factors, including the number of other parties whose status or activities also subjects them to liability regardless of fault.

Acuity Brands is currently a party to, or otherwise involved in, legal proceedings in connection with state and federal Superfund sites. Based on information currently available, the Company believes its liability is

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

immaterial at each of the currently active sites which it does not own where it has been named as a responsible party or a potentially responsible party (“PRP”) due to its limited involvement at the site and/or the number of viable PRPs. For example, the preliminary allocation among 48 PRPs at the Crymes Landfill site in Georgia indicates that Acuity Brands’ liability is not significant, and there are more than 1,000 PRPs at the M&J Solvents site in Georgia. For property that Acuity Brands owns on Seaboard Industrial Boulevard in Atlanta, Georgia, the Company has conducted an investigation on its property and adjoining properties and submitted a Compliance Status Report (“CSR”) and a proposed Corrective Action Plan (“CAP”) to the State of Georgia Environmental Protection Division (“EPD”) pursuant to the Georgia Hazardous Site Response Act. Until the EPD approves the CSR and CAP, Acuity Brands will not be able to determine whether corrective action will be required and what the costs of such action will be.

In August 2003, ASP received a grand jury subpoena from the United States Attorney for the Northern District of Georgia concerning the operation of ASP’s wastewater pretreatment plant and ASP’s management of hazardous waste at a facility in Atlanta, Georgia. The grand jury investigation appears to relate to the discharge of wastewater from the facility to the City of Atlanta’s sanitary sewer system and ASP’s practices in connection with the sampling of the facility’s wastewater discharges for permitting purposes. ASP is cooperating with the investigation by the U.S. Attorney’s Office and is in the process of completing the collection of the required documents. The U.S. Attorney’s Office investigation follows an inquiry by the City of Atlanta, which regulates the wastewater discharge at the facility. The Company has tentatively settled the matter with the City of Atlanta. For the fourth quarter of fiscal 2003, the Company recorded an aggregate charge of approximately \$2.7 million to cover various costs including off-site disposal, the estimated costs of resolution of these proceedings with the City of Atlanta and the U.S. Attorney’s Office, and the estimated legal expenses to be incurred by the Company in these matters. The proceedings with the U.S. Attorney are at a preliminary stage, and developments in the investigation and the terms of any final settlement or adjudication of these matters could cause the Company to record additional charges in future periods.

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 some 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 from time to time agrees to indemnify the purchaser from liabilities relating to events occurring prior to the sale and conditions existing at the time of the sale. These 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 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 liquidity.

Additionally, in conjunction with the separation of their businesses, Acuity Brands and 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, a transition services agreement, and a tax

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

disaffiliation agreement. The Company has previously accrued for those liabilities existing at the time of the Distribution that were considered probable and reasonably estimable. The Company has not accrued any additional amounts as a result of the following indemnities:

Distribution 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. This indemnity does not expire and there is no stated maximum potential liability.

To satisfy its obligations under the distribution agreement with respect to the lighting equipment and specialty products segments, Acuity Brands provides letters of credit on behalf of NSI for collateral requirements under NSI's casualty programs for incurred and projected losses resulting from those segments prior to the Distribution which are covered by NSI casualty programs. This collateral is \$2.4 million for fiscal year 2004, down from \$5.2 million for fiscal year 2003.

Transition Services Agreement-

In addition to other services described in the agreement (all of which are complete), the transition services agreement provides that Acuity Brands will, for a fee, provide letters of credit to secure NSI's obligations under various casualty insurance programs of NSI not to exceed the following amounts:

Period		
Beginning	Ending	Letters of Credit
November 1, 2002	October 31, 2003	\$ 8.0 million
November 1, 2003	October 31, 2004	\$ 5.0 million
November 1, 2004	October 31, 2005	\$ 2.0 million

Under this provision, at August 31, 2003, Acuity Brands had approximately \$7.8 million of outstanding standby letters of credit that were issued for the benefit of NSI. In the event NSI is unable to fulfill its obligations under certain of its casualty insurance programs, the standby letters of credit could be drawn upon and Acuity Brands would be required to fund the drawn amount. In such event, NSI would be obligated to reimburse Acuity Brands for such amounts. The management of Acuity Brands currently believes it is unlikely that these letters of credit will be drawn upon.

Tax Disaffiliation Agreement-

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 statute of limitation for such liability. There is no stated maximum potential liability included in the tax disaffiliation agreement.

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 liquidity. 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.

ACUITY BRANDS, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)***(Dollar amounts in thousands, except share and per-share data and as indicated)***Product Warranty**

Acuity Brands records an allowance for the estimated amount of future warranty claims when the related revenue is recognized, primarily based on historical experience. Although historical warranty costs have been within expectations, 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 in future periods.

The changes in product warranty reserve during the years ended August 31, 2003, 2002, and 2001 are summarized as follows:

	2003	2002	2001
Balance, beginning of year	\$ 6,879	\$ 1,823	\$ 1,164
Warranty expense during the year	1,809	3,003	1,806
Payments made during the year	(4,399)	(4,156)	(1,147)
Warranty liability recorded in an acquisition	—	6,209	—
Balance, end of year	\$ 4,289	\$ 6,879	\$ 1,823

Risks Relating to the Distribution

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" or "Spin-off") of 100 percent of the outstanding shares of common stock of Acuity Brands on November 30, 2001. Each NSI stockholder of record as of November 16, 2001, the record date for the Distribution, received one share of Acuity Brands common stock for each share of NSI common stock held at that date.

The following risks associated with Acuity Brands relate principally to the Distribution. If any of these risks develops into an actual event, the business, financial condition or results of operations of Acuity Brands could be materially adversely affected.

Creditors of NSI May Challenge the Distribution as a Fraudulent Conveyance

On November 7, 2001, the NSI board of directors made a determination, based on information provided by management and financial experts, that the Distribution was permissible under applicable dividend and solvency laws. There is no certainty, however, that a court would find the decision of the NSI board to be binding on creditors of NSI and Acuity Brands or that a court would reach the same conclusions as the NSI board in determining whether NSI or Acuity Brands was insolvent at the time of, or after giving effect to, the Distribution. If a court in a lawsuit by an unpaid creditor or representative of creditors, such as a trustee in bankruptcy, were to find that at the time NSI effected the Distribution, NSI or Acuity Brands (1) was insolvent; (2) was rendered insolvent by reason of the Distribution; (3) was engaged in a business or transaction for which their respective remaining assets constituted unreasonably small capital; or (4) intended to incur, or believed it would incur, debts beyond its ability to pay as such debts matured, such court may be asked to void the Distribution (in whole or in part) as a fraudulent conveyance and require that the stockholders return the Acuity Brands shares (in whole or in part) to NSI or require Acuity Brands to fund certain liabilities for the benefit of creditors. The measure of

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

insolvency for purposes of the foregoing would vary depending upon the jurisdiction whose law is being applied. Generally, however, NSI or Acuity Brands would be considered insolvent if the fair value of their respective assets was less than the amount of their respective liabilities or if they incurred debt beyond their ability to repay such debt as it matures.

As noted above, the NSI board of directors determined that the Distribution was permissible under applicable dividend and solvency laws. This conclusion was based on numerous factors including, but not limited to, the allocation of assets and liabilities contemplated by the Spin-off. The allocation of assets and liabilities associated with the Distribution left NSI appropriately capitalized with approximately \$5.0 million in debt. In addition, certain assets with substantial market value, such as the real property related to NSI's corporate headquarters, remained with NSI. Accordingly, management believes the likelihood that creditors of NSI could successfully challenge the Distribution is remote.

During the third quarter of fiscal 2003, a third party acquired NSI through a merger approved by NSI shareholders. Management believes that this transaction is strong confirmation that NSI was solvent at the time of the Distribution and remained solvent when it was acquired by the third party. The acquirer invested equity as well as funds borrowed from secured lenders. The willingness of the acquirer to invest funds, as well as the willingness of the lenders to loan funds to acquire NSI, represents an independent market assessment of NSI's continuing solvency which the Company believes further diminishes the likelihood that creditors of NSI could successfully challenge the Distribution.

Failure to Qualify as a Tax-Free Transaction Could Result in Substantial Liability

NSI and Acuity Brands intend for the Distribution to be tax-free for U.S. Federal income tax purposes, and management of Acuity Brands believes the Distribution was tax-free for U.S. Federal income tax purposes. The Distribution was conditioned upon the receipt by each of NSI and Acuity Brands of opinions from each of King & Spalding, counsel to NSI and Acuity Brands, and Ernst & Young LLP, special tax advisor to NSI and Acuity Brands, that for U.S. Federal income tax purposes the receipt of Acuity Brands shares by NSI stockholders was tax-free. Neither NSI nor Acuity Brands requested an advance ruling from the Internal Revenue Service as to the tax consequences of the Distribution. The opinions of King & Spalding and Ernst & Young LLP are subject to certain assumptions and the accuracy and completeness of certain factual representations and statements made by NSI and Acuity Brands and certain other data, documentation and other materials that each of King & Spalding and Ernst & Young LLP deemed necessary for purposes of their respective opinions. If these assumptions and factual representations were incorrect or incomplete in a material respect, the conclusions set forth in the opinions may not be correct. These opinions represent the views of King & Spalding and Ernst & Young LLP as to the interpretation of existing tax law and accordingly, such opinions are not binding on the Internal Revenue Service or the courts and no assurance can be given that the Internal Revenue Service or the courts will agree with their opinions.

If the Distribution does not qualify for tax-free treatment, a substantial corporate tax would be payable by the consolidated group of which NSI is the common parent measured by the difference between (1) the aggregate fair market value of the Acuity Brands shares on the Distribution Date and (2) NSI's adjusted tax basis in the Acuity Brands shares on the Distribution Date. The corporate level tax would be payable by NSI. However, Acuity Brands agreed under certain circumstances to indemnify NSI for all or a portion of this tax liability. This indemnification obligation, if triggered, could have a material adverse effect on the results of operations and financial position of Acuity Brands. In addition, under the applicable treasury regulations, each member of NSI's consolidated group (including Acuity Brands) is severally liable for such tax liability.

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

Furthermore, if the Distribution does not qualify as tax-free, each NSI stockholder who received Acuity Brands shares in the Distribution would be taxed as if he had received a cash dividend equal to the fair market value of his Acuity Brands shares on the Distribution Date.

Even if the Distribution qualifies as tax-free, NSI could nevertheless incur a substantial corporate tax liability under Section 355(e) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code" or the "Code"), if NSI or Acuity Brands were to undergo a change in control (whether by acquisition, additional share issuance or otherwise) pursuant to a plan or series of related transactions which include the Distribution. Any transaction, which occurs within the four-year period beginning two years prior to the Distribution, is presumed to be part of a plan or series of related transactions that includes the Distribution unless NSI establishes otherwise. Under certain circumstances, Acuity Brands would be obligated to indemnify NSI for all or a portion of this substantial corporate tax liability under the tax disaffiliation agreement. This indemnification obligation would have a material adverse effect on the results of operations and financial position of Acuity Brands.

As required under the tax disaffiliation agreement, King & Spalding issued an opinion to NSI to the effect that the third party acquisition of all of the outstanding shares of NSI through a merger and the transactions contemplated therein will not cause Section 355(e) or 355(f) of the Internal Revenue Code of 1986, as amended, to apply to NSI's spin-off of Acuity Brands.

Note 7: Acquisition and Dispositions

In October 2001, Acuity Brands acquired certain assets and assumed certain liabilities of the American Electric Lighting® and Dark-to-Light® product lines of the Thomas & Betts Corporation. The allocation of purchase price resulted in goodwill of approximately \$9.3 million. Additionally, the Company recorded \$2.5 million related to the trade names American Electric Lighting® and Dark-to-Light®. The Company will not amortize these trade names, as the Company believes the useful lives are indefinite. The Company believes that the acquisition provides the lighting equipment segment with greater presence in the utility and transportation infrastructure markets and adds breadth to the current utility offerings in high-end decorative street and area lighting. The allocation of the purchase price was as follows:

Current assets	\$11,601
Property, plant, and equipment	8,493
Intangibles	2,451
Goodwill	9,263
Liabilities	(7,043)
	<hr/>
	\$24,765

During fiscal 2001, as part of an initiative to refocus the overseas operations of the specialty products segment, Acuity Brands sold its Australian subsidiary resulting in a pre-tax loss of \$5.6 million. In addition, Acuity Brands sold its French operations, as well as certain trademarks and formulas for a pre-tax loss of \$9.0 million. The combined pre-tax loss of \$14.6 million is included in *Loss on sale of businesses* in the *Consolidated Statements of Income*.

Note 8: Restructuring Expense and Other Charges

During fiscal 2002, management realized lower than anticipated costs associated with severance charges in the lighting equipment segment. Accordingly, the related reserve was reversed and \$0.9 million in income was recorded and is included in *Restructuring and other charges* in the *Consolidated Statements of Income*.

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

During fiscal 2001, the lighting equipment segment incurred severance charges of \$1.6 million for the termination of 116 manufacturing and salaried employees, all of whom were terminated prior to the end of the fiscal year. Additionally, the specialty products segment recorded \$0.7 million of severance costs related to the termination of 18 manufacturing and salaried employees, all of whom were terminated prior to the end of the fiscal year. Unrelated to the severance charges, the lighting equipment and specialty products segments disposed of certain fixed assets, resulting in losses of \$1.4 million and \$0.4 million, respectively. The resulting losses were included in the *Consolidated Statements of Income* under the caption *Restructuring and other charges*.

Note 9: Income Taxes

Prior to the Distribution, Acuity Brands was included in the consolidated federal income tax return of NSI. The Company's provision for income taxes in the accompanying *Consolidated Statements of Income*, prior to the Distribution, reflects Federal, state, and foreign income taxes calculated using the separate return basis. Acuity Brands accounts for income taxes using the asset and liability approach as prescribed by SFAS No. 109, *Accounting for Income Taxes*. 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,		
	2003	2002	2001
Provision for current federal taxes	\$ 16,168	\$ 23,509	\$ 29,171
Provision for current state taxes	1,097	2,225	1,744
Provision for current foreign taxes	6,623	4,189	5,058
Provision for deferred taxes	2,911	889	(7,324)
Total provision for income taxes	\$ 26,799	\$ 30,812	\$ 28,649

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

	Years Ended August 31,		
	2003	2002	2001
Federal income tax computed at statutory rate	\$ 26,103	\$ 28,993	\$ 24,203
State income tax, net of federal income tax Benefit	891	1,657	1,342
Foreign and other, net	(195)	162	3,104
Total provision for income taxes	\$ 26,799	\$ 30,812	\$ 28,649

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, 2003 and 2002 include:

	August 31,	
	2003	2002
Deferred Income Tax Liabilities:		
Depreciation	\$ 2,054	\$ 1,745
Intangibles	52,041	47,900
Other liabilities	183	718
Total deferred income tax liabilities	54,278	50,363
Deferred Income Tax Assets:		
Self-insurance	(8,953)	(9,991)
Pension	(15,112)	(4,060)
Deferred compensation	(23,578)	(25,245)
Bonuses	(969)	—
Foreign tax losses	(605)	(959)
Other accruals not yet deductible	(11,898)	(10,025)
Other assets	(1,020)	(850)
Total deferred income tax assets	(62,135)	(51,130)
Net deferred income tax asset	\$ (7,857)	\$ (767)

At August 31, 2003, Acuity Brands had foreign net operating loss carryforwards of \$1.8 million that can be carried forward indefinitely.

Note 10: Quarterly Financial Data (Unaudited)

	Net Sales	Gross Profit	Income Before Taxes	Net Income	Basic Earnings Per Share	Pro Forma Basic Earnings Per Share*	Diluted Earnings Per Share
2003							
1st Quarter	\$ 505,226	\$ 206,960	\$ 16,390	\$ 10,490	\$ 0.25	n/a	\$ 0.25
2nd Quarter	489,387	195,333	12,002	7,681	0.19	n/a	0.19
3rd Quarter	521,041	218,624	23,941	15,322	0.37	n/a	0.37
4th Quarter	533,654	230,604	22,248	14,289	0.34	n/a	0.34
2002							
1st Quarter	\$ 481,691	\$ 196,510	\$ 18,600	\$ 11,534	n/a	\$ 0.28	n/a
2nd Quarter	468,245	189,982	17,033	10,558	\$ 0.26	n/a	\$ 0.26
3rd Quarter	507,576	208,392	23,506	14,571	0.35	n/a	0.35
4th Quarter	515,284	208,630	23,697	15,361	0.37	n/a	0.37

* Earnings per share for the periods prior to second quarter fiscal 2002 are pro forma. See Note 5 for additional information.

ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Note 11: Business Segment Information

	Net Sales	Operating Profit (Loss)	Total Assets	Depreciation Expense	Amortization Expense	Capital Expenditures and Acquisitions
2003						
ABL	\$ 1,538,751	\$ 96,825	\$ 1,033,532	\$ 33,664	\$ 3,158	\$ 20,063
ASP	510,557	31,313	215,116	8,356	32	8,024
Corporate	—	(17,862)	39,571	829	—	67
	<u>\$ 2,049,308</u>	<u>\$ 110,276</u>	<u>\$ 1,288,219</u>	<u>\$ 42,849</u>	<u>\$ 3,190</u>	<u>\$ 28,154</u>
2002						
ABL	\$ 1,474,882	\$ 89,553	\$ 1,100,175	\$ 36,323	\$ 4,196	\$ 47,342
ASP	497,914	44,931	220,165	8,047	120	10,456
Corporate	—	(14,357)	37,614	808	—	449
	<u>\$ 1,972,796</u>	<u>\$ 120,127</u>	<u>\$ 1,357,954</u>	<u>\$ 45,178</u>	<u>\$ 4,316</u>	<u>\$ 58,247</u>
2001						
ABL	\$ 1,468,558	\$ 118,829	\$ 1,082,676	\$ 36,197	\$ 14,861	\$ 37,389
ASP	514,142	41,337	211,579	8,131	3,104	8,912
Corporate	—	(20,577)	36,320	618	—	1,310
	<u>\$ 1,982,700</u>	<u>\$ 139,589</u>	<u>\$ 1,330,575</u>	<u>\$ 44,946</u>	<u>\$ 17,965</u>	<u>\$ 47,611</u>

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

	2003	2002	2001
Net Sales (1)			
Domestic (3)	\$ 1,779,569	\$ 1,749,387	\$ 1,749,498
International	269,739	223,409	233,202
	<u>\$ 2,049,308</u>	<u>\$ 1,972,796</u>	<u>\$ 1,982,700</u>
Operating profit			
Domestic (3)	\$ 94,325	\$ 114,877	\$ 130,044
International	15,951	5,250	9,545
	<u>\$ 110,276</u>	<u>\$ 120,127</u>	<u>\$ 139,589</u>
Long-lived assets (2)			
Domestic (3)	\$ 663,355	\$ 696,447	\$ 730,590
International	66,312	70,510	40,869
	<u>\$ 729,667</u>	<u>\$ 766,957</u>	<u>\$ 771,459</u>

(1) Net Sales are attributed to each country based on the selling location.

(2) Long-lived assets include net property, plant, and equipment, goodwill and intangibles, and other long-term assets.

(3) Domestic amounts include net sales, operating profit, and long-lived assets for U.S. based operations.

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

At a meeting held on April 29, 2002, the Audit Committee of the board of directors of Acuity Brands voted to dismiss Arthur Andersen LLP as its independent accountant effective April 30, 2002 and approved the engagement of Ernst & Young LLP as its independent auditor for the fiscal year ending August 31, 2002. Further information is contained in the Company's Form 8-K filed with the Securities and Exchange Commission (the "Commission") on April 30, 2002 and is incorporated herein by reference.

Item 9a. Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to 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 ("Commission") rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to 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 Commission rules, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of August 31, 2003. 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. In addition, consistent with past practices, the Company has continued to enhance its disclosure controls and procedures during fiscal 2003 including formalizing certain policies and procedures, primarily those involving analyzing and reporting the financial results of its businesses. However, because all disclosure procedures must rely to some 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, 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 not be detected.

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 and includes those policies and procedures that: (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer; (b) 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 issuer are being made only in accordance with appropriate authorizations of management and directors of the issuer; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the financial statements. There were no significant changes to the Company's internal control structure over financial reporting during the fourth quarter of fiscal 2003 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 Three-Year Term Expiring at the 2006 Annual Meeting* and *Directors with Terms Expiring at the 2004 and 2005 Annual Meetings* of the Company's proxy statement for the annual meeting of stockholders to be held December 18, 2003, 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 December 18, 2003, 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 December 18, 2003, 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, Other Information Concerning the Board and its Committees, Compensation Committee Interlocks and Insider Participation, Summary Compensation Table, Option Grants in Last Fiscal Year, Aggregated Option Exercises and Fiscal Year-End Option Values, Employment Contracts, Severance Arrangements, and Other Agreements, and Pension and Supplemental Retirement Benefits* of the Company's proxy statement for the annual meeting of stockholders to be held December 18, 2003, 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 Corporation'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 December 18, 2003, 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 December 18, 2003, 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 Auditors* of the Company's proxy statement for the annual meeting of stockholders to be held December 18, 2003, filed with the Commission pursuant to Regulation 14A, and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

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

(1) Report of Management

Report of Independent Auditors (Ernst & Young LLP)

Report of Independent Public Accountants (Arthur Andersen LLP)

Consolidated Balance Sheets –as of August 31, 2003 and 2002

Consolidated Statements of Income for the years ended August 31, 2003, 2002, and 2001

Consolidated Statements of Stockholders' Equity and Comprehensive Income for the years ended August 31, 2003, 2002, and 2001

Consolidated Statements of Cash Flows for the years ended August 31, 2003, 2002, and 2001

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.

(b) The Company filed Current Reports on Form 8-K on June 25, 2003 related to the Company's third quarter 2003 earnings release, on August 25, 2003 related to the appointment of Jay M. Davis to the Company's Board of Directors, and on August 29, 2003 related to the settlement of the patent infringement suit brought against it by Genlyte Thomas Group, LLC.

INDEX TO EXHIBITS

EXHIBIT 2	Agreement and Plan of Distribution by and between National Service Industries, Inc. and Acuity Brands, Inc., dated as of November 30, 2001.	Reference is made to Exhibit 2.1 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
EXHIBIT 3	(a) Restated Certificate of Incorporation of Acuity Brands, Inc.	Reference is made to Exhibit 3.1 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
	(b) Amended and Restated By-Laws of Acuity Brands, Inc.	Reference is made to Exhibit 3.2 of registrant's Form 8-K as filed with the Commission on December 14, 2001, 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, dated as of November 12, 2001, between Acuity Brands, Inc. and Wells Fargo Bank Minnesota, N.A.	Reference is made to Exhibit 4.2 of registrant's Form 8-K as filed with the Commission on December 14, 2001, 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.

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EXHIBIT 10(i)A	(1)	Tax Disaffiliation Agreement, dated as of November 30, 2001, by and between National Service Industries, Inc. and Acuity Brands, Inc.	Reference is made to Exhibit 10.1 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
	(2)	Transition Services Agreement, dated as of November 30, 2001, by and between National Service Industries, Inc. and Acuity Brands, Inc.	Reference is made to Exhibit 10.2 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
	(3)	Agreement and Plan of Distribution, dated as of November 30, 2001, by and between National Service Industries, Inc. and Acuity Brands, Inc.	Reference is made to Exhibit 2.1 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
	(4)	Employee Benefits Agreement, by and between National Service Industries, Inc. and Acuity Brands, Inc., dated as of November 30, 2001.	Reference is made to Exhibit 10.4 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
	(5)	Put Option Agreement, dated as of November 30, 2001, by and between National Service Industries, Inc. and Acuity Brands, Inc.	Reference is made to Exhibit 10.24 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
	(6)	Lease Agreement, dated as of November 30, 2001, by and between National Service Industries, Inc. and Acuity Brands, Inc.	Reference is made to Exhibit 10.9 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
	(7)	364-Day Revolving Credit Agreement, dated as of October 3, 2001, among L&C Spinco, Inc., the Subsidiary Borrowers from time to time parties hereto, the Lenders from time to time parties hereto, Bank One, NA, as Administrative Agent, Wachovia Bank, N.A., as Syndication Agent and SunTrust Bank as Documentation Agent.	Reference is made to Exhibit 10.23 to Amendment No. 4 to the Registration Statement on Form 10, filed by L&C Spinco, Inc. on October 29, 2001, which is incorporated herein by reference.
	(8)	364-Day Revolving Credit Agreement dated as of April 8, 2002, among Acuity Brands, Inc., the Subsidiary Borrowers from time to time parties 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 registrant's Form 10-Q as filed with the Commission on April 12, 2002, which is incorporated herein by reference.

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| (9) | Assignment Agreement and Amendment to Increase Aggregate Commitment to 364-Day Revolving Credit Agreement, dated as of May 14, 2002, by and among Bank One, NA and Wachovia Bank, N.A., Dresdner Bank AG New York & Grand Cayman Branches, Acuity Brands, Inc., Acuity Lighting Group, Inc. and Acuity Specialty Products Group, Inc., and Bank One, NA, in its capacity as Administrative Agent. | Reference is made to Exhibit 10(i)A(1) of registrant's Form 10-Q as filed with the Commission on July 12, 2002, which is incorporated herein by reference. |
| (10) | 3-Year Revolving Credit Agreement, dated as of April 8, 2002, among Acuity Brands, Inc., the Subsidiary Borrowers 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(2) of registrant's Form 10-Q as filed with the Commission on April 12, 2002, which is incorporated herein by reference. |
| (11) | Assignment Agreement and Amendment to Increase Aggregate Commitment to 3-Year Revolving Credit Agreement, dated as of May 14, 2002, by and among Bank One, NA and Wachovia Bank, N.A., Dresdner Bank AG New York & Grand Cayman Branches, Acuity Brands, Inc., Acuity Lighting Group, Inc. and Acuity Specialty Products Group, Inc., and Bank One, NA, in its capacity as Administrative Agent. | Reference is made to Exhibit 10(i)A(2) of registrant's Form 10-Q as filed with the Commission on July 12, 2002, which is incorporated herein by reference. |
| (12) | 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. |
| (13) | 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. |
| (14) | 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. |

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(15)	Amendment No. 1 to 3-Year Revolving Credit Agreement.	Reference is made to Exhibit 10 (i)A(2) of the registrant's Form 10-Q as filed with the Commission on April 14, 2003, which is incorporated by reference.
(16)	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.
(17)	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.
(18)	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.
(19)	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.	Filed with the Securities and Exchange Commission as part of this Form 10-K.
(20)	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.	Filed with the Securities and Exchange Commission as part of this Form 10-K.
(21)	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 know as L&C Funding, Inc., as Buyer.	Filed with the Securities and Exchange Commission as part of this Form 10-K.
(22)	Performance Undertaking dated as of September 2, 2003, executed by Acuity Brands, Inc. in favor of Acuity Unlimited, Inc..	Filed with the Securities and Exchange Commission as part of this Form 10-K.

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	(23)	Performance Undertaking dated as of September 2, 2003, executed by Acuity Brands, Inc. in favor of Acuity Enterprise, Inc..	Filed with the Securities and Exchange Commission as part of this Form 10-K.
EXHIBIT 10(iii)A		Management Contracts and Compensatory Arrangements:	
	(1)	Acuity Brands, Inc. Long-Term Incentive Plan.	Reference is made to Exhibit 10.5 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
	(2)	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.
	(3)	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.
	(4)	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.
	(5)	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.
	(6)	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.
	(7)	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.
	(8)	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.

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| (9) | Acuity Brands, Inc. Nonemployee Director Deferred Stock Unit Plan. | Reference is made to Exhibit 10.17 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. 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. |
| (11) | 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. |
| (12) | Acuity Brands, Inc. Management Compensation and Incentive Plan. | Reference is made to Exhibit 10.20 of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference. |
| (13) | 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. |
| (14) | Assumption Letter of Acuity Brands, Inc. with respect to Employment Letter Agreement between National Service Industries, Inc. and James S. Balloun. | Reference is made to Exhibit 10.22(a)(i) of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference. |
| (15) | Employment Letter Agreement between National Service Industries, Inc. and James S. Balloun, dated February 1, 1996. | Reference is made to Exhibit 10(iii)A(2) of the Form 10-Q of National Service Industries, Inc. for the quarter ended November 30, 1997, which is incorporated herein by reference. |
| (16) | 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. |
| (17) | 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 the Form 10-Q of National Service Industries, Inc. for the quarter ended May 31, 2000, which is incorporated herein by reference. |

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(18)	Assumption Letter of Acuity Brands, Inc., with respect to Employment Letter Agreement between National Service Industries, Inc. and James H. Heagle.	Reference is made to Exhibit 10.22(c) of registrant's Form 8-K as filed with the Commission on December 14, 2001, which is incorporated herein by reference.
(19)	Employment Letter Agreement between National Service Industries, Inc. and James H. Heagle, dated March 28, 2000.	Reference is made to Exhibit 10.22(d) to Amendment No. 3 to the Registration Statement on Form 10, filed by L&C Spinco, Inc. on September 27, 2001, which is incorporated herein by reference.
(20)	Employment Letter Agreement between Acuity Brands, Inc. and Vernon J. Nagel, dated as of October 30, 2001.	Reference is made to Exhibit 10(iii)A(20) of registrant's Form 10-Q as filed with the Commission on January 14, 2002, which is incorporated herein by reference.
(21)	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.
(22)	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.
(23)	Amendment No. 1 to Acuity Brands, Inc. Supplemental Deferred Savings Plan.	Reference is made to Exhibit 10 (iii)A(2) of the registrant's Form 10-Q as filed with the Commission on January 14, 2003, which is incorporated by reference.
(24)	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.
(25)	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.
(26)	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.

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(27)	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.
(28)	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.
(29)	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.
(30)	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.
(31)	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.
(32)	Form of Severance Agreement.	Filed with the Securities and Exchange Commission as part of this Form 10-K.
EXHIBIT 14	Code of Ethics and Business Conduct.	Filed with the Securities and Exchange Commission as part of this Form 10-K.
EXHIBIT 16	Letter of Arthur Andersen regarding Change in Certifying Accountant.	Reference is made to Exhibit 16 of registrant's Form 8-K/A as filed with the Commission on May 1, 2002, which is incorporated herein by reference.
EXHIBIT 21	List of Subsidiaries.	Filed with the Securities and Exchange Commission as part of this Form 10-K.
EXHIBIT 23	Consent of Independent Auditors.	Filed with the Securities and Exchange Commission as part of this Form 10-K.
EXHIBIT 24	Powers of Attorney.	Filed with the Securities and Exchange Commission as part of this Form 10-K.

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EXHIBIT 31	(a)	Rule 13a-14(a)/15d-14(a) Certification, signed by James S. Balloun.	Filed with the Securities and Exchange Commission as part of this Form 10-K.
	(b)	Rule 13a-14(a)/15d-14(a) Certification, signed by Vernon J. Nagel.	Filed with the Securities and Exchange Commission as part of this Form 10-K.
EXHIBIT 32	(a)	Section 1350 Certification, signed by James S. Balloun.	Filed with the Securities and Exchange Commission as part of this Form 10-K.
	(b)	Section 1350 Certification, signed by Vernon J. Nagel.	Filed with the Securities and Exchange Commission as part of this Form 10-K.

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 31, 2003

By: /s/ Vernon J. Nagel

Vernon J. Nagel
Executive Vice President and
Chief Financial 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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ James S. Balloun _____ James S. Balloun	Chairman, President, and Chief Executive Officer and Director	October 31, 2003
/s/ Vernon J. Nagel _____ Vernon J. Nagel	Executive Vice President and Chief Financial Officer	October 31, 2003
_____ L. M. Baker, Jr.	Director	October 31, 2003
_____ *	Director	October 31, 2003
_____ Peter C. Browning		
_____ *	Director	October 31, 2003
_____ John L. Clendenin		
_____ Jay M. Davis	Director	October 31, 2003
_____ *	Director	October 31, 2003
_____ Earnest W. Deavenport, Jr.		
_____ *	Director	October 31, 2003
_____ Robert F. McCullough		
_____ *	Director	October 31, 2003
_____ Julia B. North		
_____ *	Director	October 31, 2003
_____ Ray M. Robinson		
_____ *	Director	October 31, 2003
_____ Neil Williams		
*By: /s/ Kenyon W. Murphy _____ Kenyon W. Murphy	Attorney-in-Fact	October 31, 2003

Schedule II
Acuity Brands, Inc.
Valuation and Qualifying Accounts
for the Years Ended August 31, 2003, 2002, and 2001
(In thousands)

	Balance at Beginning of Year	Additions Charged to		Deductions	Balance at End of Year
		Costs and Expenses	Other Accounts(1)		
Year Ended August 31, 2003:					
Reserve for doubtful accounts	\$ 8,560	4,399	—	4,325	\$ 8,634
Reserve for estimated warranty costs	\$ 6,879	1,809	—	4,399	\$ 4,289
Reserve for estimated returns and allowances	\$ 4,317	57,166	—	56,180	\$ 5,303
Self-insurance reserve (2)	\$ 21,650	14,165	—	12,407	\$ 23,408
Year Ended August 31, 2002:					
Reserve for doubtful accounts	\$ 8,195	5,445	55	5,135	\$ 8,560
Reserve for estimated warranty costs	\$ 1,823	3,003	6,209	4,156	\$ 6,879
Reserve for estimated returns and allowances	\$ 4,079	57,206	—	56,968	\$ 4,317
Self-insurance reserve (2)	\$ 17,938	13,007	—	9,295	\$ 21,650
Reserve for restructuring (3)	\$ 2,130	(853)	—	1,277	\$ —
Year Ended August 31, 2001:					
Reserve for doubtful accounts	\$ 6,570	4,930	—	3,305	\$ 8,195
Reserve for warranty costs	\$ 1,164	1,806	—	1,147	\$ 1,823
Reserve for estimated returns and allowances	\$ 4,006	37,266	—	37,193	\$ 4,079
Self-insurance reserve (2)	\$ 13,621	11,254	—	6,937	\$ 17,938
Reserve for restructuring	\$ —	2,298	—	168	\$ 2,130

(1) Recoveries credited to the reserve and reserves recorded in acquisitions.

(2) Includes reserves for workers' compensation, auto, product, and general liability claims.

(3) During fiscal 2002, management realized lower than anticipated costs associated with severance charges in the lighting equipment segment. Accordingly, the related reserve was reversed and \$0.9 million in income was recorded and is included in *Restructuring and other charges* in the *Consolidated Statements of Income*.

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

CREDIT AND SECURITY AGREEMENT

THIS CREDIT AND SECURITY AGREEMENT, dated as of September 2, 2003 is entered into by and among:

- (a) Acuity Enterprise, Inc. ("**AEI**"), a Delaware corporation, and Acuity Unlimited, Inc. ("**AUI**"), a Delaware corporation (each, a "**Borrower**" and collectively, the "**Borrowers**"),
- (b) Acuity Specialty Products Group, Inc. ("**ASP**"), a Delaware corporation, and Acuity Lighting Group, Inc. ("**ALG**"), a Delaware corporation, as initial Servicers (the Servicers, together with the Borrowers, 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) Blue Ridge Asset Funding Corporation, a Delaware corporation ("**Blue Ridge**"), 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.

PRELIMINARY STATEMENTS

Each of the Borrowers desires to borrow from the Lenders from time to time.

Blue Ridge may, in its absolute and sole discretion, make Advances to the Borrowers, jointly and severally, from time to time.

In the event that Blue Ridge declines to make any Advance, the Liquidity Banks shall, at the request of either of the Borrowers, make Advances from time to time.

Wachovia Bank, National Association has been requested and is willing to act as Agent on behalf of Blue Ridge 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) Any Borrower may, at its option, request Advances from the Lenders in an aggregate principal amount at any one time outstanding not to exceed such Borrower's Borrowing Base and provided that the aggregate principal amount of both Borrowers' Advances outstanding at any one time shall not exceed the Aggregate Commitment; and

(ii) Blue Ridge may, at its option, make the requested Advance, or if Blue Ridge 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 joint and several obligations of the Borrowers secured by the Collateral as provided in Article XIII. It is the intent of Blue Ridge to fund all Advances by the issuance of Commercial Paper.

(b) Either or both Borrowers may, at their 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.

Section 1.2 Increases. The Borrowers (or the Servicers on their 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 Borrowers (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 Blue Ridge agrees to make each requested Advance. If Blue Ridge declines to make a proposed Advance, the applicable Borrower(s) 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, Blue Ridge or the Liquidity Banks, as applicable, shall wire transfer to the applicable 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 Blue Ridge, 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, a 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 to such Borrower. 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 such Borrower to be reduced which shall be applied ratably to such Borrower's Loans from

Blue Ridge and the Liquidity Banks in accordance with the amount of principal (if any) owing by such Borrower to Blue Ridge, on the one hand, and the amount of principal (if any) owing by such Borrower 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 from each Borrower 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 any 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 any 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 applicable Borrower set forth in Section 5.1(i), (j), (q), (r), (s) or (t) were not true when made with respect to any Receivable pledged by such Borrower,

then, on such day, the applicable 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 such Borrower shall be reduced by the amount of such Deemed Collection.

(b) Each of the Borrowers shall ensure that the aggregate principal balance of the Advances outstanding to such Borrower at no time exceeds its 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 a Borrower exceeds its Borrowing Base, the Borrowers jointly and severally agree 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 to such Borrower is less than or equal to its Borrowing Base. If at any time the Aggregate Principal exceeds the Aggregate Commitment, the

Borrowers jointly and severally agree 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 Borrowers, the Agent may debit one or both Borrowers' 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 to a Borrower by Blue Ridge 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 applicable 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 Blue Ridge to fund each requested Advance through the issuance of its Commercial Paper, the parties acknowledge that if Blue Ridge 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, Blue Ridge 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 Borrowers 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 Blue Ridge or the sale of one or more participations in a Loan made by Blue Ridge, 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 applicable Borrower in the amount of its Liquidity Funding.

(d) Nothing herein shall be deemed to commit Blue Ridge to make Loans.

ARTICLE II.

PAYMENTS AND COLLECTIONS

Section 2.1 Payments. The Borrowers, jointly and severally, hereby promise 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 Borrowers for the Obligations under Section 2.1:

(a) On each Settlement Date prior to the Amortization Date, each of the Servicers shall deposit to the Agent's Account, for distribution to the Lenders, a portion of the Collections received by such Servicer during the preceding Settlement Period (after deduction of its Prior Month's Percentage of the Servicing Fee) 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 Borrowers or otherwise in accordance with the Borrowers' 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 Borrowers shall make demand upon ALG and/or ASP 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 each of ALG and ASP 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, each of ALG and ASP 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 each of ALG and ASP.

(b) Without limiting recourse to the Borrowers for the Obligations under Section 2.1, on the Amortization Date and on each day thereafter, each of the Servicers shall set aside and hold in trust for the Secured Parties, all Collections received by such Servicer on such day. On and after the Amortization Date, each of the Servicers shall, on each Settlement Date and on each other Business Day specified by the Agent (after deduction of its Prior Month's Percentage 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 Borrowers or otherwise in accordance with the Borrowers' 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 Borrowers shall remain jointly and severally 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.

BLUE RIDGE FUNDING

Section 3.1 CP Costs. The Borrowers, jointly and severally, agree to pay CP Costs with respect to the principal balance of each of Blue Ridge's Loans from time to time outstanding. Each Loan of Blue Ridge 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 Blue Ridge 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, Blue Ridge 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 Borrowers of such aggregate amount.

Section 3.3 CP Costs Payments. On each Settlement Date, the Borrowers, jointly and severally, agree to pay to the Agent (for the benefit of Blue Ridge) 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 Blue Ridge 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 applicable 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 Blue Ridge 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 Blue Ridge 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 Borrowers, jointly and severally, agree 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 applicable 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 applicable 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) A 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 applicable Borrower may select the LIBO Rate or the Alternate Base Rate for each Liquidity Funding. The applicable 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 applicable 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 applicable 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 applicable Borrower, Blue Ridge 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 applicable 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. Neither Borrower is 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. AUI (i) is the legal and beneficial owner of the Receivables originated by ALG 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 AUI's ownership interest in each such Receivable, its Collections and the Related Security and the Agent's security interest therein. AEI (i) is the legal and beneficial owner of the Receivables originated by ASP 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 AEI'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 each 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. Each 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. Neither Borrower has 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 July 1, 2003 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 each 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, neither Borrower has 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 a Holding Company or an Investment Company. Neither Borrower is a "holding company" or a "subsidiary holding company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or any successor statute. Neither Borrower is an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or any successor statute.

(p) Compliance with Law. Each 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. Each 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 each Borrower accounts for the transactions contemplated by the Receivables Sale Agreement to which it is a party 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 to each Borrower is less than or equal to its Borrowing Base, and the Aggregate Principal outstanding to both Borrowers 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, Blue Ridge 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 Servicers 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 each 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 each of the Borrowers will not exceed its 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 each of the Borrowers for such Fiscal Year, certified in a manner acceptable to the Agent by such 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 each of the Borrowers for such Fiscal Quarter, certified in a manner acceptable to the Agent by such 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 Blue Ridge, 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 Blue Ridge, 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 each of ALG and ASP.

(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 either of the Receivables Sale Agreements.

(vi) Notices under Receivables Sale Agreements. Copies of all notices delivered under either 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) ALG, ASP 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) each of ALG and ASP 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 Borrowers or the Servicers 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 Servicers 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 Servicers 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 Agreements. Each Borrower will, and will require each Originator to, perform each of their respective obligations and undertakings under and pursuant to the Receivables Sale Agreements, will purchase Receivables thereunder in strict compliance with the terms of the applicable Receivables Sale Agreement and will vigorously enforce the rights and remedies accorded to such Borrower under the applicable Receivables Sale Agreement. Each Borrower will take all actions to perfect and enforce its rights and interests (and the rights and interests of the Agent, as such Borrower's assignee) under the applicable 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 such Receivables Sale Agreement.

(h) Ownership. Each 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 applicable Receivables Sale Agreement irrevocably in such 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 such Borrower's interest in such Collateral and such other action to perfect, protect or more fully evidence the interest of such 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. Each Borrower acknowledges that the Agent and Blue Ridge are entering into the transactions contemplated by this Agreement in reliance upon the Borrowers' identities as legal entities that are separate from the Originators. Therefore, from and after the date of execution and delivery of this Agreement, each Borrower shall take all reasonable steps, including, without limitation, all steps that the Agent or Blue Ridge may from time to time reasonably request, to maintain such Borrower's identity as a separate legal entity and to make it manifest to third parties that such Borrower is an entity with assets and liabilities distinct from those of each Originator and any Affiliates thereof (other than such Borrowers) and not just a division of any Originator or any such Affiliate. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, each Borrower will:

(A) conduct its own business in its own name;

(B) compensate all employees, consultants and agents directly, from such Borrower's own funds, for services provided to such Borrower by such employees, consultants and agents and, to the extent any employee, consultant or agent of such Borrower is also an employee, consultant or agent of any Originator or any Affiliate thereof, allocate the compensation of such employee, consultant or agent between such Borrower and such Originator or such Affiliate, as applicable, on a basis that reflects the services rendered to such Borrower and such 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 any Originator, each 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 such Borrower and such 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 such Borrower or (C) the initiation of, participation in, acquiescence in or consent to any bankruptcy, insolvency, reorganization or similar proceeding involving such Borrower, are duly authorized by unanimous vote of its Board of Directors (including the Independent Director);

(H) maintain such 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 any Originator or any Affiliate thereof;

(I) prepare its financial statements separately from those of each Originator and insure that any consolidated financial statements of any Originator or any Affiliate thereof that include such Borrower and that are filed with the Securities and Exchange Commission or any other governmental agency have notes clearly stating that such Borrower is a separate corporate entity and that its assets will be available first and foremost to satisfy the claims of the creditors of such Borrower;

(J) except as herein specifically otherwise provided, maintain the funds or other assets of such Borrower separate from, and not commingled with, those of any Originator or any Affiliate thereof and only maintain bank accounts or other depository accounts to which such Borrower alone is the account party, into which such Borrower alone makes deposits and from which such Borrower alone (or the Agent hereunder) has the power to make withdrawals;

(K) pay all of such Borrower's operating expenses from such Borrower's own assets (except for certain payments by any 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 Agreements; 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 Agreements, to make payment to the applicable Originator thereunder for the purchase of Receivables from such Originator under the applicable 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 Agreements, such that it does not amend, restate, supplement, cancel,

terminate or otherwise modify either Receivables Sale Agreement or give any consent, waiver, directive or approval thereunder or waive any default, action, omission or breach under either 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 applicable 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 Borrowers, 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 a Borrower or any Affiliate of a Borrower, such 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, such Borrower will itself hold or, if applicable, will cause such payments to be held in trust for the exclusive benefit of the Agent and Blue Ridge. Each 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. Each 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 Blue Ridge.

(l) Payment to Applicable Originator. With respect to any Receivable purchased by a Borrower from any Originator, such sale shall be effected under, and in strict compliance with the terms of, the applicable Receivables Sale Agreement, including, without limitation, the terms relating to the amount and timing of payments to be made to such 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 Servicers 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 any 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 Servicers will not, and will not permit any 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. Neither Borrower will 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 each 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 such Borrower or any Originator (other than Permitted Encumbrances). Neither Borrower will 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. Neither Borrower will use the proceeds of the Advances for any purpose other than (i) paying for Receivables and Related Security under and in accordance with the applicable Receivables Sale Agreement, (ii) making Demand Advances to the Originator from whom such Borrower purchased Receivables at any time prior to the Facility Termination Date while such 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. Neither Borrower will designate the Termination Date (as defined in the Receivables Sale Agreement to which it is a party), 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 such Receivables Sale Agreement.

(g) Restricted Junior Payments. Neither Borrower will make any Restricted Junior Payment if after giving effect thereto, such Borrower's Net Worth (as defined in the Receivables Sale Agreement to which it is a party) would be less than the Required Capital Amount (as defined in such Receivables Sale Agreement).

(h) Borrower Indebtedness. Neither Borrower will 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 and the other Transaction Documents) 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 Servicers.

(a) The servicing, administration and collection of the Receivables shall be conducted by such Person(s) (each, a "**Servicer**") so designated from time to time in accordance with this Section 8.1. Each of ALG and ASP is hereby designated as, and hereby agrees to perform the duties and obligations of, a Servicer pursuant to the terms of this Agreement with respect to the Receivables originated by it. The Agent may at any time following the occurrence of an Amortization Event designate as Servicer(s) any Person(s) to succeed ALG and ASP or any successor Servicer(s) **provided that** the Rating Agency Condition is satisfied.

(b) Without the prior written consent of the Agent and the Required Liquidity Banks, ALG and ASP shall not be permitted to delegate any of their duties or responsibilities as Servicers 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) ALG and ASP 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 Servicers hereunder and (ii) the Agent and the Lenders shall be entitled to deal exclusively with ALG and ASP in matters relating to the discharge by the Servicers of their 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 ALG, ASP and the Borrowers in order for communication to the Servicers and their sub-servicers or other delegates with respect thereto to be accomplished. ALG and ASP, at all times that they are the Servicers, shall be responsible for providing any sub-servicer or other delegate of either of the Servicers with any notice given to the Servicers under this Agreement.

Section 8.2 Duties of Servicers.

(a) Each of ALG and ASP, as a Servicer (or their respective successors) shall take or cause to be taken all such actions as may be necessary or advisable to collect each Receivable originated by ALG or ASP, as the case may be, 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 Servicers will instruct all Obligors to pay all Collections directly to a Lock-Box or Collection Account. The Servicers 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 Servicers, to not constitute Collections or other proceeds of the Receivables or the Related Security, the Servicers 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 Servicers, and the Servicers thereupon promptly shall instruct all Obligors with respect to the Receivables, to remit all payments thereon to a new depository account specified by the Agent and, at all times thereafter, the Borrowers and the Servicers shall not deposit or otherwise credit, and shall not permit any other Person to deposit or otherwise credit to such new depository account any cash or payment item other than Collections.

(c) The Servicers shall administer the Collections in accordance with the procedures described herein and in Article II. The Servicers shall set aside and hold in trust for the account of Borrowers and the Lenders their respective shares of the Collections in accordance with Article II. The Servicers 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 Servicers or the Borrowers prior to the remittance thereof in accordance with Article II. If the Servicers shall be required to segregate Collections pursuant to the preceding sentence, each of the Servicers 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 such Servicer of such Collections, duly endorsed or with duly executed instruments of transfer.

(d) Each of the Servicers may, in accordance with the Credit and Collection Policy, extend the maturity of any Receivable for which such Servicer is responsible or adjust the Outstanding Balance of any such Receivable as such 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, each of the Servicers 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 any Originator or Servicer to any third party.

(e) The Servicers shall hold in trust for the Borrowers 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 Servicers shall, as soon as practicable following receipt thereof turn over to the applicable Borrower any cash collections or other cash proceeds received with respect to Indebtedness not constituting Receivables. The Servicers 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 any Originator or any 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. Each of the Borrowers 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 either 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. Each of the Borrowers hereby authorizes the Agent, and agrees that the Agent shall be entitled (i) at any time after delivery of the Collection Notices, to endorse such 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 Borrowers. Anything herein to the contrary notwithstanding, the exercise by the Agent and the Lenders of their rights hereunder shall not release any Servicer, any Originator or any 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 any Borrower or Originator.

Section 8.5 Monthly Reports. The Servicers 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 each Servicer's servicing activities on their behalf, the Borrowers hereby jointly and severally agree to pay each Servicer its Prior Month's Percentage of the Servicing Fee in arrears on each Settlement Date. Notwithstanding the fact that Sections 2.2 and 2.3 authorize each Servicer to deduct its Prior Month's Percentage of the Servicing Fee from Collections, the Borrowers are 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 to either Borrower exceeding its 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 either Borrower to pay any Debt (other than the Obligations) when due or the default by either 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 either 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 Blue Ridge 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 applicable 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 Servicers on such date and the application thereof to the Obligations in accordance with this Agreement, the aggregate principal balance of the Advances outstanding to either Borrower shall exceed its 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 Borrowers and the Servicers, 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) each of the Borrowers, jointly and severally, hereby agrees to indemnify (and pay upon demand to) the Agent, Blue Ridge, 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 Servicers, jointly and severally, hereby agree 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 Servicers’ activities as Servicers 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 Blue Ridge, 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 Borrowers 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 Borrowers, jointly and severally, 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 Borrowers or the Servicers) relating to or resulting from:

(i) any representation or warranty made by any Loan Party or any 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 any 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 any Originator to keep or perform any of its obligations, express or implied, with respect to any Contract;

(iii) any failure of any 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 any 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 any 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 any Borrower to give reasonably equivalent value to the applicable Originator under the applicable Receivables Sale Agreement in consideration of the transfer by such 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 Borrowers, jointly and severally, agree 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 Borrowers notice within the ninety (90) day time limitation prescribed above, Borrower shall have no obligation to pay such claim for compensation hereunder. Borrowers 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 a 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 Borrowers 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 Borrowers hereunder or any right of any Funding Source hereunder

Section 10.3 Other Costs and Expenses. The Borrowers, jointly and severally, agree to pay to the Agent and Blue Ridge 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 Blue Ridge's auditors auditing the books, records and procedures of Borrowers, reasonable fees and out-of-pocket expenses of legal counsel for Blue Ridge and the Agent (which such counsel may be employees of Blue Ridge or the Agent) with respect thereto and with respect to advising Blue Ridge and the Agent as to their respective rights and remedies under this Agreement. The Borrowers, jointly and severally, agree 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 Borrowers, jointly and severally, agree to reimburse Blue Ridge on demand for all other reasonable costs and expenses actually incurred by Blue Ridge ("**Other Costs**"), including, without limitation, the cost of auditing Blue Ridge'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 Blue Ridge or any counsel for any shareholder of Blue Ridge with respect to advising Blue Ridge or such shareholder as to matters relating to Blue Ridge's operations.

Section 10.4 Allocations. Blue Ridge 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 Borrowers and other Persons with whom Blue Ridge has entered into agreements to purchase interests in or finance receivables and other financial assets ("**Other Customers**"). If any Other Costs are attributable to Borrowers 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, Borrowers 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 Blue Ridge in its sole discretion and shall be binding on the Borrowers and the Servicers.

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 Borrowers), 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 Blue Ridge 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 Blue Ridge 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 Borrowers 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 Borrowers or any Affiliate of the Borrowers 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 Blue Ridge 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 Borrowers 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 Blue Ridge 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 Blue Ridge (and, if no Amortization Event then exists, the Borrowers, 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 Blue Ridge, an enforceability opinion in form and substance satisfactory to the Agent and Blue Ridge. 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 Borrowers, the Lenders or the Agent shall be required. The Agent shall give the Borrowers and the Servicers 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 Borrowers and the Servicers thereof and shall be obliged, at the request of Blue Ridge 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 Blue Ridge (and, if no Amortization Event then exists, the Borrowers, 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, Blue Ridge 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, each of the Borrowers hereby grants to the Agent, for the benefit of the Secured Parties, a security interest in, all of such 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 Borrowers 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 Borrowers' 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). Blue Ridge, the Borrowers 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 Borrowers or the Servicers, (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 either of the Borrowers 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 Borrowers, the Agent may amend this Agreement solely to add additional Persons as Liquidity Banks hereunder and (ii) the Agent, the Required Liquidity Banks and Blue Ridge 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 Borrowers, **provided that** such amendment has no negative impact upon the Borrowers. 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 Borrowers, the Servicers, 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, teletype or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or teletype numbers set forth on the signature pages hereof or at such other address or teletype 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 teletype, 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. Each 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 such Borrower. Each Borrower agrees to deliver promptly to the Agent a written confirmation of each telephonic notice signed by an authorized officer of such 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) Each 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 applicable Borrower and/or Servicer to, notify the Obligors of Receivables, at the Borrowers' 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 applicable 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 Borrowers 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 each 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 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 Blue Ridge 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 or 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 the Agent or any Lender may disclose Proprietary Information: (i) to the Agent or any other Lender, (ii) to the extent reasonably required in connection with any litigation to which the Agent, any Lender or their respective Affiliates may be a party, (iii) to the extent reasonably required in connection with the exercise

of any remedy hereunder, (iv) 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), (v) to its attorneys, accountants or other consultants (but only on a confidential basis), (vi) to bank regulatory authorities or other governmental authorities and (vii) by Blue Ridge to any rating agency, commercial paper dealer, or provider of a surety, guaranty or credit or liquidity enhancement to Blue Ridge which has agreed in writing to be bound by the provisions of this Section 14.5.

Section 14.6 Bankruptcy Petition. The Borrowers, the Servicers, 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 Blue Ridge, it will not institute against, or join any other Person in instituting against, Blue Ridge 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 Blue Ridge, the Agent or any Liquidity Bank, no claim may be made by any Loan Party or any other Person against Blue Ridge, 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.

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 BORROWERS 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 NEW YORK 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.

(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 and 14.6 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 Blue Ridge 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 Blue Ridge 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 Blue Ridge, 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 Blue Ridge 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 Borrowers not pay and Blue Ridge 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 Borrowers 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, 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 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 such 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. Each 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 Borrowers 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 Borrowers, 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 Blue Ridge and the Liquidity Banks hereby severally (and not jointly) represents to the Borrowers 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 Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

ACUITY ENTERPRISE, INC.

By: /s/ Vernon J. Nagel
Name: Vernon J. Nagel
Title: Executive Vice President and
Chief Financial Officer

Address:
Acuity Enterprise, Inc.
1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

Attention: General Counsel

Phone: (404) 853-1015
Fax: (404) 853-1440

ACUITY UNLIMITED, INC.

By: /s/ Vernon J. Nagel
Name: Vernon J. Nagel
Title: Executive Vice President and
Chief Financial Officer

Address:
Acuity Unlimited, Inc.
1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

Attention: General Counsel

Phone: (404) 853-1015
Fax: (404) 853-1440

ACUITY LIGHTING GROUP, INC., AS A SERVICER

By: /s/ Vernon J. Nagel _____

Name: Vernon J. Nagel
Title: Executive Vice President, Finance

Address:
Acuity Lighting Group, Inc.
1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

Attention: Treasurer

Phone: (404) 853-1423
Fax: (404) 853-1430

ACUITY SPECIALTY PRODUCTS GROUP, INC., AS A SERVICER

By: /s/ Vernon J. Nagel _____

Name: Vernon J. Nagel
Title: Executive Vice President, Finance

Address:
Acuity Specialty Products Group, Inc.
1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

Attention: Treasurer

Phone: (404) 853-1423
Fax: (404) 853-1430

BY: WACHOVIA CAPITAL MARKETS, LLC, ITS ATTORNEY-IN-FACT

By: /s/ Douglas R. Wilson, Sr.

Name: Douglas R. Wilson, Sr.
Title: Vice President

Address:

Blue Ridge Asset Funding Corporation
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:

Blue Ridge Asset Funding Corporation
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

By: /s/ Kenny Karpowicz

Name: Kenny Karpowicz
Title: Vice President

Address:

Wachovia Bank, National Association
191 Peachtree Street, 22nd Floor
Mail Stop GA-8047
Atlanta, Georgia 30303
Attention: Kenny Karpowicz

Phone: (404) 332-1164
Fax: (404) 332-5152

EXHIBIT I
DEFINITIONS

Capitalized terms used and not otherwise defined herein shall have the meanings attributed thereto in the Receivables Sale Agreements (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) 364-Day Revolving Credit Agreement, dated as of April 8, 2002, among Performance Guarantor, the other borrowers from time to time parties thereto, Bank One, NA (Main Office Chicago), as Administrative Agent, and Wachovia Bank, National Association, as Syndication Agent, as the same may be amended, restated or replaced from time to time, and (ii) 3-Year Revolving Credit Agreement, dated as of April 8, 2002, among Performance Guarantor, the other borrowers from time to time parties thereto, Bank One, NA (Main Office Chicago), as Administrative Agent, and Wachovia Bank, National Association, as Syndication Agent, 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 \$150,000,000.

“Aggregate Principal” means, on any date of determination, the aggregate outstanding principal amount of all Advances (regardless of the applicable Borrower) outstanding on such date.

“Aggregate Reduction” has the meaning specified in Section 1.3.

“Agreement” means this 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 a Borrower that it wishes to terminate the facility evidenced by this Agreement, and (iv) August 30, 2004.

“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 or chief financial officer.

“Blue Ridge” has the meaning set forth in the preamble to this Agreement.

“Borrower” has the meaning set forth in the preamble to this Agreement.

“Borrowing Base” means, on any date of determination as to either Borrower, the product of (a) such Borrower’s Prior Month’s Percentage, multiplied by (b) 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 applicable 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 applicable 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 either Receivables Sale Agreement shall occur, (b) ALG Georgia ceases to own 100% of the outstanding shares of voting stock of AUI, or (c) ASP ceases to own 100% of the outstanding shares of voting stock of AEI.

“Collateral” has the meaning set forth in Section 13.1.

“Collection Account” means each concentration account, depository 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, a 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 Blue Ridge issued by Blue Ridge in the commercial paper market.

“Commitment” means, for each Liquidity Bank, the commitment of such Liquidity Bank to make Loans to the Borrowers hereunder in the event the Blue Ridge 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 Blue Ridge pursuant to the terms of any receivable purchase or financing facilities funded substantially with Pooled Commercial Paper. In addition to the foregoing costs, if a 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 Blue Ridge 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 Blue Ridge 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 Agreements, 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 a 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 a 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 a Borrower to ALG or ASP 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 such Borrower and Servicer from time to time, (d) is not subordinated to any other Debt or obligation of such Servicer, and (e) may not be offset by ALG or ASP against amounts due and owing from either 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 Calculation Period ending on such Cut-Off Date plus one half of the sales generated by the Originators in the month prior to 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, if a corporation or other business organization, is organized under the laws of the United States or any political subdivision thereof and has its chief executive office in the United States; (b) is not an Affiliate of any of the Loan Parties; and (c) is not a government or a governmental subdivision or agency;

(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 Blue Ridge 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 such Originator to cause such 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 such 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.

“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 September 2, 2003 among Borrowers 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 Blue Ridge.

"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 Blue Ridge.

"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 a 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, any Originator or any of their respective Subsidiaries or Affiliates (other than a 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 any Borrower, any 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 applicable Borrower, commencing on a Business Day selected by such 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 applicable 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 Blue Ridge 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 September 2, 2003 by and among Blue Ridge, 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 Blue Ridge Loan, or (b) any Loan made by a Liquidity Bank in lieu of Blue Ridge 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 Blue Ridge 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 Borrowers shall be jointly and severally 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) 2.25, 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 Borrowers, ALG and ASP 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 Unpays under the Credit and Security 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 Servicers to the Agent pursuant to Section 8.5.

“Monthly Reporting Date” means the 15th day of each month after the date of this Agreement (or if any such day is not a Business Day, the next succeeding Business Day thereafter) 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 the date hereof, the Special Concentration Limit for all Receivables owing from The Home Depot, Inc. and its Affiliates is 20% 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 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 each of ALG and ASP in its capacity as seller under the Receivables Sale Agreement to which it is a party.

“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, and its successors and permitted assigns.

“Performance Undertaking” means each Performance Undertaking, dated as of September 2, 2003, by Performance Guarantor in favor of AEI or AUI, 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 Blue Ridge subject to any particular pooling arrangement by Blue Ridge, but excluding Commercial Paper issued by Blue Ridge for a tenor and in an amount specifically requested by any Person in connection with any agreement effected by Blue Ridge.

“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.

“Prior Month’s Percentage” means, for any Calculation Period for either ALG or ASP, the ratio (expressed as a percentage), as of the last day of the Calculation Period then most recently ended, of the Outstanding Balance of all Receivables originated by it to the total Outstanding Balance of all Receivables originated by both.

“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 a 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 a

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 Blue Ridge 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 Agreements, will not result in a withdrawal or downgrade of the then current ratings on Blue Ridge’s Commercial Paper.

“Receivable” means each “Receivable” under and as defined in a Receivables Sale Agreement in which either 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 applicable Borrower treats such indebtedness, rights or obligations as a separate payment obligation.

“Receivables Sale Agreement” means (a) that certain Amended and Restated Receivables Sale and Contribution Agreement, dated as of September 2, 2003, between ALG and AUI, as the same may be amended, restated or otherwise modified from time to time, or (b) that certain Receivables Sale and Contribution Agreement, dated as of September 2, 2003, between ASP and AEI, as the same may be 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 each of the Receivables Sale Agreements, (ii) each Borrower’s right, title and interest in, to and under the Receivables Sale Agreement to which it is a party, (iii) each 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:

<u>Aggregate Reduction</u>	<u>Required Notice Period</u>
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) 20% 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 a 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 a 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 a 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 a Borrower now or hereafter outstanding, and (iv) any payment of management fees by a Borrower (except for reasonable management fees to any 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 ALG and ASP or one or more of their Affiliates are the Servicers, such lesser percentage as may be agreed between the Borrowers and the Servicers 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 ALG and ASP or one or more of their Affiliates are no longer acting as Servicers hereunder, an alternative amount specified by the successor Servicer not exceeding (i) 110% of such 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 Borrowers 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 Blue Ridge, the immediately preceding Calculation Period, and (B) in respect of each Loan of the Liquidity Banks, the entire Interest Period of such Loan.

“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, each 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.

“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 ENTERPRISE, INC.
ACUITY UNLIMITED, INC.

BORROWING NOTICE
dated _____, 20__
for Borrowing on _____, 20__

Wachovia Bank, National Association, as Agent
191 Peachtree Street, 22nd Floor
Mail Stop GA-8047
Atlanta, Georgia 30303
Attention: Kenny Karpowicz

Phone: (404) 332-1164
Fax: (404) 332-5152

Ladies and Gentlemen:

Reference is made to the Credit and Security Agreement dated as of September 2, 2003 (as amended, supplemented or otherwise modified from time to time, the "**Credit Agreement**") among Acuity Enterprise, Inc. ("**AEI**" or a "**Borrower**"), Acuity Unlimited, Inc. ("**AUI**" or a "**Borrower**"), Acuity Lighting Group, Inc. and Acuity Specialty Products Group, Inc. as initial Servicers, Blue Ridge Asset Funding Corporation, and Wachovia Bank, National Association, individually and as Agent. Capitalized terms defined in the Credit Agreement are used herein with the same meanings.

1. Each of the [Servicers, on behalf of the] Borrowers 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 to each Borrower will not exceed its Borrowing Base and the Aggregate Principal outstanding will not exceed the Aggregate Commitment.

2. The [Servicers, on behalf of the] Borrowers hereby request that Blue Ridge (or its Liquidity Banks) make Advances on _____, 20__ (the "**Borrowing Date**") as follows:

(a) Aggregate Amount of Advances: \$_____ of which \$_____ is to be funded to AEI and \$_____ is to be funded to AUI

(b) If the Advances are not funded by Blue Ridge, [Servicers on behalf of the] Borrowers request 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 to [specify applicable Borrower's name] 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, each of the [Servicers, on behalf of the] Borrowers has caused this Borrowing Request to be executed and delivered as of this _____ day of _____, _____.

[ACUITY LIGHTING GROUP, INC. and ACUITY SPECIALTY PRODUCTS GROUP, INC., AS SERVICERS, *on behalf of*] ACUITY UNLIMITED, INC. and ACUITY ENTERPRISE, INC., AS BORROWERS

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:

1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

Locations of Records:

1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

One Lithonia Way
Conyers, Georgia 30012

Highway 41 North
Emerson, Georgia 30137

1310 Seaboard Industrial Blvd.
Atlanta, Georgia 30318

214 Oakwood Avenue
Newark, Ohio 43055

Federal Employer Identification Numbers:

ALG #58-2633371
ASP #58-2633373
AUI #58-2616706
AEI #31-1825290

Organizational Identification Numbers:

ALG #3409762
ASP #3409123
AUI #3384145
AEI #3680055

Prior Legal Names, Trade and Assumed Names of Borrowers: AUI was previously known as 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 945786
Atlanta, GA 30392-5786

Name of Current Account Holder: Enforcer Products, a division of ASP
Account Number: Lockbox #945786, DDA#2079900422649
Bank Name: Wachovia Bank of Georgia
ABA Number: 061000227
Contact Person: Tracie Greene
Contact's Tel: 800-590-7868
Contact's Fax: 404-332-6898

n/a

Name of Current Account Holder: Zep Manufacturing, a division of ASP
Account Number: 2079900421190
Bank Name: Wachovia Bank of Georgia
ABA Number: 061000227
Contact Person: Tracie Greene
Contact's Tel: 800-590-7868
Contact's Fax: 404-332-6898

P.O. Box 530737
Atlanta, GA 30353-0737
P.O. Box CH10697
Palatine, IL 60055-0697
Dept. LA21294
Pasadena, CA 91185-1294
Dept. 0905
P.O. Box 120001
Dallas, TX 75312-0905
Box 382012
Pittsburgh, PA 15250-8012
Box 382156
Pittsburgh, PA 15250-8156

Name of Current Account Holder: Zep Manufacturing, a division of ASP
Account Number: 0373309
Bank Name: Mellon Bank, Pittsburgh, PA
ABA Number: 043000261
Contact Person: Edith Rickle
Contact's Tel: 412-234-6563
Contact's Fax: 412-209-6082

P.O. Box 12118
Atlanta, GA 30384

Name of Current Account Holder: Enforcer Products, a division of ASP
Account Number: Lockbox #12118, DDA #3751911681
Bank Name: Bank of America
ABA Number: 111000012
Contact Person: Louvenia Parker
Contact's Tel: 404-607-5441
Contact's Fax: 404-532-3404

LOCK-BOX

RELATED COLLECTION ACCOUNT

P.O. Box 100863
Atlanta, GA 30384

Name of Current Account Holder: Lithonia Lighting, a division of ALG
Account Number: Lockbox #100863, DDA#3750249781
Bank Name: Bank of America
ABA Number: 111000012
Contact Person: Louvenia Parker
Contact's Tel: 404-607-5441
Contact's Fax: 404-532-3404

P.O. Box 360305
Pittsburgh, PA 15251
Dept. LA 21025
Pasadena, CA 91185-1025

Name of Current Account Holder: Lithonia Lighting, a division of ALG
Account Number: DDA#1911121
Bank Name: Mellon Bank, Pittsburgh PA
ABA Number: 043000261
Contact Person: Edith Rickle
Contact's Tel: 412-234-6563
Contact's Fax: 412-209-6082

P.O. Box 8060
Philadelphia, PA 19175-8060

Name of Current Account Holder: Holophane Corporation, a division of ALG
Account Number: DDA#2280923
Bank Name: Mellon Bank, Pittsburgh PA
ABA Number: 043000261
Contact Person: Edith Rickle
Contact's Tel: 412-234-6563
Contact's Fax: 412-209-6082

EXHIBIT V

FORM OF COMPLIANCE CERTIFICATE

To: Wachovia Bank, National Association, as Agent

This Compliance Certificate is furnished pursuant to that certain Credit and Security Agreement dated as of September 2, 2003 among Acuity Enterprise, Inc. ("**AEI**" or a "**Borrower**"), Acuity Unlimited, Inc. ("**AUI**" or a "**Borrower**"), Acuity Lighting Group, Inc. and Acuity Specialty Products Group, Inc. as initial Servicers, Blue Ridge Asset Funding Corporation, 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 Credit and Security Agreement dated as of September 2, 2003 by and among Acuity Enterprise, Inc. ("**AEI**" or a "**Borrower**"), Acuity Unlimited, Inc. ("**AUI**" or a "**Borrower**"), Acuity Lighting Group, Inc. and Acuity Specialty Products Group, Inc. as initial Servicers, Blue Ridge Asset Funding Corporation, 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 September 2, 2003 by and among Blue Ridge, 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 each 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 Blue Ridge, Borrowers, Servicers, 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 either Borrower, any Obligor, any Affiliate of either

Borrower or the performance or observance by either Borrower, any Obligor, any Affiliate of either 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, Blue Ridge, Borrowers 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 Blue Ridge, it will not institute against, or join any other Person in instituting against, Blue Ridge 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)
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 Credit and Security Agreement dated as of September 2, 2003 by and among Acuity Enterprise, Inc. and Acuity Unlimited, Inc., as Borrowers, Acuity Lighting Group, Inc. and Acuity Specialty Products Group, Inc., as initial Servicers, Blue Ridge Asset Funding Corporation, 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: _____

By: WACHOVIA CAPITAL MARKETS, LLC, ITS ATTORNEY-IN-FACT

By: _____

Name:

Title:

***[Each Borrower hereby consents to the foregoing assignment:

ACUITY UNLIMITED, INC.

By: _____

Name:

Title:

ACUITY ENTERPRISE, INC.

By: _____

Name:

Title:]****

EXHIBIT VIII
FORM OF MONTHLY REPORT
[attached]

(Page 2)
(\$)

II. Calculations Reflecting Current Activity

11. Proceeds	_____
12. Required Reserve %	_____
13. Required Reserve [(8) x (11)]:	_____
14. F/X reserve for Home Depot Canadian \$ billed in the U.S.	_____
15. Funding Availability- Total	_____
16. Acuity Lighting Group Funding Availability (Acuity Unlimited)	_____
17. Acuity Specialty Products Funding Availability (Acuity Enterprise)	_____

III. Compliance

18. Asset Interest [(10) + (12) / (8)] < 100% :	In Compliance	_____
19. 3M Avg. Delinquency Ratio	In Compliance	_____
20. 3M Avg. Default Ratio	In Compliance	_____
21. 3M Avg. Dilution Ratio	In Compliance	_____
22. Facility Limit [(12)<= \$150,000,000	In Compliance	_____

Acuity Enterprise, Inc. and Acuity Unlimited, Inc.
For the Month Ended:

(Page 3)
(\$)

IV. Excess Concentration: (Calculation)

Eligible Receivables		<u>Allowable Percentage</u>	<u>Max. Allowable B</u>	<u>Credit Rating</u>		
		5.0%		NR/NR		
		5.0%		A3/P3		
		6.0%		A1/P2		
		8.0%		A1/P1		
		10.0%		A1+/P1		
<u>Largest Obligor</u>	<u>Short-Term Debt Rating</u>	<u>Allowable Percentage</u>	<u>Total Receivables</u>	<u>Allowable Receivables</u>	<u>Excess Receivables</u>	
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

The undersigned hereby represents and warrants that the foregoing is a true and accurate accounting in all material respects with respect to outstanding receivables as of XXX (the "Report Date") in accordance with the Credit and Security Agreement dated September 2, 2003 (it being understood that any error, inaccuracy or omission in the foregoing that, when corrected, reveals that the Aggregate Principal exceeded the Borrowing Limit as of the Report Date shall constitute a material error or inaccuracy herein) and that all representations and warranties related to such Agreement are restated and reaffirmed.

Signed: _____

Date: _____

Title: _____

EXHIBIT IX

[FORM OF] PERFORMANCE UNDERTAKING

THIS PERFORMANCE UNDERTAKING (this "**Undertaking**"), dated as of September 2, 2003, is executed by Acuity Brands, Inc., a Delaware corporation (the "**Performance Guarantor**") in favor of [Acuity Enterprise, Inc./Acuity Unlimited, Inc.], a Delaware corporation (together with its successors and assigns, "**Recipient**").

RECITALS

1. [Acuity Specialty Products Group, Inc./ Acuity Lighting Group, Inc.], a Delaware corporation ("**Originator**"), and Recipient are parties to [a/an Amended and Restated] Receivables Sale and Contribution Agreement, dated as of September 2, 2003 (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 a Credit and Security Agreement dated as of September 2, 2003 (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 Specialty Products Group, Inc. and Acuity Lighting Group, Inc., as initial servicers (in such capacity, collectively, the "**Initial Servicers**"), Blue Ridge Asset Funding Corporation ("**Blue Ridge**"), the banks and other financial institutions from time to time party thereto as "Liquidity Banks" (together with Blue Ridge, 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 Servicers of their servicing duties under the Credit and Security Agreement.
5. Performance Guarantor wishes to guaranty the due and punctual performance by Originator and the Initial Servicers 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 have 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 either or both of the Initial Servicers in their capacities 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 Servicers 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 Blue Ridge 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 Blue Ridge in favor of Originator, either of the Initial Servicers or any other Person or other means of obtaining payment. Should Originator or either of the Initial Servicers 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 either of the Initial Servicers 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 either of the Initial Servicers 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 either of the Initial Servicers or asserting any other rights of Recipient under this Undertaking. Performance Guarantor warrants that it has adequate means to obtain from Originator and each of the Initial Servicers, 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 each of the Initial Servicers 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 either of the Initial Servicers 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 either of the Initial Servicers 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 either of the Initial Servicers 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 Servicers. Notwithstanding (a) any change of ownership of Performance Guarantor, Originator or either of the Initial Servicers or the insolvency, bankruptcy or any other change in the legal status of Originator or either of the Initial Servicers; (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, either of the Initial Servicers 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 either of the Initial Servicers 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 either of the Initial Servicers or for any other reason with respect to Originator or either of the Initial Servicers, 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 Blue Ridge against Originator or either of the Initial Servicers, (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 Blue Ridge

against Originator or either of the Initial Servicers 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 either of the Initial Servicers 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 either of the Initial Servicers in respect of any liability of Performance Guarantor to such 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 Blue Ridge.

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 either of the Initial Servicers 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 either of the Initial Servicers and the commencement of any case or proceeding by or against Originator or either of the Initial Servicers 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 either of the Initial Servicers or other federal, state or other applicable bankruptcy, insolvency or reorganization statutes to which Originator or either of the Initial Servicers 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 Blue Ridge, it will not institute against, or join any other Person in instituting against, Blue Ridge 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. 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:

1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

Attention: Treasurer

Fax No.: (404) 853-1430

Telephone No.: (404) 853-1423

SCHEDULE A

COMMITMENTS OF LIQUIDITY BANKS

<u>LIQUIDITY BANK</u>	<u>COMMITMENT</u>
Wachovia Bank, National Association	\$150,000,000

SCHEDULE B

DOCUMENTS TO BE DELIVERED TO THE AGENT
ON OR PRIOR TO THE INITIAL PURCHASE

I. Parties.

Blue Ridge = Blue Ridge Asset Funding Corporation
Wachovia = Wachovia Bank, National Association
ABI = Acuity Brands, Inc.
ALG = Acuity Lighting Group, Inc.
ASP = Acuity Specialty Products Group, Inc.
AUI = Acuity Unlimited, Inc. (f/k/a L&C Funding, Inc.)
AEI = Acuity Enterprise, Inc.

II. Anticipated Closing Documents.

1. Amended and Restated Receivables Sale Agreement between ALG and AUI
2. [New] Receivables Sale Agreement between ASP and AEI.
3. Termination Agreement with respect to the existing First-Step Agreement between ALG and ASP.
4. Credit and Security Agreement among AUI, AEI, ALG and ASP, as Servicers, Blue Ridge and Wachovia.
5. Performance Undertaking by ABI in favor of AUI and AEI.
6. Fee Letter among Agent, AEI and AUI.
7. A certificate of the [Assistant] Secretary of each of ABI, ALG, ASP, AUI and AEI (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.

8. Pre-filing state and federal tax lien, judgment lien and UCC lien searches in the following locations against the following names:

- **Debtor name: Acuity Lighting Group, Inc.**

UCC Lien Search Jurisdictions: Delaware, Georgia

Federal and State Tax Lien and Judgment Lien Jurisdictions: Delaware, Georgia and Fulton County (Georgia)

- **Debtor name: Acuity Specialty Products Group, Inc.**

UCC Lien Search Jurisdictions: Delaware, Georgia

Federal and State Tax Lien and Judgment Lien Jurisdictions: Delaware, Georgia and Fulton County (Georgia)

- **Debtor name: L&C Funding, Inc.**

UCC Lien Search Jurisdictions: Delaware, Georgia

Federal and State Tax Lien and Judgment Lien Jurisdictions: Delaware, Georgia and Fulton County (Georgia)

- **Debtor name: Acuity Unlimited, Inc.**

UCC Lien Search Jurisdictions: Delaware, Georgia

Federal and State Tax Lien and Judgment Lien Jurisdictions: Delaware, Georgia and Fulton County (Georgia)

- **Debtor name: Acuity Enterprise, Inc.**

UCC Lien Search Jurisdictions: Delaware, Georgia

Federal and State Tax Lien and Judgment Lien Jurisdictions: Delaware, Georgia and Fulton County (Georgia)

9. UCC Financing Statements: (a) Amendment to existing ALG financing statements; (b) Delaware UCC-1 for ASP; (c) Delaware UCC-1s for AEI and AUI

10. UCC Termination Statement for existing filing between ASP and ALG.

-
11. Amended and Restated Collection Account Agreements for each Lock-Box and Collection Account:
 - Bank of America
 - Mellon
 - Wachovia.
 12. A favorable opinion of inhouse counsel to ABI as to certain matters.
 13. A favorable opinion of Kilpatrick Stockton as to certain *corporate* matters.
 14. A favorable opinion of Kilpatrick Stockton as to certain *UCC* matters.
 15. A favorable *“true sale”* opinion of Kilpatrick Stockton.
 16. A favorable *“nonconsolidation”* opinion of Kilpatrick Stockton .
 17. A Monthly Report as at July 31, 2003
 18. Liquidity Agreement by and between Blue Ridge and Wachovia.

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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**

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EXHIBITS AND SCHEDULES

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Exhibit II	-	Principal Place of Business; Location(s) of Records; Federal Employer Identification Number; Other Names
Exhibit III	-	Lock-Boxes; Collection Accounts; Collection Banks
Exhibit IV	-	Form of Compliance Certificate
Exhibit V	-	Copy of Credit and Collection Policy
Exhibit VI		Form of Purchase Report
Schedule A		List of Documents to Be Delivered to Buyer Prior to the Initial Purchase

RECEIVABLES SALE AND CONTRIBUTION AGREEMENT

THIS RECEIVABLES SALE AND CONTRIBUTION AGREEMENT, dated as of September 2, 2003, is by and between Acuity Specialty Products Group, Inc., a Delaware corporation (“**ASP**”), and Acuity Enterprise, Inc., a Delaware corporation (“**Buyer**”). **Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Exhibit I hereto (or, if not defined in Exhibit I hereto, the meaning assigned to such term in Exhibit I to the Credit and Security Agreement).**

PRELIMINARY STATEMENTS

ASP now owns, and from time to time hereafter will own, Receivables. ASP wishes to contribute certain of such Receivables to Buyer’s capital, together with the Related Security and Collections with respect thereto, and Buyer wishes to accept such contribution. ASP wishes to sell and assign all other Receivables to Buyer, together with the Related Security and Collections with respect thereto, and Buyer wishes to acquire all such Receivables, Related Security and Collections from ASP.

ASP and Buyer intend the transactions contemplated hereby to be true sales or other outright conveyances of the Receivables from ASP to Buyer, providing Buyer with the full benefits of ownership of the Receivables, and ASP and Buyer do not intend these transactions to be, or for any purpose to be characterized as, loans from Buyer to ASP.

On the Effective Date, Buyer will borrow and pledge its assets pursuant to that certain Credit and Security Agreement dated as of September 2, 2003 (as the same may from time to time hereafter be amended, supplemented, restated or otherwise modified, the “**Credit and Security Agreement**”) among Buyer and Acuity Unlimited, Inc., a Delaware corporation, as Borrowers, ASP and Acuity Lighting Group, Inc., a Delaware corporation, as initial Servicers, Blue Ridge Asset Funding Corporation (“**Blue Ridge**”), the banks and other financial institutions from time to time party thereto as “Liquidity Banks” and Wachovia Bank, National Association or any successor agent appointed pursuant to the terms of the Credit and Security Agreement, as agent for Blue Ridge and such Liquidity Banks (in such capacity, the “**Agent**”).

NOW, THEREFORE, in consideration of the foregoing premises and the mutual agreements herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
AMOUNTS AND TERMS OF THE PURCHASE

Section 1.1 Initial Contribution of Receivables. On the Effective Date, ASP does hereby contribute, assign, transfer, set-over and otherwise convey to Buyer, and Buyer does hereby accept from ASP, all Receivables contributed to ASP on such date by Parent (collectively, the “**Initial Contributed Receivables**”), together with all Related Security relating thereto and all Collections thereof.

Section 1.2 Purchases of Receivables.

(a) Effective on each day on or after the Initial Cutoff Date on which any Receivable (other than an Initial Contributed Receivable) is created, in consideration for the Purchase Price and upon the terms and subject to the conditions set forth herein, ASP does hereby sell, assign, transfer, set-over and otherwise convey to Buyer, without recourse (except to the extent expressly provided herein), and Buyer does hereby purchase from ASP, all of ASP’s right, title and interest in and to all Receivables existing as of such date (other than Initial Contributed Receivables), together with all Related Security relating thereto and all Collections thereof.

(b) Buyer shall be obligated to pay the Purchase Price for the Receivables purchased hereunder in accordance with Section 1.3.

(c) It is the intention of the parties hereto that each Purchase of Receivables made hereunder shall constitute a sale, which sale is absolute and irrevocable and provides Buyer with the full benefits of ownership of the Receivables. Except for the Purchase Price Credits owed pursuant to Section 1.4, each sale of Receivables hereunder is made without recourse to ASP; **provided, however**, that (i) ASP shall be liable to Buyer for all representations, warranties, covenants and indemnities made by ASP pursuant to the terms of the Transaction Documents to which ASP is a party, and (ii) such sale does not constitute and is not intended to result in an assumption by Buyer (or the Agent, as its assignee) of any obligation of ASP or any other Person arising in connection with the Receivables, the related Contracts and/or other Related Security or any other obligations of ASP. In view of the intention of the parties hereto that each transfer of Receivables made hereunder shall constitute a sale of such Receivables rather than loans secured thereby, ASP agrees that it will, on or prior to the Effective Date and in accordance with Section 4.1(e)(ii), mark its master data processing records relating to the Receivables with a legend stating that Buyer has purchased the Receivables, together with the associated Related Security and Collections, and, to the extent that ASP prepares any stand-alone financial statements, to note in such financial statements that the Receivables, together with the associated Related Security and Collections, have been sold to Buyer.

Section 1.3 Payment for the Purchases.

(a) The Purchase Price for each Purchase of Receivables shall become owing to ASP on the date each such Receivable comes into existence but shall be paid on the next succeeding Settlement Date in the following manner (except that Buyer may, with respect to any such Purchase Price, offset against such Purchase Price any amounts owed by ASP to Buyer hereunder and which have become due but remain unpaid) and shall be paid to ASP in the manner provided in the following paragraphs (b) and (c):

first, by delivery of immediately available funds, to the extent of funds available to Buyer from its borrowings under the Credit and Security Agreement or other cash on hand; and

second, unless ASP or Buyer has declared the Termination Date to have occurred pursuant to this Agreement, by accepting a contribution to its capital in an amount equal to the remaining unpaid balance of such Purchase Price.

(b) From and after the Termination Date, ASP shall not be obligated to (but may, at its option): (i) sell Receivables to Buyer, or (ii) contribute Receivables to Buyer's capital pursuant to clause **second** of Section 1.3(a) unless ASP reasonably determines that the Purchase Price therefor will be satisfied with funds available to Buyer from sales of interests in the Receivables pursuant to the Credit and Security Agreement, Collections, other cash on hand or otherwise.

(c) Although the Purchase Price for each Receivable shall be due and payable in full by Buyer to ASP on the date such Receivable came into existence, settlement of the Purchase Price between Buyer and ASP shall be effected on at least a monthly basis on Settlement Dates with respect to all Receivables coming into existence during the same month (or shorter period, as applicable) and based on the information contained in the Purchase Report delivered by ASP for the month then most recently ended. Although settlement shall be effected on Settlement Dates, any contribution of capital by ASP to Buyer made pursuant to clause **second** of Section 1.3(a) shall be deemed to have occurred and shall be effective as of the last Business Day of the month to which such settlement relates.

Section 1.4 Purchase Price Credit Adjustments. If on any day:

(a) the Outstanding Balance of any Receivable is:

(i) reduced as a result of any defective or rejected or returned goods or services, any discount or any adjustment or otherwise by an Originator (other than as a result of such Receivable's being charged off for credit reasons or reduced as a result of cash Collections actually received),

(ii) reduced or canceled as a result of a setoff in respect of any claim by any Person (whether such claim arises out of the same or a related transaction or an unrelated transaction), or

(b) any of the representations and warranties set forth in Section 2.1(c),(h),(i),(j),(l),(q),(r),(s) or the second sentence of Section 2.1(p) hereof are not true when made or deemed made with respect to any Receivable,

then, in such event, Buyer shall be entitled to a credit (each, a "**Purchase Price Credit**") against the Purchase Price otherwise payable hereunder equal to (x) in the case of a partial reduction, the amount of such reduction, and (y) in the case of a total reduction or cancellation, the lesser of the Purchase Price paid for and the Outstanding Balance of such Receivable. If such Purchase Price Credit exceeds the aggregate Purchase Price payable for Receivables coming into existence on any day, then Buyer shall pay the remaining amount of such Purchase Price Credit in cash immediately.

Section 1.5 Payments and Computations, Etc. All amounts to be paid or deposited by Buyer hereunder shall be paid or deposited in accordance with the terms hereof on the day when due in immediately available funds to the account of ASP designated from time to time by ASP or as otherwise directed by ASP. In the event that any payment owed by any Person hereunder becomes due on a day that is not a Business Day, then such payment shall be made on the next succeeding Business Day. If any Person fails to pay any amount hereunder when due, such Person agrees to pay, on demand, the Default Fee in respect thereof until paid in full; **provided, however**, that such Default Fee shall not at any time exceed the maximum rate permitted by applicable law. All computations of interest payable hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first but excluding the last day) elapsed.

Section 1.6 Transfer of Records.

(a) In connection with each Purchase of Receivables hereunder, ASP hereby sells, transfers, assigns and otherwise conveys to Buyer all of ASP's right and title to and interest in the Records relating to all Receivables sold or contributed hereunder, without the need for any further documentation in connection with such Purchase. In connection with such transfer, ASP hereby grants to each of Buyer, the Agent and each Servicer an irrevocable, non-exclusive license to use, without royalty or payment of any kind, all software used by ASP to account for the Receivables, to the extent necessary to administer the Receivables, whether such software is owned by ASP or is owned by others and used by ASP under license agreements with respect thereto, **provided that** should the consent of any licensor of such software be required for the grant of the license described herein, to be effective, ASP hereby agrees that upon the request of Buyer (or Buyer's assignee), ASP will use its reasonable efforts to obtain the consent of such third-party licensor. The license granted hereby shall be irrevocable until the indefeasible payment in full of the Aggregate Unpaid, and shall terminate on the date this Agreement terminates in accordance with its terms.

(b) ASP (i) shall take such action reasonably requested by Buyer and/or the Agent (as Buyer's assignee), from time to time hereafter, that may be necessary or appropriate to ensure that Buyer and its assigns under the Credit and Security Agreement have an enforceable ownership interest in the Records relating to the Receivables purchased from ASP hereunder, and (ii) shall use its reasonable efforts to ensure that Buyer, the Agent and each Servicer each has an enforceable right (whether by license or sublicense or otherwise) to use all of the computer software used to account for the Receivables and/or to recreate such Records.

Section 1.7 Characterization. If, notwithstanding the intention of the parties expressed in Section 1.2(b), any sale or contribution by ASP to Buyer of Receivables hereunder shall be characterized as a secured loan and not a sale or such sale shall for any reason be ineffective or unenforceable, then this Agreement shall be deemed to constitute a security agreement under the UCC and other applicable law. For this purpose and without being in derogation of the parties' intention that the sale of Receivables hereunder shall constitute a true sale thereof, ASP hereby grants to Buyer a duly perfected security interest in all of ASP's right, title and interest in, to and under all Receivables now existing and hereafter arising, all Collections and Related Security with respect thereto, each Lock-Box and Collection Account, all other rights and payments relating to the Receivables and all proceeds of the foregoing to secure the prompt and complete payment of a loan deemed to have been made in an amount equal to the Purchase Price of the Receivables together with all other obligations of ASP hereunder, which security interest shall be prior to all other Adverse Claims thereto. During the existence of any Termination Event, Buyer and the Agent (as its assignee) shall have, in addition to the rights and remedies which they may have under this Agreement, all other rights and remedies provided to a secured creditor under the UCC and other applicable law, which rights and remedies shall be cumulative.

ARTICLE II REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of ASP. ASP hereby represents and warrants to Buyer on the Effective Date and (except for any representation or warranty that is limited to a specific date or period) on each date on or prior to the Termination Date on which any Receivable comes into existence that:

(a) Existence and Power. ASP is a corporation duly organized, validly existing and in good standing under the laws of Georgia, 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 ASP of the Transaction Documents (i) are within ASP'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 ASP or of any agreement, judgment, injunction, order, decree or other instrument binding upon ASP or any of its Subsidiaries, and (v) do not result in the creation or imposition of any Adverse Claim on any asset of ASP (except as created hereunder). This Agreement and each other Transaction Document to which ASP is a party has been duly executed and delivered by ASP.

(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 ASP 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 ASP overtly threatened in writing, against or affecting ASP or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official which has 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 ASP is a party, will constitute valid and binding obligations of ASP 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 ASP to Buyer or the Agent, as its assignee for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by ASP to Buyer (or the Agent, as its assignee) 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. ASP has disclosed to Buyer and the Agent in writing any and all facts known to the Executive Officers which would have or reasonably would be expected to cause a Material Adverse Effect.

(h) Use of Proceeds. ASP 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 Purchase will be used to purchase or carry any Margin Stock 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. Immediately prior to each Purchase hereunder, ASP (i) is the legal and beneficial owner of the Receivables that are the subject of such Purchase 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 ASP's ownership interest in each Receivable, its Collections and the Related Security.

(j) Perfection. This Agreement, together with the filing of the financing statements contemplated hereby, is effective to transfer to ASP (and ASP shall acquire from ASP) (i) legal and equitable title to, with the right to sell and encumber each Receivable existing and hereafter arising, together with the Collections with respect thereto, and (ii) all of ASP's right, title and interest in the Related Security associated with each Receivable, 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 ASP and the offices where it keeps all of its Records are located at the address(es) listed on Exhibit II or such other locations of which ASP has been notified in accordance with Section 4.2(a), in jurisdictions where all action required by Section 4.2(a) has been taken and completed. ASP's Federal Employer Identification Number is correctly set forth on Exhibit II.

(l) Collections. The conditions and requirements set forth in Section 4.1(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 III. ASP has not granted any Person, other than Buyer (and the Agent, as its assignee) 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 from August 31, 2000 through the Effective Date, 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 ASP has executed this Agreement is identical to the name of ASP as indicated on the public record of its state of organization which shows ASP to have been organized. In the past five (5) years, ASP 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 II.

(o) Not a Holding Company or an Investment Company. ASP is not a "holding company" or a "subsidiary holding company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or any successor statute. ASP 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. ASP 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. ASP 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 change to such Credit and Collection Policy, except such material change as to which Buyer (and the Agent, as its assignee) has been notified in accordance with Section 4.1(a).

(r) Payments to ASP. With respect to each Receivable transferred to Buyer hereunder, the Purchase Price received by ASP constitutes reasonably equivalent value in consideration therefor and such transfer was not made for or on account of an antecedent debt. No transfer by ASP of any Receivable hereunder is or may be voidable under any section of the Bankruptcy Reform Act of 1978 (11 U.S.C. §§ 101 *et seq.*), as amended.

(s) 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).

(t) Accounting. The manner in which ASP accounts for the transactions contemplated by this Agreement does not jeopardize the characterization of the transactions contemplated herein as being true sales.

(u) Eligible Receivables. Each Receivable reflected in any Purchase Report as an Eligible Receivable was an Eligible Receivable on the date of its acquisition by Buyer hereunder.

ARTICLE III CONDITIONS OF PURCHASES

Section 3.1 Conditions Precedent to the Initial Purchase. The initial Purchase is subject to the conditions precedent that (a) Buyer shall have received on or before the date of such purchase those documents listed on Schedule A, and (b) all of the conditions to the initial advance under the Credit and Security Agreement shall have been satisfied or waived in accordance with the terms thereof.

Section 3.2 Conditions Precedent to All Purchases. Buyer's obligation to purchase Receivables after the Effective Date shall be subject to the further conditions precedent that: (a) the Facility Termination Date shall not have occurred under the Credit and Security Agreement; (b) Buyer (and the Agent, as its assignee) shall have received such other approvals, opinions or documents as it may reasonably request and (c) on the date such Receivable came into existence, the following statements shall be true (and acceptance of the proceeds of any payment for such Receivable shall be deemed a representation and warranty by ASP that such statements are then true):

(i) the representations and warranties set forth in Article II are true and correct in all material respects on and as of the date such Receivable came into existence as though made on and as of such date; **provided that** the materiality threshold in the preceding clause shall not be applicable with respect to any representation or warranty which itself contains a materiality threshold; and

(ii) no event has occurred and is continuing that will constitute a Termination Event or an Unmatured Termination Event.

Notwithstanding the foregoing conditions precedent, upon payment of the Purchase Price for any Receivable (whether by payment of cash or capital contributions), title to such Receivable and the Related Security and Collections with respect thereto shall vest in Buyer, whether or not the conditions precedent to Buyer's obligation to purchase such Receivable were in fact satisfied. The failure of ASP to satisfy any of the foregoing conditions precedent, however, shall give rise to a right of Buyer to rescind the related purchase and direct ASP to pay to Buyer an amount equal to the Purchase Price payment that shall have been made with respect to any Receivables related thereto.

ARTICLE IV

COVENANTS

Section 4.1 Affirmative Covenants of ASP. Until the date on which this Agreement terminates in accordance with its terms, ASP hereby covenants as set forth below:

(a) Financial Reporting. ASP will maintain, for itself and each of its Subsidiaries, a system of accounting established and administered in accordance with GAAP, and furnish to Buyer (and the Agent, as its assignee):

(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 consolidated balance sheet of the Parent 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 Buyer and the Agent.

(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 consolidated balance sheet of the Parent 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 Parent.

(iii) Compliance Certificate. Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit IV signed by the chief financial officer or the chief accounting officer of the Parent 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 Parent 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 Parent 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 Buyer, the Agent or Blue Ridge, 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 proposed 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 Buyer's (and the Agent's, as Buyer's assignee) 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 the Parent or ASP as Buyer (or the Agent, as its assignee) may from time to time reasonably request in order to protect the interests of Buyer (and the Agent, as its assignee) under or as contemplated by this Agreement (except such plans or forecasts which have not been made available by Parent to its creditors).

(b) Notices. ASP will notify Buyer (and the Agent, as its assignee) 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) Termination Events or Unmatured Termination Events. Within one (1) Business Day after learning thereof by any Responsible Officer, the occurrence of each Termination Event and each Unmatured Termination Event, by a statement of an Authorized Officer of ASP.

(ii) Defaults Under Other Agreements. Within one (1) Business Day after learning thereof by any Responsible Officer, the occurrence of a default or an event of default under any other financing arrangement pursuant to which ASP is a debtor or an obligor and which relates to a Debt in excess of \$25,000,000.

(iii) 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 Parent or any of its Subsidiaries.

(c) Compliance with Laws and Preservation of Existence. ASP 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. ASP will preserve and maintain its legal existence, rights, franchises and privileges in the jurisdiction of its organization, and qualify and remain qualified in good standing as a foreign entity in each jurisdiction where its business is conducted, except (i) where the failure to so qualify or remain in good standing could not reasonably be expected to have a Material Adverse Effect and (ii) ASP may merge or consolidate with any other Person to the extent permitted under Section 7.1(c)(ii) of the Credit and Security Agreement.

(d) Audits. ASP will furnish to Buyer (and the Agent, as its assignee) from time to time such information with respect to it and the Receivables as Buyer (or the Agent) may reasonably request. ASP will, from time to time during regular business hours as requested by Buyer (the Agent as its assignee), upon not less than 3 Business Days’ prior written notice, permit Buyer (and the Agent, as its assignee) or their respective agents or representatives, (i) to examine and make copies of and abstracts from all Records in the possession or under the control of ASP relating to the Receivables and the Related Security, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of ASP for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to ASP’s financial condition or the Receivables and the Related Security or ASP’s performance under any of the Transaction Documents or ASP’s performance under the Contracts and, in each case, with any of the officers or employees of ASP having knowledge of such matters. To the extent that Buyer (or the Agent, as its assignee), in the course of any such visit or inspection, obtains possession of any Proprietary Information pertaining to ASP or any of its Affiliates, Buyer (or such assign) shall handle such information in accordance with the requirements of Section 14.5 of the Credit and Security Agreement.

(e) Keeping and Marking of Records and Books.

(i) ASP will 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). ASP will give Buyer (and the Agent, as its assignee) notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) ASP will (A) on or prior to the Effective Date, mark its master data processing records and other books and records relating to the Receivables with a legend, acceptable to Buyer (and the Agent, as its assignee), describing Buyer's ownership interests in the Receivables and further describing the Receivable Interests of the Agent (on behalf of the Lenders) under the Credit and Security Agreement and (B) upon the request of Buyer (or the Agent, as its assignee) and when a Termination Event is in existence: (x) mark each Contract with a legend describing Buyer's ownership interests in the Receivables and further describing the Receivable Interests of the Agent (on behalf of the Lenders) and (y) deliver to Buyer (or the Agent, as its assignee) all Contracts (including, without limitation, all multiple originals of any such Contract) relating to the Receivables.

(f) Compliance with Contracts and Credit and Collection Policy. ASP will 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) [Reserved].

(h) Ownership. ASP will take all necessary action to establish and maintain, irrevocably in Buyer, (i) legal and equitable title to the Receivables and the Collections and (ii) all of ASP's right, title and interest in the Related Security associated with the Receivables, in each case, 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 Buyer's interest in such Receivables, Related Security and Collections and such other action to perfect, protect or more fully evidence the interest of Buyer as Buyer (or the Agent, as its assignee) may reasonably request).

(i) Lenders' Reliance. ASP acknowledges that the Agent and the Lenders are entering into the transactions contemplated by the Credit and Security Agreement in reliance upon Buyer's identity as a legal entity that is separate from ASP and any Affiliates thereof. Therefore, from and after the date of execution and delivery of this Agreement, ASP will take all reasonable steps including, without limitation, all steps that Buyer or any assignee of Buyer may from time to time reasonably request to maintain Buyer's identity as a separate legal entity and to make it manifest to third parties that Buyer is an entity with assets and liabilities distinct from those of ASP and any Affiliates thereof and not just a division of ASP or any such Affiliate. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, ASP (i) will not hold itself out to third parties as liable for the debts of Buyer nor purport to own the Receivables and other assets acquired by Buyer, (ii) will take all other actions necessary on its part to ensure that Buyer is at all times in compliance with the "separateness covenants" set forth in Section 7.1(i) of the Credit and Security Agreement and (iii) will cause all tax liabilities arising in connection with the transactions contemplated herein or otherwise to be allocated between ASP and Buyer on an arm's-length basis and in a manner consistent with the procedures set forth in U.S. Treasury Regulations §§1.1502-33(d) and 1.1552-1.

(j) Collections. ASP 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 Receivables are remitted directly to ASP or any Affiliate of ASP, ASP 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, ASP will itself hold or, if applicable, will cause such payments to be held in trust for the exclusive benefit of Buyer and its assigns. ASP will transfer exclusive ownership, dominion and control of each Lock-Box and Collection Account to Buyer and, will not grant the right to take dominion and control of any Lock-Box or Collection Account at a future time or upon the occurrence of a future event to any Person, except to Buyer (and the Agent, as its assignee) as contemplated by this Agreement and the Credit and Security Agreement.

(k) Taxes. ASP will file all material tax returns and reports required by law to be filed by it and 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. ASP will pay when due any taxes payable in connection with the Receivables, exclusive of taxes on or measured by income or gross receipts of Buyer and its assigns.

Section 4.2 Negative Covenants of ASP. Until the date on which this Agreement terminates in accordance with its terms, ASP hereby covenants that:

(a) Name Change, Offices and Records. ASP will not change its (i) state of organization, (ii) name, (iii) identity or structure (within the meaning of Article 9 of any applicable enactment of the UCC) or relocate its chief executive office at any time while the location of its chief executive office is relevant to perfection of Buyer's interest in the Receivables or the associated Related Security and Collections, or any office where Records are

kept unless it shall have: (i) given Buyer (and the Agent, as its assignee) at least ten (10) days' prior written notice thereof and (ii) delivered to Buyer (and the Agent, as its assignee) all financing statements, instruments and other documents reasonably requested by Buyer (and the Agent, as its assignee) in connection with such change or relocation.

(b) Change in Payment Instructions to Obligors. ASP 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 Buyer (and the Agent, as its assignee) 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 ASP 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. ASP will not 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 otherwise permitted in its capacity as a Servicer pursuant to the Credit and Security Agreement, ASP will not 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. ASP 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 Receivable, Related Security or Collections, or upon or with respect to any Contract under which any Receivable arises, or any Lock-Box or Collection Account, or assign any right to receive income with respect thereto (other than, in each case, the creation of the interests therein in favor of Buyer provided for herein and the Permitted Encumbrances), and ASP will defend the right, title and interest of Buyer in, to and under any of the foregoing property, against all claims of third parties claiming through or under ASP (other than Permitted Encumbrances).

(e) Accounting for Purchases. ASP will not, and will not permit any Affiliate to, account for or treat (whether in financial statements or otherwise) the transactions contemplated hereby in any manner other than the sale of the Receivables and the Related Security by ASP to Buyer or in any other respect account for or treat the transactions contemplated hereby in any manner other than as a sale of the Receivables and the Related Security by ASP to Buyer except to the extent that such transactions are not recognized on account of consolidated financial reporting in accordance with generally accepted accounting principles.

ARTICLE V
TERMINATION EVENTS

Section 5.1 Termination Events. The occurrence of any one or more of the following events shall constitute a Termination Event:

(a) ASP 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) ASP shall fail to perform or observe any term, covenant or agreement hereunder (other than as referred to in paragraph (a)) or any other Transaction Document 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 to ASP by the Buyer or (ii) an Executive Officer otherwise becomes aware of any such failure; provided, however, that such cure period shall be extended for a period of time, not to exceed an additional 30 days, reasonably sufficient to permit ASP 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, ASP has commenced efforts to cure such failure during the initial 30-day period and ASP is diligently pursuing such cure.

(c) Any representation, warranty, certification or statement made by ASP in this Agreement, any other Transaction Document or in any other document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made or deemed made; ***provided that*** the materiality threshold in the preceding clause shall not be applicable with respect to any representation or warranty which itself contains a materiality threshold.

(d) An Event of Bankruptcy shall occur with respect to the Parent or any of its Material Subsidiaries.

(e) A Change of Control shall occur.

(f) One or more judgments or orders for the payment of money in an aggregate amount in excess of 10% of Stockholders' Equity as of the end of the Fiscal Quarter just ended shall be rendered against the Parent, either Originator or the Buyer and such judgment or order shall continue unsatisfied and unstayed for a period of 30 days.

(g) Either of the Originators or any Subsidiary shall fail to make any payment in respect of Debt outstanding in an aggregate amount in excess of \$25,000,000 when due or within any applicable grace period.

(h) Any event or condition shall occur which results in the acceleration of the maturity of Debt outstanding of either of the Originators or any Subsidiary in an aggregate amount in excess of \$25,000,000 (including, without limitation, any required mandatory prepayment or “put” of such Debt to such Originator or Subsidiary) or enables (or, with the giving of notice or lapse of time or both, would enable) the holders of such Debt or commitment or any Person acting on such holders’ behalf to accelerate the maturity thereof or terminate any such commitment (including, without limitation, any required mandatory prepayment or “put” of such Debt to such Originator or Subsidiary).

(i) The Parent or any member of the Controlled Group shall fail to pay when due any amount in excess of 10% of Stockholders’ Equity as of the end of the Fiscal Quarter just ended which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans shall be filed under Title IV of ERISA by the Parent, any member of the Controlled Group, any plan administrator or any combination of the foregoing if the amount of liability involved is in excess of 10% of Stockholders’ Equity as of the end of the Fiscal Quarter just ended; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any such Plan or Plans or a proceeding shall be instituted by a fiduciary of any such Plan or Plans to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 30 days thereafter if the amount of liability involved is in excess of 10% of Stockholders’ Equity as of the end of the Fiscal Quarter just ended; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Plan or Plans must be terminated, if the amount involved is in excess of 10% of Stockholders’ Equity as of the end of the Fiscal Quarter just ended.

(j) A federal tax lien shall be filed against the Parent, either Originator or Buyer under Section 6323 of the Tax Code or a lien of the PBGC shall be filed against the Parent, either Originator or Buyer under Section 4068 of ERISA and in either case such lien shall remain undischarged for a period of 25 days after the date of filing if the aggregate amount involved is in excess of 10% of Stockholders’ Equity as of the end of the Fiscal Quarter just ended.

Section 5.2 Remedies. Upon the occurrence and during the continuation of a Termination Event, Buyer may take any of the following actions: (i) declare the Termination Date to have occurred, whereupon the Termination Date shall forthwith occur, without demand, protest or further notice of any kind, all of which are hereby expressly waived by ASP; **provided, however**, that upon the occurrence of a Termination Event described in Section 5.1(d), or of an actual or deemed entry of an order for relief with respect to ASP under the Federal Bankruptcy Code, the Termination Date shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by ASP and (ii) to the fullest extent permitted by applicable law, declare that the Default Fee shall accrue with respect to any amounts then due and owing by ASP to Buyer. The aforementioned rights and remedies shall be without limitation and shall be in addition to all other rights and remedies of Buyer and its assigns 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 VI
INDEMNIFICATION

Section 6.1 Indemnities by ASP. Without limiting any other rights that Buyer may have hereunder or under applicable law, ASP hereby agrees to indemnify (and pay upon demand to) Buyer and its assigns, officers, directors, agents and employees (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 Buyer or any such assign) 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 Buyer of an interest in the Receivables, **excluding, however:**

(a) Indemnified Amounts to the extent such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of the 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, 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 Receivable Interests under the Credit and Security Agreement as a loan or loans by the Lenders to Buyer secured by, among other things, the Receivables, the Related Security and the Collections;

provided, however, that nothing contained in this sentence shall limit the liability of ASP or limit the recourse of Buyer to ASP for amounts otherwise specifically provided to be paid by ASP under the terms of this Agreement. Without limiting the generality of the foregoing indemnification, but subject in each case to clauses (a), (b) and (c) above, ASP shall indemnify Buyer for Indemnified Amounts relating to or resulting from:

(i) any representation or warranty made by ASP (or any officers of ASP) under or in connection with any Purchase Report, this Agreement, any other Transaction Document or any other information or report delivered by ASP pursuant hereto or thereto for which Buyer has not received a Purchase Price Credit that shall have been false or incorrect when made or deemed made;

(ii) the failure by ASP, 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 ASP to keep or perform any of its obligations, express or implied, with respect to any Contract;

(iii) any failure of ASP 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 Purchase hereunder, the ownership of the Receivables or any other investigation, litigation or proceeding relating to ASP in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby except to the extent arising from Buyer's own gross negligence or willful misconduct;

(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 Termination Event described in Section 5.1(d);

(x) [reserved];

(xi) any failure to vest and maintain vested in Buyer, or to transfer to Buyer, legal and equitable title to, and ownership of, the Receivables and the Collections, and all of ASP's right, title and interest in the Related Security associated with the Receivables, in each case, free and clear of any Adverse Claim;

(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 Receivable, the Related Security and Collections with respect thereto, and the proceeds of any thereof, whether at the time of any Purchase or at any subsequent time;

(xiii) any action or omission by ASP which reduces or impairs the rights of Buyer with respect to any Receivable or the value of any such Receivable (for any reason other than the application of Collections thereto or charge-off of any Receivable as uncollectible) unless the Buyer has received a Purchase Price Credit therefor;

(xiv) any attempt by any Person to void any Purchase hereunder under statutory provisions or common law or equitable action; and

(xvi) the failure of any Receivable reflected as an Eligible Receivable on any Purchase Report to be an Eligible Receivable at the time acquired by Buyer.

Section 6.2 Other Costs and Expenses. ASP shall pay to Buyer 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. ASP shall pay to Buyer on demand any and all reasonable costs and expenses of Buyer, if any, including reasonable counsel fees and expenses actually incurred in connection with the 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 a Termination Event.

ARTICLE VII MISCELLANEOUS

Section 7.1 Waivers and Amendments.

(a) No failure or delay on the part of Buyer (or the Agent, as its assignee) 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 signed by ASP and Buyer and, to the extent required under the Credit and Security Agreement, the Agent and the Liquidity Banks or the Required Liquidity Banks. Any material amendment, supplement, modification of waiver will required satisfaction of the Rating Agency Condition.

Section 7.2 Notices. 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 (a) if given by telecopy, upon the receipt thereof, (b) if given by mail, three (3) 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 7.2.

Section 7.3 Protection of Ownership Interests of Buyer.

(a) ASP agrees that from time to time, at its expense, it will promptly execute (if required), deliver and authorize the filing of all instruments and documents, and take all actions, that may be necessary or desirable, or that Buyer (or the Agent, as its assignee) may reasonably request, to perfect, protect or more fully evidence the interest of Buyer hereunder and the Receivable Interests, or to enable Buyer (or the Agent, as its assignee) to exercise and enforce their rights and remedies hereunder. At any time when a Termination Event Exists, Buyer (or the Agent, as its assignee) may, at ASP's sole cost and expense, direct ASP to notify the Obligor of Receivables of the ownership interests of Buyer 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 Buyer or its designee.

(b) If ASP fails to perform any of its obligations hereunder, Buyer (or the Agent, as its assignee) may (but shall not be required to) perform, or cause performance of, such obligations, and Buyer's (or such assigns') actual and reasonable costs and expenses incurred in connection therewith shall be payable by ASP as provided in Section 6.2. ASP irrevocably authorizes Buyer (and its assigns) at any time and from time to time in the sole discretion of Buyer (or the Agent, as its assignee), and appoints Buyer (and its assigns) as its attorney(ies)-in-fact, to act on behalf of ASP (i) to authorize on behalf of ASP as debtor the filing of financing statements necessary or desirable in Buyer's (or the Agent, as its assignee') reasonable opinion to perfect and to maintain the perfection and priority of the interest of Buyer in the Receivables and associated Related Security and Collections 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 Buyer (or the Agent, as its assignee) in their reasonable opinion deem necessary or desirable to perfect and to maintain the perfection and priority of Buyer's interests in the Receivables. This appointment is coupled with an interest and is irrevocable. From and after July 1, 2001: (A) ASP hereby authorizes Buyer (and the Agent, as its assignee) to file financing statements and other filing or recording documents with respect to the Receivables and Related Security (including any amendments thereto, or continuation or termination statements thereof), without the signature or other authorization of ASP, in such form and in such offices as Buyer (or any of its assigns) reasonably determines appropriate to perfect or maintain the perfection of the ownership or security interests of Buyer (and the Agent, as its assignee) hereunder, (B) ASP acknowledges and agrees that it is not authorized to, and will not, file financing statements or other filing or recording documents with respect to the Receivables or Related Security (including any amendments thereto, or continuation or termination statements thereof), without the express prior written approval by the Agent (as Buyer's assignee), consenting to the form and substance of such filing or recording document, and (C) ASP approves, authorizes and ratifies any filings or recordings made by or on behalf of the Agent (as Buyer's assign) in connection with the perfection of the ownership or security interests in favor of Buyer or the Agent (as Buyer's assign).

Section 7.4 Confidentiality of Fee Letter. Each of ASP and Buyer shall maintain and shall cause each of its employees, officers and advisers to maintain the confidentiality of the Fee Letter, except that Buyer and its officers and employees may disclose such information to Buyer's external consultants, accountants and attorneys and as required by any applicable 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) or to the extent necessary to enforce its rights under the Transaction Documents.

Section 7.5 Bankruptcy Petition

(a) ASP and Buyer each 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 Blue Ridge, it will not institute against, or join any other Person in instituting against, Blue Ridge 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.

(b) ASP covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding obligations of Buyer under the Credit and Security Agreement, it will not institute against, or join any other Person in instituting against, Buyer 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 7.6 Limitation of Liability. Except with respect to any claim arising out of the willful misconduct or gross negligence of Blue Ridge, the Agent or any Liquidity Bank, no claim may be made by ASP or any other Person against Blue Ridge, 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 ASP 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.

Section 7.7 CHOICE OF LAW. **THIS AGREEMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF GEORGIA WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF EXCEPT TO THE EXTENT THAT THE LAWS OF ANOTHER JURISDICTION GOVERN THE PERFECTION, OR THE EFFECT OF PERFECTION OR NONPERFECTION, OF THE OWNERSHIP INTERESTS OR SECURITY INTERESTS OF ASP OR ANY OF ITS ASSIGNS.**

Section 7.8 CONSENT TO JURISDICTION. EACH OF ASP AND BUYER 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 OTHER TRANSACTION DOCUMENT AND 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 BUYER (OR THE AGENT, AS ITS ASSIGNEE) TO BRING PROCEEDINGS AGAINST ASP IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ASP AGAINST BUYER (OR ITS ASSIGNS) OR ANY AFFILIATE THEREOF INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY ASP PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN FULTON COUNTY, GEORGIA.

Section 7.9 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 ASP PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 7.10 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.

(b) This Agreement shall be binding upon and inure to the benefit of ASP, Buyer and their respective successors and permitted assigns (including any trustee in bankruptcy). ASP may not assign any of its rights and obligations hereunder or any interest herein without the prior written consent of Buyer. Buyer may assign at any time its rights and obligations hereunder and interests herein to any other Person without the consent of ASP. Without limiting the foregoing, ASP acknowledges that Buyer, pursuant to the Credit and Security Agreement, may assign to the Agent, for the benefit of the Lenders, its rights, remedies, powers and privileges hereunder and that the Agent may further assign such rights, remedies, powers and privileges to the extent permitted in the Credit and Security Agreement. ASP agrees that the Agent, as the assignee of Buyer, shall, subject to the terms of the Credit and Security Agreement, have the right to enforce this Agreement and to exercise directly all of Buyer's rights and remedies under this Agreement (including, without limitation, the right to give or withhold

any consents or approvals of Buyer to be given or withheld hereunder) and ASP agrees to cooperate fully with the Agent in the exercise of such rights and remedies. 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 ASP pursuant to Article II; (ii) the indemnification and payment provisions of Article VI; and (iii) Section 7.5 shall be continuing and shall survive any termination of this Agreement.

Section 7.11 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. 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.

<signature pages follow>

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

**ACUITY SPECIALTY PRODUCTS GROUP,
INC., A DELAWARE CORPORATION**

By: /s/ Vernon J. Nagel

Name: Vernon J. Nagel
Title: Executive Vice President, Finance

Address:

Acuity Specialty Products Group, Inc.
1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

Attention: Treasurer

Fax No.: (404) 853-1430

Telephone No.: (404) 853-1423

**ACUITY ENTERPRISE, INC., A DELAWARE
CORPORATION**

By: /s/ Vernon J. Nagel

Name: Vernon J. Nagel
Title: Executive Vice President & C.F.O.

Address:

Acuity Enterprise, Inc.
1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

Attention: General Counsel

Phone: (404) 853-1440

Fax: (404) 853-1015

Exhibit I

Definitions

This is Exhibit I to the Agreement (as hereinafter defined). As used in the Agreement and the Exhibits and Schedules thereto, capitalized terms have the meanings set forth in this Exhibit I (such meanings to be equally applicable to the singular and plural forms thereof). ***If a capitalized term is used in the Agreement, or any Exhibit or Schedule thereto, and is not otherwise defined therein or in this Exhibit I, such term shall have the meaning assigned thereto in Exhibit I to the Credit and Security Agreement (hereinafter defined).***

“Agent” has the meaning set forth in the Preliminary Statements to the Agreement.

“Agreement” means the Receivables Sale and Contribution Agreement, dated as of September 2, 2003, between ASP and Buyer, as the same may be amended, restated or otherwise modified.

“ASP” has the meaning set forth in the preamble to the Agreement, and such term shall include such Person’s successors and permitted assigns.

“Blue Ridge” has the meaning set forth in the Preliminary Statements to the Agreement.

“Buyer” has the meaning set forth in the preamble to the Agreement.

“Capital Leases” means leases which are required to be capitalized in accordance with GAAP.

“Change of Control” means (a) the Parent ceases to own, directly or indirectly, 100% of the outstanding voting stock of each of the Originators and Buyer, or (b) (i) any Person or two or more Persons acting in concert shall have acquired after the Closing Date beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 30% or more of the outstanding shares of the voting stock of the Parent; or (ii) the individuals who, as of the Closing Date, are members of the Board of the Parent (the ***“Incumbent Board”***) cease for any reason thereafter to constitute at least 66²/₃% of the Board of the Parent; provided, however, that if the election, or nomination for election by the Parent’s stockholders, of any new director was approved by a vote of at least 66²/₃% of the Incumbent Board, such new director shall, for purposes of this definition, be considered as a member of the Incumbent Board.

“Consolidated Debt” means at any date the Debt of the Parent and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

“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.

“Consolidated Total Assets” means, at any time, the total assets of the Parent and its Consolidated Subsidiaries, determined on a consolidated basis, as set forth or reflected on the most recent consolidated balance sheet of the Parent and its Consolidated Subsidiaries, prepared in accordance with GAAP.

“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.

“Controlled Group” means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Parent, are treated as a single employer under Section 414 of the Tax Code.

“Credit and Collection Policy” means ASP’s credit and collection policies and practices relating to Contracts and Receivables existing on the date of the Agreement and summarized in *Exhibit V*, as modified from time to time in accordance with the Agreement.

“Credit and Security Agreement” has the meaning set forth in the Preliminary Statements to the Agreement.

“Debt” 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 Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (ix) all Debt of others Guaranteed by such Person.

“Default Fee” means a *per annum* rate of interest equal to the sum of (i) the Prime Rate, **plus** (ii) 2% per annum.

“Discount Factor” means a percentage calculated to provide Buyer with a reasonable profit on its investment in the Receivables after taking account of (i) the time value of money based upon the anticipated dates of collection of the Receivables and the cost to Buyer of financing its investment in the Receivables during such period, (ii) the risk of nonpayment by the Obligors, and (iii) the cost of compensating someone to service and collect the Receivables for Buyer and the Agent, as their interests may appear. ASP and Buyer may agree from time to time to change the Discount Factor based on changes in one or more of the items affecting the calculation thereof, **provided that** any change to the Discount Factor shall take effect as of the commencement of a month, shall apply only prospectively and shall not affect the Purchase Price payment made prior to the month during which ASP and Buyer agree to make such change.

“Effective Date” means the later to occur of (a) September 2, 2003, and (b) the Business Day on which each of the conditions precedent set forth in Sections 3.1 and 3.2 has been satisfied.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor law. Any reference to any provision of ERISA shall also be deemed to be a reference to any successor provision or provisions thereof.

“Executive Officer” means any of the chief executive officer, president, executive vice president or senior vice president of the Parent.

“Fiscal Quarter” means any fiscal quarter of the Parent.

“Fiscal Year” means any fiscal year of the Parent.

“GAAP” means generally accepted accounting principles applied on a basis consistent with those which are to be used in making the calculations for purposes of determining compliance with the terms of this Agreement.

“Guarantee” by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt 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 Debt 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 Debt 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.

“Initial Contributed Receivables” has the meaning set forth in Section 1.1.

“Initial Cutoff Date” means the Business Day immediately prior to the Effective Date.

“Lien” means, with respect to any asset, any mortgage, deed to secure debt, deed of trust, lien, pledge, charge, security interest, security title, preferential arrangement which has the practical effect of constituting a security interest or encumbrance, or encumbrance or servitude of any kind in respect of such asset to secure or assure payment of a Debt or a Guarantee, whether by consensual agreement or by operation of statute or other law, or by any agreement, contingent or otherwise, to provide any of the foregoing. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capital Lease or other title retention agreement relating to such asset.

“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 ASP to perform its obligations under the Agreement or any other Transaction Document, (iii) the legality, validity or enforceability of the Agreement or any other Transaction Document, (iv) ASP’s, Buyer’s, the Agent’s or any Lender’s interest in the Receivables generally or in any significant portion of the Receivables, the Related Security or Collections with respect thereto, or (v) the collectibility of the Receivables generally or of any material portion of the Receivables.

“Material Subsidiary” means (i) each Originator and Buyer 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 Unpaid under the Credit and Security 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).

“Moody’s” means Moody’s Investor Service, Inc.

“Multiemployer Plan” shall have the meaning set forth in Section 4001(a)(3) of ERISA.

“Net Income” means, as applied to any Person for any period, the aggregate amount of net income of such Person, after taxes, for such period, as determined in accordance with GAAP.

“Net Worth” means as of the last Business Day of each month preceding any date of determination, the excess, if any, of (a) the aggregate Outstanding Balance of the Receivables at such time, **over** (b) the Aggregate Invested Amount outstanding at such time.

“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.

“Organizational Documents” means, for any Person, the documents for its formation and organization, which, for example, (a) for a corporation are its corporate charter and bylaws, (b) for a partnership are its certificate of partnership (if applicable) and partnership agreement, (c) for a limited liability company are its certificate of formation or organization and its operating agreement, regulations or the like and (d) for a trust is the trust agreement, declaration of trust, indenture or bylaws under which it is created.

“Original Balance” means, with respect to any Receivable coming into existence after the Initial Cutoff Date, the Outstanding Balance of such Receivable on the date it was created.

“Originator” means ASP in its capacity as the seller under this Agreement.

“Outstanding Balance” of any Receivable at any time means the then outstanding principal balance thereof.

“Parent” means Acuity Brands, Inc., a Delaware corporation formerly known as L & C Spinco, Inc., and its successors and permitted assigns.

“PBGC” means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

“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, a corporation, a partnership, a limited liability company, an unincorporated association, a trust or any other entity or organization, including, but not limited to, a government or political subdivision or an agency or instrumentality thereof.

“Plan” means at any time an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Tax Code and is either (i) maintained by a member of the Controlled Group for employees of any member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding 5 plan years made contributions.

“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 of the Agreement 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 Credit and Security 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 Credit and Security 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 either 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 any 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.

“Purchase” means a purchase pursuant to Section 1.2(a) of the Agreement by Buyer from ASP of Receivables and the Related Security and Collections related thereto, together with all related rights in connection therewith.

“Purchase Price” means, with respect to the Purchase, the aggregate price to be paid by Buyer to ASP for such Purchase in accordance with Section 1.3 of the Agreement for the Receivables, Collections and Related Security being sold to Buyer, which price shall equal on any date (i) the product of (x) the Outstanding Balance of such Receivables on such date, **multiplied by** (y) one minus the Discount Factor in effect on such date, minus (ii) any Purchase Price Credits to be credited against the Purchase Price otherwise payable in accordance with Section 1.4 of the Agreement.

“Purchase Price Credit” has the meaning set forth in Section 1.4 of the Agreement.

“Purchase Report” means a monthly report by ASP in substantially the form of Exhibit VI to the Agreement.

“Receivable” means all indebtedness and other obligations owed to ASP (at the time it arises, and before giving effect to any transfer or conveyance under the Agreement), including, without limitation, any indebtedness, obligation or interest constituting an account, chattel paper, instrument or general intangible, arising in connection with the sale of goods or the rendering of services by ASP and further includes, without limitation, the obligation to pay any Finance Charges with respect thereto. Indebtedness 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 Obligor or Buyer treats such indebtedness, rights or obligations as a separate payment obligation.

“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 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.

“Related Security” means, with respect to any Receivable:

(i) all of ASP’s interest in the inventory and goods (including returned or repossessed inventory or goods), if any, the sale, financing or lease of which by ASP gave rise to such Receivable, and all insurance contracts with respect thereto,

(ii) all other security interests or liens and property subject thereto from time to time, if any, purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all financing statements and security agreements describing any collateral securing such Receivable,

(iii) all guaranties, letters of credit, insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Contract related to such Receivable or otherwise,

(iv) all service contracts and other contracts and agreements associated with such Receivable,

(v) all Records related to such Receivable,

(vi) all of ASP’s right, title and interest in each Lock-Box and each Collection Account, and

(vii) all proceeds of any of the foregoing.

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC.

“Required Capital Amount” means, as of any date of determination, an amount equal to the greater of (a) 3% of the Borrowing Limit under the Credit and Security Agreement, and (b) the product of (i) 1.5 times the product of the Default Ratio times the Default Horizon Ratio, each as determined from the most recent Monthly Report received from the Servicers under the Credit and Security Agreement, and (ii) the Outstanding Balance of all Receivables as of such date, as determined from the most recent Monthly Report received from the Servicers under the Credit and Security Agreement.

“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.

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc.

“Settlement Date” has the meaning given to that term in the Credit and Security Agreement.

“Stockholders’ Equity” means, at any time, the shareholders’ equity of the Parent and its Consolidated Subsidiaries, as set forth or reflected on the most recent consolidated balance sheet of the Parent and its Consolidated Subsidiaries prepared in accordance with GAAP, but excluding any Redeemable Preferred Stock of the Parent or any of its Consolidated Subsidiaries.

“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” means the earliest to occur of (i) the Facility Termination Date (as defined in the Credit and Security Agreement), (ii) the Business Day immediately prior to the occurrence of a Termination Event set forth in Section 5.1(d), (iii) the Business Day specified in a written notice from Buyer to ASP following the occurrence and during the continuation of any other Termination Event, and (iv) the date which is 10 Business Days after Buyer’s receipt of written notice from ASP that it wishes to terminate the facility evidenced by this Agreement.

“Termination Event” has the meaning set forth in Section 5.1 of the Agreement.

“Transaction Documents” means, collectively, this Agreement, each Collection Account Agreement, the Credit and Security Agreement, and all other instruments, documents and agreements executed and delivered in connection herewith.

“UCC” means the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the State of Georgia; provided that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Buyer’s interest in the Receivables is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of Georgia, the term “UCC” shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions

“Unmatured Termination Event” means an event which, with the passage of time or the giving of notice, or both, would constitute a Termination Event.

All accounting terms not specifically defined herein shall be construed in accordance with GAAP. 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

Places of Business; Locations of Records;
Federal Employer Identification Number(s); Other Names

Places of Business:

1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

Chief Executive Office:

1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

Principal Place of Business:

1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

Locations of Records:

1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

One Lithonia Way
Conyers, Georgia 30012

Highway 41 North
Emerson, Georgia 30137

1310 Seaboard Industrial Blvd.
Atlanta, Georgia 30318

Federal Employer Identification Number: 58-2633373

Legal, Trade and Assumed Names: National Chemical, Selig Chemical Industries, Zep
Manufacturing Company, Enforcer Products

Exhibit III

NAMES OF COLLECTION BANKS; LOCK-BOXES & COLLECTION ACCOUNTS

LOCK-BOX

RELATED COLLECTION ACCOUNT

P.O. Box 945786
Atlanta, GA 30392-5786

Name of Current Account Holder: Enforcer Products, a division of ASP
Account Number: Lockbox #945786, DDA#2079900422649
Bank Name: Wachovia Bank of Georgia
ABA Number: 061000227
Contact Person: Tracie Greene
Contact's Tel: 800-590-7868
Contact's Fax: 404-332-6898

n/a

Name of Current Account Holder: Zep Manufacturing, a division of ASP
Account Number: 2079900421190
Bank Name: Wachovia Bank of Georgia
ABA Number: 061000227
Contact Person: Tracie Greene
Contact's Tel: 800-590-7868
Contact's Fax: 404-332-6898

P.O. Box 530737
Atlanta, GA 30353-0737

Name of Current Account Holder: Zep Manufacturing, a division of ASP
Account Number: 0373309
Bank Name: Mellon Bank, Pittsburgh, PA
ABA Number: 043000261
Contact Person: Edith Rickle
Contact's Tel: 412-234-6563
Contact's Fax: 412-209-6082

P.O. Box CH10697
Palatine, IL 60055-0697

Dept. LA21294
Pasadena, CA 91185-1294

Dept. 0905
P.O. Box 120001
Dallas, TX 75312-0905

Box 382012
Pittsburgh, PA 15250-8012

Box 382156
Pittsburgh, PA 15250-8156

P.O. Box 12118
Atlanta, GA 30384

Name of Current Account Holder: Enforcer Products, a division of ASP
Account Number: Lockbox #12118, DDA #3751911681
Bank Name: Bank of America
ABA Number: 111000012
Contact Person: Louvenia Parker
Contact's Tel: 404-607-5441
Contact's Fax: 404-532-3404

Exhibit IV

Form of Compliance Certificate

This Compliance Certificate is furnished pursuant to that certain Receivables Sale and Contribution Agreement dated as of September 2, 2003 (the "**Agreement**") between Acuity Specialty Products Group, Inc., a Delaware corporation ("**ASP**"), and Acuity Enterprise, Inc., a Delaware corporation ("**Buyer**"). Capitalized terms used and not otherwise defined herein are used with the meanings attributed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES, IN HIS OR HER REPRESENTATIVE CAPACITY ON BEHALF OF THE PARENT, THAT:

1. I am the duly elected _____ of Acuity Brands, Inc., a Delaware corporation (the "**Parent**").

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 the Parent and its Consolidated 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 a Termination Event or an Unmatured Termination 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 below].

[4. 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 the Parent 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 in the undersigned's representative capacity on behalf of the Parent, all as of this __ day of _____, 200__.

[Name]

Exhibit V

Credit and Collection Policy

INTRODUCTION

The backbone of any credit function is the credit policy. A good credit policy encompasses the important actions of prevention, collection and administration. This policy will serve as a guide in determining how to handle given kinds of problems. But it rarely offers a definitive solution. The Credit Manager should exercise common sense when making decisions relevant to this credit policy.

The credit limit extended to a customer is an investment, a loan and a privilege. It must correspond to our terms of sale, desired market penetration and appetite for risk. Credit granting boils down to trust based on past performance and future prospects. It is important to get the facts, review all data, and consider both current conditions and past performance of each customer. Evaluate all information for an indication of future probability.

Three Roles Of Credit In Our Business :

- Generate more profits through increased sales;
- Insure sound value in Accounts Receivable (our most liquid business asset);
- Acts as a business stimulant

Keys To Making Good Credit Decisions :

- Knowing when you have enough information – when you can stop digging. If there is a doubt as to whether you reject or accept an order, it is usually desirable to keep searching for facts until the uncertainty is resolved.
- Knowing when an investigation is merited. Know your information sources, how to use them and how much they cost. Reliable credit information costs time, effort and money. It is important to know which sources to use and when to use them.
- Keep in mind the three basic actions and objectives in credit granting:
 - 1) Prevention - reduce risk of bad debt losses by making good credit decisions,
 - 2) Collection - of Accounts Receivable faster and accurately,
 - 3) Administration - of the Accounts Receivable to gain more profits and sales.

“What was true yesterday may not be true today. What is true today may not be true tomorrow. But what you find are indications that point to truth tomorrow. Your profits depend on how well you find them.” - (Anonymous)

CALENDAR

Maintaining a clean, accurate Accounts Receivable should be one of the Credit or Branch Manager's most important objectives. Proper record keeping will aid in swift collection of all accounts and lead to future sales. Meeting deadlines and knowing the work flow helps achieve these objectives.

MONTHLY

Terms	:	Net 30 days ; No volume or early-pay discounts Administratively approved products on Installment Plan
Close-Out	:	last day of every month
COD Suspense File	:	Reviewed each Friday
Statement of Account	:	Prints end of every month for select customers
Over 90 > \$1000 RPT	:	Run report at branch and forward to Home Office by the 4 th
Credit Collection Letter	:	Display Monthly Calendar on 1 st of each month Review Customers Past Due Report Review / Update Protected Customer List Process Collection Letters Run Over 90 and Audit Report as necessary

ANNUAL

Fiscal Year	:	September 1 st to August 31 st
Charge Offs	:	December 31 st and August 31 st
Credit Balance Absorption	:	June 30 th
Sales Year	:	December 1 st to November 30 th
Sales Volume Charge Backs	:	November 30 th

RECORD RETENTION

ACCOUNTS RECEIVABLE

	<u>PERIOD</u>	<u>HOME OFFICE MICROFICHE</u>
Accounts Placed For Collection Files	Indefinitely	NO
Aged AR - Microfiche	Indefinitely	YES
Aged AR	Discretionary	YES
Bad Debt Charge-Offs by Salesrep	2 Years	NO
Bad Debt Charge-Offs by State	2 Years	NO
Bills of Lading	1 Year	NO
Credit Balance Charge-Offs	2 Years	NO
Credit Memo	5 Years	NO
Customer Check Vouchers	As Needed	NO
Customer File	5 Years	NO
Customer Invoices	5 Years	NO
Customer Master Listing	Discretionary	YES
Daily Adjustment Register	5 Years	NO
Daily Cash Adjustment Register	5 Years	NO
Daily Credit Memo Register	5 Years	NO
Daily Credit Report (Failures/Overrides)	Discretionary	NO
Daily Intercompany Credit Memo Register	5 Years	NO
Daily Intercompany Invoice Register	1 Year	NO
Daily Invoice Register	5 Years	NO
Daily Register of 979313 Line Items	6 months	NO
Daily Register of Cash Receipts	5 Years	NO
Daily Report of Mismatched Cash	Discretionary	NO
Daily Summary of Entries to AR	2 Years	NO
Reports of Goods Returned	5 Years	NO

DSO FORMULA

The Method used to calculate DSO utilizes a three-month moving average of Sales, giving you the days in excess of 30. (The current month's sales are all assumed to be in Accounts Receivable.)

The calculation formula follows:

- (1) Accounts Receivable Balance - Current Month's Sales = Difference
- (2) Difference / Average of Monthly Net Sales for 3 preceding months = Ratio
- (3) Ratio x 30 Days per Month = Days in Excess of Current Month
- (4) Days in Excess of Current Month + 30 Days in Current Month =
Number of Days Sales in Accounts Receivable

EXAMPLE

<u>Accounts Receivable</u>	<u>Net Sales</u>	
N/A	OCTOBER	\$ 1,000
N/A	NOVEMBER	960
N/A	DECEMBER	740
		<hr/>
		\$ 2,700
		3 = 900
		Average Monthly Sales
\$1,100	JANUARY	800

The calculation formula follows:

- (1) \$1,100 - 800 = 300
- (2) 300 / 900 = 0.333
- (3) 0.333 x 30 days = 10 days
- (4) 10 days + 30 days = **40 Days Sales in Accounts Receivable**

THIRD PARTY CREDIT REPORTS

We primarily sell commercial accounts and utilize Dun & Bradstreet and TRW to obtain credit information. A Dun & Bradstreet (D&B) report, in most cases, gives you sufficient information to make a credit decision. If not, a TRW report may be ordered. This report primarily lists trade credit experience.

Every quarter D&B sends us a tape to record our trade information. We send this tape back to D&B to update their database and once again they return the tape so we can "populate" our accounts with D&B DUNS numbers. The Instructional sheet on page 2 explains how to gain access to a DUNS number using your System.

D&B - Things to know before you use this service.

Each year Home Office negotiates a contract with D&B regarding volume of use based on the previous year usage. At the end of the negotiations Zep is assigned a certain number of units. Each product and service from D&B is associated with a Unit value. When Zep requests a D&B product or service the unit is subtracted from the total number of units assigned to Zep. The dollar equivalent differs depending on Zep's overall volume commitment and the total contract price is passed on to each branch regardless of usage.

D&B gathers their information from various sources, including : D&B Customers, Business Owners and Principals, Suppliers, Third-Party Sources, Courthouses/Statehouses, Banks, State and Federal Government Agencies, Telephone Listings, Daily Newspaper and Newswire Coverage. Uses of the Information Base ranges from Credit, Marketing, Purchasing, Strategic Planning, Legal, and Merger/Acquisition. D&B provides Credit information on over 9.7 businesses.

Certain Products have been approved by Home Office and are discussed in this section. These products include:

- Reference Book of American Business. (No longer included in Company Contract). Provides summary information on 4 million most requested businesses in D&B database. Information includes Demographic Information (name, telephone area code, population, county or parish); Company Information (Name, phone number, Corporate relationship) ; Industry Codes (change indicators and Standard Industrial Class Codes); Ratings (D&B Rating, product availability, Year Started). Any branch wanting a Reference Book can call Home Office for a phone number to order this product. Prices range around \$150 per book.
- DunsVoice. Available to all branches, see section below for instructions. [Unit Value of 0.20 per call + additional information requested]. Provides summary information via telephone. Base information includes Rating and Year Started. Additional information available includes Business Summary [Unit Value of 0.50] and Payment Index [Unit Value of 0.30].
- Reference Lookup. Request through Home Office - Credit & Collections. This is the electronic version of DunsVoice.
- Business Information Report . (BIR) Request Report through Home Office - Credit & Collections, see section below. [Unit Value of 1.40] Provides detailed information on a business including : Summary Information, Special Events, Paydex, Top 10 Industries weighted payments, Payment Information, Updates, Financial, Public Filings, History, Operations.
- Payment Analysis Report . (PAR) Request Report through Home Office - Credit & Collections, see section below. [Unit Value of 0.80] Provides detailed trade analysis of a company's payments habits over a year. Breaks into sections based on aging and industry. Compares payments to Industry Standard using Paydex score.
- Interact Report. Request Report through Home Office - Credit & Collections, see section below. The Equifax Principal Connection. [Unit Value of 0.45] Provides detailed information on principals of sole proprietorships and general partnerships that can help you further assess the creditworthiness of small businesses. This is a consumer credit report and is subject to the Federal Fair Credit Reporting Act (FCRA) and Equal Credit opportunity Act (ECOA) and Regulation B promulgated by the Federal Reserve Board.

Legal restrictions apply when using this report. Please see below section for additional information.

- Predictive Scoring Services. Request Report through Home Office - Credit & Collections, see section below. Two types may be requested.
 - 1) Commercial Credit Scoring Report [Unit Value of 0.80 - discount schedule is available.]
 - 2) Small Business Credit Scoring Report [Unit Value of 0.25]

D&B - Common Terms

- **DUNS Numbers. (Data - Universal - Numbering - System)** A sequentially generated nine-digit number that is assigned and maintained only by D&B and identifies unique business locations.
- **Rating & Symbols.** This tool uses a two-part code to represent a firm's estimated financial strength and composite credit appraisal. A rating may be based on a book financial statement or on an estimated financial statement submitted by the company. Please see the D&B pamphlet on page X for the Key and additional information.

Ratings are assigned to the company's headquarters locations. For this reason, any report request through Home Office will automatically receive a headquarters report when available. Please note D&B has a policy not to rate a subsidiary higher than its parent corporation.

- **Paydex Score.** This is a 1-100 dollar-weighted numerical score that indicates a company's payment performance as reported to D&B. Scores are available on branch as well as single and headquarter locations. Following is the Paydex Score Key :

Paydex	Payment Expectations
100	Anticipate / 30 Days Sooner than Terms
90	Discount / 20 Days Sooner than Terms
80	Prompt / On Terms
70	Slow to 15 Days
60	Slow to 22 Days
50	Slow to 30 Days
40	Slow to 60 Days
30	Slow to 90 Days
20	Slow to 120 Days
UN	Unavailable

DunsVoice (Electronic Reference Lookup) / Reference Lookup

To obtain D&B summary information each branch Credit Department has access to an Electronic Reference Lookup (ERL). You will need a phone number or a DUNS number. Dial the toll free number, enter requested information at the prompt and write down the information using the provided worksheet. Detailed instruction are provided on page 5. The Worksheet is provided on page 6.

D&B Business Information Report (BIR)

Sometimes additional information is required. The BIR will give detailed information on the business. This report may ONLY be requested through Home Office - Credit & Collections. You should request this report when DunsVoice or Reference Lookup gives a Rating Under 4A2 and a Paydex under 70.

Payment Analysis Report . (PAR)

When an existing customer continues to pay x days late or if a significant credit extension is requested it may be necessary to analyze their payment history. Request of this report will automatically be forwarded to the Director - Credit & Collections for review.

INTERACT - D&B Small Business Report

Small businesses play an increasing role in our economy. Finding information on start-up businesses and certain cottage industries isn't always easy, particularly a small business which has limited, if any, commercial "track record." You will need to know the principal's name and home residence, and certify you have a permissible purpose, before ordering this report. Please be aware that your inquiry will be made available to that individual upon request.

Permissible purposes include : 1) principals of sole proprietorships or general partnerships; 2) individuals who have personally guaranteed or intend to guarantee personally a debt or obligation of a business or 3) individuals who have provided the subscriber with their written authorization to access their consumer credit reports.

Predictive Scoring Services

Both (Commercial and Small Business) scoring services help you evaluate your credit risk by predicting the likelihood of severely delinquent payment by the business over the next 12 months. Request of this report will automatically be forwarded to the Director - Credit & Collections for review.

Fax your requests to the Credit Fax Number - see next page for request form.

1. Customer Name
2. Physical Address (SHIP TO)
3. Billing Address (BILL TO)
4. Phone Number
5. Duns Number - see ERL Instructions #4 on how to pull DUNS# from System.
6. Indicate if you will wait for an Investigation
 - Sometimes D&B reports are not available and they must investigate the customer. Their investigation will take 2 to 4 days. If you are in need of a report within a day or two indicate on D&B request to Home Office.
7. Indicate Your Name and Branch
 - So we know who to fax it back to.

D&B Request

Fax this sheet to Home Office Credit & Collections for a Credit Report.

Your Branch # _____ Your first and last name _____

Please send me the following D&B Report :

Typical Reports :

- Reference Lookup
- Business Information Report
- Interact Report

Reports Requiring Director Approval :

- Payment Analysis Report
- Commercial Credit Scoring
- Small Business Credit Scoring

Provide the following Required Information :

Customer Name _____

DUNS Number _____ Telephone No. _____

Business Physical Address _____

City _____ State _____ Zip _____

Optional Address _____

City _____ State _____ Zip _____

Small Business Information :

Principal's Name _____

Residential Address _____

City _____ State _____ Zip _____

Social Security Number (increases 100% hit) _____

Indicate if you will wait for an Investigation :

Sometimes D&B reports are not available so they must investigate the customer in order to complete a report. Their investigation will take 2 to 4 days. If you are in need of a report within a day or two indicate on D&B request to Home Office.

- No, an Investigation is not necessary.
- Yes, an Investigation is necessary. There is no rush for this report. Take up to 4 days.
- Yes, an Investigation is necessary. RUSH - I need a report in __ days.

Additional Information :

(ERL) Electronic Reference Lookup
DunsVoice Access System with "Joyce the Voice"

1. Dial the toll free number
 2. Prompt to enter subscriber number
 3. Prompt to enter PID number
 4. Prompt to enter telephone number of business or DUNS number
Enter Area + 7 digit number + # **OR** Enter 0 then DUNS Number + #
- To obtain a DUNS number ask the customer for their number. Existing customers may have their number downloaded into our system. These numbers can be retrieved by:
 - Go to your TCL prompt : Looks like this >
 - Enter the following ENGLISH Statement :

COMPANY INFO: Initial Charge of .20 units

Line of Business Branch	S.I.C. Code	Subsidiary or	
Company Name			
Street Address	City	State	Zip
D&B Rating Available?	Year Started	Confirmation #	Additional Info

OPTIONS (Additional Charges involved)
All information may not be available on every inquiry

PAYMENT INDEX - Press 20# Charge of .30 units

Company Payment Index _____ Industry Median Index _____

Average payment on terms OR Average payment on terms OR ___ days beyond / sooner than terms. ___ days beyond / sooner than terms.

Number of Company Payment experiences _____

BUSINESS SUMMARY - Press 30# Charge of .50 units

Sales \$ _____ Steady	High Credit \$ _____	Trend Up Down
Net Worth \$ _____	% Experiences Slow _____	History _____
# Employees total _____	Placed for collection _____ times	Financial Condition _____
# Employees at location _____	Public Filings YES Year Started _____	
# Payment Experiences _____	Owner, Partner or CEO : title/name _____	
Average High Credit _____	Financing Secured Unsecured	

DUNS # - Press 50# Charge of .30 units

_____-_____-_____

ORDER REPORT THROUGH **HOME OFFICE CREDIT ONLY**

ZEP CREDIT CARD PROGRAM

WHY CREDIT CARDS?

In today's business environment, companies are striving to reduce purchasing costs and associated accounting overhead. By using Credit Cards our customers can not only reduce hard purchasing costs, but also control spending through authorization limits on Credit Cards used by their purchasing managers.

A Credit Card program is more than an accommodation to our customers, it can be used as a selling tool.

BENEFITS TO THE ZEP REP, INCLUDE:

- When opening new accounts, if the customer is going to pay with a Credit Card, a CREDIT APPLICATION IS NOT NECESSARY. Simply take the applicable Credit Card information (outlined below) and provide it to the branch with the order. The account is then set up similar to COD, if they decide not to use a Credit Card in the future, credit approval will be required.
- ZEP currently accepts *VISA*, *MASTERCARD* and *AMERICAN EXPRESS* Cards.
- COLLECTION FOLLOW-UP IS NOT NECESSARY as ZEP is paid by the Credit Card Company.
- You spend more of your time **SELLING**, less collecting.
- When you have a collection problem on past due invoices, originally billed on net/30 terms, suggest to the customer they use a Credit Card to clear the balance.
- You provide your customer a payment alternative. Without waiting for their next check writing cycle, they can pay you now.
- An order billed to a Credit Card gives you the assurance that SALES VOLUME earned will not be taken back as part of a bad debt charge-off. With a Credit Card order, the only way you lose volume is if the merchandise is returned and/or the customer claims the purchase was unauthorized (it pays to get the customer to sign an order) resulting in a charge back to ZEP. If the customer requests the Credit Card company charge back the sale to ZEP because of defective merchandise and a return does not occur, the charge to the Sales Rep will be determined in accordance with company policy.
- Gives you and Zep a competitive advantage over companies not equipped to handle Credit Cards. Allows us to be competitive with companies that currently promote Credit Card capabilities.

NON ZEP-O-TRACK REPS HERE'S WHAT YOU NEED TO DO:

1. Fill out the Credit Card Authorization Form (ZDF 265) as shown on the attached example or list the following information on the order.

REQUIRED INFORMATION INCLUDES:

- Customer Number
- Customer Name
- Type of Credit Card: (VISA, MASTERCARD, AMEX)

- Credit Card Account Number
- Cardmember or authorized signer as shown on Credit Card. (Have the customer sign the order or Credit Card Authorization Form, if possible.)
- Credit Card Expiration Date

You may have customers with multiple card numbers. ZEP'S computer database will retain the appropriate Credit Card Number(s) for selection at order entry. You should note, some customers request that Credit Card Numbers NOT be retained in a database for security reasons. If the customer makes such a request you should so note on the order.

2. Attach Credit Card Authorization Form to the order and fax, mail or deliver to branch. If the Credit Card Authorization form is not used you should ensure the required information listed above is on the order.

* A small supply of the Credit Card Authorization Form is provided for your convenience. Additional supplies may be obtained from your branch.

**ZEP-O-TRACK REPS
HERE'S WHAT YOU NEED TO DO:**

1. In the **Special Instructions** box type : **CREDIT CARD ORDER.**
 2. When you fax your orders in, make a note of the following required Credit Card information on the cover sheet of your fax.
 - Customer Number
 - Customer Name
 - Type of Credit Card: (VISA, MASTERCARD, AMEX)
 - Credit Card Account Number
 - Cardmember or authorized signer as shown on Credit Card.
 - Credit Card Expiration Date
- * Procedure to handle Credit Card Orders in Zep O Track Release 2.0 is in development and will be passed along to you as soon as complete. Improvements scheduled for Version 2.0 include the ability to transmit a Credit Card Order. The transmission will include the required Credit Card information.

**BRANCH RESPONSIBILITIES
HERE'S WHAT THEY NEED TO DO:**

1. Branch Management may request a signed Credit Card Authorization form on initial Credit Card orders, unusually large orders outside of the customer's normal purchasing habits or walk-in Credit Card customers. This will be beneficial if the sale is charged back to Zep due to customer disputes or errors in order processing.
2. Prior to entering the order, the amount will be extended to include tax and freight.
3. When the order is entered it will fail Credit until the sale is authorized through the Credit Card Company.
4. The branch must obtain an Authorization from the Credit Card Company PRIOR to shipping the order. This process currently involves a phone call, but will eventually be automated. You will earn Sales Volume after the authorization is obtained and the Credit failure is overridden, just as with Non-Credit Card orders.
5. If the Credit Card Authorization is DENIED, you may be asked to contact the customer to obtain another Credit Card Number or determine if the customer desires to pay on net/30 terms. May require Credit Application, subject to Company Credit Policy.
6. After the Authorization is obtained, the order is shipped and invoiced.
7. For Credit Card Credit Memos and invoices already on Zep's Accounts Receivable System, branches must complete a Credit Card Authorization form, obtain the authorization from the Credit Card Company and fax to Home Office Credit for processing.

ACCOUNTS RECEIVABLE/COMMISSION UPDATES

1. During nightly computer update, the authorized Credit Card invoice and payment is processed to the customer's account.
2. You will be charged one-half of the fee charged to ZEP by the Credit Card Company. The current fees are 2% for VISA and MASTERCARD, and 2.25% for AMEX. The fees are based on the TOTAL invoice amount, sales tax and freight included. {See the following calculated example}
3. It is recommended that you increase your selling price by 2.5% (may vary by card type) to offset the effect of the Credit Card Fee on your Net Commission. Referring to the Commission Calculation example below, adding 2.5% to the Merchandise Sales Price would result in a Net Commission amount of \$56.29, instead of the \$53.80.

EXAMPLE
CREDIT CARD SALE / COMMISSION / CALCULATION

The following example uses a 50/50 account split and a Credit Card Fee of 2.00%

Error!		Invoice Amount
Bookmark		
not		
defined.	\$245.00	
	-20.00	Tax & Freight
	225.00	Merchandise Sales Price
	22.50	10% of Selling Price
	90.00	Sales Cost
	112.50	Total Cost for Commission Calculation
	225.00	Merchandise Sales Price
	-112.50	Total Cost for Commission Calculation
	112.50	
	x 50%	Using a 50/50 Commission Split
	56.25	Gross Commission Amount (25%)
	-2.45	Credit Card Fee (\$245 x 2.00% = \$4.90)
		\$2.45 Sales Rep portion 50%
		\$2.45 Company portion 50%
	\$53.80	Net Commission Amount
	23.91%	Commission Percentage (53.80 / 225.00)

COMMISSION UPDATE (CON'T)

The Monthly Commission Statement will show the Credit Card Fee charge for each Credit Card Sale in the column currently headed "DEBIT". The heading has been changed to read "DB/CCF" (Debit/Credit Card Fee). If there is a "DEBIT" and a "CCF", they are combined into one entry.

IF THE MERCHANDISE IS RETURNED:

1. The contract ZEP signs with Credit Card Companies requires any Credit issued to the customer for merchandise billed to a Credit Card MUST be credited to the customer's Credit Card. Accordingly, when a Credit Memo is issued for returned merchandise a credit will be processed through the same Credit Card that was originally charged.
2. The Sales Rep will lose commission and sales volume on any returned merchandise.

DEFECTIVE PRODUCT:

If the customer requests the Credit Card company charge back the sale to ZEP because of defective merchandise and a return does not occur, the commission and/or Sales Volume charge-back will be determined in accordance with company policy.

IF THE MERCHANDISE IS BACKORDERED:

It is necessary to WAIT until the merchandise is available for shipment before a credit card authorization can be obtained. Keep in mind we are reserving part of the customer's Credit Limit, therefore authorized amounts are only valid for three (3) business days.

UCC PROGRAM

When a customer's credit is not enough to secure payment OR if a large amount of credit is extended it may be necessary to have an Agreement signed. All Zep agreements incorporate a paragraph relating to a Secured Interest When a customer signs a secured interest to more than one party it is necessary to file a Financing Statement (UCC-1) with the Secretary of States Office. This filing will notify other creditors that should the debtor not be able to meet the financial obligations of our agreement, Zep will have first access to any assets set forth per our agreement.

Standard for filing~~Error! Bookmark not defined.~~

For any Serial Number Equipment with an invoice total of \$1000 or more **and/or** equipment sold on extended terms. A customer meeting this standard and criteria (see Criteria section) should sign an agreement which grants Zep Manufacturing Company a Security Interest and uses Agency Language. This policy is not to jeopardize sales, but to secure payment.

Criteria for filing

The following criteria should be used to determine if Zep should take a secured interest in a piece of equipment or product(s):

- Type of Business - consider the industry Municipality vs. local car clean-up
- D&B Rating - lack of a rating or one lower than 3A2 or Derogatory information
- Large Dollar Amount Order Even if terms are net/30, equipment orders of \$25,000 or more need to be filed.
- Zep Payment History - If customer continually pays slow, equipment sales should be secured.
- Highly Rated Customers - With single equipment order \$25,000 or more,
- National Accounts - Determined by size of order. Should be reviewed with Home Office - Credit.
- Years in Business - watch business less than two years.
- Terms - any equipment sold in excess of net 30.
- Large Inventory Order - Consignment or Pool Purchasing Arrangements.
- Overall Credit Worthiness - Determined by the Regional Branch or Credit Manager.
- Credit Card Accounts UCC not necessary. regardless of terms.

While this is not an inclusive list of criteria, these elements are common in the Credit decision. In addition to notifying you of equipment invoices that fall within the \$1000 criteria, Home Office Credit will look at some of the aforementioned customer traits prior to requesting an explanation for not filing. Any questionable deals should be reviewed with Richard Caldwell, Director - Credit & Collections.

Definitions:

1. **Purchase-Money Security Interest** : one taken or retained by the seller of the collateral to secure all or part of its price; The concept of PMSI is important in that it may permit a secured creditor to acquire an interest ahead of other secured creditors holding the same type of collateral. To perfect properly, the seller must have a security agreement covering the goods and file it within ten days after the debtor receives possession of the collateral.
2. **Secured Creditor** : a creditor who holds security that will cover the amount the debtor owes him or her.
3. **Security Interest** : an interest in real or personal property which secures the payment of an obligation. Under the Uniform Commercial Code security interests are limited to personal property and fixtures. The signed security agreement must contain a description of the collateral.
4. **Uniform Commercial Code** [U.C.C.] a code of laws governing various commercial transactions, including the sale of goods, banking transactions, secured transactions, in personal property, and other matters designed to bring uniformity in these areas to the laws of the various states, and that has been adopted, with some modifications, in all states as well as in the District of Columbia and in the Virgin Islands.

How to file

Home Office has an on line filing system. This was installed to circumvent the complex network of State Rules concerning the filing of UCC documents and to streamline credit procedures where a perfected security interest is necessary. Filing these forms is not only a tedious task, but almost every State has a different procedure. The on line system involves entering information at Home office via PC and transmitting to Data File Services, Inc. who in turn will file the necessary UCC-1 documentation. Home Office Credit will be responsible for the entry and maintenance of this system.

Fax the following Documents to Home Office - Credit & Collections :

- 1) UCC Information Sheet *
- 2) Signed Agreement

* State Requirements - see below for more information

Timeline

Due to the nature of these filings it is very important to gather all information and fax it to home Office within **5 days** of invoicing or shipment. The reason for this deadline is because other creditors will have a chance to file against the assets of the company depending on the agreement with the business. It's a race to the courthouse and the first one there has a "perfected" filing. This puts Zep in a better position to recover assets.

State Requirements

Certain states require specific information. Please make sure this information is present when faxing to Home Office. The following categories need to be reviewed when filing in the states listed below:

	<u>REQUIRE COUNTY NAME</u>	<u>FED TAX ID & SS#</u>	<u>NO ABBREVIATIONS IN BUSINESS NAME</u>	<u>AGREEMENT COPY</u>	<u>AMOUNT</u>
ARKANSAS	X				
COLORADO		X			
FLORIDA			X		
GEORGIA		X			
ILLINOIS			X		
KANSAS		X			
KENTUCKY	X = County filing only				
LOUISIANA		X			
MAINE				X	
MASSACHUSETTS	X				
MICHIGAN		X			
MINNESOTA		X			
MISSISSIPPI	X				
MISSOURI	X				
MONTANA	X	X			
NEVADA				X	
NEW HAMPSHIRE	X				
NEW JERSEY				X	
NORTH CAROLINA	X			X	
NORTH DAKOTA		X			
OHIO	X				
PENNSYLVANIA	X			X	
SOUTH DAKOTA		X		X	
TENNESSEE					X
UTAH		X			
VIRGINIA	X			X **	
WYOMING	X = County filing only			X	

** Virginia - send a clear copy of the agreement for Chesapeake City and the following counties: Amelia, Augusta, Chesterfield, Halifax, Henrico, Mecklenburg and Patrick.

Monitor Filings

A list of filings will be kept at Home Office Credit & Collections for a period of 5 years. After 5 years the filing is automatically terminated by the State. A list of filings by branch is available upon request. This list will periodically be mailed to participating branches in order to maintain an accurate database.

Terminating Filings

Filings will only be terminated upon request of a branch or a customer. The account will be researched to ensure the customer has paid for or returned the equipment in question. Upon receipt of the terminating statement the customer will receive a letter with copies that Zep no longer has a lien against their business.

Expense

State filing fees will be disbursed by Home Office and charged to branches on a monthly basis. The filing service charges \$9.75 per transaction for use of this service.

[GRAPHIC APPEARS HERE]

UCC INFORMATION SHEET

FAX with Agreement to Home Office - Credit 404-350-6268

Please PRINT ALL Information

1. **Invoice Number :** _____

2. **Customer Account Number / Branch :** _____

3. **Filing Type :** (mark one)

Equipment Sale

Equipment Lease

Equipment Rental

4. **Entity Type :** must include Owners Names for Partnership and Sole Proprietor

Corporation Partnership (list at least 2 names) Federal Tax I.D. # _____

Owners Names if Partnership _____

Sole Proprietor - Please provide the following information

Owners Name _____ Social Security # _____

5. **Customer Name :** Exact Legal Name / Parent Company's Name

D.B.A.(if applicable) _____

6. **Location of Equipment :** Street _____

City _____ State _____ Zip _____ Country _____

7. **Equipment and/or Product Description :** (as listed on invoice)

Qty	Product Number	Description	Serial #
_____	_____	_____	_____
_____	_____	_____	_____

8. **Price \$** _____ **Delivery Date** _____ **Terms** _____

HOME OFFICE CREDIT DEPARTMENT ONLY

DATE FILED _____

TRANSACTION # _____

DFS # _____

TERMINATED INFO _____

DELINQUENCY

Delinquency is a pitfall which faces every company selling on credit. The ever changing economic conditions in various parts of the U.S. dictates a flexible collection program to control delinquency. The most important person in our collection program is the Sales Representative. For this reason the phrase, “*Know who you’re doing business with.*” becomes a very important by-law for the Sales force.

METHODS TO NOTIFY CUSTOMER OF PAST DUE BALANCE :

1. The Monthly Statement. All customers having a debit balance of more than \$5.00 will receive a monthly statement. If the account has been coded “B” (placed and to be charged off), OR “1” (Cash On Delivery), OR “2” (Cash In Advance), a statement will NOT be generated. *See Section 2 regarding COD and CIA.* If the account is delinquent, a message is printed by the computer, the message is increased in firmness as the delinquency progresses to a point where the account is 90 days or more past due. *See Section 7 for printing procedures.*

2. The Credit Collection Letter System. This automated system is comprised of three series of letters consisting of five varied letters. The three series are divided in aging categories of 45-60 days, 61-75 days and 76-90 days. The system is designed to insure a particular letter format will not be repeated in less than six months. The collections letters that are created for mailing to customers include invoices to back up the balance due.

An audit confirmation is available in the system, along with a monthly report, by Sales Representative, of accounts exceeding 90 days past due. Branches retain the ability to identify special customers for whom collection letters should not be sent.

The complete procedure on the Credit Collection Letter System is in Section 8.

3. Branch Reports. Several AR reports can be pulled from the Branch Reports Menu. Regional Credit Managers should monitor the status of accounts using these reports on a monthly basis. *These reports and options are discussed in detail in Section 17.*

- From the Aged AR Menu, Option #5, “Over 90 and Balance Greater than \$1000” Report needs to be run and forwarded to Home Office by the 4th of each month.
- From the Customer AR Status Reports Menu, you may choose different categories to review the AR status of all customers.

4. The Personal Touch. Over 90 day customers do not receive automatic collection letters. At this stage of delinquency, it is a good idea to resort to phone calls. As well, a good personal letter is an effective means of collection. When an account reaches 90 days past due, collection efforts should be accelerated. A credit jacket (Form ZDF-50) should be prepared and all collection follow-up should be logged on the front. When an account reaches 120 days past due, a final demand letter should be sent, giving the customer 5 days to respond. If the customer fails to respond, the account should be placed with a collection agency or the Home Office Credit Department.

5. The Sales Reps AR Hotsheet. Begin at "Branch Reports Menu" and select option #32 A/R HOTSHEET. This is the A/R Hotsheet Report initial display:

A/R HOTSHEET REPORT

Report Column Headings

- (Y) Invoice date
- (Y) 45—60 days
- (Y) 61—90 days
- (Y) 91—120 days
- (Y) Over 120 days

Report based on ALL reps.

- [A]ll reps, [S]pecify reps,
- [C]hange headings, [P]rint report, or e[X]it :

There are several options available:

- [A]ll reps Press 'A' followed by [ENTER] to produce the report for all sales reps.
*Note: This is the default. It is only necessary if reps have been specified and you want to reset to **all** reps.*
- [S]pecify reps Press 'S' followed by [ENTER] to specify which sales reps will show on the report.
- [C]hange options Press 'C' followed by [ENTER] to change the report column options.
- [P]rint report Press 'P' followed by [ENTER] to print the report.
- e[X]it Press 'X' followed by [ENTER] to exit report.

5. The Sales Reps AR Hotsheet. [Continued]

SPECIFY REPS

Sales reps are specified on this screen. There are several options available:

- [A]dd Press 'A' followed by [ENTER] to add new reps to the list. Enter the three digit code assigned to the sales rep.
- [D]elete Press 'D' followed by [ENTER] to delete an entry.
- [I]nsert Press 'I' followed by [ENTER] to insert an entry.
- [M]odify Press 'M' followed by [ENTER] to change an entry.
- [P]age Press 'P' followed by [ENTER] to specify the page number.
- [S]ave Press 'S' followed by [ENTER] to save the list of reps.
- e[X]it Press 'X' followed by [ENTER] to return to the initial A/R Hotsheet display.

Notice that the report is now based on **SPECIFIED** reps.

CHANGE HEADINGS

Notice that “([Y]es or [N]o)” is displayed next to the current column to be changed. Press either ‘Y’ or ‘N’ followed by [ENTER] to specify whether or not you want the current column displayed on the printed report. If you just press [ENTER], the option will remain as it is. There are several column headings:

- Invoice date Will print the invoice date next to the invoice number.
- 45—60 days Will include the 45-60 column on the report.
- 61—90 days Will include the 61-90 column on the report.
- 91—120 days Will include the 91-120 column on the report.
- Over 120 days Will include the OVER 120 column on the report.

PRINT REPORT

If the print option is selected, the report will begin to select the records for the report. Once the report is completed, there will be a spooler entry displayed and the user will be prompted to press [ENTER] to continue.

This is a sample report.

15 MAY 1997 ACCOUNTS RECEIVABLE HOTSHEET PAGE 1
FOR 033—FELDMAN, RICHARD

CUSTOMER NAME REMARKS	45-60	INVOICE DATE	WATCH IT 61-90	INVOICE DATE	TROUBLE 91-120	INVOICE DATE	GONE! OVER 120	INVOICE DATE
GSA ACCOUNTS PAYABLE							# 51026974	06/20/96
KANSAS CITY MO							\$ 90.99	—
ACCT# GSA00402								
PHONE 206.931.7932								
Totals	\$0.00		\$ 0.00		\$ 0.00		\$ 90.99	AR
\$1689.31								
SALESREP TOTALS								
SALES VOLUME AT RISK	\$0.00		\$ 0.00		\$ 0.00		\$ 90.99	
COMISSION AT RISK	\$0.00		\$ 0.00		\$ 0.00		\$ 18.42	

PLACEMENT OF ACCOUNTS (“B” Coding)

Who & What :

Bad debt expense represents a sizable portion of total expenses and a strong effort must be made to control this critical area. Once it has been determined an account is not going to pay, as a result of in-house collection efforts, it is necessary the account be placed for collection. The Regional Credit Department will be responsible for “B” coding accounts, as well as the accompanying bookkeeping.

When :

It is important accounts be placed for collection at the time they are 120-150 days past due. Accounts are easier to collect early in the delinquency and some agencies charge more, or will not handle accounts with balances older than 6 months or 180 days past due. Therefore, one of your goals should be the timely placement of past due accounts, with 120-150 days past due being the target area.

How :

The Customer Account must be “B” coded by changing Credit Status (Item 10 in Customer Maintenance) to “B”. This is accomplished by accessing Customer Maintenance (Item 4 on the Data Entry and Inquiry Menu). You will have an option of “Inquiry, Modify, Delete” as well as other options. To B-Code, you should choose “Modify” and enter the customer number to be B-Coded. Item 10, Credit Status will change to “B”.

The system will calculate the Sales Representatives Commission to be charged back. Notify the Sales Rep through Credit Department Memo (ZDF-IS-S2). The Sales Rep should be notified of this action by preparing the Memo from the Credit Department (ZDF-IS-S2) reflecting the commission charged back.

If partial payments have been made to one or more invoices., you must manually calculate the amount of commission to be charged back. You should consult the commission statement to obtain the original amount of commission earned on invoices billed to the account. The appropriate commission should be charged back utilizing a commission adjustment form (ZDF-IS-SI-79) with a Code 83.

Legal Issues :

Accounts that require monitoring for Bankruptcy, Bulk Transfer, Out of Court Settlement, Receivership, Benefit of Creditors Committee, or any special negotiations should be placed with Home Office - Credit & Collections regardless of amount. Special placement procedures apply to these customers, please see section below.

Placements (by Dollar Amount) :

- 1) Accounts with balances **less than \$500.00** should be placed with a local collection agency. Credit Managers should review agency proposals with the Regional Credit Manager. As collection fees on small balances can be high, it is important for the agency to provide a “free demand period”. Free demand allows us to remain in control of the account, while using the agency’s name. Most agencies offer from 10-30 days free demand. If the debtor pays during the free demand period, there is no charge to Zep. Conversely, if the account remains unpaid, the agency initiates normal collection procedures in our behalf, usually on a contingency basis of 15-35%.

Placements (by Dollar Amount) : [Continued]

- 2) Accounts with balances **in excess of \$500.00** should be placed with the Home Office - Credit & Collections. The preparation of the placement file shall be completed by the Regional or Branch Credit Department. The Regional Manager may delegate placement authority to Branch Managers, but only after consultation with the Home Office Credit Department.
- Form ZDF-365 "Account Placement" should be completely filled out and attached to supporting documentation.
- When placing a National Account, also complete Form ZDF-208 "Collection Summary - National Accounts". Send the Yellow copy to the National Account Manager, and the White Copy to Home Office with the placement package.
- Mail to Home Office - Credit & Collections. Supporting documentation should include an open items statement, copy of the credit application, all open invoices, any signed agreements, UCC information, and copies of any correspondence to and from the customer.

Placement Procedures For Bankruptcy (Or Legal Issues):

Upon receipt of ANY letter or form document regarding Bankruptcies, Bulk Transfers, Out of Court Settlements, Receiverships, Benefit of Creditors Committee, or any special negotiations; research open accounts first and "B" code immediately to prevent additional orders from shipping.

If an open account is not found research charge off records for a possible debt. In bankruptcy cases involving individuals it is helpful to call the debtors attorney and ask for the name of the business and/or the amount listed on the debtor's Schedules owing to Zep. This Notice was sent to Zep for a reason - research it. It is possible that Zep did business with the debtor and the debt was paid in full. Zero balances should be reported to Home Office - Credit & Collections.

Prepare the appropriate documents and send to Home Office - Credit & Collections, Attention : Bankruptcy. The following information needs to be sent for every Bankruptcy. If there is a zero balance attach account number and branch number to the bankruptcy paper(s). Home Office keeps a supply of Bankruptcy Jackets (specially designed) which will be used to organize the case, so a Credit/Collection File jacket is not necessary.

- 1) Zep Account Placement Form : ZDF-365 (6/88)
- 2) Notice of Commencement (or other data referencing the bankruptcy case.)
- 3) Invoice Copy(s)
- 4) Signed Agreement(s), if applicable
- 5) AR Status Sheet

Keeping Branch Records

Each Branch and Regional Office should keep a copy of all bankrupt accounts, regardless of amount, for future reference. Using a list will help keep research time to a minimum. Using a Lotus or Excel Spreadsheet will allow you to keep up with each case. Each column should contain the following information : Case Year / Case Number / Legal Bankrupt Name (use the first if there are more than one) / Zep Account Name (if significantly different from Bankrupt name) / Account Number / Branch Number / Debt Amount / Month - Year Placed / Status to Date (i.e., PIF,SIF...)

Additional Information will be kept at Home Office. Bear in mind a bankruptcy case can go on for 10 + years and you will receive a number of paper work. It's not necessary for you to keep copies of this information as a master file will be located at Home Office - Credit & Collections. Forward all original paperwork to Home Office - Credit & Collections with the account number and branch number at the top.

PREFERENCE ACTIONS

There is a 90 day window prior to the Petition Date of a Bankruptcy in which any payments by the debtor to a creditor could be considered preferential over other creditors. The Estate has the right to request these amounts returned to the estate. This request can come at any time during the course of the bankruptcy. All requests concerning Preference Actions should be immediately forwarded to Home Office - Credit & Collections : Attention Bankruptcy. Failure to do so will result in a default judgment against Zep with additional penalties.

The account will be researched and answered by Home Office - Credit & Collections. Should money be returned to the debtor's estate, the Regional Credit Manager will be notified. This amount will be debited from the Branch Recoveries. If the Sales Rep is still employed by Zep, charge back 100% Volume and 100% Commission (use rate on original order) as to the Preference Payment. DO NOT make any adjustments based on the original letter. Make adjustments ONLY when notified by Home Office - Credit & Collections.

CONTINUING BUSINESS RELATION AFTER PLACEMENT ("B" Coding)

Automatically limited to one of the following: COD, Cash in Advance, Sales Representative to Guaranty, Credit Card or Security Agreement. National Account Customers will not lose pricing status; however, payment method is limited to alternate methods. In any situation, the Branch Manager or Credit Manger must contact Home Office - Credit & Collections to discuss the next appropriate step.

If the "B" coded account is being resold, a new account should be set-up. The customer should be reducing any "B" coded balance on a regular basis or COD purchases will be discontinued. If the Sales Rep has guaranteed the new account, this will not be the case.

BANKRUPTCY : Continuing Business Relations - Chapters 11 & 13

A debtor emerging from a bankruptcy case, notified by an Order Closing the Case, may still be financially weak. Remember that the Plan of Reorganization could be carried out over a time span of 10 or more years. For this reason accounts must remain on the same status. A change in Status will be available only upon review 6 months after "Plan" payments to Zep begin. This review must be made by the Branch Manager/Credit Manger and Home Office - Credit & Collections.

PAYMENT AFTER PLACEMENT ("B" Coding)

After a "B" coded account has been charged off, payments, credit memos and adjustments should not be applied to the account. Payments should be applied to recoveries and adjustments and credit memos should be manually posted to the file. Any change in the customer's balance must be transmitted to the Home Office Credit Department via payment notification (ZDF-46). Home Office - Credit & Collections will send an Account Status Report to notify a Branch of any changes regarding the account.

Special care should be taken when issuing a credit memo to a "B" coded account with a balance. The credit memo will charge back the Sales Rep's commission. As this was done when the account was "B" coded, a commission adjustment must be completed to offset the double entry.

ADMINISTRATION OF ACCOUNTS RECEIVABLE

DUPLICATE PAYMENTS

All payments are to be reconciled prior to applying to Accounts Receivable. If a duplicate payment is received the customer should be contacted for direction of how to apply the check. If the customer can not be contacted by phone, send a duplicate payment letter. The check should be retained in a safe and monitored by the Branch/Regional Manager for thirty (30) days or until the matter is resolved, whichever comes first.

The duplicate payment letter is to be forwarded to all customers who remit in duplicate, with a copy retained in a follow-up file. After fifteen (15) days, if there has been no response, a photocopy of the letter should be sent marked "second request".

If after the second fifteen (15) day period, thirty (30) days from receipt of the check, there is no response, the check should be applied to the customer's account. A copy of the letter and check should then be placed in the customer's file.

It is always company policy, regardless of the age of the credit balance, to refund duplicate payments, provided the customer does not have a balance on the account or another account. In all cases, we should apply any duplicate payments to related account's past due invoices

CREDIT MEMOS

Mail credit memos to customers in the following situations :

- does not zero the entire invoice. Note on CM "Short pay on original invoice"
- original invoice has been paid in full and the CM will create a credit balance
- customer request - you may want to advise customer how to use the CM

DO NOT MAIL if the following apply:

- the CM clears the invoice in full and the Account Balance is zero.
- Re-bills
- B - Coded Accounts

REFUNDS

Upon receiving a request for a Customer Refund, the credit balance must first be verified. It is against Company Policy to refund money to a customer who does not have a credit balance. After verification of the credit balance, a "Request for Check" (Form ZDF-95) should be completed in duplicate and an "Adjustment to Accounts Receivable" (Form ZDF-IS-C3) completed in duplicate and approved by the Manager or designee.

After approval, the account should be debited with an Activity Code "22" adjustment. The entry date should be noted on the Adjustment Form, one copy of the "Request for Check" and one copy of the Adjustment Form, along with the source document or letter that initiated the request, should be sent to Home Office—Credit & Collections. Additional documentation includes:

- Credit memos, if applicable
- Duplicate Check copies, if applicable
- Customer Status Report (DCR)
- Written request from Customer or if verbal, indicate person's name and date of request

Carbon Copies should be retained in a suspense file at the Branch until the check is received from Home Office. The customer's check should then be mailed and copies of all documents placed in the customer's file.

When the Daily Cash Reconciliation Summary (Form ZDF-90) is prepared, the customer refund adjustments must be listed on the reverse side. This is very important, therefore, it should be coordinated in the Regional Office between the Cash Receipts and A/R Adjustment areas.

DISCOUNTS

With few exceptions, our terms are net 30 days. Generally, we do not offer volume or early pay discounts. However, occasionally customers will take discounts without explanation. When this occurs, it is important to take the appropriate follow-up action to clear the remaining balance.

When a customer check underpays an invoice, it will appear on the "Daily Report Of Mismatched Cash Applications". This report should be reconciled on a daily basis. The cash receipts program will permit discounts of \$1.00 or less to be adjusted at the time of check posting.

If a customer takes a discount greater than \$1.00 but less than \$10.00 the Branch Manager or Regional Credit Manager should contact the Sales Representative to ascertain why the discount was taken and how the balance will be cleared. Should the Sales Representative not respond within 30 days and the discount balance remains, an A/R Adjustment (ZDF-IS-C3) should be processed, crediting the account. A Commission Adjustment (ZDF-IS-SI) should also be processed, charging one-half of the discount taken, to the Sales Representative. If the customer persists in taking discounts on future payments, the A/R Adjustment and Commission Adjustment should be processed immediately.

When a customer takes a discount of \$10.00 or more, a letter should be written to the customer, copy to the Sales Representative, to ascertain why the discount was taken. Should the Sales Representative not respond within 45 days, and the discount balance remains, a price adjustment should be entered, clearing the balance. When the price adjustment is entered, the Sales Representatives Commission Account will be charged 45% of the adjusted balance, and sales volume will be lost.

RETURNED CHECKS

Upon notification from the bank that a check has been returned unpaid, please determine the reason for non-payment. In most cases, the reason will be one of the following :

- Insufficient Funds (NSF)
- Account Closed
- Bankruptcy - Refer to Maker
- Check Irregularity

An Accounts Receivable Adjustment (ZDF IS C3) must be prepared and entered as a code "25", charging the NSF check back to the applicable payment (Code 33) on the customer's account. If the invoice has been cleared from the AR, you must place the code "25" - On Account. Depending on why the check was returned you may or may not be able to redeposit it. See below for additional information.

For any return check, the customer will be charged a \$15.00 fee. This may be accomplished by issuing a Debit-Collection Fee Account Receivable Adjustment (ZDF IS C3). Please note you will not charge this fee to Bankrupt Accounts.

RETURNED CHECKS [Continued]

The Branch Cash Posting Clerk should list all returned checks on the Daily Cash Reconciliation Summary, Form 90. The listing should include the customer's name, account number and amount of NSF check. A copy of ALL code "25" A/R Adjustments should be attached to the Form 90.

All branches should maintain a "Return Check" file. A copy of the returned checks, whether first or second deposits must be placed in this file. The check copy should be noted with the date for charge-back and disposition. Branch managers should review this file weekly to assure the necessary A/R Adjustments have been made.

Insufficient Funds - Immediately upon receiving notification of an NSF check, the branch Manager should notify the customer in writing, with a copy to the Sales Rep. Redeposit the check and instruct the customer to deposit sufficient funds to allow clearance of the check. If the check has been returned a second time the customer must be instructed, in writing, to remit certified funds within 7 to 10 days, depending on the governing state law.

Redeposit the check and post as a code "33" payment. If the check is returned the second time, prepare an Accounts Receivable Adjustment (ZDF IS C3) and enter as a code "25". It is recommended that you now send the check to your bank for "Forced Collection". This technique provides for the bank to hold the item until there are sufficient funds in the account to cover the check. The holding period in most banks is 7 to 10 days. A cover letter to the bank should request if the check is made good, remission of their check less the bank service charge for collection. A 15 day follow-up is recommended for this action.

Placing a check for "Forced Collection" is not considered to be a deposit. When the debtor check is good, the bank will issue their check, or credit our account, which will be posted against the Code "25" A/R entry on Zep's books. If your account is credited you will be notified by Home Office Accounting to issue a CM (Miscellaneous Credit). Enter a collection fee adjustment to offset the bank fee.

Please note most banks send NSF checks to the branch. However, if for some reason Home Office Accounting received the NSF check directly from the bank, it will be forwarded to your branch for necessary handling and adjustments.

Account Closed

When returned checks are marked "Account Closed", the customer should be notified in writing, requiring certified funds within a 7-10 day period, depending on the applicable state law. It is not necessary to redeposit returned checks marked "Account Closed".

Bankruptcy - Refer To Maker

When returned checks are marked "Bankruptcy - Refer to Maker", do not notify the customer, do not redeposit the check, and do not charge the customer the \$15.00 fee. You are prohibited by Federal Law to pursue collection. Refer to the Placement Section for B-coding instructions with regards to Bankrupt Accounts.

Irregular Signature / Amount / Date

When returned checks are marked “Irregular Signature or Amount”, it will be necessary to determine if the check may be corrected for re-depositing. If you are unsure as to the proper action, please refer questions to Home Office Accounting or Credit & Collections. Do not charge the customer the \$15.00 fee.

There are several tips to quickly correct an irregular check:

- Stale Date - place an asterisk (*) next to the incorrect item and type “see over”. Endorse the check to say “Correct date is ??/??/??”
- Wrong Amount - place an asterisk (*) next to the incorrect item and type “see over”. Endorse the check to say “Correct amount is \$?.?? Guaranteed by Zep Manufacturing.” With Branch Manager signature and title.
- Missing Signature - type “Missing endorsement guaranteed by Zep Manufacturing” with Branch Manager signature and title.

With this guarantee you are telling the bank that you will reimburse it should the maker claim that the check was paid in error.

A/R (CASH) TRANSFERS

It’s critical the following procedures be followed as errors create imbalances in the Accounts Receivable, necessitating additional reconciliation work and hindering the month-end close-out process. It’s important cash and CM/DM’s not be posted after finalizing on the day of close-out because it creates an imbalance in the Accounts Receivable and is carried forward into the subsequent month.

OUTSIDE REGION

When a branch receives a check for payment of an invoice billed by another branch, outside of the region, it should be sent to the appropriate branch immediately.

WITHIN SAME REGION

Cash transfers between branches within the same region should be processed as CM’s and DM’s not by A/R check.

A/R Transfer Adjustments between invoices on the same account or to transfer amounts between different accounts (within the same branch) requires the completion of the Accounts Receivable Adjustment Form, as a record and a source of reconstruction in the event of down-time.

MULTIPLE REGIONS

Checks including payment for invoices in multiple branches and regions, should be applied by invoice on the appropriate account. The amount pertaining to other branches should be posted “On Account”. The account should then be Debited (Activity Code 22) and a check request completed and forwarded to Home Office —Credit & Collections, requesting a “Zep” check be sent to the applicable branch.

Copies of the supporting documents should be placed in the customer’s file. Further, the code “22” and “DM/CM” entries should be entered on the reverse side of the Daily Cash Reconciliation Summary (Form ZDF-90).

ACCOUNTS RECEIVABLE ADJUSTMENTS

It is important to know the proper A/R adjustments to be made and the purpose of each. Following are the various adjustments, the intent of each and resulting activity codes.

Sales Tax

This adjustment is to be used only after receiving the proper documentation that the customer is tax exempt. In certain cases, it may be necessary to add tax. A Debit will create an activity code "DT" and a Credit will create an activity code "CT".

Freight

This adjustment should be used when it is necessary to add or delete freight on an account. A Debit will create an activity code of "DF" and a credit will create an activity code of "CF".

Discount

This adjustment is to be used only to adjust minor amounts (less than \$10.00) to clean an account. The Sales Representative should be charged, on a Commission Adjustment, one-half of the balance adjusted. A Debit will create an activity code "CD".

Refund

This adjustment should be used when issuing a refund to a customer or to another Zep branch when transferring payments outside of the region. A Debit will create an activity code "22" and a Correction or a Credit will credit an activity code "21".

Returned Checks

This adjustment must be used for all returned checks charged back the first or second time. A Debit will create an activity code "25" and a Correction or Credit will create an activity code "24".

Bad Debt Charge-Off

This adjustment is never to be generated from regional or branch levels. Creates Activity Code "70".

Credit Balance Charge-Off

This adjustment is made once a year. Home Office—Credit & Collections will advise the Branch or Regional offices of the timing of this adjustment. It will create an activity code "82".

Collection Fee

When a collection agency collects an account, they normally remit to Zep less their collection fee. As an example, an agency collects \$100.00 from an account and charges Zep a \$25.00 collection fee. The agency remits \$75.00 to Zep, retaining their fee. The \$75.00 would be processed as a code "33" (Payment on Account). The \$25.00 fee would be credited to the account as a Collection Fee. This would create an activity code "96".

Miscellaneous Debits and Credits

Miscellaneous adjustments should be used in specific situations only. Home Office - Credit & Collections instructs regional offices to make miscellaneous adjustments in connection with:

1. Payments received at Home Office or in distribution of funds from National Accounts.
2. When customers request refunds on credit balances that were previously absorbed.
3. When transferring customer payments to another Zep Branch within your Region.
4. When charging back a guaranteed account.

A copy of each Miscellaneous Adjustment must be forwarded to the Regional Credit Manager. As well, a copy must be attached to the Form 90. A Debit creates an activity code "DM" and a Credit creates an activity code "CM".

If there are questions concerning the usage of miscellaneous adjustments you should contact Home Office - Credit & Collections.

Accounts Receivable Transfer

This adjustment is for use in transferring funds from one account to another within the same branch or to offset Debits and Credits on the same account. An activity code "01" will be generated by either a Debit or Credit.

The above mentioned adjustments should be generated using Form ZDF-IS-C3. Please use the remarks section to explain your entries.

ACTIVITY CODES & DESCRIPTIONS

01 - A/R Transfer	85 - Accrued Charge Off (DB)
11 - Customer Order - regular	86 - Collection Fee Debit
12 - Customer Order - EP	87 - Term RT II Chg-Off (CR)
13 - Sales Rep Order - Merch	88 - RT II Wipe-Off (DB)
14 - Customer Order - phone	89 - Book Sales (CR)
15 - Installment Invoices	90 - Bad Debt Charge Off
16 - Sales Rep Order - novelties	91 - Term RT Chg-Off (DB)
17 - Customer Order - mail	92 - Credit Balance Charge Off (CR)
18 - Customer Order - rush	93 - Comm. Charge Back Bad Debt (CR)
19 - Customer Order - rush batch	94 - Ledger Sales (CR)
20 - Customer Order - future	95 - Accrued Charge Off (CR)
21 - Customer Refunds - Adj.	96 - Collection Fee Credit
22 - Customer Refunds	97 - Term RT II Chg-Off (CR)
24 - Returned Checks - Adj.	98 - RT II Wipe-Off (CR)
25 - Returned Checks	99 - Book Sales (CR)
28 - Customer Order - Inter Co.	AI - Accrue Interest
29 - Customer DM - Internat. Int. (DB)	C0 - Customer CM - interco return merch
32 - Cash Receipts - Adj.	C1 - Customer CM - interco p/u by rep
33 - Cash Receipts	C2 - Customer CM - interco defective
34 - Misc. Receipts	C3 - Customer CM - interco damaged/lost
40 - Freight Out	C5 - Customer CM - interco price adj.
42 - Freight on Return	C8 - Customer CM - interco rebill
43 - Comm on Spec - B/O	CD - Credit Discount
44 - Other Commission Debits	CF - Credit Freight
45 - Phone Charges	CI - Credit Interest
46 - Donations/Advertising	CM - Credit Adjustment Misc (07)
47 - Salesreps Invoice Freight	CT - Credit Tax
48 - Other Misc. Adjustments	DD - Debit Discount
49 - Commission Draw Checks	DF - Debit Freight
50 - Freight Out (CR)	DI - Debit Pastdue Interest (DB)
52 - Freight on Return (CR)	DM - Debit Adjustment - Misc AR
53 - Commission Spec - B/O (CR)	DT - Debit Tax
54 - Other Commission Credits	E0 - Customer CM-EP rtn merch
55 - Phone Credits	E1 - Customer CM - EP p/u by rep
56 - Donation/Advertising Credits	E2 - Customer CM - EP defective
57 - Sales rep Inv. Freight (CR)	E3 - Customer CM - EP damaged/lost
58 - Other misc. Credits	E8 - Customer CM - EP rebill
59 - Commission Draw Check (CR)	MC - Returned Checks Adj (MLC)
70 - Customer CM - returned merch	MD - Cash Receipts Adj (MLC)
71 - Customer CM - PU by rep	MN - Returned Checks (MLC)
72 - Customer CM - defective	MO - AR Debit from Transfer (MLC)
73 - Customer CM - damaged/lost	MP - Cash Receipts (MLC)
74 - Insurance Liability Claim	MR - AR Credit from Transfer (MLC)
75 - Customer CM - price adj.	PI - Paid Interest
76 - Salesrep CM - merch	RC - CS RT Manpower wipe-off CM
77 - Salesrep CM - novelties	RD - CS RT Manpower wipe-off DM
78 - Customer CM - rebill	X1 - Credit Card Cust Ref Adjust. (CR)
79 - Customer CM - Internat. Int (CR)	X2 - Credit Card Cust Ref (DB)
80 - Bad Debt Charge Off (DB)	X3 - Credit Card Cust Payment (CR)
81 - Term RT CHG-OFF (CR)	X4 - Credit Card Adjust Cust RTN CHK (CR)
82 - Credit Balance Charge Off	X5 - Credit Card Cust RTN CHK (DB)
83 - Comm. Charge Back Bad Debt (DB)	X6 - Credit Card Cust Payment Adjust (DB)
84 - Leger Sales (DB)	

CHARGE-OFFS

The following procedure is to be conformed to regarding August and December Charge-Offs. All "B"- coded accounts, in the Customer Master File on the system, which remain unpaid on August 31st and December 31st, will be deleted from the Accounts Receivable and charged to Bad Debts.

All customer maintenance must be completed prior to the end of the month, as the data center requires one day for updating files. Any account not properly updated will be carried past due until the next charge-off period.

1. Prior to the end of August and December, the Accounts Receivable should be reviewed to assure all placed accounts have been "B" coded. To generate a Report of "B" Coded accounts, select Option 18 on the Report Selector.
 - All check must be deposited and Accounts Receivable Adjustments processed prior to the close of August and December to prevent charging off accounts that have paid.
 - Credit files should be reviewed to make certain that extended terms were not given to the account which would preclude "B" coding.
 - All open orders should be canceled prior to "B" coding an account.
 - All Commission Adjustments for Charged-Off Accounts should be made prior to close out so as to reflect on the next months Commission Statements.
2. The Bad Debt Charge Offs will occur automatically during the Nitely Processing on the last business day of August and December.
3. The following system generated listings of charge-offs will be printed at the Regional office. We suggest you run your nitelies for Fiscal Year End Close on FOUR PART paper.
 - Customer alpha sequence within Branch code.
 - Customer alpha sequence within Sales Representative code.
4. Distribute copies as follows:
 - 2 copies = mailed to Home Office—Credit & CollectionsOne alpha listing by Branch Code & One alpha listing by Sales Rep Code.
 - The alpha listing within Branch Code should be retained in each branch office to be used in connection with recoveries and compute Sales Volume Charge Backs on November 30th. See #5 below for additional information.
 - The Sales Rep's listing must be mailed to the Sales Rep advising the charge-offs are part of the November 30th Sales Year.

CHARGE-OFFS [Continued]

5. The alpha listing within branch code, printed at August close-out, should be utilized to compute Sales Volume Charge Backs on November 30th. All payments should be noted on this listing. If additional accounts are B-coded between September 1st and November 30th, they should be added to this list. If the above procedure is followed, Sales Volume Charge Backs in November will be routine.
6. Do NOT Charge Off any accounts on December Close Out for which Sales Volume was NOT charged back to the Rep on November Close Out.
7. If the Bad Debt Charge-Off Reports are lost during the Nitely Processing, you may recover them by using Option 18, “Bad Debt Charge-Offs” on the Branch Reports Menu. This will bring you to the Bad Debt Menu. Choose Option 2, “Recover A/R Charge-Off Reports” to initiate the recovery process.
 - The original Bad Debt Reports must have been created in order to recover.
 - This recovery option is available only during the first month following a charge-off cycle.

NATIONAL ACCOUNTS

PAST DUE

When a National Account is **45 days** past due, make the usual collection attempts. Make notes of dates of calls or correspondence and name of contact persons. Common practices include:

- A phone call to the “Bill To” location or a reminder letter with invoice copies is appropriate.
- The initial Automated Collection Letter, 45-60 day series, could be sent, however do not send any of the later series.
- The Sales Rep should be asked to make collection attempts.

If preliminary collection attempts are unsuccessful, order a Proof of Delivery (POD) at **60 days** past due. This is a common request made by National Account customers when collection contacts are made. This process could take up to 2 weeks or longer. When the POD is received, verify if the account has been paid.

If invoices remain unpaid after **90 days**, place the account with Home Office—Credit & Collections. **DO NOT B-CODE THE ACCOUNT.** Form ZDF-365 “Account Placement” should be completely filled out and attached to supporting documentation. When placing a National Account, also complete Form ZDF-208 “Collection Summary—National Accounts”. Send the Yellow copy to the National Account Manager, and the White Copy to Home Office with the placement package. Mail to Home Office—Credit & Collections. Supporting documentation should include an open items statement, copy of the credit application, all open invoices, any signed agreements, UCC information, and copies of any correspondence to and from the customer.

HOLDING ORDERS

DO NOT hold National Account orders without approval of Home Office—Credit & Collections OR National Accounts. Both departments should be appraised of any situation where you feel orders should be held prior to taking such action.

PAYMENT

If payment is received on invoice(s) that were forwarded to Home Office, please note payment on a copy of the Collection Summary and forward to Home Office—Credit & Collections.

B - CODING

If Home Office - Credit & Collections OR National Accounts attempts to collect are unsuccessful, you will be advised to B-code the National Account.

REPORTS

There are several Reports available to you when analyzing the Accounts Receivable. This section will tell you how to access these reports.

The REPORTS MENU

Go to the Main Menu.

Entering Option 2, "MASS UPDATES & PRINTING"

Select Option 4, "Reports"

- | | | |
|------|-----------------------------|-------------------------------------|
| B3XX | 4.2.4 Branch Reports Menu | 07 APR 1998 |
| 1. | OPEN ORDERS LISTINGS | 21. BACKORDERS BY SALESREP |
| 2. | SALESREP LABELS | 22. SALESREP MAILING LIST |
| 3. | AGED A/R OPTIONS | 23. CUSTOMER LINE ITEM HISTORY |
| 4. | CUSTOMER AR STATUS REPORTS | 24. NEW ACCOUNT LABEL PRINT |
| 5. | CUSTOMER STATEMENT | 25. ANALYSIS OF ACCOUNTS SOLD |
| 6. | PRODUCT MASTER BY CLASS | 26. SALESREP ACCOUNT LIST |
| 7. | ACCOMMODATION ITEM LISTING | 27. CUSTOMERS 3X5 CARDS |
| 8. | PRODUCT BASE USAGE REPORT | 28. CREDIT COLLECTION LETTERS |
| 9. | CUSTOMER ALPHA LISTINGS | 29. MISC. PRODUCT LABELS |
| 10. | ACCOUNT PENETRATION MENU | 30. FUTURE ORDER LISTING |
| 11. | DOT TABLE | 31. SALESREP INV & NC REPORT |
| 12. | CARRIER TABLE | 32. A/R HOTSHEET |
| 13. | STANDARD P/S MESSAGES | 33. COMMISSION STATEMENTS RECOVERY |
| 14. | STANDARD INVOICE MESSAGES | 34. PRODUCT MASTER BY MFG NAME |
| 15. | SIC CODES | 35. CUSTOMER LABELS PER REPS |
| 16. | MATERIAL SAFETY DATA SHEETS | 36. SALES & GP PER PRODUCT CATEGORY |
| 17. | SALESREP MASTER LISTING | 37. PRODUCTS PURCHASED BY CUST |
| 18. | BAD DEBT CHARGE-OFFS | 38. CONTEST OPTIONS |
| 19. | TENTATIVE SALESREP DELETION | 39. INTL CUST PROD PURCHASES |
| 20. | INVOICES PER SALESREP | 40. USER ENGLISH MENU |
| 41. | VERATAX | 42. BRANCH ACTIVITY STATS |

In this section we will discuss the following Reports:

- 3. Aged A/R Options
- 4. Customer AR Status Reports
- 9. Customer Alpha Listings

PRINTING : The report is spooled to the branch's STD queue in HOLD status.

Option 3. AGED A/R OPTIONS

- | | | |
|------|--|-------------|
| B3xx | 4.2.4.3 AGED AR REPORTS MENU | 07 APR 1998 |
| 1. | ALL | |
| 2. | COD | |
| 3. | BALANCE GREATER THAN SELECTED AMOUNT | |
| 4. | CREDIT BALANCES | |
| 5. | OVER 90 AND BALANCE GREATER THAN SELECTED AMOUNT | |
| 6. | RECAP NATIONAL ACCOUNTS AGED A/R | |

Option:

For any option selected on the Aged AR Reports Menu, the system will prompt as to whether you want to use the AR file as it exists today, or as it existed at the last ledger close-out.

If TODAY is chosen, the aging will occur as of today and no items with a balance of zero at last ledger close will appear.

IF LAST LEDGER CLOSEOUT is chosen, aging will occur as of that date and all items that existed at the last ledger close will appear.

Explanation of Options on Aged AR Reports Menu 4.2.4.3

Option 1. All

- Enter the option for Today's ledger or Last ledger amount.
- This report will run for all customers within a branch.
- Banner = AGED A/R

Option 2. COD

- Enter the option for Today's ledger or Last ledger amount.
- This report will run for all COD customers within a branch.
- Banner = COD AGED A/R

Option 3. Balance Greater Than Selected Amount

- Enter the desired Customer Balance Amount. This is a minimum amount.
- Enter the option for Today's ledger or Last ledger amount.
- This report will run for all customers within a branch and meets the entered Customer Balance.
- Banner = GT < xxxx AGED AR (x = amount entered for customer balance)

Option 4. Credit Balances

- Enter the option for Today's ledger or Last ledger amount.
- This report will run for all customers with Credit Balances within a branch.
- Banner = CRBAL AGED A/R

Option 5. Over 90 and Balance Greater than Selected Amount

- Enter the option for Today's ledger or Last ledger amount.
- This report will run for all customers within a branch who's AR Balance is Over 90 days and meets the minimum entered amount .
- Banner = OVER 90 GT xxxx AGED AR (x = amount entered for customer balance)
- Run this report with dollar amount = \$1000 at the beginning of every month. Print this report and indicate an Explanation to the right of your report. Be specific in your response, i.e., "*Sales Rep working on price dispute. Anticipate payment on May 1st.*" **IMPORTANT** : Installment orders should be identified prior to explanation. Example : "*Dyna Clean Promo on 12mth—Rep will p/u on 9/26 and f/u after.*" Copy report with explanations and forward to Home Office—Credit & Collections by the 4th of each month. West Coast and Canada may fax in the report.

CUST #	NAME/ADDRESS	CC LMT SM#	REF#	AC	DATE	BALANCE	0-30	30-60	60-90	OVER 90	
						*	*	*	*	*	
						*	*	*	*	*	
A00977	WILLIAMS BROS CONCRET	20000 069	10730602	18	03/31/97	100.03 *	*	*	*	*	
012	PO BOX 9399					100.03T*	*	*	*	100.03	
	MARIETTA		10798474	18	11/05/97	2612.65 *	*	*	*	*	
YD 32382	GA 30065					2612.65T*	*	*	*	2612.65	
PY 44376			10831992	11	03/04/98	192.75 *	*	*	*	*	
				33	04/07/98	-192.75 *	*	*	*	*	
						0.00T*	0.00 *	*	*	*	
			10833470	11	03/10/98	449.54 *	*	*	*	*	
						449.54T*	449.54 *	*	*	*	
			10834467	11	03/12/98	2076.06 *	*	*	*	*	
						2076.06T*	2076.06 *	*	*	*	
			10838398	18	03/25/98	838.72 *	*	*	*	*	
						838.72T*	838.72 *	*	*	*	
			10838505	11	03/26/98	1269.17 *	*	*	*	*	
						1269.17T*	1269.17 *	*	*	*	
						*	*	*	*	*	
	WILLIAMS BROS CONCRE					*	*	*	*	*	
	864 GLENWOOD AVE SE					*	*	*	*	*	
	ATLANTA GA 30316					*	*	*	*	*	
						TOTALS	7346.17 *	4633.49*	0.00 *	0.00 *	2712.68
						GRAND TOTALS	7346.17 *	4633.49*	0.00 *	0.00 *	2712.68
						*	*	*	*	*	
						*	*	*	*	*	
						BRANCH TOTAL	198357.20	49665.71	24785.15	30013.96	93892.38
						PERCENTAGE		25.04	12.50	15.13	47.34

Option 6. Recap National Accounts Aged A/R

- The purpose of this report is to provide a recap of the existing (Home Office) detailed report called "National Accounts Aged A/R and Open Items Report".
- Branch level will show totals for the individual branch only. Regional level will show totals for the branches within the region only.
- Home Office will have access to the detailed report as well as recap for all Region and Branches. (See Home Office Section for additional information.)
- Accounts - NA, GSA, NSI accounts are available for Recap Reporting.
- Frequency - As requested / on demand. The data file for the report will be updated weekly on Friday nights.
- Banner = RECAP NA REPORT

Instructions : You will be prompted to enter [A] to select ALL available accounts or [S] to select specific accounts. If you choose [S] the following will prompt, "Enter NA Customer number or name or (Enter):" You have 3 options:

1 - Enter an account number. Note : Do not enter a suffix number. The process will verify if the number is on file. If the number is on file, the recap report will be processed. If not, the following message will display and the user will then hit enter to return to the previous screen.
 "NA1020 - is not a valid NA customer number...(Enter)."

2 - Enter a customer name. The process will do a search for all NA customers with a name like the input name. The 'like' names selected will be displayed and the user will then choose the necessary line number corresponding tot he required name. (Sample follows):

1. NA0913 Best Foods
 2. NA0967 Krasdale Foods - Beta
 3. NA1020 Sysco Foods
 4. NA0915 Rich food Inc.
- line[#], [P]age, e[X]it :

Input the line number desired and the process will print the recap report for the customer. The screen will return to the first screen. If there are no matches for the input name, the process will display the following message and the user will then hit enter to return to the previous screen. "No NA customer master records found with name like - FOOD (Enter).:"

3. Press Enter to exit screen.

At this point Regional Levels have the option to pull a Branch Recap or a Region Recap. The following message will display :

YOU ARE THE MAIN REGION BRANCH
CHOOSE [B]RANCH OR [R]EGION REPORT FORMAT:

A spooler number will display upon completion of the report process. Press enter after recording this number.

Sample Report:

ZEP MANUFACTURING COMPANY
NATIONAL ACCOUNT AGED A/R RECAP REPORT
FOR WEEK ENDING FRIDAY, APRIL 03, 1998

FOR NA2030 - MMANTEC INC (3)

<u>BRANCH</u>	<u>BALANCE</u>	<u>0 - 30</u>	<u>30 - 60</u>	<u>60 - 90</u>	<u>OVER 90</u>
310	2,397.37				2,397.37
REGION - AG	2,397.37	0.00	0.00	0.00	2,397.37

OPTION 4. CUSTOMER AR STATUS REPORTS

- B310 CUSTOMER AR STATUS REPORTS MENU
1. ALL OVER 90
 2. ALL 61-90
 3. FOR SPECIFIED CUSTOMERS
 4. FOR SPECIFIED SALESREP
 5. INACTIVE CUSTOMERS WITH CREDIT BALANCE
 6. ALL 45-60

OPTION:

- This procedure prints Customer AR Status reports for selected categories of customers.
- The reports produced will be based on non B-coded customers whose oldest open invoice falls into the selected aging bracket.
- Option 3 for Specified Customers will allow the user to generate reports for up to 16 accounts.
- Option 5 for Inactive Customers with Credit Balances will generate reports for non B-coded customers that have a credit balance and have had no activity for at least 6 months
- Options 1, 2,5, and 6 allow you to specify which states should be processed and the sequence of the report by Customer Number or Salesrep Code. The following message will display:

INACTIVE CUSTOMERS WITH CREDIT BALANCE

ENTER STATE CODE OR "ALL" FOR ALL: GA

REPORT SEQUENCE OPTIONS: [C]ustomer#, [S]alesrep code:

INTRODUCTION

The backbone of any credit function is the credit policy. A good credit policy encompasses the important actions of prevention, collection and administration. This policy will serve as a guide in determining how to handle given kinds of problems. But it rarely offers a definitive solution. The Credit Manager should exercise common sense when making decisions relevant to this credit policy.

The credit limit extended to a customer is an investment, a loan and a privilege. It must correspond to our terms of sale, desired market penetration and appetite for risk. Credit granting boils down to trust based on past performance and future prospects. It is important to get the facts, review all data, and consider both current conditions and past performance of each customer. Evaluate all information for an indication of future probability.

Three Roles Of Credit In Our Business :

- Generate more profits through increased sales;
- Insure sound value in Accounts Receivable (our most liquid business asset);
- Acts as a business stimulant

Keys To Making Good Credit Decisions :

- Knowing when you have enough information – when you can stop digging. If there is a doubt as to whether you reject or accept an order, it is usually desirable to keep searching for facts until the uncertainty is resolved.
- Knowing when an investigation is merited. Know your information sources, how to use them and how much they cost. Reliable credit information costs time, effort and money. It is important to know which sources to use and when to use them.
- Keep in mind the three basic actions and objectives in credit granting:
 - 1) Prevention - reduce risk of bad debt losses by making good credit decisions,
 - 2) Collection - of Accounts Receivable faster and accurately,
 - 3) Administration - of the Accounts Receivable to gain more profits and sales.

“What was true yesterday may not be true today. What is true today may not be true tomorrow. But what you find are indications that point to truth tomorrow. Your profits depend on how well you find them.” - (Anonymous)

GENERAL INFORMATION

Maintaining a clean, accurate Accounts Receivable should be one of the Credit or Branch Manager's most important objectives. Proper record keeping will aid in swift collection of all accounts and lead to future sales. Meeting deadlines and knowing the work flow helps achieve these objectives.

MONTHLY

Terms : Net 30 days ; No volume or early-pay discounts
Administratively approved products on Installment Plan

Close-Out : last day of every month

COD Suspense File : Reviewed each Friday

Statement of Account : Prints end of every month for select customers

ANNUAL

Fiscal Year : September 1st to August 31st

Charge Offs : December 31st and August 31st

Credit Balance Absorption : June 30th

Sales Year : December 1st to November 30th

Sales Volume Charge Backs : November 30th

CREDIT DECISIONS

NEW ACCOUNTS

As our Sales Representatives identify and set up new customers, it is important to make credit decisions quickly so that orders are shipped within 24 hours and future sales are not inhibited. Prior to the sale being consummated it is important to verify who is responsible for payment. The first law of credit is "know who you're doing business with".

Determining ownership on certain businesses can be difficult. The following customer classifications should provide verifiable ownership information : Apartment Complexes, Motel/Hotels, Management Companies, Fast Food Chains, and Retail Stores.

There are certain types of businesses which should be sold on a C.O.D. basis unless a credit investigation indicates otherwise. This category includes : Service Stations, small Janitorial Firms, small Car Clean-Up Shops and other highly mobile types of businesses. See Alternatives to Open Credit (Pg. ?).

INVESTIGATE NEW ACCOUNTS

Investigation of the new customer is necessary using a variety of sources. On new accounts, the type and extent of the credit investigation will be determined by the size of the order and the anticipated sales to the new account.

1. Credit Application (Form ZDF-61)

It is recommended the Sales Representative obtain a credit application on the initial visit. With new or inexperienced Sales Representatives, the Manager may require a credit application with every new order. It is wise for each Sales Representatives to obtain a credit application with each new order because:

- 1) He is looking for increased orders from the new customer.
- 2) All initial orders under \$100.00 may be shipped without credit applications; however, Subsequent orders will not be shipped until the first order is paid or a credit application is received and approved.
- 3) In the event the account "skips" (thereby having the Sales Representative lose commission, volume and bonus) we may be able to locate the customer through information on the application.

2. Business Reference Letter

Using references listed on the Credit Application, contact the customer via phone, mail, fax, or e-mail. See Forms Section for an sample letter.

3. Credit Reports : Dun & Bradstreet (D&B) / TRW

We primarily sell commercial accounts and utilize Dun & Bradstreet and TRW to obtain credit information. A Dun & Bradstreet report, in most cases, gives you sufficient information to make a credit decision. If not, a TRW report may be ordered. This report primarily lists trade credit experience. To obtain D&B summary information each branch Credit Department has access to an Electronic Reference Lookup (ERL). See Credit Report section for specific instructions regarding Credit Reports

ASSIGNING CREDIT LIMITS

Once we decide to sell a new account on a credit basis, the decision is only half completed. We must then decide how much credit to extend to the new customer. It should be remembered, credit limits are intended as guidelines only and should not diminish our flexibility. When the customer exceeds the original credit limit, we should obtain more information allowing us to increase the credit limit or make arrangements with the customer to clear unpaid invoices. Review the previous section on how to investigate a customer (Pg. ?).

METHOD'S TO EXTEND CREDIT

1. Forecast the customers' Annual Sales and divide by six, which will give two Average Months Sales, and set as the credit limit. Since our terms are net 30, this will allow a slight buffer so the customer will not constantly be exceeding the credit limit.
2. Based on the D & B Rating and Paydex Score, give the customer a credit limit based on the customer's pay habits and financial strength. If a customer is listed in Dun & Bradstreet with a first or second line rating, a credit application is not required. If the account has a lesser rating or is listed but not rated, a Dun & Bradstreet report may be ordered by requesting through Home Office Credit Department.
3. Managers should use the "Four C's Of Credit" to decide how much credit to extend to the new customer. They are defined as :
Character, is defined as integrity, sound moral reputation and the willingness and determination to meet obligations.

Capacity, is defined as the ability of the customer to conduct his business efficiently and profitable.

Capital, for credit purposes is defined as the financial strength, for the granting of credit risk. Without financial strength, the granting of credit constitutes a “moral risk” (meaning that the grantor relies chiefly or entirely upon the character and capacity of the credit risk).

Condition, in a period of rising prices, men with little or no ability may succeed in business, whereas, under adverse conditions, they are unable to cope with competitive forces. Political development, judicial decisions, disaster of diverse types, tax rates, competitive conditions, and the money market are all important condition factors that may minimize or accentuate risk.

ALTERNATIVES TO OPEN CREDIT

CREDIT CARD

Zep accepts VISA, MASTERCARD, and AMERICAN EXPRESS. Please see Credit Card Section for procedures when processing Credit Card Payments.

CASH IN ADVANCE

Place the order on hold, cut an invoice and fax it to the customer. The customer should be instructed to express a check to the attention of the Branch Manager or the Credit Manager. Release the order upon receipt of the check.

COD ACCOUNTS

In cases where customers can not be shipped open account for reasons relating to credit or past due status, we may elect to ship customers COD. It is critical COD shipments be monitored for payment. The following procedure should be used:

TRACKING COD PAYMENTS :

- 1) COD shipment is invoiced and the (yellow) remittance copy of the invoice is retained in the COD Suspense File by the A/R Clerk or Credit Department.
- 2) City Deliveries : the Warehouse Manager should have the driver sign for the shipment. A log of COD shipments should be prepared for each driver, having the driver sign prior to departure each day. Upon return, any discrepancies should be reviewed with the driver, Credit Manager and/or Branch Manager.
- 3) Run the *Aged A/R for COD Customers Report* on two-part paper and distribute as follows: one copy to Branch Manager or Regional Credit Manager to review immediately following close out. Forward the second copy to Home Office Accounting Department, along with other special monthly reports. The Branch Managers and Regional Credit Managers should utilize this report for collection follow-up with the customers, Sales Reps or freight carriers.
- 4) Review the COD Suspense File each Friday (Branch Manager or Regional Credit Manager.) It is critical this file be maintained and worked according to schedule, as some truck lines, especially UPS and other parcel delivery services, are slow in remitting funds. When COD shipments, delivered by UPS or other parcel delivery services, remain unpaid after 30 days, a claim should be filed with the carrier.
- 5) If a COD delivery by a Sales Rep remains unpaid for 15 days, the balance will be charged to the Sales Rep, providing a credit balance exists in the commission account. Branch Managers and Regional Credit Managers should monitor Sales Rep deliveries closely, especially where new Sales Reps or Sales Reps with debit balances are making the deliveries.

RECEIVING COD PAYMENT:

- 1) When a check or cash is returned to the branch with the order form, Order Entry must note the payment in the "Remarks Section" of the invoice as "Paid Check No. ___ Date ____". This will confirm payment has been received and collection follow-up is not necessary.
- 2) Pull the (yellow) remittance copy out of the COD Suspense File. Use this copy as the check voucher and keep with the Daily Deposit Listing as back-up.
- 3) All incoming cash must have a receipt. The standard 3-part form, supplied by Home Office, is the only authorized receipt to be used. Distribute the 3 forms in the following manner:
White = Customer Copy ; Yellow = Binder Copy ; Blue = Home Office Accounting.
- 4) Record the Branch Number, Cash Receipt Number and Date of the Deposit at the time the cash is given to the A/R clerk, for deposit.
- 5) Attach the blue copy to the Form 90 and forward to Home Office on a daily basis.

GUARANTEED ACCOUNTS

Accounts may be guaranteed only by Sales Representatives who have sufficient credit balances on their Commission Statements. The credit balance should cover all accounts guaranteed to date and the required percentage of holdback on their Receivables Balance must be present on their commission statement in the form of a credit balance. All guaranteed accounts must be guaranteed in full. Partial guarantees on specific orders are not allowed with the exception of bankrupt accounts. All guarantees must be in writing on ZDF-205 (Entire Account) or ZDF -205a (Order Only).

Sales Representatives on the springboard program are NOT allowed to guarantee accounts. Newer Sales Representatives, beyond springboard, should have the approval of their supervisor to guarantee an account.

MAINTAINING A GUARANTEED ACCOUNT :

- 1) When the guaranteed account is set-up, it must bear a credit code of "G". Change the Credit Status, Item 10 in Customer Maintenance, to "G"
- 2) When any portion of the account reaches 120 days past due, the full balance must be charged to the Sales Representative. A Credit Miscellaneous (CM) must be issued to clear the balance and the balance should be charged to the Sales Representatives Commission Account using a code "48", Commission Adjustment. A copy of the charge, along with an open items statement, copies of invoices, credit miscellaneous, and supporting documents, must be forwarded to the Home Office Credit & Collections Department.
- 3) Prior to placing a guaranteed account, with the Home Office Credit Department or collection agency, the Sales Representative should be contacted for approval. There are certain situations where the Sales Representative would not want the account placed.

PAYMENT OF A GUARANTEED ACCOUNT

- 1) When an account balance is charged to the Sales Representative, the Accounts Receivable balance should reflect -0- on the Aged Accounts Receivable, but the account will remain on the master file.
- 2) Upon receipt of a payment on a guaranteed account that has been charged to the Sales Representative, apply the check "On Account". Remember, the account balance is zero, so the payment will be "On Account" leaving a credit balance.
- 3) Then issue a Debit Miscellaneous (DM - Form ZDF-IS-CE) for the amount of the payment. This will return the account to a -0 - balance.

- 4) Process a Sales Representatives Commission Adjustment, activity code "58", to credit the Sales Representative for the received payment. The commission account should be credited as partial payments are applied, not when the account is paid in full.
- 5) If the account has been deleted from the master file, due to inactivity (12 months), the payment should be processed as a Miscellaneous Deposit, with remarks entered on the Daily Cash Reconciliation Summary (Form 90), "750-060-Sales Rep Guarantee", and step 4 repeated.
- 6) In either case, a copy of all adjustments, checks and recovery deposits should be forwarded to the Home Office Credit & Collections Department. The proper journal entry will be made from these documents to properly classify the entries on the company's books. As a reminder, reduce the customer's balance on the Recovery Record, (Form ZDF-47), by the amount of the payment.

SECURE PAYMENT : (Security Agreement)

Customers with questionable credit should sign a Security Agreement. A generic version is available; however, remember to contact Home Office Credit & Collections for special deals and/or variations to any legal documents.

Equipment Deals need to have a customer signed agreement. Consult Home Office Credit & Collections for the proper document and instructions for preparation.

UCC FINANCING STATEMENT

This policy is not to jeopardize sales, but to secure payment. Article 9 of the Uniform Commercial Code covers secured transactions. The filing of a UCC-1 Financing Statement allows the seller to retain the title of the goods until payment has been made in full.

STANDARD FOR FILING

1. Any Serial Number Equipment with a) Invoice total of at least \$1,000 **OR**
b) Installment Purchase

2. Customer Criteria, consider the following :
 - a) Type of Business
 - Municipality vs. local car clean-up
 - b) Years in Business
 - watch those in business less than two years
 - c) D&B Rating
 - watch those with lacking a rating or one lower than 3A2
 - d) Terms
 - should be concerned with deals in excess of n/30
 - e) Large Dollar Amount Order
 - equipment orders of \$25,000 or more must be filed regardless of terms.
 - f) Large Inventory
 - consignments or Pool Purchasing arrangement
 - g) Zep Payment History
 - customers continually paying slow, file financing statement.
 - h) Overall Credit Worthiness
 - determined by the Regional Manager, Branch Manager, or Credit Manager.
 - i) Highly Rated Customers
 - equipment orders over \$25,000 or more must be filed regardless of terms
 - j) National Accounts
 - determined by size of order, should be reviewed with Home Office - Credit.
 - k) Credit Card Payment
 - Financing Statement not necessary

While this is not an inclusive list of criteria, these elements are common in the Credit decision. Any questionable deals should be reviewed with the Director - Credit & Collections.

INSTRUCTIONS FOR FILING & MONITORING FILINGS

See UCC Filing Section for complete procedure. (Pg. __)

DELINQUENCY

Delinquency is a pitfall which faces every company selling on credit. The ever changing economic conditions in various parts of the U.S. dictates a flexible collection program to control delinquency. The most important person in our collection program is the Sales Representative. For this reason the phrase, "*Know who you're doing business with.*" becomes a very important by-law for the Sales force.

PROCEDURES TO NOTIFY CUSTOMER OF PAST DUE BALANCE :

1. The Monthly Statement. All customers having a debit balance of more than \$5.00 will receive a monthly statement. If the account has been coded "B", "1", or "2", a statement will not be generated. If the account is delinquent, a message is printed by the computer, the message is increased in firmness as the delinquency progresses to a point where the account is 90 days or more past due.
2. The Automated Collection Letter System. The system is comprised of three series of letters consisting of five varied letters. The three series are divided in aging categories of 45-60 days, 61-75 days and 76-90 days. The system is designed to insure a particular letter format will not be repeated in less than six months. An audit confirmation is available in the system, along with a monthly report, by Sales Representative, of accounts exceeding 90 days past due.

The mechanics of the program are as follows:

- A. The letters are formulated and revised by the Home Office Credit Department. They are placed into your system by means of a file update.
 - B. The reports, which initiate the letters, are compiled during the nightly processing on dates predetermined by the Home Office Credit Department. The run-dates are revised each year and entered into the regional system by the Home Office Credit Department.
 - C. The Credit Manager should review the reports quickly, noting those letters which should not be mailed, then print the letters. At your option, the letters for branches may be shipped in bulk by express mail to the Regional Branch for mailing.
 - D. The report of "Over 90's" does not generate letters. A copy of this report is forwarded to the Sales Representative, serving as a good collection tool.
3. The DCR (Delinquent Customer Report). This report can be generated for both 70 and 90 day past due accounts. The Regional Credit Manager should print this report immediately after month-end close. Branch copies should be forwarded to the applicable Branch Manager.
 4. The Personal Touch. Over 90 day customers do not receive automatic collection letters. At this stage of delinquency, it is a good idea to resort to phone calls. As well, a good personal letter is an effective means of collection. When an account reaches 90 days past due, collection efforts should be accelerated. A credit jacket (Form ZDF-50) should be prepared and all collection follow-up should be logged on the front. When an account reaches 120 days past due, a final demand letter should be sent, giving the customer 5 days to respond. If the customer fails to respond, the account should be placed with a collection agency or the Home Office Credit Department.

PLACEMENT OF ACCOUNTS (“B” Coding)

Bad debt expense represents a sizable portion of total expenses and a strong effort must be made to control this critical area. Once it has been determined an account is not going to pay, as a result of in-house collection efforts, it is necessary the account be placed for collection. The Regional Credit Department will be responsible for “B” coding accounts, as well as the accompanying bookkeeping.

It is important accounts be placed for collection at the time they are 120-150 days past due. Accounts are easier to collect early in the delinquency and some agencies charge more, or will not handle accounts with balances older than 6 months or 180 days past due. Therefore, one of your goals should be the timely placement of past due accounts, with 120-150 days past due being the target area.

The Customer Account must be “B” coded by changing Credit Status (Item 10 in Customer Maintenance) to “B”. The system will calculate the Sales Representatives Commission to be charged back. Notify the Sales Rep through Credit Department Memo (ZDF-IS-S2).

Accounts that require monitoring for Bankruptcy, Bulk Transfer, Out of Court Settlement, Receivership, Benefit of Creditors Committee, or any special negotiations should be placed with Home Office—Credit & Collections regardless of amount. Special placement procedures apply to these customers, please see #3 below.

WHERE TO PLACE AN ACCOUNT

1) Accounts with balances **less than \$500.00** should be placed with a local collection agency. Credit Managers should review agency proposals with the Regional Credit Manager. As collection fees on small balances can be high, it is important for the agency to provide a “free demand period”. Free demand allows us to remain in control of the account, while using the agency’s name. Most agencies offer from 10-30 days free demand. If the debtor pays during the free demand period, there is no charge to Zep. Conversely, if the account remains unpaid, the agency initiates normal collection procedures in our behalf, usually on a contingency basis of 15-35%.

2) Accounts with balances **in excess of \$500.00** should be placed with the Home Office - Credit & Collections. An open items statement should be prepared and mailed to the Home Office - Credit & Collections along with copies of all supporting documents, these should include copies of the credit application. All open invoices and copies of any correspondence to and from the customer. The preparation of the placement file shall be completed by the Regional or Branch Credit Department. The Regional Manager may delegate placement authority to Branch Managers, but only after consultation with the Home Office Credit Department.

3) PLACEMENT PROCEDURES FOR BANKRUPTCY (OR LEGAL ISSUES):

Upon receipt of ANY letter or form document regarding Bankruptcies, Bulk Transfers, Out of Court Settlements, Receiverships, Benefit of Creditors Committee, or any special negotiations; research open accounts first and “B” code according to policy.

If an open account is not found research charge off records for a possible debt. In bankruptcy cases involving individuals it is helpful to call the debtors attorney and ask for the name of the business and/or the amount listed on the debtor’s Schedules owing to Zep. This Notice was sent to Zep for a reason - research it. It is possible that Zep did business with the debtor and the debt was paid in full. Zero balances should be reported to Home Office - Credit & Collections.

Prepare the appropriate documents and send to Home Office - Credit & Collections, Attention : Bankruptcy. The following information needs to be sent for every Bankruptcy. If there is a zero balance attach account number and branch number to the bankruptcy paper(s). Home Office keeps a supply of Bankruptcy Jackets (specially designed) which will be used to organize the case, so a Credit/Collection File jacket is not necessary.

- 1) Zep Account Placement Form : ZDF-365 (6/88)
- 2) Notice of Commencement (or other data referencing the bankruptcy case.)
- 3) Invoice Copy(s)
- 4) Signed Agreement(s), if applicable
- 5) AR Status Sheet, if available

Branch Records

Each Branch and Regional Office should keep a copy of all bankrupt accounts, regardless of amount, for future reference. Using a list will help keep research time to a minimum. Using a Lotus or Excel Spreadsheet will allow you to keep up with each case. Each column should contain the following information : Case Year / Case Number / Legal Bankrupt Name (use the first if there are more than one) / Zep Account Name (if significantly different from Bankrupt name) / Account Number / Branch Number / Debt Amount / Month - Year Placed / Status to Date (i.e., PIF,SIF...)

Additional Information will be kept at Home Office. Bear in mind a bankruptcy case can go on for 10 + years and you will receive a number of paper work. It's not necessary for you to keep copies of this information as a master file will be located at Home Office - Credit & Collections. Forward all original paperwork to Home Office - Credit & Collections with the account number and branch number at the top.

Home Office - Credit & Collections will send an Account Status Report to notify a Branch of any changes regarding the case. Should a payment be received at the Branch level forward the check to Home Office - Credit & Collections. If the check is inadvertently deposited at a Branch forward a Payment Notification ZDF-46 (5/88) to Home Office - Credit & Collections. A copy of the check is beneficial.

CONTINUING BUSINESS RELATION AFTER PLACEMENT ("B" Coding)

Automatically limited to one of the following: COD, Cash in Advance, Sales Representative to Guaranty, Credit Card or Security Agreement. National Account Customers will not lose pricing status; however, payment method is limited to alternate methods. In any situation, the Branch Manager or Credit Manger must contact Home Office - Credit & Collections to discuss the next appropriate step.

If the "B" coded account is being resold, a new account should be set-up. The customer should be reducing any "B" coded balance on a regular basis or COD purchases will be discontinued. If the Sales Rep has guaranteed the new account, this will not be the case.

BANKRUPTCY : Continuing Business Relations - Chapters 11 & 13

A debtor emerging from a bankruptcy case, notified by an Order Closing the Case, may still be financially weak. Remember that the Plan of Reorganization could be carried out over a time span of 10 or more years. For this reason accounts must remain on the same status. A change in Status will be available only upon review 6 months after "Plan" payments to Zep begin. This review must be made by the Branch Manager/Credit Manger and Home Office - Credit & Collections.

PAYMENT AFTER PLACEMENT (“B” Coding)

After a “B” coded account has been charged off, payments, credit memos and adjustments should not be applied to the account. Payments should be applied to recoveries and adjustments and credit memos should be manually posted to the file. Any change in the customer’s balance must be transmitted to the Home Office Credit Department via payment notification (ZDF-46).

Special care should be taken when issuing a credit memo to a “B” coded account with a balance. The credit memo will charge back the Sales Rep’s commission. As this was done when the account was “B” coded, a commission adjustment must be completed to offset the double entry.

ADMINISTRATION OF ACCOUNTS RECEIVABLE

A/R (CASH) TRANSFERS

It’s critical the following procedures be followed as errors create imbalances in the Accounts Receivable, necessitating additional reconciliation work and hindering the month-end close-out process. It’s important cash and CM/DM’s not be posted after finalizing on the day of close-out because it creates an imbalance in the Accounts Receivable and is carried forward into the subsequent month.

OUTSIDE REGION

When a branch receives a check for payment of an invoice billed by another branch, outside of the region, it should be sent to the appropriate branch immediately.

WITHIN SAME REGION

Cash transfers between branches within the same region should be processed as CM’s and DM’s not by A/R check.

A/R Transfer Adjustments between invoices on the same account or to transfer amounts between different accounts (within the same branch) requires the completion of the Accounts Receivable Adjustment Form, as a record and a source of reconstruction in the event of down-time.

MULTIPLE REGIONS

Checks including payment for invoices in multiple branches and regions, should be applied by invoice on the appropriate account. The amount pertaining to other branches should be posted “On Account”. The account should then be Debited (Activity Code 22) and a check request completed and forwarded to Home Office - Credit & Collections, requesting a “Zep” check be sent to the applicable branch.

Copies of the supporting documents should be placed in the customer’s file. Further, the code “22” and “DM/CM” entries should be entered on the reverse side of the Daily Cash Reconciliation Summary (Form ZDF-90).

ACCOUNTS RECEIVABLE ADJUSTMENTS

It is important to know the proper A/R adjustments to be made and the purpose of each. Following are the various adjustments, the intent of each and resulting activity codes.

Sales Tax

This adjustment is to be used only after receiving the proper documentation that the customer is tax exempt. In certain cases, it may be necessary to add tax. A Debit will create an activity code “DT” and a Credit will create an activity code “CT”.

Freight

This adjustment should be used when it is necessary to add or delete freight on an account. A Debit will create an activity code of “DF” and a credit will create an activity code of “CF”.

Discount

This adjustment is to be used only to adjust minor amounts (less than \$10.00) to clean an account. The Sales Representative should be charged, on a Commission Adjustment, one-half of the balance adjusted. A Debit will create an activity code "CD".

Refund

This adjustment should be used when issuing a refund to a customer or to another Zep branch when transferring payments outside of the region. A Debit will create an activity code "22" and a Correction or a Credit will credit an activity code "21".

Returned Checks

This adjustment must be used for all returned checks charged back the first or second time. A Debit will create an activity code "25" and a Correction or Credit will create an activity code "24".

Bad Debt Charge-Off

This adjustment is never to be generated from regional or branch levels. Creates Activity Code "70".

Credit Balance Charge-Off

This adjustment is made once a year. Home Office—Credit & Collections will advise the Branch or Regional offices of the timing of this adjustment. It will create an activity code "82".

Collection Fee

When a collection agency collects an account, they normally remit to Zep less their collection fee. As an example, an agency collects \$100.00 from an account and charges Zep a \$25.00 collection fee. The agency remits \$75.00 to Zep, retaining their fee. The \$75.00 would be processed as a code "33" (Payment on Account). The \$25.00 fee would be credited to the account as a Collection Fee. This would create an activity code "96".

Miscellaneous Debits and Credits

Miscellaneous adjustments should be used in specific situations only. Home Office - Credit & Collections instructs regional offices to make miscellaneous adjustments in connection with:

1. Payments received at Home Office or in distribution of funds from National Accounts.
2. When customers request refunds on credit balances that were previously absorbed.
3. When transferring customer payments to another Zep Branch within your Region.
4. When charging back a guaranteed account.

A copy of each Miscellaneous Adjustment must be forwarded to the Regional Credit Manager. As well, a copy must be attached to the Form 90. A Debit creates an activity code "DM" and a Credit creates an activity code "CM".

If there are questions concerning the usage of miscellaneous adjustments you should contact Home Office - Credit & Collections.

Accounts Receivable Transfer

This adjustment is for use in transferring funds from one account to another within the same branch or to offset Debits and Credits on the same account. An activity code "01" will be generated by either a Debit or Credit.

The above mentioned adjustments should be generated using Form ZDF-IS-C3. Please use the remarks section to explain your entries.

DISCOUNTS

With few exceptions, our terms are net 30 days. Generally, we do not offer volume or early pay discounts. However, occasionally customers will take discounts without explanation. When this occurs, it is important to take the appropriate follow-up action to clear the remaining balance.

When a customer check underpays an invoice, it will appear on the "Daily Report Of Mismatched Cash Applications". This report should be reconciled on a daily basis. The cash receipts program will permit discounts of \$1.00 or less to be adjusted at the time of check posting.

If a customer takes a discount greater than \$1.00 but less than \$10.00 the Branch Manager or Regional Credit Manager should contact the Sales Representative to ascertain why the discount was taken and how the balance will be cleared. Should the Sales Representative not respond within 30 days and the discount balance remains, an A/R Adjustment (ZDF-IS-C3) should be processed, crediting the account. A Commission Adjustment (ZDF-IS-SI) should also be processed, charging one-half of the discount taken, to the Sales Representative. If the customer persists in taking discounts on future payments, the A/R Adjustment and Commission Adjustment should be processed immediately.

When a customer takes a discount of \$10.00 or more, a letter should be written to the customer, copy to the Sales Representative, to ascertain why the discount was taken. Should the Sales Representative not respond within 45 days, and the discount balance remains, a price adjustment should be entered, clearing the balance. When the price adjustment is entered, the Sales Representatives Commission Account will be charged 45% of the adjusted balance, and sales volume will be lost.

CHARGE-OFFS

The following procedure is to be conformed to regarding August and December Charge-Offs. All "B"- coded accounts, which remain unpaid on August 31st and December 31st, will be deleted from the Accounts Receivable and charged to Bad Debts.

Prior to the end of August and December, the Accounts Receivable should be reviewed to assure all placed accounts have been "B" coded. At August and December close-outs, all "B" coded accounts remaining unpaid or credited will be charged-off automatically.

A system generated list of charge-offs is printed at the Regional office, with copies mailed to the branches and the Home Office - Credit & Collections. All customer maintenance must be completed prior to the end of the month, as the data center requires one day for updating files. Any account not properly updated will be carried past due until the next charge-off period.

Credit files should be reviewed to make certain that extended terms were not given to the account which would preclude "B" coding. All open orders should be canceled prior to "B" coding an account.

Following each charge-off period, the following listings will be generated at the Regional office:

- a. Customer alpha sequence within Branch code.
- b. Customer alpha sequence within Sales Representative code.

The alpha listing within Branch Code should be retained in each branch office to be used in connection with recoveries. The Sales Rep's listing must be mailed to the Sales Rep advising the charge-offs are part of the November 30th Sales Year.

The alpha listing within branch code, printed at August close-out, should be utilized to compute Sales Volume Charge Backs on November 30th. All payments should be noted on this listing. If additional accounts are B-coded between September 1st and November 30th, they should be added to this list. If the above procedure is followed, Sales Volume Charge Backs in November will be routine.

CREDIT DECISIONS

NEW ACCOUNTS

As our Sales Representatives identify and set up new customers, it is important to make credit decisions quickly so that orders are shipped within 24 hours and future sales are not inhibited. Prior to the sale being consummated it is important to verify who is responsible for payment. The first law of credit is “know who you’re doing business with”.

Determining ownership on certain businesses can be difficult. The following customer classifications should provide verifiable ownership information : Apartment Complexes, Motel/Hotels, Management Companies, Fast Food Chains, and Retail Stores.

There are certain types of businesses which should be sold on a C.O.D. basis unless a credit investigation indicates otherwise. This category includes : Service Stations, small Janitorial Firms, small Car Clean-Up Shops and other highly mobile types of businesses. See Alternatives to Open Credit (Pg. ?).

INVESTIGATE NEW ACCOUNTS

Investigation of the new customer is necessary using a variety of sources. On new accounts, the type and extent of the credit investigation will be determined by the size of the order and the anticipated sales to the new account.

1. Credit Application (Form ZDF-61)

It is recommended the Sales Representative obtain a credit application on the initial visit. With new or inexperienced Sales Representatives, the Manager may require a credit application with every new order. It is wise for each Sales Representatives to obtain a credit application with each new order because:

- 1) He is looking for increased orders from the new customer.
- 2) All initial orders under \$100.00 may be shipped without credit applications; however, Subsequent orders will not be shipped until the first order is paid or a credit application is received and approved.
- 3) In the event the account “skips” (thereby having the Sales Representative lose commission, volume and bonus) we may be able to locate the customer through information on the application.

2. Business Reference Letter

Using references listed on the Credit Application, contact the customer via phone, mail, fax, or e-mail. See Forms Section for an sample letter.

3. Credit Reports : Dun & Bradstreet (D&B) / TRW

We primarily sell commercial accounts and utilize Dun & Bradstreet and TRW to obtain credit information. A Dun & Bradstreet report, in most cases, gives you sufficient information to make a credit decision. If not, a TRW report may be ordered. This report primarily lists trade credit experience. To obtain D&B summary information each branch Credit Department has access to an Electronic Reference Lookup (ERL). *See Credit Report section for specific instructions regarding Credit Reports.*

ASSIGNING CREDIT LIMITS

Once we decide to sell a new account on a credit basis, the decision is only half completed. We must then decide how much credit to extend to the new customer. It should be remembered, credit limits are intended as guidelines only and should not diminish our flexibility. When the customer exceeds the original credit limit, we should obtain more information allowing us to increase the credit limit or make arrangements with the customer to clear unpaid invoices. Review the previous section on how to investigate a customer (Pg. ?).

METHOD'S TO EXTEND CREDIT

1. Forecast the customers' Annual Sales and divide by six, which will give two Average Months Sales, and set as the credit limit. Since our terms are net 30, this will allow a slight buffer so the customer will not constantly be exceeding the credit limit.
2. Based on the D & B Rating and Paydex Score, give the customer a credit limit based on the customer's pay habits and financial strength. If a customer is listed in Dun & Bradstreet with a first or second line rating, a credit application is not required. If the account has a lesser rating or is listed but not rated, a Dun & Bradstreet report may be ordered by requesting through Home Office Credit Department.
3. Managers should use the "Four C's Of Credit" to decide how much credit to extend to the new customer. They are defined as :

Character, is defined as integrity, sound moral reputation and the willingness and determination to meet obligations.

Capacity, is defined as the ability of the customer to conduct his business efficiently and profitable.

Capital, for credit purposes is defined as the financial strength, for the granting of credit risk. Without financial strength, the granting of credit constitutes a "moral risk" (meaning that the grantor relies chiefly or entirely upon the character and capacity of the credit risk).

Condition, in a period of rising prices, men with little or no ability may succeed in business, whereas, under adverse conditions, they are unable to cope with competitive forces. Political development, judicial decisions, disaster of diverse types, tax rates, competitive conditions, and the money market are all important condition factors that may minimize or accentuate risk.

ALTERNATIVES TO OPEN CREDIT

CREDIT CARD

Zep accepts VISA, MASTERCARD, and AMERICAN EXPRESS. Please see Credit Card Section for procedures when processing Credit Card Payments.

ALTERNATIVES TO OPEN CREDIT [Continued]

CASH IN ADVANCE

Account Code "2". The Customer Account must be coded "2" by changing Credit Status (Item 10 in Customer Maintenance) to "2". This is accomplished by accessing Customer Maintenance (Item 4 on the Data Entry and Inquiry Menu). You will have an option of "Inquiry, Modify, Delete" as well as other options. To 2-Code, you should choose "Modify" and enter the customer number to be 2-Coded. Item 10, Credit Status will change to "2".

To Enter The Order and Receive Payment.

Place the order on hold, cut an invoice and fax it to the customer. The customer should be instructed to express a check to the attention of the Branch Manager or the Credit Manager. Release the order upon receipt of the check.

COD ACCOUNTS

Account Code "1". The Customer Account must be coded "1" by changing Credit Status (Item 10 in Customer Maintenance) to "1". This is accomplished by accessing Customer Maintenance (Item 4 on the Data Entry and Inquiry Menu). You will have an option of "Inquiry, Modify, Delete" as well as other options. To 1-Code, you should choose "Modify" and enter the customer number to be 1-Coded. Item 10, Credit Status will change to "1".

To Enter The Order and Receive Payment

In cases where customers can not be shipped open account for reasons relating to credit or past due status, we may elect to ship customers COD. It is critical COD shipments be monitored for payment. The following procedure should be used:

TRACKING COD PAYMENTS :

- 1) COD shipment is invoiced and the (yellow) remittance copy of the invoice is retained in the COD Suspense File by the A/R Clerk or Credit Department.
- 2) City Deliveries : the Warehouse Manager should have the driver sign for the shipment. A log of COD shipments should be prepared for each driver, having the driver sign prior to departure each day. Upon return, any discrepancies should be reviewed with the driver, Credit Manager and/or Branch Manager.
- 3) Run the *Aged A/R for COD Customers Report* on two-part paper and distribute as follows: one copy to Branch Manager or Regional Credit Manager to review immediately following close out. Forward the second copy to Home Office Accounting Department, along with other special monthly reports. The Branch Managers and Regional Credit Managers should utilize this report for collection follow-up with the customers, Sales Reps or freight carriers.
- 4) Review the COD Suspense File each Friday (Branch Manager or Regional Credit Manager.) It is critical this file be maintained and worked according to schedule, as some truck lines, especially UPS and other parcel delivery services, are slow in remitting funds. When COD shipments, delivered by UPS or other parcel delivery services, remain unpaid after 30 days, a claim should be filed with the carrier.
- 5) If a COD delivery by a Sales Rep remains unpaid for 15 days, the balance will be charged to the Sales Rep, providing a credit balance exists in the commission account. Branch Managers and Regional Credit Managers should monitor Sales Rep deliveries closely, especially where new Sales Reps or Sales Reps with debit balances are making the deliveries.

RECEIVING COD PAYMENT :

- 1) When a check or cash is returned to the branch with the order form, Order Entry must note the payment in the "Remarks Section" of the invoice as "Paid Check No. _____ Date _____". This will confirm payment has been received and collection follow-up is not necessary.
- 2) Pull the (yellow) remittance copy out of the COD Suspense File. Use this copy as the check voucher and keep with the Daily Deposit Listing as back-up.
- 3) All incoming cash must have a receipt. The standard 3-part form, supplied by Home Office, is the only authorized receipt to be used. Distribute the 3 forms in the following manner:
White= Customer Copy ; Yellow = Binder Copy ; Blue = Home Office Accounting.
- 4) Record the Branch Number, Cash Receipt Number and Date of the Deposit at the time the cash is given to the A/R clerk, for deposit.
- 5) Attach the blue copy to the Form 90 and forward to Home Office on a daily basis.

GUARANTEED ACCOUNTS

Accounts may be guaranteed only by Sales Representatives who have sufficient credit balances on their Commission Statements. The credit balance should cover all accounts guaranteed to date and the required percentage of holdback on their Receivables Balance must be present on their commission statement in the form of a credit balance. All guaranteed accounts must be guaranteed in full. Partial guarantees on specific orders are not allowed with the exception of bankrupt accounts. All guarantees must be in writing on ZDF-205 (Entire Account) or ZDF -205a (Order Only).

Sales Representatives on the springboard program are NOT allowed to guarantee accounts. Newer Sales Representatives, beyond springboard, should have the approval of their supervisor to guarantee an account.

MAINTAINING A GUARANTEED ACCOUNT :

- 1) When the guaranteed account is set-up, it must bear a credit code of "G". Change the Credit Status, Item 10 in Customer Maintenance, to "G"
- 2) When any portion of the account reaches 120 days past due, the full balance must be charged to the Sales Representative. A Credit Miscellaneous (CM) must be issued to clear the balance and the balance should be charged to the Sales Representatives Commission Account using a code "48", Commission Adjustment. A copy of the charge, along with an open items statement, copies of invoices, credit miscellaneous, and supporting documents, must be forwarded to the Home Office Credit & Collections Department.
- 3) Prior to placing a guaranteed account, with the Home Office Credit Department or collection agency, the Sales Representative should be contacted for approval. There are certain situations where the Sales Representative would not want the account placed.

PAYMENT OF A GUARANTEED ACCOUNT

- 1) When an account balance is charged to the Sales Representative, the Accounts Receivable balance should reflect -0- on the Aged Accounts Receivable, but the account will remain on the master file.
- 2) Upon receipt of a payment on a guaranteed account that has been charged to the Sales Representative, apply the check "On Account". Remember, the account balance is zero, so the payment will be "On Account" leaving a credit balance.
- 3) Then issue a Debit Miscellaneous (DM - Form ZDF-IS-CE) for the amount of the payment. This will return the account to a -0 - balance.
- 4) Process a Sales Representatives Commission Adjustment, activity code "58", to credit the Sales Representative for the received payment. The commission account should be credited as partial payments are applied, not when the account is paid in full.
- 5) If the account has been deleted from the master file, due to inactivity (12 months), the payment should be processed as a Miscellaneous Deposit, with remarks entered on the Daily Cash Reconciliation Summary (Form 90), "750-060-Sales Rep Guarantee", and step 4 repeated.
- 6) In either case, a copy of all adjustments, checks and recovery deposits should be forwarded to the Home Office Credit & Collections Department. The proper journal entry will be made from these documents to properly classify the entries on the company's books. As a reminder, reduce the customer's balance on the Recovery Record, (Form ZDF-47), by the amount of the payment.

SECURE PAYMENT : (Security Agreement)

Customers with questionable credit should sign a Security Agreement. A generic version is available; however, remember to contact Home Office Credit & Collections for special deals and/or variations to any legal documents.

Equipment Deals need to have a customer signed agreement. Consult Home Office Credit & Collections for the proper document and instructions for preparation.

UCC FINANCING STATEMENT

This policy is not to jeopardize sales, but to secure payment. Article 9 of the Uniform Commercial Code covers secured transactions. The filing of a UCC-1 Financing Statement allows the seller to retain the title of the goods until payment has been made in full.

STANDARD FOR FILING

1. Any Serial Number Equipment with a) Invoice total of at least \$1,000 **OR**
b) Installment Purchase

2. Customer Criteria, consider the following :
 - a) Type of Business
 - Municipality vs. local car clean-up
 - b) Years in Business
 - watch those in business less than two years
 - c) D&B Rating
 - watch those with lacking a rating or one lower than 3A2
 - d) Terms
 - should be concerned with deals in excess of n/30
 - e) Large Dollar Amount Order
 - equipment orders of \$25,000 or more must be filed regardless of terms.
 - f) Large Inventory
 - consignments or Pool Purchasing arrangement
 - g) Zep Payment History
 - customers continually paying slow, file financing statement.
 - h) Overall Credit Worthiness
 - determined by the Regional Manager, Branch Manager, or Credit Manager.
 - i) Highly Rated Customers
 - equipment orders over \$25,000 or more must be filed regardless of terms
 - j) National Accounts
 - determined by size of order, should be reviewed with Home Office—Credit.
 - k) Credit Card Payment
 - Financing Statement not necessary

While this is not an inclusive list of criteria, these elements are common in the Credit decision. Any questionable deals should be reviewed with the Director - Credit & Collections.

INSTRUCTIONS FOR FILING & MONITORING FILINGS

See UCC Filing Section for complete procedure.

DUPLICATE PAYMENTS

All payments are to be reconciled prior to applying to Accounts Receivable. If a duplicate payment is received the customer should be contacted for direction of how to apply the check. If the customer can not be contacted by phone, send a duplicate payment letter. The check should be retained in a safe and monitored by the Branch/Regional Manager for thirty (30) days or until the matter is resolved, whichever comes first.

The duplicate payment letter is to be forwarded to all customers who remit in duplicate, with a copy retained in a follow-up file. After fifteen (15) days, if there has been no response, a photocopy of the letter should be sent marked "second request".

If after the second fifteen (15) day period, thirty (30) days from receipt of the check, there is no response, the check should be applied to the customer's account. A copy of the letter and check should then be placed in the customer's file.

It is always company policy, regardless of the age of the credit balance, to refund duplicate payments, provided the customer does not have a balance on the account or another account. In all cases, we should apply any duplicate payments to related account's past due invoices.

Exhibit VI

[Form of] Purchase Report

For the month beginning [date] and ending [date]

TO: BUYER AND THE AGENT (AS BUYER'S ASSIGNEE)

Aggregate Outstanding Balance of all Receivables sold during the period:	\$ _____	A
Less: Aggregate Outstanding Balance of all Receivables sold during such period which were not Eligible Receivables on the date when sold:	\$ (_____)	(B)
Equals: Aggregate Outstanding Balance of all Eligible Receivables sold during the period (A - B):	\$ _____	=C
Less: Purchase Price discount during the Period:	\$ (_____)	(D)
Equals: Gross Purchase Price Payable during the period (C - D)	\$ _____	=E
Less: Total Purchase Price Credits arising during the Period:	\$ (_____)	(F)
Equals: Net Purchase Price payable during the Period (E - F):	\$ _____	=G
Cash Purchase Price Paid to ASP during the Period:	\$ _____	H
Aggregate Outstanding Balance of Receivables contributed during the Period:	\$ _____	I

Schedule A

DOCUMENTS TO BE DELIVERED TO BUYER
ON OR PRIOR TO THE EFFECTIVE DATE

I. Parties.

Blue Ridge =	Blue Ridge Asset Funding Corporation
Wachovia =	Wachovia Bank, National Association
ABI =	Acuity Brands, Inc.
ALG =	Acuity Lighting Group, Inc.
ASP =	Acuity Specialty Products Group, Inc.
AUI =	Acuity Unlimited, Inc. (f/k/a L&C Funding, Inc.)
AEI =	Acuity Enterprise, Inc.

II. Anticipated Closing Documents.

1. Amended and Restated Receivables Sale Agreement between ALG and AUI
2. [New] Receivables Sale Agreement between ASP and AEI.
3. Termination Agreement with respect to the existing First-Step Agreement between ALG and ASP.
4. Credit and Security Agreement among AUI, AEI, ALG and ASP, as Servicers, Blue Ridge and Wachovia.
5. Performance Undertaking by ABI in favor of AUI and AEI.
6. Fee Letter among Agent, AEI and AUI.
7. A certificate of the [Assistant] Secretary of each of ABI, ALG, ASP, AUI and AEI (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.

8. Pre-filing state and federal tax lien, judgment lien and UCC lien searches in the following locations against the following names:

• ***Debtor name: Acuity Lighting Group, Inc.***

UCC Lien Search Jurisdictions: Delaware, Georgia

Federal and State Tax Lien and Judgment Lien Jurisdictions: Delaware, Georgia and Fulton County (Georgia)

• ***Debtor name: Acuity Specialty Products Group, Inc.***

UCC Lien Search Jurisdictions: Delaware, Georgia

Federal and State Tax Lien and Judgment Lien Jurisdictions: Delaware, Georgia and Fulton County (Georgia)

• ***Debtor name: L&C Funding, Inc.***

UCC Lien Search Jurisdictions: Delaware, Georgia

Federal and State Tax Lien and Judgment Lien Jurisdictions: Delaware, Georgia and Fulton County (Georgia)

• ***Debtor name: Acuity Unlimited, Inc.***

UCC Lien Search Jurisdictions: Delaware, Georgia

Federal and State Tax Lien and Judgment Lien Jurisdictions: Delaware, Georgia and Fulton County (Georgia)

• ***Debtor name: Acuity Enterprise, Inc.***

UCC Lien Search Jurisdictions: Delaware, Georgia

Federal and State Tax Lien and Judgment Lien Jurisdictions: Delaware, Georgia and Fulton County (Georgia)

9. UCC Financing Statements: (a) Amendment to existing ALG financing statements; (b) Delaware UCC-1 for ASP; (c) Delaware UCC-1s for AEI and AUI

-
10. UCC Termination Statement for existing filing between ASP and ALG.
 11. Amended and Restated Collection Account Agreements for each Lock-Box and Collection Account:
 - Bank of America
 - Mellon
 - Wachovia.
 12. A favorable opinion of inhouse counsel to ABI as to certain matters.
 13. A favorable opinion of Kilpatrick Stockton as to certain *corporate* matters.
 14. A favorable opinion of Kilpatrick Stockton as to certain *UCC* matters.
 15. A favorable *“true sale”* opinion of Kilpatrick Stockton.
 16. A favorable *“nonconsolidation”* opinion of Kilpatrick Stockton .
 17. A Monthly Report as at July 31, 2003
 18. Liquidity Agreement by and between Blue Ridge and Wachovia.

**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**

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**AMENDED AND RESTATED RECEIVABLES SALE AND CONTRIBUTION
AGREEMENT**

THIS AMENDED AND RESTATED RECEIVABLES SALE AND CONTRIBUTION AGREEMENT, dated as of September 2, 2003, is by and between Acuity Lighting Group, Inc., a Delaware corporation ("**ALG**"), and Acuity Unlimited, Inc., a Delaware corporation formerly known as L & C Funding, Inc. ("**Buyer**"), and amends and restates in its entirety that certain Receivables Sale and Contribution Agreement dated as of September 2, 2003, as amended, originally by and between National Service Industries, Inc., a Georgia corporation ("**NSI-Georgia**") and NSI Funding, Inc., a Delaware corporation ("**NSI Funding**"), as amended by that certain Omnibus Amendment dated as of August 31, 2001, by and between ALG, Buyer, NSI-Georgia, NSI Funding, and the other persons parties thereto, and as assumed by ALG pursuant to that certain Assumption Agreement dated as of August 31, 2001, by and between ALG, Buyer, NSI-Georgia, NSI Funding, and the other persons parties thereto (collectively, the "**Existing Agreement**"). ***Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Exhibit I hereto (or, if not defined in Exhibit I hereto, the meaning assigned to such term in Exhibit I to the Credit and Security Agreement).***

PRELIMINARY STATEMENTS

Buyer now owns certain accounts receivable that were (i) originated by Acuity Specialty Products Group, Inc., a Delaware corporation ("**ASP**"), (ii) sold to ALG, and (iii) sold or contributed to Buyer pursuant to the Existing Agreement (together with the proceeds thereof, collectively, the "**ASP Receivables**"). On the Restatement Effective Date, Buyer will dividend the ASP Receivables to ALG, ALG will dividend the ASP Receivables to Acuity Brands, Inc., a Delaware corporation formerly known as L & C Spinco, Inc. ("**ABI**"), ABI will contribute them to ASP, and ASP will contribute them to Acuity Enterprise, Inc., a Delaware corporation ("**AEI**").

ALG owns, and from time to time hereafter will own, Receivables. ALG wishes to sell and assign all Receivables to Buyer, together with the Related Security and Collections with respect thereto, and Buyer wishes to acquire all such Receivables, Related Security and Collections from ALG.

ALG and Buyer intend the transactions contemplated hereby to be true sales or other outright conveyances of the Receivables from ALG to Buyer, providing Buyer with the full benefits of ownership of the Receivables, and ALG and Buyer do not intend these transactions to be, or for any purpose to be characterized as, loans from Buyer to ALG.

On the Restatement Effective Date, Buyer will borrow and pledge its assets pursuant to that certain Credit and Security Agreement dated as of September 2, 2003 (as the same may from time to time hereafter be amended, supplemented, restated or otherwise modified, the "**Credit and Security Agreement**") among Buyer and AEI, as Borrowers, ALG and ASP, as initial

Servicers, Blue Ridge Asset Funding Corporation (“**Blue Ridge**”), the banks and other financial institutions from time to time party thereto as “Liquidity Banks” and Wachovia Bank, National Association or any successor agent appointed pursuant to the terms of the Credit and Security Agreement, as agent for Blue Ridge and such Liquidity Banks (in such capacity, the “**Agent**”).

NOW, THEREFORE, in consideration of the foregoing premises and the mutual agreements herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
AMOUNTS AND TERMS OF THE PURCHASE

Section 1.1 [Reserved].

Section 1.2 Purchases of Receivables.

(a) Effective on each day after the Initial Cutoff Date on which any Receivable is created, in consideration for the Purchase Price and upon the terms and subject to the conditions set forth herein, ALG does hereby sell, assign, transfer, set-over and otherwise convey to Buyer, without recourse (except to the extent expressly provided herein), and Buyer does hereby purchase from ALG, all of ALG’s right, title and interest in and to all Receivables existing as of such date, together with all Related Security relating thereto and all Collections thereof.

(b) Buyer shall be obligated to pay the Purchase Price for the Receivables purchased hereunder in accordance with Section 1.3.

(c) It is the intention of the parties hereto that each Purchase of Receivables made hereunder shall constitute a sale, which sale is absolute and irrevocable and provides Buyer with the full benefits of ownership of the Receivables. Except for the Purchase Price Credits owed pursuant to Section 1.4, each sale of Receivables hereunder is made without recourse to ALG; **provided, however**, that (i) ALG shall be liable to Buyer for all representations, warranties, covenants and indemnities made by ALG pursuant to the terms of the Transaction Documents to which ALG is a party, and (ii) such sale does not constitute and is not intended to result in an assumption by Buyer (or the Agent, as its assignee) of any obligation of ALG or any other Person arising in connection with the Receivables, the related Contracts and/or other Related Security or any other obligations of ALG. In view of the intention of the parties hereto that each transfer of Receivables made hereunder shall constitute a sale of such Receivables rather than loans secured thereby, ALG agrees that it will, on or prior to the date hereof and in accordance with Section 4.1(e)(ii), mark its master data processing records relating to the Receivables with a legend stating that Buyer has purchased the Receivables, together with the associated Related Security and Collections, and, to the extent that ALG prepares any stand-alone financial statements, to note in such financial statements that the Receivables, together with the associated Related Security and Collections, have been sold to Buyer.

Section 1.3 Payment for the Purchases.

(a) The Purchase Price for each Purchase of Receivables shall become owing to ALG on the date each such Receivable comes into existence but shall be paid on the next succeeding Settlement Date in the following manner (except that Buyer may, with respect to any such Purchase Price, offset against such Purchase Price any amounts owed by ALG to Buyer hereunder and which have become due but remain unpaid) and shall be paid to ALG in the manner provided in the following paragraphs (b) and (c):

first, by delivery of immediately available funds, to the extent of funds available to Buyer from its borrowings under the Credit and Security Agreement or other cash on hand; and

second, unless ALG or Buyer has declared the Termination Date to have occurred pursuant to this Agreement, by accepting a contribution to its capital in an amount equal to the remaining unpaid balance of such Purchase Price.

(b) From and after the Termination Date, ALG shall not be obligated to (but may, at its option): (i) sell Receivables to Buyer, or (ii) contribute Receivables to Buyer's capital pursuant to clause **second** of Section 1.3(a) unless ALG reasonably determines that the Purchase Price therefor will be satisfied with funds available to Buyer from sales of interests in the Receivables pursuant to the Credit and Security Agreement, Collections, other cash on hand or otherwise.

(c) Although the Purchase Price for each Receivable shall be due and payable in full by Buyer to ALG on the date such Receivable came into existence, settlement of the Purchase Price between Buyer and ALG shall be effected on at least a monthly basis on Settlement Dates with respect to all Receivables coming into existence during the same month (or shorter period, as applicable) and based on the information contained in the Purchase Report delivered by ALG for the month then most recently ended. Although settlement shall be effected on Settlement Dates, any contribution of capital by ALG to Buyer made pursuant to clause **second** of Section 1.3(a) shall be deemed to have occurred and shall be effective as of the last Business Day of the month to which such settlement relates.

Section 1.4 Purchase Price Credit Adjustments. If on any day:

(a) the Outstanding Balance of any Receivable is:

(i) reduced as a result of any defective or rejected or returned goods or services, any discount or any adjustment or otherwise by an Originator (other than as a result of such Receivable's being charged off for credit reasons or reduced as a result of cash Collections actually received),

(ii) reduced or canceled as a result of a setoff in respect of any claim by any Person (whether such claim arises out of the same or a related transaction or an unrelated transaction), or

(b) any of the representations and warranties set forth in Section 2.1(c),(h),(i),(j),(l),(q),(r),(s) or the second sentence of Section 2.1(p) hereof are not true when made or deemed made with respect to any Receivable,

then, in such event, Buyer shall be entitled to a credit (each, a "**Purchase Price Credit**") against the Purchase Price otherwise payable hereunder equal to (x) in the case of a partial reduction, the amount of such reduction, and (y) in the case of a total reduction or cancellation, the lesser of the Purchase Price paid for and the Outstanding Balance of such Receivable. If such Purchase Price Credit exceeds the aggregate Purchase Price payable for Receivables coming into existence on any day, then Buyer shall pay the remaining amount of such Purchase Price Credit in cash immediately.

Section 1.5 Payments and Computations, Etc. All amounts to be paid or deposited by Buyer hereunder shall be paid or deposited in accordance with the terms hereof on the day when due in immediately available funds to the account of ALG designated from time to time by ALG or as otherwise directed by ALG. In the event that any payment owed by any Person hereunder becomes due on a day that is not a Business Day, then such payment shall be made on the next succeeding Business Day. If any Person fails to pay any amount hereunder when due, such Person agrees to pay, on demand, the Default Fee in respect thereof until paid in full; **provided, however**, that such Default Fee shall not at any time exceed the maximum rate permitted by applicable law. All computations of interest payable hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first but excluding the last day) elapsed.

Section 1.6 Transfer of Records.

(a) In connection with each Purchase of Receivables hereunder, ALG hereby sells, transfers, assigns and otherwise conveys to Buyer all of ALG's right and title to and interest in the Records relating to all Receivables sold or contributed hereunder, without the need for any further documentation in connection with such Purchase. In connection with such transfer, ALG hereby grants to each of Buyer, the Agent and each Servicer an irrevocable, non-exclusive license to use, without royalty or payment of any kind, all software used by ALG to account for the Receivables, to the extent necessary to administer the Receivables, whether such software is owned by ALG or is owned by others and used by ALG under license agreements with respect thereto, **provided that** should the consent of any licensor of such software be required for the grant of the license described herein, to be effective, ALG hereby agrees that upon the request of Buyer (or Buyer's assignee), ALG will use its reasonable efforts to obtain the consent of such third-party licensor. The license granted hereby shall be irrevocable until the indefeasible payment in full of the Aggregate Unpaid, and shall terminate on the date this Agreement terminates in accordance with its terms.

(b) ALG (i) shall take such action reasonably requested by Buyer and/or the Agent (as Buyer's assignee), from time to time hereafter, that may be necessary or appropriate to ensure that Buyer and its assigns under the Credit and Security Agreement have an enforceable ownership interest in the Records relating to the Receivables purchased from ALG hereunder, and (ii) shall use its reasonable efforts to ensure that Buyer, the Agent and each Servicer each has an enforceable right (whether by license or sublicense or otherwise) to use all of the computer software used to account for the Receivables and/or to recreate such Records.

Section 1.7 Characterization. If, notwithstanding the intention of the parties expressed in Section 1.2(b), any sale or contribution by ALG to Buyer of Receivables hereunder shall be characterized as a secured loan and not a sale or such sale shall for any reason be ineffective or unenforceable, then this Agreement shall be deemed to constitute a security agreement under the UCC and other applicable law. For this purpose and without being in derogation of the parties' intention that the sale of Receivables hereunder shall constitute a true sale thereof, ALG hereby grants to Buyer a duly perfected security interest in all of ALG's right, title and interest in, to and under all Receivables now existing and hereafter arising, all Collections and Related Security with respect thereto, each Lock-Box and Collection Account, all other rights and payments relating to the Receivables and all proceeds of the foregoing to secure the prompt and complete payment of a loan deemed to have been made in an amount equal to the Purchase Price of the Receivables together with all other obligations of ALG hereunder, which security interest shall be prior to all other Adverse Claims thereto. During the existence of any Termination Event, Buyer and the Agent (as its assignee) shall have, in addition to the rights and remedies which they may have under this Agreement, all other rights and remedies provided to a secured creditor under the UCC and other applicable law, which rights and remedies shall be cumulative.

ARTICLE II REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of ALG. ALG hereby represents and warrants to Buyer on the Restatement Effective Date and (except for any representation or warranty that is limited to a specific date or period) on each date on or prior to the Termination Date on which any Receivable comes into existence that:

(a) Existence and Power. ALG is a corporation duly organized, validly existing and in good standing under the laws of Georgia, 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 ALG of the Transaction Documents (i) are within ALG'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 ALG or of any agreement, judgment, injunction, order, decree or other instrument binding upon ALG or any of its Subsidiaries, and (v) do not result in the creation or imposition of any Adverse Claim on any asset of ALG (except as created hereunder). This Agreement and each other Transaction Document to which ALG is a party has been duly executed and delivered by ALG.

(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 ALG 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 ALG overtly threatened in writing, against or affecting ALG or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official which has 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 ALG is a party, will constitute valid and binding obligations of ALG 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 ALG to Buyer or the Agent, as its assignee for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by ALG to Buyer (or the Agent, as its assignee) 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. ALG has disclosed to Buyer and the Agent in writing any and all facts known to the Executive Officers which would have or reasonably would be expected to cause a Material Adverse Effect.

(h) Use of Proceeds. ALG 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 Purchase will be used to purchase or carry any Margin Stock 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. Immediately prior to each Purchase hereunder, ALG (i) is the legal and beneficial owner of the Receivables that are the subject of such Purchase 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 ALG's ownership interest in each Receivable, its Collections and the Related Security.

(j) Perfection. This Agreement, together with the filing of the financing statements contemplated hereby, is effective to transfer to ALG (and ALG shall acquire from ALG) (i) legal and equitable title to, with the right to sell and encumber each Receivable existing and hereafter arising, together with the Collections with respect thereto, and (ii) all of ALG's right, title and interest in the Related Security associated with each Receivable, 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 ALG and the offices where it keeps all of its Records are located at the address(es) listed on Exhibit II or such other locations of which ALG has been notified in accordance with Section 4.2(a) in jurisdictions where all action required by Section 4.2(a) has been taken and completed. ALG's Federal Employer Identification Number is correctly set forth on Exhibit II.

(l) Collections. The conditions and requirements set forth in Section 4.1(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 III. ALG has not granted any Person, other than Buyer (and the Agent, as its assignee) 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 from August 31, 2000 through the Restatement Effective Date, 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 ALG has executed this Agreement is identical to the name of ALG as indicated on the public record of its state of organization which shows ALG to have been organized. In the past five (5) years, ALG 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 II.

(o) Not a Holding Company or an Investment Company. ALG is not a "holding company" or a "subsidiary holding company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or any successor statute. ALG 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. ALG 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. ALG 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 change to such Credit and Collection Policy, except such material change as to which Buyer (and the Agent, as its assignee) has been notified in accordance with Section 4.1(a).

(r) Payments to ALG. With respect to each Receivable transferred to Buyer hereunder, the Purchase Price received by ALG constitutes reasonably equivalent value in consideration therefor and such transfer was not made for or on account of an antecedent debt. No transfer by ALG of any Receivable hereunder is or may be voidable under any section of the Bankruptcy Reform Act of 1978 (11 U.S.C. §§ 101 *et seq.*), as amended.

(s) 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).

(t) Accounting. The manner in which ALG accounts for the transactions contemplated by this Agreement does not jeopardize the characterization of the transactions contemplated herein as being true sales.

(u) Eligible Receivables. Each Receivable reflected in any Purchase Report as an Eligible Receivable was an Eligible Receivable on the date of its acquisition by Buyer hereunder.

ARTICLE III CONDITIONS OF PURCHASES

Section 3.1 Conditions Precedent to Restatement Effective Date. Effectiveness of the amendment and restatement of the Existing Agreement embodied herein is subject to the conditions precedent that (a) Buyer shall have received on or before the date of such purchase those documents listed on Schedule A, (b) the First-Step Sale Agreement (as defined in the Existing Agreement) shall have been terminated, (c) the ASP Receivables shall have been divided to ABL, and (d) all of the conditions to the initial advance under the Credit and Security Agreement shall have been satisfied or waived in accordance with the terms thereof.

Section 3.2 Conditions Precedent to All Purchases. Buyer's obligation to purchase Receivables after the Restatement Effective Date shall be subject to the further conditions precedent that: (a) the Facility Termination Date shall not have occurred under the Credit and Security Agreement; (b) Buyer (and the Agent, as its assignee) shall have received such other approvals, opinions or documents as it may reasonably request and (c) on the date such Receivable came into existence, the following statements shall be true (and acceptance of the proceeds of any payment for such Receivable shall be deemed a representation and warranty by ALG that such statements are then true):

(i) the representations and warranties set forth in Article II are true and correct in all material respects on and as of the date such Receivable came into existence as though made on and as of such date; **provided that** the materiality threshold in the preceding clause shall not be applicable with respect to any representation or warranty which itself contains a materiality threshold; and

(ii) no event has occurred and is continuing that will constitute a Termination Event or an Unmatured Termination Event.

Notwithstanding the foregoing conditions precedent, upon payment of the Purchase Price for any Receivable (whether by payment of cash and/or by offset of capital contributions), title to such Receivable and the Related Security and Collections with respect thereto shall vest in Buyer, whether or not the conditions precedent to Buyer's obligation to purchase such Receivable were in fact satisfied. The failure of ALG to satisfy any of the foregoing conditions precedent, however, shall give rise to a right of Buyer to rescind the related purchase and direct ALG to pay to Buyer an amount equal to the Purchase Price payment that shall have been made with respect to any Receivables related thereto.

ARTICLE IV COVENANTS

Section 4.1 Affirmative Covenants of ALG. Until the date on which this Agreement terminates in accordance with its terms, ALG hereby covenants as set forth below:

(a) Financial Reporting. ALG will maintain, for itself and each of its Subsidiaries, a system of accounting established and administered in accordance with GAAP, and furnish to Buyer (and the Agent, as its assignee):

(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 consolidated balance sheet of the Parent 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 Buyer and the Agent.

(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 consolidated balance sheet of the Parent 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 Parent.

(iii) Compliance Certificate. Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit IV signed by the chief financial officer or the chief accounting officer of the Parent 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 Parent 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 Parent 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 Buyer, the Agent or Blue Ridge, 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 proposed 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 Buyer's (and the Agent's, as Buyer's assignee) 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 the Parent or ALG as Buyer (or the Agent, as its assignee) may from time to time reasonably request in order to protect the interests of Buyer (and the Agent, as its assignee) under or as contemplated by this Agreement (except such plans or forecasts which have not been made available by Parent to its creditors).

(b) Notices. ALG will notify Buyer (and the Agent, as its assignee) 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) Termination Events or Unmatured Termination Events. Within one (1) Business Day after learning thereof by any Responsible Officer, the occurrence of each Termination Event and each Unmatured Termination Event, by a statement of an Authorized Officer of ALG.

(ii) Defaults Under Other Agreements. Within one (1) Business Day after learning thereof by any Responsible Officer, the occurrence of a default or an event of default under any other financing arrangement pursuant to which ALG is a debtor or an obligor and which relates to a Debt in excess of \$25,000,000.

(iii) 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 Parent or any of its Subsidiaries.

(c) Compliance with Laws and Preservation of Existence. ALG 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. ALG will preserve and maintain its legal existence, rights, franchises and privileges in the jurisdiction of its organization, and qualify and remain qualified in good standing as a foreign entity in each jurisdiction where its business is conducted, except (i) where the failure to so qualify or remain in good standing could not reasonably be expected to have a Material Adverse Effect and (ii) ALG may merge or consolidate with any other Person to the extent permitted under Section 7.1(c)(ii) of the Credit and Security Agreement.

(d) Audits. ALG will furnish to Buyer (and the Agent, as its assignee) from time to time such information with respect to it and the Receivables as Buyer (or the Agent) may reasonably request. ALG will, from time to time during regular business hours as requested by Buyer (the Agent as its assignee), upon not less than 3 Business Days’ prior written notice, permit Buyer (and the Agent, as its assignee) or their respective agents or representatives, (i) to

examine and make copies of and abstracts from all Records in the possession or under the control of ALG relating to the Receivables and the Related Security, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of ALG for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to ALG's financial condition or the Receivables and the Related Security or ALG's performance under any of the Transaction Documents or ALG's performance under the Contracts and, in each case, with any of the officers or employees of ALG having knowledge of such matters. To the extent that Buyer (or the Agent, as its assignee), in the course of any such visit or inspection, obtains possession of any Proprietary Information pertaining to ALG or any of its Affiliates, Buyer (or such assign) shall handle such information in accordance with the requirements of Section 14.5 of the Credit and Security Agreement.

(e) Keeping and Marking of Records and Books.

(i) ALG will 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). ALG will give Buyer (and the Agent, as its assignee) notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) ALG will (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 Buyer (and the Agent, as its assignee), describing Buyer's ownership interests in the Receivables and further describing the Receivable Interests of the Agent (on behalf of the Lenders) under the Credit and Security Agreement and (B) upon the request of Buyer (or the Agent, as its assignee) and when a Termination Event is in existence: (x) mark each Contract with a legend describing Buyer's ownership interests in the Receivables and further describing the Receivable Interests of the Agent (on behalf of the Lenders) and (y) deliver to Buyer (or the Agent, as its assignee) all Contracts (including, without limitation, all multiple originals of any such Contract) relating to the Receivables.

(f) Compliance with Contracts and Credit and Collection Policy. ALG will 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) [Reserved].

(h) **Ownership.** ALG will take all necessary action to establish and maintain, irrevocably in Buyer, (i) legal and equitable title to the Receivables and the Collections and (ii) all of ALG's right, title and interest in the Related Security associated with the Receivables, in each case, 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 Buyer's interest in such Receivables, Related Security and Collections and such other action to perfect, protect or more fully evidence the interest of Buyer as Buyer (or the Agent, as its assignee) may reasonably request).

(i) **Lenders' Reliance.** ALG acknowledges that the Agent and the Lenders are entering into the transactions contemplated by the Credit and Security Agreement in reliance upon Buyer's identity as a legal entity that is separate from ALG and any Affiliates thereof. Therefore, from and after the date of execution and delivery of this Agreement, ALG will take all reasonable steps including, without limitation, all steps that Buyer or any assignee of Buyer may from time to time reasonably request to maintain Buyer's identity as a separate legal entity and to make it manifest to third parties that Buyer is an entity with assets and liabilities distinct from those of ALG and any Affiliates thereof and not just a division of ALG or any such Affiliate. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, ALG (i) will not hold itself out to third parties as liable for the debts of Buyer nor purport to own the Receivables and other assets acquired by Buyer, (ii) will take all other actions necessary on its part to ensure that Buyer is at all times in compliance with the "separateness covenants" set forth in Section 7.1(i) of the Credit and Security Agreement and (iii) will cause all tax liabilities arising in connection with the transactions contemplated herein or otherwise to be allocated between ALG and Buyer on an arm's-length basis and in a manner consistent with the procedures set forth in U.S. Treasury Regulations §§1.1502-33(d) and 1.1552-1.

(j) **Collections.** ALG 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 Receivables are remitted directly to ALG or any Affiliate of ALG, ALG 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, ALG will itself hold or, if applicable, will cause such payments to be held in trust for the exclusive benefit of Buyer and its assigns. ALG will transfer exclusive ownership, dominion and control of each Lock-Box and Collection Account to Buyer and, will not grant the right to take dominion and control of any Lock-Box or Collection Account at a future time or upon the occurrence of a future event to any Person, except to Buyer (and the Agent, as its assignee) as contemplated by this Agreement and the Credit and Security Agreement.

(k) **Taxes.** ALG will file all material tax returns and reports required by law to be filed by it and 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. ALG will pay when due any taxes payable in connection with the Receivables, exclusive of taxes on or measured by income or gross receipts of Buyer and its assigns.

Section 4.2 Negative Covenants of ALG. Until the date on which this Agreement terminates in accordance with its terms, ALG hereby covenants that:

(a) Name Change, Offices and Records. ALG will not change its (i) state of organization, (ii) name, (iii) identity or structure (within the meaning of Article 9 of any applicable enactment of the UCC) or relocate its chief executive office at any time while the location of its chief executive office is relevant to perfection of Buyer's interest in the Receivables or the associated Related Security and Collections, or any office where Records are kept unless it shall have: (i) given Buyer (and the Agent, as its assignee) at least ten (10) days' prior written notice thereof and (ii) delivered to Buyer (and the Agent, as its assignee) all financing statements, instruments and other documents reasonably requested by Buyer (and the Agent, as its assignee) in connection with such change or relocation.

(b) Change in Payment Instructions to Obligors. ALG 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 Buyer (and the Agent, as its assignee) 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 ALG 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. ALG will not 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 otherwise permitted in its capacity as a Servicer pursuant to the Credit and Security Agreement, ALG will not 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. ALG 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 Receivable, Related Security or Collections, or upon or with respect to any Contract under which any Receivable arises, or any Lock-Box or Collection Account, or assign any right to receive income with respect thereto (other than, in each case, the creation of the interests therein in favor of Buyer provided for herein and the Permitted Encumbrances), and ALG will defend the right, title and interest of Buyer in, to and under any of the foregoing property, against all claims of third parties claiming through or under ALG (other than Permitted Encumbrances).

(e) Accounting for Purchases. ALG will not, and will not permit any Affiliate to, account for or treat (whether in financial statements or otherwise) the transactions contemplated hereby in any manner other than the sale of the Receivables and the Related Security by ALG to Buyer or in any other respect account for or treat the transactions contemplated hereby in any manner other than as a sale of the Receivables and the Related Security by ALG to Buyer except to the extent that such transactions are not recognized on account of consolidated financial reporting in accordance with generally accepted accounting principles.

ARTICLE V TERMINATION EVENTS

Section 5.1 Termination Events. The occurrence of any one or more of the following events shall constitute a Termination Event:

(a) ALG 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) ALG shall fail to perform or observe any term, covenant or agreement hereunder (other than as referred to in paragraph (a)) or any other Transaction Document 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 to ALG by the Buyer or (ii) an Executive Officer otherwise becomes aware of any such failure; provided, however, that such cure period shall be extended for a period of time, not to exceed an additional 30 days, reasonably sufficient to permit ALG 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, ALG has commenced efforts to cure such failure during the initial 30-day period and ALG is diligently pursuing such cure.

(c) Any representation, warranty, certification or statement made by ALG in this Agreement, any other Transaction Document or in any other document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made or deemed made; ***provided that*** the materiality threshold in the preceding clause shall not be applicable with respect to any representation or warranty which itself contains a materiality threshold.

(d) An Event of Bankruptcy shall occur with respect to the Parent or any of its Material Subsidiaries.

(e) A Change of Control shall occur.

(f) One or more judgments or orders for the payment of money in an aggregate amount in excess of 10% of Stockholders' Equity as of the end of the Fiscal Quarter just ended shall be rendered against the Parent, either Originator or the Buyer and such judgment or order shall continue unsatisfied and unstayed for a period of 30 days.

(g) Either of the Originators or any Subsidiary shall fail to make any payment in respect of Debt outstanding in an aggregate amount in excess of \$25,000,000 when due or within any applicable grace period.

(h) Any event or condition shall occur which results in the acceleration of the maturity of Debt outstanding of either of the Originators or any Subsidiary in an aggregate amount in excess of \$25,000,000 (including, without limitation, any required mandatory prepayment or “put” of such Debt to such Originator or Subsidiary) or enables (or, with the giving of notice or lapse of time or both, would enable) the holders of such Debt or commitment or any Person acting on such holders’ behalf to accelerate the maturity thereof or terminate any such commitment (including, without limitation, any required mandatory prepayment or “put” of such Debt to such Originator or Subsidiary).

(i) The Parent or any member of the Controlled Group shall fail to pay when due any amount in excess of 10% of Stockholders’ Equity as of the end of the Fiscal Quarter just ended which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans shall be filed under Title IV of ERISA by the Parent, any member of the Controlled Group, any plan administrator or any combination of the foregoing if the amount of liability involved is in excess of 10% of Stockholders’ Equity as of the end of the Fiscal Quarter just ended; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any such Plan or Plans or a proceeding shall be instituted by a fiduciary of any such Plan or Plans to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 30 days thereafter if the amount of liability involved is in excess of 10% of Stockholders’ Equity as of the end of the Fiscal Quarter just ended; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Plan or Plans must be terminated, if the amount involved is in excess of 10% of Stockholders’ Equity as of the end of the Fiscal Quarter just ended.

(j) A federal tax lien shall be filed against the Parent, either Originator or Buyer under Section 6323 of the Tax Code or a lien of the PBGC shall be filed against the Parent, either Originator or Buyer under Section 4068 of ERISA and in either case such lien shall remain undischarged for a period of 25 days after the date of filing if the aggregate amount involved is in excess of 10% of Stockholders’ Equity as of the end of the Fiscal Quarter just ended.

Section 5.2 Remedies. Upon the occurrence and during the continuation of a Termination Event, Buyer may take any of the following actions: (i) declare the Termination Date to have occurred, whereupon the Termination Date shall forthwith occur, without demand, protest or further notice of any kind, all of which are hereby expressly waived by ALG; **provided, however**, that upon the occurrence of a Termination Event described in Section 5.1(d), or of an actual or deemed entry of an order for relief with respect to ALG under the Federal Bankruptcy Code, the Termination Date shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by ALG and (ii) to the fullest

extent permitted by applicable law, declare that the Default Fee shall accrue with respect to any amounts then due and owing by ALG to Buyer. The aforementioned rights and remedies shall be without limitation and shall be in addition to all other rights and remedies of Buyer and its assigns 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 VI INDEMNIFICATION

Section 6.1 Indemnities by ALG. Without limiting any other rights that Buyer may have hereunder or under applicable law, ALG hereby agrees to indemnify (and pay upon demand to) Buyer and its assigns, officers, directors, agents and employees (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 Buyer or any such assign) 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 Buyer of an interest in the Receivables, **excluding, however:**

(a) Indemnified Amounts to the extent such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of the 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, 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 Receivable Interests under the Credit and Security Agreement as a loan or loans by the Lenders to Buyer secured by, among other things, the Receivables, the Related Security and the Collections;

provided, however, that nothing contained in this sentence shall limit the liability of ALG or limit the recourse of Buyer to ALG for amounts otherwise specifically provided to be paid by ALG under the terms of this Agreement. Without limiting the generality of the foregoing indemnification, but subject in each case to clauses (a), (b) and (c) above, ALG shall indemnify Buyer for Indemnified Amounts relating to or resulting from:

(i) any representation or warranty made by ALG (or any officers of ALG) under or in connection with any Purchase Report, this Agreement, any other Transaction Document or any other information or report delivered by ALG pursuant hereto or thereto for which Buyer has not received a Purchase Price Credit that shall have been false or incorrect when made or deemed made;

(ii) the failure by ALG, 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 ALG to keep or perform any of its obligations, express or implied, with respect to any Contract;

(iii) any failure of ALG 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 Purchase hereunder, the ownership of the Receivables or any other investigation, litigation or proceeding relating to ALG in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby except to the extent arising from Buyer's own gross negligence or willful misconduct;

(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 Termination Event described in Section 5.1(d);

(x) [reserved];

(xi) any failure to vest and maintain vested in Buyer, or to transfer to Buyer, legal and equitable title to, and ownership of, the Receivables and the Collections, and all of ALG's right, title and interest in the Related Security associated with the Receivables, in each case, free and clear of any Adverse Claim;

(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 Receivable, the Related Security and Collections with respect thereto, and the proceeds of any thereof, whether at the time of any Purchase or at any subsequent time;

(xiii) any action or omission by ALG which reduces or impairs the rights of Buyer with respect to any Receivable or the value of any such Receivable (for any reason other than the application of Collections thereto or charge-off of any Receivable as uncollectible) unless the Buyer has received a Purchase Price Credit therefor;

(xiv) any attempt by any Person to void any Purchase hereunder under statutory provisions or common law or equitable action; and

(xvi) the failure of any Receivable reflected as an Eligible Receivable on any Purchase Report to be an Eligible Receivable at the time acquired by Buyer.

Section 6.2 Other Costs and Expenses. ALG shall pay to Buyer 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. ALG shall pay to Buyer on demand any and all reasonable costs and expenses of Buyer, if any, including reasonable counsel fees and expenses actually incurred in connection with the 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 a Termination Event.

ARTICLE VII MISCELLANEOUS

Section 7.1 Waivers and Amendments.

(a) No failure or delay on the part of Buyer (or the Agent, as its assignee) 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 signed by ALG and Buyer and, to the extent required under the Credit and Security Agreement, the Agent and the Liquidity Banks or the Required Liquidity Banks. Any material amendment, supplement, modification of waiver will required satisfaction of the Rating Agency Condition.

Section 7.2 Notices. All communications and notices provided for hereunder shall be in writing (including bank wire, teletype or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or teletype numbers set forth on the signature pages hereof or at such other address or teletype 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 (a) if given by teletype, upon the receipt thereof, (b) if given by mail, three (3) 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 7.2.

Section 7.3 Protection of Ownership Interests of Buyer.

(a) ALG agrees that from time to time, at its expense, it will promptly execute (if required), deliver and authorize the filing of all instruments and documents, and take all actions, that may be necessary or desirable, or that Buyer (or the Agent, as its assignee) may reasonably request, to perfect, protect or more fully evidence the interest of Buyer hereunder and the Receivable Interests, or to enable Buyer (or the Agent, as its assignee) to exercise and enforce their rights and remedies hereunder. At any time when a Termination Event Exists, Buyer (or the Agent, as its assignee) may, at ALG's sole cost and expense, direct ALG to notify the Obligors of Receivables of the ownership interests of Buyer 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 Buyer or its designee.

(b) If ALG fails to perform any of its obligations hereunder, Buyer (or the Agent, as its assignee) may (but shall not be required to) perform, or cause performance of, such obligations, and Buyer's (or such assigns') actual and reasonable costs and expenses incurred in connection therewith shall be payable by ALG as provided in Section 6.2. ALG irrevocably authorizes Buyer (and its assigns) at any time and from time to time in the sole discretion of Buyer (or the Agent, as its assignee), and appoints Buyer (and its assigns) as its attorney(ies)-in-fact, to act on behalf of ALG (i) to authorize on behalf of ALG as debtor the filing of financing statements necessary or desirable in Buyer's (or the Agent, as its assignee') reasonable opinion to perfect and to maintain the perfection and priority of the interest of Buyer in the Receivables and associated Related Security and Collections 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 Buyer (or the Agent, as its assignee) in their reasonable opinion deem necessary or desirable to perfect and to maintain the perfection and priority of Buyer's interests in the Receivables. This appointment is coupled with an interest and is irrevocable. From and after July 1, 2001: (A) ALG hereby authorizes Buyer (and the Agent, as its assignee) to file financing statements and other filing or recording documents with respect to the Receivables and Related Security (including any amendments thereto, or

continuation or termination statements thereof), without the signature or other authorization of ALG, in such form and in such offices as Buyer (or any of its assigns) reasonably determines appropriate to perfect or maintain the perfection of the ownership or security interests of Buyer (and the Agent, as its assignee) hereunder, (B) ALG acknowledges and agrees that it is not authorized to, and will not, file financing statements or other filing or recording documents with respect to the Receivables or Related Security (including any amendments thereto, or continuation or termination statements thereof), without the express prior written approval by the Agent (as Buyer's assignee), consenting to the form and substance of such filing or recording document, and (C) ALG approves, authorizes and ratifies any filings or recordings made by or on behalf of the Agent (as Buyer's assign) in connection with the perfection of the ownership or security interests in favor of Buyer or the Agent (as Buyer's assign).

Section 7.4 Confidentiality of Fee Letter. Each of ALG and Buyer shall maintain and shall cause each of its employees, officers and advisers to maintain the confidentiality of the Fee Letter, except that Buyer and its officers and employees may disclose such information to Buyer's external consultants, accountants and attorneys and as required by any applicable 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) or to the extent necessary to enforce its rights under the Transaction Documents.

Section 7.5 Bankruptcy Petition.

(a) ALG and Buyer each 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 Blue Ridge, it will not institute against, or join any other Person in instituting against, Blue Ridge 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.

(b) ALG covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding obligations of Buyer under the Credit and Security Agreement, it will not institute against, or join any other Person in instituting against, Buyer 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 7.6 Limitation of Liability. Except with respect to any claim arising out of the willful misconduct or gross negligence of Blue Ridge, the Agent or any Liquidity Bank, no claim may be made by ALG or any other Person against Blue Ridge, 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 ALG 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.

Section 7.7 CHOICE OF LAW. THIS AGREEMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF GEORGIA WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF EXCEPT TO THE EXTENT THAT THE LAWS OF ANOTHER JURISDICTION GOVERN THE PERFECTION, OR THE EFFECT OF PERFECTION OR NONPERFECTION, OF THE OWNERSHIP INTERESTS OR SECURITY INTERESTS OF ALG OR ANY OF ITS ASSIGNS.

Section 7.8 CONSENT TO JURISDICTION. EACH OF ALG AND BUYER 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 OTHER TRANSACTION DOCUMENT AND 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 BUYER (OR THE AGENT, AS ITS ASSIGNEE) TO BRING PROCEEDINGS AGAINST ALG IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ALG AGAINST BUYER (OR ITS ASSIGNS) OR ANY AFFILIATE THEREOF INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY ALG PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN FULTON COUNTY, GEORGIA.

Section 7.9 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 ALG PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 7.10 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.

(b) This Agreement shall be binding upon and inure to the benefit of ALG, Buyer and their respective successors and permitted assigns (including any trustee in bankruptcy). ALG may not assign any of its rights and obligations hereunder or any interest herein without the prior written consent of Buyer. Buyer may assign at any time its rights and obligations hereunder and interests herein to any other Person without the consent of ALG. Without limiting the foregoing, ALG acknowledges that Buyer, pursuant to the Credit and Security Agreement, may assign to the Agent, for the benefit of the Lenders, its rights, remedies, powers and privileges hereunder and that the Agent may further assign such rights, remedies, powers and privileges to the extent permitted in the Credit and Security Agreement. ALG agrees that the Agent, as the assignee of Buyer, shall, subject to the terms of the Credit and Security Agreement, have the right to enforce this Agreement and to exercise directly all of Buyer's rights and remedies under this Agreement (including, without limitation, the right to give or withhold any consents or approvals of Buyer to be given or withheld hereunder) and ALG agrees to cooperate fully with the Agent in the exercise of such rights and remedies. 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 ALG pursuant to Article II; (ii) the indemnification and payment provisions of Article VI; and (iii) Section 7.5 shall be continuing and shall survive any termination of this Agreement.

Section 7.11 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. 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.

<signature pages follow>

Exhibit I

Definitions

This is Exhibit I to the Agreement (as hereinafter defined). As used in the Agreement and the Exhibits and Schedules thereto, capitalized terms have the meanings set forth in this Exhibit I (such meanings to be equally applicable to the singular and plural forms thereof). ***If a capitalized term is used in the Agreement, or any Exhibit or Schedule thereto, and is not otherwise defined therein or in this Exhibit I, such term shall have the meaning assigned thereto in Exhibit I to the Credit and Security Agreement (hereinafter defined).***

“Agent” has the meaning set forth in the Preliminary Statements to the Agreement.

“Agreement” means the Amended and Restated Receivables Sale and Contribution Agreement, dated as of September 2, 2003, between ALG and Buyer, as the same may be amended, restated or otherwise modified.

“ALG” has the meaning set forth in the preamble to the Agreement, and such term shall include such Person’s successors and permitted assigns.

“Blue Ridge” has the meaning set forth in the Preliminary Statements to the Agreement.

“Buyer” has the meaning set forth in the preamble to the Agreement.

“Capital Leases” means leases which are required to be capitalized in accordance with GAAP.

“Change of Control” means (a) the Parent ceases to own, directly or indirectly, 100% of the outstanding voting stock of each of the Originators and Buyer, or (b) (i) any Person or two or more Persons acting in concert shall have acquired after the Closing Date beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 30% or more of the outstanding shares of the voting stock of the Parent; or (ii) the individuals who, as of the Closing Date, are members of the Board of the Parent (the ***“Incumbent Board”***) cease for any reason thereafter to constitute at least 66 2/3% of the Board of the Parent; provided, however, that if the election, or nomination for election by the Parent’s stockholders, of any new director was approved by a vote of at least 66 2/3% of the Incumbent Board, such new director shall, for purposes of this definition, be considered as a member of the Incumbent Board.

“Consolidated Debt” means at any date the Debt of the Parent and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

“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.

“Consolidated Total Assets” means, at any time, the total assets of the Parent and its Consolidated Subsidiaries, determined on a consolidated basis, as set forth or reflected on the most recent consolidated balance sheet of the Parent and its Consolidated Subsidiaries, prepared in accordance with GAAP.

“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.

“Controlled Group” means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Parent, are treated as a single employer under Section 414 of the Tax Code.

“Credit and Collection Policy” means ALG’s credit and collection policies and practices relating to Contracts and Receivables existing on the date of the Existing Agreement and summarized in *Exhibit V*, as modified from time to time in accordance with the Agreement.

“Credit and Security Agreement” has the meaning set forth in the Preliminary Statements to the Agreement.

“Debt” 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 Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (ix) all Debt of others Guaranteed by such Person.

“Default Fee” means a *per annum* rate of interest equal to the sum of (i) the Prime Rate, **plus** (ii) 2% per annum.

“Discount Factor” means a percentage calculated to provide Buyer with a reasonable profit on its investment in the Receivables after taking account of (i) the time value of money based upon the anticipated dates of collection of the Receivables and the cost to Buyer of financing its investment in the Receivables during such period, (ii) the risk of nonpayment by the Obligors, and (iii) the cost of compensating someone to service and collect the Receivables for Buyer and the Agent, as their interests may appear. ALG and Buyer may agree from time to time to change the Discount Factor based on changes in one or more of the items affecting the calculation thereof, **provided that** any change to the Discount Factor shall take effect as of the commencement of a month, shall apply only prospectively and shall not affect the Purchase Price payment made prior to the month during which ALG and Buyer agree to make such change.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor law. Any reference to any provision of ERISA shall also be deemed to be a reference to any successor provision or provisions thereof.

“Executive Officer” means any of the chief executive officer, president, executive vice president or senior vice president of the Parent.

“Fiscal Quarter” means any fiscal quarter of the Parent.

“Fiscal Year” means any fiscal year of the Parent.

“GAAP” means generally accepted accounting principles applied on a basis consistent with those which are to be used in making the calculations for purposes of determining compliance with the terms of this Agreement.

“Guarantee” by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt 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 Debt 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 Debt 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.

“Initial Cutoff Date” means the Business Day immediately prior to the date of the Existing Agreement.

“Lien” means, with respect to any asset, any mortgage, deed to secure debt, deed of trust, lien, pledge, charge, security interest, security title, preferential arrangement which has the practical effect of constituting a security interest or encumbrance, or encumbrance or servitude of any kind in respect of such asset to secure or assure payment of a Debt or a Guarantee, whether by consensual agreement or by operation of statute or other law, or by any agreement, contingent or otherwise, to provide any of the foregoing. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capital Lease or other title retention agreement relating to such asset.

“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 ALG to perform its obligations under the Agreement or any other Transaction Document, (iii) the legality, validity or enforceability of the Agreement or any other Transaction Document, (iv)

ALG's, Buyer's, the Agent's or any Lender's interest in the Receivables generally or in any significant portion of the Receivables, the Related Security or Collections with respect thereto, or (v) the collectibility of the Receivables generally or of any material portion of the Receivables.

"Material Subsidiary" means (i) each Originator and Buyer 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 Unpaid under the Credit and Security 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).

"Moody's" means Moody's Investor Service, Inc.

"Multiemployer Plan" shall have the meaning set forth in Section 4001(a)(3) of ERISA.

"Net Income" means, as applied to any Person for any period, the aggregate amount of net income of such Person, after taxes, for such period, as determined in accordance with GAAP.

"Net Worth" means as of the last Business Day of each month preceding any date of determination, the excess, if any, of (a) the aggregate Outstanding Balance of the Receivables at such time, **over** (b) the Aggregate Invested Amount outstanding at such time.

"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.

"Organizational Documents" means, for any Person, the documents for its formation and organization, which, for example, (a) for a corporation are its corporate charter and bylaws, (b) for a partnership are its certificate of partnership (if applicable) and partnership agreement, (c) for a limited liability company are its certificate of formation or organization and its operating agreement, regulations or the like and (d) for a trust is the trust agreement, declaration of trust, indenture or bylaws under which it is created.

"Original Balance" means, with respect to any Receivable coming into existence after the Initial Cutoff Date, the Outstanding Balance of such Receivable on the date it was created.

"Originator" means ALG in its capacity as the seller under this Agreement.

"Outstanding Balance" of any Receivable at any time means the then outstanding principal balance thereof.

“Parent” means ABI and its successors and assigns.

“PBGC” means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

“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, a corporation, a partnership, a limited liability company, an unincorporated association, a trust or any other entity or organization, including, but not limited to, a government or political subdivision or an agency or instrumentality thereof.

“Plan” means at any time an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Tax Code and is either (i) maintained by a member of the Controlled Group for employees of any member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding 5 plan years made contributions.

“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 of the Existing Agreement 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 Credit and Security 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 Credit and Security 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 either 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 any 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.

“Purchase” means a purchase pursuant to Section 1.2(a) of the Agreement by Buyer from ALG of Receivables and the Related Security and Collections related thereto, together with all related rights in connection therewith.

“Purchase Price” means, with respect to the Purchase, the aggregate price to be paid by Buyer to ALG for such Purchase in accordance with Section 1.3 of the Agreement for the Receivables, Collections and Related Security being sold to Buyer, which price shall equal on any date (i) the product of (x) the Outstanding Balance of such Receivables on such date, **multiplied by** (y) one minus the Discount Factor in effect on such date, minus (ii) any Purchase Price Credits to be credited against the Purchase Price otherwise payable in accordance with Section 1.4 of the Agreement.

“Purchase Price Credit” has the meaning set forth in Section 1.4 of the Agreement.

“Purchase Report” means a monthly report by ALG in substantially the form of Exhibit VI to the Agreement.

“Receivable” means all indebtedness and other obligations owed to ALG (at the time it arises, and before giving effect to any transfer or conveyance under the Agreement), including, without limitation, any indebtedness, obligation or interest constituting an account, chattel paper, instrument or general intangible, arising in connection with the sale of goods or the rendering of services by ALG and further includes, without limitation, the obligation to pay any Finance Charges with respect thereto. Indebtedness 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 Obligor or Buyer treats such indebtedness, rights or obligations as a separate payment obligation.

“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 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.

“Related Security” means, with respect to any Receivable:

(i) all of ALG’s interest in the inventory and goods (including returned or repossessed inventory or goods), if any, the sale, financing or lease of which by ALG gave rise to such Receivable, and all insurance contracts with respect thereto,

(ii) all other security interests or liens and property subject thereto from time to time, if any, purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all financing statements and security agreements describing any collateral securing such Receivable,

(iii) all guaranties, letters of credit, insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Contract related to such Receivable or otherwise,

(iv) all service contracts and other contracts and agreements associated with such Receivable,

(v) all Records related to such Receivable,

(vi) all of ALG's right, title and interest in each Lock-Box and each Collection Account, and

(vii) all proceeds of any of the foregoing.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC.

"Required Capital Amount" means, as of any date of determination, an amount equal to the greater of (a) 3% of the Borrowing Limit under the Credit and Security Agreement, and (b) the product of (i) 1.5 times the product of the Default Ratio times the Default Horizon Ratio, each as determined from the most recent Monthly Report received from the Servicers under the Credit and Security Agreement, and (ii) the Outstanding Balance of all Receivables as of such date, as determined from the most recent Monthly Report received from the Servicers under the Credit and Security Agreement.

"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.

"Restatement Effective Date" means the later to occur of (a) September 2, 2003, and (b) the Business Day on which each of the conditions precedent set forth in Sections 3.1 and 3.2 has been satisfied.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc.

"Settlement Date" has the meaning given to that term in the Credit and Security Agreement.

"Stockholders' Equity" means, at any time, the shareholders' equity of the Parent and its Consolidated Subsidiaries, as set forth or reflected on the most recent consolidated balance sheet of the Parent and its Consolidated Subsidiaries prepared in accordance with GAAP, but excluding any Redeemable Preferred Stock of the Parent or any of its Consolidated Subsidiaries.

“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” means the earliest to occur of (i) the Facility Termination Date (as defined in the Credit and Security Agreement), (ii) the Business Day immediately prior to the occurrence of a Termination Event set forth in Section 5.1(d), (iii) the Business Day specified in a written notice from Buyer to ALG following the occurrence and during the continuation of any other Termination Event, and (iv) the date which is 10 Business Days after Buyer’s receipt of written notice from ALG that it wishes to terminate the facility evidenced by this Agreement.

“Termination Event” has the meaning set forth in Section 5.1 of the Agreement.

“Transaction Documents” means, collectively, this Agreement, each Collection Account Agreement, the Credit and Security Agreement, and all other instruments, documents and agreements executed and delivered in connection herewith.

“UCC” means the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the State of Georgia; provided that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Buyer’s interest in the Receivables is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of Georgia, the term “UCC” shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions

“Unmatured Termination Event” means an event which, with the passage of time or the giving of notice, or both, would constitute a Termination Event.

All accounting terms not specifically defined herein shall be construed in accordance with GAAP. 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

Places of Business; Locations of Records;
Federal Employer Identification Number(s); Other Names

Places of Business:

1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

Chief Executive Office:

1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

Principal Place of Business:

1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

Locations of Records:

1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

One Lithonia Way
Conyers, Georgia 30012

214 Oakwood Avenue
Newark, Ohio 43055

Federal Employer Identification Number: 58-2633371

Legal, Trade and Assumed Names: Lithonia Lighting, Holophane, Metal Optics, Hydrel, Austin Lighting Products, Antique Street Lamps, American Electric Lighting and Peerless

Exhibit III

NAMES OF COLLECTION BANKS; LOCK-BOXES & COLLECTION ACCOUNTS

LOCK-BOX

RELATED COLLECTION ACCOUNT

P.O. Box 100863
Atlanta, GA 30384

Name of Current Account Holder: Lithonia Lighting, a division of ALG
Account Number: Lockbox #100863, DDA#3750249781
Bank Name: Bank of America
ABA Number: 111000012
Contact Person: Louvenia Parker
Contact's Tel: 404-607-5441
Contact's Fax: 404-532-3404

P.O. Box 360305
Pittsburgh, PA 15251

Name of Current Account Holder: Lithonia Lighting, a division of ALG
Account Number: DDA#1911121
Bank Name: Mellon Bank, Pittsburgh PA
ABA Number: 043000261
Contact Person: Edith Rickle
Contact's Tel: 412-234-6563
Contact's Fax: 412-209-6082

Dept. LA 21025
Pasadena, CA 91185-1025

P.O. Box 8060
Philadelphia, PA 19175-8060

Name of Current Account Holder: Holophane Corporation, a division of ALG
Account Number: DDA#2280923
Bank Name: Mellon Bank, Pittsburgh PA
ABA Number: 043000261
Contact Person: Edith Rickle
Contact's Tel: 412-234-6563
Contact's Fax: 412-209-6082

Exhibit IV

Form of Compliance Certificate

This Compliance Certificate is furnished pursuant to that certain Amended and Restated Receivables Sale and Contribution Agreement dated as of September 2, 2003 (the "**Agreement**") between Acuity Lighting Group, Inc., a Delaware corporation ("**ALG**"), and Acuity Unlimited, Inc., a Delaware corporation ("**Buyer**"). Capitalized terms used and not otherwise defined herein are used with the meanings attributed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES, IN HIS OR HER REPRESENTATIVE CAPACITY ON BEHALF OF THE PARENT, THAT:

1. I am the duly elected _____ of Acuity Brands, Inc., a Delaware corporation (the "**Parent**").

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 the Parent and its Consolidated 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 a Termination Event or an Unmatured Termination 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 below].

[4. 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 the Parent 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 in the undersigned's representative capacity on behalf of the Parent, all as of this _____ day of _____, 200_.

[Name]

Exhibit V

Credit and Collection Policy

[GRAPHIC APPEARS HERE]

CREDIT APPROVAL PROCESS

A. NEW CUSTOMER

When an agent desires to establish a new distributor, he will have the prospective customer complete Lithonia Lighting – Application for Appointment. A blank application has been included in this publication. Upon completion of the application, the agent will forward it for approval to the Director of Latin American Sales. When approved, the application will be forwarded to the International Credit Manager for the purpose of establishing the account and for investigating credit accommodations.

When submitting an application, the agency will ensure that the credit section is completed and accompanied by:

- current financial statements (balance sheet and income statement)
- credit references
- bank references.

If applicable, the following information can be submitted:

- personal guarantee
- irrevocable letter of credit

Upon receipt of an approved application, the International Credit Manager will analyze all available information and establish an account number and a credit guide which is appropriate for the information available. The account number will be identified to the agency and to the International Sales Department. This process can be quite time-consuming. Occasionally, it may be preferable to establish an account without credit review. In general, until a credit analysis can be performed and open credit accommodations approved, the terms of sale will be “**cash in advance**.” The agency and the International Sales Department will specify if there are pending orders or special circumstances. **All investigations will be expedited. However, please be aware that no order will be released for shipment without prior credit approval.**

Note: A deposit is required on a cash in advance order if the product is not generally stocked in inventory or has special production requirement. Depending on the circumstances, a deposit of between 25% to 50% is required prior to processing the order. An agent should communicate this information to the client before entering an order.

B. EXISTING CUSTOMER

Customer accounts are periodically reviewed and the credit guide may be amended at any time depending on the circumstances. Various factors are considered but significant consideration is given to financial information and the established payment record. An agent may request, at any time, a credit review of a customer's account by the International Credit Manager.

Procedures are established that provide a systematic process for reviewing specific orders. When orders are entered which **exceed** the established credit guide, or when there is a past due balance, the order will not automatically be released for shipment. *However, the order will be included in the production scheduling process.*

Credit guides are expressed in an alpha/numeric format - C050. The alpha code corresponds to the selling price of a given order. The numeric code is expressed in thousands and references the dollar limit guide for the customer's balance. The numeric value of the order is based on its selling price value at the point of entry. A currency conversion is not required. An order will "pass" the automatic credit checking criteria if it is less than both the alpha and numeric code. Credit guides function in the following manner:

1. Each customer is assigned a credit guide by Lithonia's Credit Department. These guides have an alpha range of A through F, H, and I with the following single order limits:

"A"	single order limit \$25,000
"B"	single order limit \$10,000
"C"	single order limit \$ 5,000
"D"	single order limit \$ 2,500
"E"	single order limit \$ 1,000
"F"	\$ 0 (order on hold)
"H"	\$ 0 (order on hold)
"I"	\$ 0 (order on hold for cash in advance)

2. A credit guide of A999 will allow that customer's orders to pass without being placed on credit review or credit hold. This guide is reserved for customers who have a high (favorable) credit rating and **are** least likely to delay or default on a payment.
3. An order for a customer with a credit guide of F, H or I will be placed on *credit hold*. All other guides can place the customer's order on *credit review*.
4. If the total order DSP\$ is greater than the customer's credit guide limit (alpha code), the order is placed on either credit review or credit hold.
5. If the total customer balance, including this order, is greater than the customer's credit guide limit (numeric value), the order is placed on either credit review or credit hold. This is based on the customer's outstanding receivable balance which includes the DSP\$ of the order under review.

Any order exceeding the established credit guide is not automatically released for shipment and must be cleared as authorized by the International Credit Manager. It is recommended that agency personnel contact the credit department before accepting or placing large orders that clearly exceed the customers credit guide so that proactive communications may be initiated.

The agency should immediately notify Lithonia Lighting's International Credit Manager of any changes that affect the customers financial standing, or ability to make payments business.

COLLECTION

It is the responsibility of the Lithonia Lighting Credit Department to make collection efforts directly **to** the customer. However, in some cases, agency assistance may be requested in addressing collection problems.

Orders placed for a customer with a past due balance or a balance that exceeds the established credit guide will be reviewed prior to shipment and may not be released for shipment until resolution of the specific situation. Both the customer and the agent will be notified to obtain an immediate resolution.

When payments are sent by paying customers, it is imperative that they provide details confirming **specific invoices and specific amounts paid for each invoice.** When customers make an advance payment on a particular order, specific details are required to assure proper application of the payment and release of the corresponding order. Any short payment should include a complete explanation and supported by documentation.

COMMISSIONS

Lithonia Lighting Finance Department is responsible for the processing of monthly agent commission payments. In the first two weeks of each month, the Regional Sales Manager will notify the agent of the total amount of the commission he will receive. The agent will then bill Lithonia lighting Mexico, SA de CV for the amount of the commission.

As soon as Lithonia Finance Department received the invoice, it will issue the payment. This payment can be processed via check or direct deposit.

Purchases by an agency are highly restricted and must be approved by the International Sales Department. When approved, orders receive standard terms of 1% 10 days prox, net 25 prox. An outstanding balance after the payment due date will be deducted from the agency's monthly commission payment.

Note: Agency orders have to be approved by sales management prior to shipping. Agencies are not authorized to place customer order on their accounts.

PAYMENTS

In order to process payments efficiently, we request that our customers provide Lithonia Lighting with a remittance advice.

The following information should always be included when making payments: Account name, Lithonia Lighting customer number, Lithonia Lighting order numbers, amount paid for each invoice, reason for short payment or deduction if applicable.

When customers make an advance payment on a particular order, specific details are required to assure proper application of the payment and release of the corresponding order. Any short payment should include a complete explanation and supported by documentation included with the payment.

For additional information please contact:

Lithonia Lighting
Credit Department
One Lithonia Way, Conyers, GA30012
Phone (770)922-9000 Fax (770)388-0229

OR

Greg Holm
Vice President, Revenue Realization
One Lithonia Way, Conyers, Georgia 30012
Greg.Holm@Lithonia.com ; www.Lithonia.com

INTERNATIONAL CUSTOMERS AND PAYMENTS

Payments can be made by wire transfer to:

Bank of America
Dallas, Texas, U.S.A.

Account No.:375 024 9781
ABA No.: 111 000 012

Account Name: Lithonia Lighting
Swift CODE: BOFAAUS3N

US dollar payments can also be sent to:

Lithonia Lighting
International Credit Manager
One Lithonia Way
Conyers, GA 30012
Phone (770) 922-9000, Fax(770) 388-0229

For additional information please contact:

Greg Holm
Vice President, Revenue Realization
One Lithonia Way, Conyers, Georgia 30012
Phone (770) 922 9000 ext 2697, Fax (770) 388 0229
Greg.Holm@Lithonia.com ; www.Lithonia.com

**LITHONIA LIGHTING
ONE LITHONIA WAY
CONYERS, GA 30012**

Exhibit VI

[Form of] Purchase Report

For the month beginning [date] and ending [date]

TO: BUYER AND THE AGENT (AS BUYER'S ASSIGNEE)

Aggregate Outstanding Balance of all Receivables sold during the period:	\$ _____		A
Less: Aggregate Outstanding Balance of all Receivables sold during such period which were not Eligible Receivables on the date when sold:	\$ (_____)		(B)
Equals: Aggregate Outstanding Balance of all Eligible Receivables sold during the period (A—B):		\$ _____	=C
Less: Purchase Price discount during the Period:	\$ (_____)		(D)
Equals: Gross Purchase Price Payable during the period (C – D)		\$ _____	=E
Less: Total Purchase Price Credits arising during the Period:	\$ (_____)		(F)
Equals: Net Purchase Price payable during the Period (E—F):		\$ _____	=G
Cash Purchase Price Paid to ALG during the Period:	\$ _____		H
Aggregate Outstanding Balance of Receivables contributed during the Period:	\$ _____		I

Schedule A

DOCUMENTS TO BE DELIVERED TO BUYER
ON OR PRIOR TO THE RESTATEMENT EFFECTIVE DATE

I. Parties.

Blue Ridge =	Blue Ridge Asset Funding Corporation
Wachovia =	Wachovia Bank, National Association
ABI =	Acuity Brands, Inc.
ALG =	Acuity Lighting Group, Inc.
ASP =	Acuity Specialty Products Group, Inc.
AUI =	Acuity Unlimited, Inc. (f/k/a L&C Funding, Inc.)
AEI =	Acuity Enterprise, Inc.

II. Anticipated Closing Documents.

1. Amended and Restated Receivables Sale Agreement between ALG and AUI
2. [New] Receivables Sale Agreement between ASP and AEI.
3. Termination Agreement with respect to the existing First-Step Agreement between ALG and ASP.
4. Credit and Security Agreement among AUI, AEI, ALG and ASP, as Servicers, Blue Ridge and Wachovia.
5. Performance Undertaking by ABI in favor of AUI and AEI.
6. Fee Letter among Agent, AEI and AUI.
7. A certificate of the [Assistant] Secretary of each of ABI, ALG, ASP, AUI and AEI (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.

8. Pre-filing state and federal tax lien, judgment lien and UCC lien searches in the following locations against the following names:

- **Debtor name: Acuity Lighting Group, Inc.**

UCC Lien Search Jurisdictions: Delaware, Georgia

Federal and State Tax Lien and Judgment Lien Jurisdictions: Delaware, Georgia and Fulton County (Georgia)

- **Debtor name: Acuity Specialty Products Group, Inc.**

UCC Lien Search Jurisdictions: Delaware, Georgia

Federal and State Tax Lien and Judgment Lien Jurisdictions: Delaware, Georgia and Fulton County (Georgia)

- **Debtor name: L&C Funding, Inc.**

UCC Lien Search Jurisdictions: Delaware, Georgia

Federal and State Tax Lien and Judgment Lien Jurisdictions: Delaware, Georgia and Fulton County (Georgia)

- **Debtor name: Acuity Unlimited, Inc.**

UCC Lien Search Jurisdictions: Delaware, Georgia

Federal and State Tax Lien and Judgment Lien Jurisdictions: Delaware, Georgia and Fulton County (Georgia)

- **Debtor name: Acuity Enterprise, Inc.**

UCC Lien Search Jurisdictions: Delaware, Georgia

Federal and State Tax Lien and Judgment Lien Jurisdictions: Delaware, Georgia and Fulton County (Georgia)

9. UCC Financing Statements: (a) Amendment to existing ALG financing statements; (b) Delaware UCC-1 for ASP; (c) Delaware UCC-1s for AEI and AUI

-
10. UCC Termination Statement for existing filing between ASP and ALG.
 11. Amended and Restated Collection Account Agreements for each Lock-Box and Collection Account:
 - Bank of America
 - Mellon
 - Wachovia.
 12. A favorable opinion of inhouse counsel to ABI as to certain matters.
 13. A favorable opinion of Kilpatrick Stockton as to certain *corporate* matters.
 14. A favorable opinion of Kilpatrick Stockton as to certain *UCC* matters.
 15. A favorable **“true sale”** opinion of Kilpatrick Stockton.
 16. A favorable **“nonconsolidation”** opinion of Kilpatrick Stockton .
 17. A Monthly Report as at July 31, 2003
 18. Liquidity Agreement by and between Blue Ridge and Wachovia.

PERFORMANCE UNDERTAKING

[ALG]

THIS PERFORMANCE UNDERTAKING (this "**Undertaking**"), dated as of September 2, 2003, is executed by Acuity Brands, Inc., a Delaware corporation (the "**Performance Guarantor**") in favor of Acuity Unlimited, Inc., a Delaware corporation (together with its successors and assigns, "**Recipient**").

RECITALS

1. Acuity Lighting Group, Inc., a Delaware corporation ("**Originator**"), and Recipient are parties to an Amended and Restated Receivables Sale and Contribution Agreement, dated as of September 2, 2003 (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 a Credit and Security Agreement dated as of September 2, 2003 (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 Specialty Products Group, Inc. and Acuity Lighting Group, Inc., as initial servicers (in such capacity, collectively, the "**Initial Servicers**"), Blue Ridge Asset Funding Corporation ("**Blue Ridge**"), the banks and other financial institutions from time to time party thereto as "Liquidity Banks" (together with Blue Ridge, 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 Servicers of their servicing duties under the Credit and Security Agreement.
5. Performance Guarantor wishes to guaranty the due and punctual performance by Originator and the Initial Servicers 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 have 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 either or both of the Initial Servicers in their capacities 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 Servicers 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 Blue Ridge 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 Blue Ridge in favor of Originator, either of the Initial Servicers or any other Person or other means of obtaining payment. Should Originator or either of the Initial Servicers 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 either of the Initial Servicers 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 either of the Initial Servicers 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 either of the Initial Servicers or asserting any other rights of Recipient under this Undertaking. Performance Guarantor warrants that it has adequate means to obtain from Originator and each of the Initial Servicers, 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 each of the Initial Servicers 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 either of the Initial Servicers 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 either of the Initial Servicers 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 either of the Initial Servicers 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 Servicers. Notwithstanding (a) any change of ownership of Performance Guarantor, Originator or either of the Initial Servicers or the insolvency, bankruptcy or any other change in the legal status of Originator or either of the Initial Servicers; (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, either of the Initial Servicers 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 either of the Initial Servicers 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 either of the Initial Servicers or for any other reason with respect to Originator or either of the Initial Servicers, 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 Blue Ridge against Originator or either of the Initial Servicers, (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 Blue Ridge against Originator or either of the Initial Servicers 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 either of the Initial Servicers 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 either of the Initial Servicers in respect of any liability of Performance Guarantor to such 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 Blue Ridge.

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 either of the Initial Servicers 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 either of the Initial Servicers and the commencement of any case or proceeding by or against Originator or either of the Initial Servicers 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 either of the Initial Servicers or other federal, state or other applicable bankruptcy, insolvency or reorganization statutes to which Originator or either of the Initial Servicers 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 Blue Ridge, it will not institute against, or join any other Person in instituting against, Blue Ridge 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. 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: /s/ Vernon J. Nagel

Name: Vernon J. Nagel

Title: Executive Vice President & C.F.O.

Address for Notices:

1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

Attention: Treasurer

Fax No.: (404) 853-1430

Telephone No.: (404) 853-1423

PERFORMANCE UNDERTAKING

[ASP]

THIS PERFORMANCE UNDERTAKING (this "**Undertaking**"), dated as of September 2, 2003, is executed by Acuity Brands, Inc., a Delaware corporation (the "**Performance Guarantor**") in favor of Acuity Enterprise, Inc., a Delaware corporation (together with its successors and assigns, "**Recipient**").

RECITALS

1. Acuity Specialty Products Group, Inc., a Delaware corporation ("**Originator**"), and Recipient are parties to a Receivables Sale and Contribution Agreement, dated as of September 2, 2003 (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 a Credit and Security Agreement dated as of September 2, 2003 (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 Specialty Products Group, Inc. and Acuity Lighting Group, Inc., as initial servicers (in such capacity, collectively, the "**Initial Servicers**"), Blue Ridge Asset Funding Corporation ("**Blue Ridge**"), the banks and other financial institutions from time to time party thereto as "Liquidity Banks" (together with Blue Ridge, 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 Servicers of their servicing duties under the Credit and Security Agreement.
5. Performance Guarantor wishes to guaranty the due and punctual performance by Originator and the Initial Servicers 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 have 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.

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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 either of the Initial Servicers or asserting any other rights of Recipient under this Undertaking. Performance Guarantor warrants that it has adequate means to obtain from Originator and each of the Initial Servicers, 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 each of the Initial Servicers 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 either of the Initial Servicers 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 either of the Initial Servicers 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 either of the Initial Servicers 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 Servicers. Notwithstanding (a) any change of ownership of Performance Guarantor, Originator or either of the Initial Servicers or the insolvency, bankruptcy or any other change in the legal status of Originator or either of the Initial Servicers; (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, either of the Initial Servicers 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 either of the Initial Servicers 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 either of the Initial Servicers or for any other reason with respect to Originator or either of the Initial Servicers, 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 Blue Ridge against Originator or either of the Initial Servicers, (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 Blue Ridge against Originator or either of the Initial Servicers 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 either of the Initial Servicers 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 either of the Initial Servicers in respect of any liability of Performance Guarantor to such 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 Blue Ridge.

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 either of the Initial Servicers 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 either of the Initial Servicers and the commencement of any case or proceeding by or against Originator or either of the Initial Servicers 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 either of the Initial Servicers or other federal, state or other applicable bankruptcy, insolvency or reorganization statutes to which Originator or either of the Initial Servicers 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 Blue Ridge, it will not institute against, or join any other Person in instituting against, Blue Ridge 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. 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: /s/ Vernon J. Nagel

Name: Vernon J. Nagel

Title: Executive Vice President & C.F.O.

Address for Notices:

1170 Peachtree Street, Suite 2400
Atlanta, Georgia 30309

Attention: Treasurer
Fax No.: (404) 853-1430
Telephone No.: (404) 853-1423

**ACUITY BRANDS, INC.
SEVERANCE AGREEMENT**

THIS AGREEMENT (the "Agreement"), made and entered into as of this _____ day of _____, 2003, by and between ACUITY BRANDS, INC., a Delaware corporation (the "Company"), and _____ (the "Executive").

WITNESSETH:

WHEREAS, Executive is a key employee of the Company and an integral part of the Company's management; and

WHEREAS, the Company desires to provide the Executive with certain benefits if the Executive's employment is terminated involuntarily under certain circumstances; and

WHEREAS, the Company and the Executive have determined that it is in their mutual best interests to enter into this Agreement;

NOW, THEREFORE, the parties hereby agree as follows:

1. TERM OF AGREEMENT.

Unless earlier terminated as hereinafter provided, this Agreement shall commence on the date hereof, shall be for a rolling, two-year term (the "Term"), and shall be deemed to extend automatically, without further action by either the Company or Executive, each day for an additional day, such that the remaining term of the Agreement shall continue to be two years; provided, however, that either party may, by written notice to the other, cause this Agreement to cease to extend automatically and, upon such notice, the "Term" of this Agreement shall be the two-year period following the date of such notice and this Agreement shall terminate upon the expiration of such Term. This Agreement shall not be considered an employment agreement and in no way guarantees Executive the right to continue in the employment of the Company or its affiliates. Executive's employment is considered employment at will, subject to Executive's right to receive payments and benefits upon certain terminations of employment as provided below.

As of the date hereof, this Agreement is intended to, and shall, supersede and replace in their entirety the severance benefits provided under the Executive's Employment Agreement dated _____.

2. DEFINITIONS. For purposes of this Agreement, the following terms shall have the meanings specified below:

2.1 "Board" or "Board of Directors" — The Board of Directors of Acuity Brands, Inc., or its successor.

2.2 "Cause" — The involuntary termination of Executive by the Company for the following reasons shall constitute a termination for Cause:

(a) If termination shall have been the result of an act or acts by the Executive which have been found in an applicable court of law to constitute a felony (other than traffic-related offenses);

(b) If termination shall have been the result of an act or acts by the Executive which are in the good faith judgment of the Company deemed to be in violation of law or of written policies of the Company and which result in material injury to the Company;

(c) If termination shall have been the result of an act or acts of dishonesty by the Executive resulting or intended to result directly or indirectly in gain or personal enrichment to the Executive at the expense of the Company; or

(d) Upon the continued failure by the Executive substantially to perform the duties reasonably assigned to Executive given Executive's training and experience (other than any such failure resulting from incapacity due to mental or physical illness not constituting a Disability, as defined herein), after a demand in writing for substantial performance of such duties is delivered by the Company, which demand specifically identifies the manner in which the Company believes that the Executive has not substantially performed his duties, and such failure results in material injury to the Company.

2.3 "Company" — Acuity Brands, Inc., a Delaware corporation, or any successor to its business and/or assets.

2.4 "Date of Termination" — The date specified in the Notice of Termination (which may be immediate) as the date upon which the Executive's employment with the Company is to cease.

2.5 "Disability" — Disability shall have the meaning ascribed to such term in the Company's long-term disability plan covering the Executive, or in the absence of such plan, a meaning consistent with Section 22(e)(3) of the Internal Revenue Code of 1986, as amended.

2.6 "Notice of Termination" — A written notice from one party to the other party specifying the Date of Termination and setting forth in reasonable detail the facts and circumstances relating to the basis for termination of Executive's employment.

2.7 "Severance Period" — A period equal to the lesser of (i) eighteen (18) months from the Executive's Date of Termination or (ii) 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.

2.8 “Severance Protection 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 such agreement).

3. SCOPE OF AGREEMENT.

This Agreement provides for the payment of compensation and benefits to Executive in the event his employment is involuntarily terminated by the Company without Cause. If Executive is terminated by the Company for Cause, dies, incurs a Disability or voluntarily terminates employment, 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 will be entitled to whatever benefits are payable pursuant to the terms of any health, life insurance, disability, welfare, retirement, deferred compensation, or other plan or program maintained by the Company.

If, as a result of Executive’s termination of employment, Executive becomes entitled to compensation and benefits under this Agreement and under a Severance Protection Agreement, Executive shall be entitled to receive benefits under whichever agreement provides Executive the greater aggregate compensation and benefits (and not under the other agreement) and there shall be no duplication of benefits.

4. BENEFITS UPON INVOLUNTARY TERMINATION WITHOUT CAUSE BY THE COMPANY.

If Executive’s employment is involuntarily terminated by the Company during the term of this Agreement without Cause (and such termination does not arise as a result of Executive’s death or Disability), the Executive shall be entitled to the compensation and benefits described below, provided that Executive, as described in Section 4.7, executes a valid release of claims in such form as may be required by the Company. In the event Executive is terminated without Cause, the Compensation Committee of the Board of Directors may, in its discretion and to provide equitable treatment, grant benefits to Executive in addition to those provided below in circumstances where Executive suffers a diminution of projected benefits as a result of Executive’s termination prior to attainment of age 65, including without limitation, additional retirement benefits and acceleration of long-term incentive awards.

4.1 Base Salary. Executive shall continue to receive his Base Salary (subject to withholding of all applicable taxes) for the entire Severance Period (as defined in Section 2.7 above), payable in the same manner as it was being paid on his Date of Termination.

4.2 Annual Bonus. Executive shall be paid a bonus in an amount equal to the greater of (i) the annual incentive bonus that would be paid or payable to Executive for the fiscal year of the Company during which Executive’s Date of Termination occurs under the Company’s annual incentive plan (“Incentive Plan”), assuming the target level(s) of performance had been met for such fiscal year, multiplied by a fraction (the “Pro Rata

Fraction”), the numerator of which is the number of days that have elapsed in the then current fiscal year through Executive’s Date of Termination and the denominator of which is 365, or (ii) the annual incentive bonus that would be paid or payable to Executive for the fiscal year of the Company during which Executive’s Date of Termination occurs under the Incentive Plan based upon the Company’s actual performance for such fiscal year, multiplied by the Pro Rata Factor. The bonus amount determined pursuant to Section 4.2(i) shall be paid to Executive within ten (10) days of Executive’s Date of Termination and any additional amount payable pursuant to Section 4.2(ii) shall be payable at the same time as bonuses are payable to other executives under the Incentive Plan.

4.3 Restricted Stock. Any Restricted Stock granted to Executive under the Acuity Brands, Inc. Long-Term Incentive Plan (“LTIP”) for which the specific performance targets have been achieved and a Vesting Start Date (as defined in the agreement granting the Restricted Stock to Executive, the “Restricted Stock Agreement”) has been established as of Executive’s Date of Termination shall become fully vested and nonforfeitable as of Executive’s Date of Termination and subject to the proviso at the end of this sentence, all Restricted Stock for which a Vesting Start Date has not been established shall be immediately forfeited; provided, that if the Restricted Stock Agreement granting the Restricted Stock to Executive provides for more favorable continued vesting after Executive’s Date of Termination, the provisions of such Restricted Stock Agreement shall apply to the vesting of Executive’s Restricted Stock after Executive’s termination. The Vested Value (as defined in the Restricted Stock Agreement) of the shares of Restricted Stock vesting pursuant to this Section 4.3 shall be delivered to Executive in the manner provided in Section 2.2 of the Restricted Stock Agreement within ten (10) days of Executive’s Date of Termination, using Executive’s Date of Termination as the date for determining the Vested Value.

4.4 Health Care, Life Insurance and Long-Term Disability Coverages. The health care (including dental and vision coverage, if applicable), term life insurance and long-term disability coverages provided to Executive at his Date of Termination shall be continued at the same level as for active executives and in the same manner as if his employment had not terminated, beginning on the Date of Termination and ending on the last day of the Severance Period. Any additional coverages Executive had at termination, including dependent coverage, will also be continued for such period on the same terms, to the extent permitted by the applicable policies or contracts. Any costs Executive was paying for such coverages at the time of termination shall be paid by Executive by separate check payable to the Company each month in advance or, at Executive’s election, may be deducted from his Base Salary payments under Section 4.1. If the terms of any benefit plan referred to in this Section, or the laws applicable to such plan do not permit continued participation by Executive, then the Company will arrange for other coverage(s) satisfactory to Executive at Company’s expense which provides substantially similar benefits or, at Executive’s election, will pay Executive a lump sum amount equal to the annual costs of such coverage(s) for the Severance Period. A benefit provided under this Section 4.2 shall cease if Executive obtains other employment and, as a result of such employment, health care, life insurance or long-term disability benefits are available to Executive.

4.5 Outplacement Services. Executive will be provided with customary outplacement services by an outplacement firm selected by the Company for the Severance Period, provided that the Company's total cost for such services shall not exceed an amount equal to ten percent (10%) of Executive's Base Salary.

4.6 Other Benefits. Except as expressly provided herein, all other fringe benefits provided to Executive as an active employee of the Company (e.g., 401(k) plan, AD&D, car allowance, club dues, etc.), shall cease on his Date of Termination, provided that any conversion or extension rights applicable to such benefits shall be made available to Executive at his Date of Termination or when such coverages otherwise cease at the end of the Severance Period. Except as expressly provided herein, for all other plans sponsored by the Company, the Executive's employment shall be treated as terminated on his Date of Termination and Executive's right to benefits shall be determined under the terms of such plans; provided, however, in no event will Executive be entitled to severance payments or benefits under any other severance plan, policy, program or agreement of the Company, except to the extent Executive is covered by a Severance Protection Agreement related to a change in control of the Company.

4.7 Release of Claims. To be entitled to any of the compensation and benefits described above in this Section 4, Executive shall sign a release of claims substantially in the form attached hereto as Exhibit A. No payments shall be made under this Section 4 until such release has been properly executed and delivered to the Company and until the expiration of the revocation period, if any, provided under the release. If the release is not properly executed by the Executive and delivered to the Company within the reasonable time periods specified in the release, the Company's obligations under this Section 4 will terminate.

5. CONFIDENTIALITY, NON-SOLICITATION AND NON-COMPETITION.

5.1 Purpose and Reasonableness of Provisions. Executive acknowledges that, prior to and during the Term of this Agreement, the Company has furnished and will furnish to Executive Trade Secrets and Confidential Information which could be used by Executive on behalf of a competitor of the Company or other person to the Company's substantial detriment. Moreover, the parties recognize that Executive during the course of his employment with the Company may develop important relationships with customers and others having valuable business relationships with the Company. In view of the foregoing, Executive acknowledges and agrees that the restrictive covenants contained in this Section 5 and in Exhibit B hereto are reasonably necessary to protect the Company's legitimate business interests and good will.

5.2 Trade Secrets and Confidential Information. Executive agrees that he shall protect the Company's Trade Secrets (as defined in Section 5.10(b) below) and Confidential Information (as defined in Section 5.10(a) below) and shall not disclose to any Person, or otherwise use or disseminate, except in connection with the performance of his duties for the Company, 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, in which event Executive will promptly notify the Company of such order or subpoena to provide the Company an opportunity to protect its interests. Executive's obligations under this Section 5.2 shall apply during his employment and after his termination of employment, and shall survive any expiration or termination of this Agreement, provided that Executive may after such expiration or termination disclose Confidential Information with the prior written consent of the then-serving Chief Executive Officer of the Company.

The Executive, during employment with the Company, will not offer, disclose or use on Executive's own behalf or on behalf of the Company, any information Executive received prior to employment by the Company, which was supplied to Executive confidentially or which Executive should reasonably know to be confidential, to any persons, organization or entity other than the Company without the written approval of such person, organization or entity.

5.3 Return of Property. Upon the termination of his employment with the Company, Executive agrees to deliver promptly to the Company all Company files, customer lists, management reports, memoranda, research, Company forms, financial data and reports and other documents (including all such data and documents in electronic form) supplied to or created by Executive in connection with his employment hereunder (including all copies of the foregoing) in his possession or control, and all of the Company's equipment and other materials in his possession or control. Executive's obligations under this Section 5.3 shall survive any expiration or termination of this Agreement.

5.4 Inventions. The Executive does hereby assign to the Company the entire right, title and interest in any Invention that is made and/or conceived, either solely or jointly with others, during Executive's employment with the Company. The Executive agrees to promptly disclose to the Company all such Inventions. The Executive will, if requested, promptly execute and deliver to the Company a specific assignment of title for an Invention and will, at the expense of the Company, take all reasonably required action by the Company to patent, copyright or otherwise protect the Invention.

5.5 Non-Competition. The Executive agrees that while employed by the Company and for a period equal to the Severance Period thereafter, but only for such period as Base Salary is paid to Executive under Section 4.1 hereto, Executive shall comply with the non-competition restrictions attached hereto as Exhibit B. The parties hereto recognize that Executive 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 Executive experiences such a material job change, the parties shall, as soon as is practicable, enter into a signed, written addendum to Exhibit B hereto reflecting such material change. Upon execution, any such written modification to Exhibit B shall represent an enforceable amendment to this Agreement and shall augment and supplant the definition of the term Executive Services set forth in Exhibit B hereto.

5.6 Non-Solicitation of Customers/Suppliers. The Executive agrees that during the course of employment with the Company, and for a period equal to the Severance Period thereafter, but only for such period as Base Salary is paid to Executive under Section 4.1 hereto, the Executive will not directly or indirectly (i) divert or attempt to divert any person, concern or entity which is furnished products or services by the Company from doing business with the Company or otherwise change its relationship with the Company; or (ii) induce or attempt to induce any customer, supplier or service provider to cease being a customer, supplier or service provider of the Company or to otherwise change its relationship with the Company.

5.7 Non-Solicitation of Employees. The Executive agrees that during the course of employment with the Company, and for a period equal to the Severance Period thereafter, but only for such period as Base Salary is paid to Executive under Section 4.1 hereto, the Executive shall not, directly or indirectly, whether on behalf of the Executive or others, solicit, lure or attempt to hire away any of the employees of the Company with whom the Executive interacted while employed with the Company.

5.8 Injunctive Relief. Executive acknowledges that if he breaches or threatens to breach any of the provisions of this Section 5, his actions may cause irreparable harm and damage to the Company which could not be compensated in damages. Accordingly, if Executive breaches or threatens to breach any of the provisions of this Section 5, the Company shall be entitled to seek injunctive relief, in addition to any other rights or remedies the Company may have. The existence of any claim or cause of action by Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of Executive's agreements under this Section 5.

5.9 Provisions Severable. If any provision in this Section 5 and/or Exhibit B hereto is determined to be in violation of any law, rule or regulation or otherwise unenforceable, and cannot be modified to be enforceable, such determination shall not affect the validity of any other provisions of this Agreement, but such other provisions shall remain in full force and effect. Each and every provision, paragraph and subparagraph of this Section 5, including Exhibit B hereto, is severable from the other provisions, paragraphs and subparagraphs and constitutes a separate and distinct covenant.

5.10 Definitions. For purposes of this Section 5, the following definitions shall apply:

(a) "Confidential Information" means any and all information regarding the business or affairs of the Company not generally known, including information relating to research and development, operating systems, purchasing, accounting, engineering, customers, marketing, manufacturing, suppliers, service providers, merchandising, selling, leasing, servicing, finance and business systems and techniques, information concerning customers of the Company and their systems and applications. All information disclosed to Executive, or to which Executive obtains access, whether originated by Executive or by others, during the period of Executive's employment, which Executive has reasonable basis to believe to be Confidential Information, or which is treated by the Company as being Confidential Information, shall be presumed to be Confidential Information.

(b) "Trade Secrets" means information, without regard to form, relating to the Company's business which is not commonly known by or available to the public and which derives economic value, actual or potential, from not being generally known to other persons and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy or confidentiality, including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, or lists of actual or potential customers or suppliers.

(c) "Inventions" means contributions, discoveries, improvements and ideas and works of authorship, whether or not patentable or copyrightable, and (i) which relate directly to the business of the Company or (ii) which result from any work performed by Executive or by Executive's fellow employees for the Company or (iii) for which equipment, supplies, facility, Confidential Information or Trade Secrets of the Company are used, or (iv) which is developed on the Company's time.

6. MISCELLANEOUS.

6.1 No Obligation to Mitigate. Executive shall not be required to mitigate the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer after the Date of Termination or otherwise, except as provided in Section 4.4 with respect to benefits coverages.

6.2 Contract Non-Assignable. The parties acknowledge that this Agreement has been entered into due to, among other things, the special skills and knowledge of Executive, and agree that this Agreement may not be assigned or transferred by Executive.

6.3 Successors; Binding Agreement.

(a) In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, or who acquires the stock of the Company, to expressly assume and agree to perform this Agreement, in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

(b) This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representative, executors, administrators, successors, heirs, distributees, devisees and legatees.

6.4 Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given either when delivered or seven days after mailing if mailed first class, certified mail, postage prepaid, addressed as follows:

If to the Company: Acuity Brands, Inc.
Attention: General Counsel
1170 Peachtree Street, Suite 2400
Atlanta, GA 30309

If to the Executive: To his last known address on file with the Company

Any party may change the address to which notices, requests, demands and other communications shall be delivered or mailed by giving notice thereof to the other party in the same manner provided herein.

6.5 Provisions Severable. If any provision or covenant, or any part thereof, of this Agreement should be held by any court to be invalid, illegal or unenforceable, either in whole or in part, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of the remaining provisions or covenants, or any part thereof, of this Agreement, all of which shall remain in full force and effect.

6.6 Waiver. Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted in this Agreement or the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is contained in a writing signed by the party making the waiver.

6.7 Amendments and Modifications. This Agreement may be amended or modified only by a writing signed by both parties hereto, which makes specific reference to this Agreement.

6.8 Governing Law. The validity and effect of this Agreement shall be governed by and be construed and enforced in accordance with the laws of the State of Georgia.

6.9 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."

6.10 Disputes; Legal Fees; Indemnification.

(a) Disputes. All claims by Executive for compensation and benefits under this Agreement shall be in writing and shall be directed to and be determined by the Compensation Committee of the Board. Any denial by the Compensation Committee of a claim for benefits under this Agreement shall be provided in writing to Executive within 30 days of such decision and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Compensation Committee shall afford a reasonable opportunity to Executive for a review of its decision denying a claim and shall further allow Executive to appeal in writing to the Compensation Committee a decision of

the Compensation Committee within sixty (60) days after notification by the Compensation Committee that Executive's claim has been denied. To the extent permitted by applicable law, any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Fulton County, Georgia, in accordance with the rules of the American Arbitration Association then in effect for commercial arbitrations. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

(b) Legal Fees. If the Company involuntarily terminates Executive without Cause, then, in the event Executive incurs legal fees and other expenses in seeking to obtain or to enforce any rights or benefits provided by this Agreement and is successful to a significant extent in obtaining or enforcing any such rights or benefits through settlement, mediation, arbitration or otherwise, the Company shall promptly pay Executive's reasonable legal fees and expenses and related costs incurred in enforcing this Agreement, including, without limitation, attorneys' fees and expenses, experts' fees and expenses, and investigative fees. Except to the extent provided in the preceding sentence, each party shall pay its own legal fees and other expenses associated with any dispute under this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

EXECUTIVE:

ACUITY BRANDS, INC.

By:

[GRAPHIC APPEARS HERE]

CODE OF ETHICS AND BUSINESS CONDUCT

Adopted June 2003

INTRODUCTION

Acuity Brands, Inc. (“Acuity Brands” or the “Company”) expects all of its employees, directors, and agents to act with the highest ethical standards and comply with all applicable laws. This Code applies to Acuity Brands and all of its subsidiaries.

This Code embodies and exemplifies The Acuity Brands Way, which sets forth the fundamentals for creating and sustaining value for our customers, employees and shareholders. It explains specific standards of business conduct applicable to people acting on Acuity Brands’ behalf. The standards, which sometimes may be stricter than legal requirements, are designed to protect the integrity of the Company and to ensure compliance with laws and regulations wherever the Company does business. Conduct that violates these standards is not in keeping with The Acuity Brands Way and will not be condoned.

Certain legal requirements addressed in this Code are covered by specific compliance policies and guidelines promulgated by Acuity Brands. The Company distributes these policies and guidelines separately to the appropriate directors and employees. These compliance policies and guidelines are also available from the Acuity Brands legal department upon request or through its intranet website. In addition to these specific policies and guidelines, the Company publishes various policies, procedures and rules from time to time, and directors and employees are expected to comply with these policies, procedures and rules as well.

PURPOSE

This Code articulates the Company’s expectations for business conduct for its directors and employees at all levels within the organization and its business units, including all members of the Board of Directors, the Acuity Leadership Team and senior financial officers. It is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Company;

-
- compliance with applicable governmental laws, rules and regulations;
 - the prompt internal reporting of Code violations; and
 - accountability for adherence to this Code.

CONDUCT STANDARDS

Complying with Laws

Acuity Brands is committed to conducting our businesses in accordance with the letter and the spirit of the laws in the countries in which we operate. All directors and employees of the Company are responsible for fulfilling this commitment by being knowledgeable about applicable laws, rules and regulations and by steadfastly complying with their legal obligations in the performance of their Company responsibilities. For questions or clarification, directors and employees should consult the Company's Legal Department.

Ensuring a Positive Work Environment

Equal Opportunity for All Employees

One of the four building blocks of The Acuity Brands Way is "how we work together." We are committed to providing a positive, constructive and action-oriented environment that supports diversity in individuals and their talents, thoughts, and perspectives.

Acuity Brands is an equal employment opportunity employer. Employment opportunities are available regardless of race, color, sex, religion, national origin, age, disability, veteran status, or other legally protected status. This commitment applies to all aspects of the employment relationship, including recruiting, hiring, training, work assignment, promotion, transfer, termination, and wage and salary administration.

Recognizing equal employment opportunity can only be achieved through demonstrated leadership and aggressive implementation of the Company's Affirmative Action Plans, which the Company and its business units maintain in accordance with applicable law, all employees are expected to make every reasonable effort to carry out their affirmative action responsibilities in spirit as well as letter to assure that equal employment opportunity is available to all. All employees must demonstrate sensitivity to and respect for all other employees and commitment to Acuity Brands' equal employment opportunity and affirmative action objectives.

Freedom from Harassment

Acuity Brands is committed to providing a positive, productive work environment for all employees. Acuity Brands' policy is to treat all employees fairly and with dignity and respect. Acuity Brands will not tolerate any harassment, discrimination or unlawful treatment of employees by anyone, including any supervisor, co-worker, vendor, client, or customer of Acuity Brands.

The prohibition against harassment includes harassment for any discriminatory reason, such as sex, race, national origin, disability, age or religion, as well as any other unprofessional and discourteous actions toward employees. Accordingly, derogatory or inappropriate conduct - whether verbal, written, physical, or graphic - for any discriminatory reason will not be tolerated. All of Acuity Brands' directors and employees are responsible for helping to enforce this policy and ensuring that the work environment remains pleasant and professional for all who work at Acuity Brands.

Drug-Free Workplace

Acuity Brands is committed to providing its employees with a safe work environment that is free from the effects of illegal drugs and alcohol.

The unlawful manufacture, distribution, dispensation, possession, or use, or being under the influence of, illegal drugs or alcohol on the job or on Company premises is prohibited. "Illegal drugs" refers to any drugs or controlled substances which are not prescribed by a licensed medical doctor (other than over-the-counter drugs) and prescription or over-the-counter drugs that are used in a manner inconsistent with the instructions of either a licensed medical doctor or the over-the-counter drug.

Sound Environmental Practices

Acuity Brands is committed to conducting its operations in accordance with sound environmental practices and in compliance with all relevant laws and regulations relating to the environment. Acuity Brands strives diligently to avoid any adverse impact to the environment and the communities in which it does business.

In furtherance of this standard, Acuity Brands' goal is to eliminate, to the fullest extent practicable, the use of hazardous materials and the generation of solid and hazardous waste in its operations. Acuity Brands continuously assesses potential environmental consequences and legal environmental requirements relating to its operations. To ensure compliance, each business unit is required to maintain an effective environmental compliance program.

Engaging in Fair Competition

Antitrust and Competition

Acuity Brands' policy is to compete vigorously, independently, and fairly in compliance with all applicable antitrust and competition laws and without any anticompetitive understandings or agreements with its competitors. Acuity Brands' corporate office and Acuity Brands' business units are required to conduct their operations in accordance with the foregoing and with the applicable antitrust and trade practice guidelines provided by Acuity Brands.

Restrictive Covenants with Third Parties

Acuity Brands does not condone activities that seek to gain an unfair competitive advantage. No individual may engage in any activity which violates any valid restrictive covenants entered into by that individual for the benefit of a third party, and no individual may, directly or indirectly, use or disclose any confidential information or trade secrets of a third party that the individual obtained while employed by or associated with such third party.

Government Contracts

Acuity Brands is committed to complying with all applicable laws and regulations relating to government contracts and to ensuring that its reports and certifications to government officials are accurate and complete and that any deviations from contract requirements are properly approved. Everyone at Acuity Brands who is engaged in government contracting or subcontracting work is expected to adhere to specific company policies and procedures which reflect the special rules under the Federal Acquisition Regulation, establish standards of conduct for employees, and identify the special compliance risks in doing business with the government.

Protecting the Company's Assets

Financial Reporting

All transactions must be recorded so as to permit preparation of financial statements in conformity with generally accepted accounting principles. No false or misleading entries may be made in the books and records of the Company for any reason, and no employee may engage in any arrangement that results in such a prohibited act.

No undisclosed or unrecorded fund or asset of the Company may be established for any purpose.

No payment on behalf of the Company may be approved without adequate supporting documentation or made with the intention or understanding that any part of such payment is to be used for any purpose other than as described by the documents supporting the payment.

From time to time, the Company may publish written policies on financial reporting, disclosure and compliance to reinforce the financial reporting expectations in this Code. All employees at Acuity Brands, including the Company's senior financial officers and other financial employees, are expected to implement and strictly follow these written policies.

Gifts to Third Parties

No funds or assets of the Company may be used directly or indirectly for excessive entertainment of, or gifts of significant value to, customers and other commercial parties. All reimbursable entertainment must be identified on expense reports and other documents and are subject to supervisory review, including a determination that expenditures conform to the letter and spirit of this policy. For purposes of this standard, "gifts of significant value" will include money of any amount.

Some government agencies prohibit any entertaining of, or gifts to, their employees, and in such cases no entertainment or gifts will be permitted. In addition, the Company complies fully with the Foreign Corrupt Practices Act, which specifically prohibits any payment to foreign officials, including political parties or candidates, for the purpose of obtaining or retaining business for the Company or otherwise securing any improper advantage.

Loans and Political Contributions

No funds or assets of the Company may be used directly or indirectly for: (a) loans to any federal, state, local, or foreign government official or employee or to any entity in which the government official or employee is known to have a material interest; or (b) any contributions to political parties or to candidates for political office. This prohibition also applies to indirect contributions or payments made in any form such as those made through consultants, advisors, suppliers, customers, or other third parties.

Intellectual Property

One of the Company's most valuable assets is its intellectual property – including patents, trade secrets, trademarks, service marks, and copyrights. Employees must safeguard the Company's intellectual property by using it only in ways that are consistent with applicable law and by not allowing third parties to use the Company's intellectual property without appropriate legal protections approved by Acuity Brands' counsel. The Company also will not permit the unauthorized use of the intellectual property rights of others. Inventions and ideas of employees, which are created by employees in connection with the Company's business, research, development, design, or manufacturing efforts, are the property of the Company.

The Company's Confidential Information

The Company's confidential information is vital to the Company's success. No director or employee may use or disclose any confidential information regarding the Company or its customers, operations, finances, or business dealings, except in connection with the individual's work for the Company or as required by legal process. This policy also applies to any confidential information regarding third parties of which the individual becomes aware during the course of his or her employment or directorship. Confidential information is all information identified or treated by the Company as proprietary, secret, or confidential, or which under the circumstances would reasonably be understood to be confidential. Care should be taken not to leave documents containing confidential information visible on desks, not to throw such documents away in a trash can without shredding the documents, and not to discuss confidential information in public places.

Misappropriation of Company Property

Assets of the Company (or third parties doing business with the Company) may not be appropriated for personal use. Similarly, personal expenses may not be charged to or otherwise paid by the Company, except as permitted under approved fringe benefit policies.

Use of Company Software

Unauthorized acquisition, copy, or use of computer software of the Company or any third party is prohibited. Software must be used only in accordance with the terms of its license agreement. Unless otherwise provided in the license, no employee may make or distribute copies of software or documentation for use within or on behalf of the Company or for personal use or for the use of others, including customers and family members. All software used by or on behalf of the Company or on Company-owned computers must be purchased through the appropriate channels in the Company using approved procedures. Software may not be brought in from any unauthorized source, including downloading from the Internet.

Use of Electronic Devices

Electronic devices that belong to the Company and electronic services provided by the Company must be used for the purpose of conducting the Company's business. The Internet can be a valuable source of information and research. In addition, e-mail can provide an excellent means of communicating with directors, employees, customers, outside vendors, and other businesses. All computer users are obligated to use these resources responsibly, professionally, ethically, and lawfully. The systems should not be used in any way that may be disruptive to Company operations or violative of Company policy or law (for example, to send or receive information of a sexual, obscene, or racially objectionable nature). In addition, data, programs, documents, correspondence, and other files stored on or transmitted by these electronic devices are the property of the Company and must be safeguarded with the same diligence as traditional paper documents. While occasional personal use of the Company's system is permitted as long as such use does not interfere with the individual's job responsibilities, individuals should be aware that all electronic information (such as e-mail messages stored on the Company's systems) are the property of the Company, and the Company, at its discretion, reserves the right to access and disclose any electronic information for any purposes, including computer files, messages sent over its e-mail system, or information accessed through its Internet connection.

Return of Company Property upon Termination

All property of the Company, including materials produced by employees and confidential information, must be returned to the Company immediately upon termination of employment.

Inside Information

To prevent misuse of inside information, all Acuity Brands directors and employees must observe the following standards:

1. Material non-public information must not be disclosed to (a) anyone within the Company except those people who need to know the information in the performance of their job responsibilities, or (b) anyone outside the Company except those people who are being requested to provide products or services to the Company which directly involve that information.

2. No director or employee of the Company may directly or indirectly buy or sell securities of the Company while in possession of material, non-public information about the Company, except as provided in stock sale or purchase plans permitted under applicable laws and approved by the Acuity Brands' Legal Department. In addition, directors and employees of the Company may not directly or indirectly buy or sell securities of any other publicly traded corporation about which the individual has material, non-public information as a result of his or her position with the Company, including knowledge of business transactions or potential business transactions between the Company and such other corporation.

Avoiding Conflicts of Interest

Ownership Interest in Customers, Suppliers or Vendors

Directors and employees must disclose in writing any ownership, control, or beneficial interest they may have in any firm seeking to do business with the Company or any relationship with any person who might benefit from such a transaction. Business transactions where such a material interest or relationship is or reasonably could be expected to be present may only be pursued if a written waiver is first granted in accordance with this Code. Ownership or beneficial interest of less than 1% of the outstanding stock of publicly held companies is excluded from this policy.

Ownership Interest in Competitors

Directors and employees may not hold investments in firms competing directly with the Company, except for investments of less than 1% of the outstanding stock of publicly held companies.

Loans to and from Customers, Suppliers and Competitors

Directors and employees may not borrow from or lend personal funds to customers, suppliers, competing companies, or their affiliates except for arms-length transactions that occur in the normal course of business.

Employment with Customers, Suppliers and Competitors

Acceptance of employment (whether or not for remuneration), compensation, or other financial benefits from a customer, supplier, or competing company while employed by the Company is strictly prohibited.

Other Outside Employment

Holding outside employment (whether or not for remuneration) or investments affecting efficiency or working hours is prohibited unless a written waiver is first granted in accordance with this Code.

Acceptance of Gifts from Suppliers or Vendors

No director or employee in a position of authorizing, selecting, or recommending the goods or services and/or suppliers or vendors to be used by the Company may accept money, excessive entertainment, or gifts of material value (including any amount of cash) from any representative of a supplier or vendor. Offers made to any director or employee by vendors or suppliers that violate this policy must be reported to the president of the employee's business unit for matters relating to business unit employees, to the Company's chief executive officer for matters relating to corporate employees and business unit presidents, or to the Audit Committee for matters relating to directors and executive officers of the Company.

Outside Directorships

No employee may hold a directorship in an outside firm, other than non-profit organizations, without express approval in writing from the Company's Governance Committee for executive officers and senior financial officers of the Company and its business units, or by the Company's chief executive officer for all other corporate and business unit employees.

WAIVERS

In certain limited circumstances, the Company in its discretion may grant a written waiver for certain activities, relationships or situations that otherwise would violate or could reasonably be expected to violate this Code. To obtain a waiver, the director or employee must disclose all relevant facts and information concerning the matter in writing either to (1) the Company's Audit Committee for matters involving a director, corporate officer or a senior financial officer of a business unit, (2) the business unit president and the Chief Operating Officer of the Company for matters relating to all other business unit employees, or (3) the chief executive officer of the Company for matters relating to all other corporate employees. Waivers that are not expressly approved in writing shall be deemed to be denied.

RESPONSE TO VIOLATIONS

Questions about Situations

In the event of doubt or uncertainty about the possibility of a situation being in violation of this Code, the question should be directed to the Company's senior legal officer at (404) 853-1440 or the Vice President – Financial Services at (404) 853-1437. The Company will then determine whether a violation of the Code exists.

Reporting Violations

Employees of the Company have a responsibility to report any violation of the Code promptly. Violations may be reported in one of two ways: (1) to the senior legal officer at (404) 853-1440 or the Vice President – Financial Services at (404) 853-1437; or (2) anonymously through the Company's Hotline by calling **1-800-241-5689**, 24 hours a day, 7 days a week. Reports classified as accounting/audit irregularities, insider trading, improper loans to executives, retaliation against whistleblowers, fraud, kickbacks, falsification of Company records, or conflicts of interest will be referred automatically to the Company's Audit Committee. Employees will not be disciplined or retaliated against in any way for reporting violations in good faith.

Consequences for Violations

The Company will take prompt and appropriate remedial action in response to violations of the Code. Any employee or director who engages in conduct prohibited by the Code as determined by the Company will be subject to discipline up to and including termination or removal. Additionally, the Company may be required to report certain violations to appropriate government or legal authorities.

DISTRIBUTION OF CODE

Directors and employees of the Company should receive, review and acknowledge this Code annually. The Code also is available generally on the Company's website at www.acuitybrands.com as well as by written request, without charge, to the Company's corporate secretary at 1170 Peachtree Street, N.E., Suite 2400, Atlanta, Georgia 30309.

CERTIFICATION

I have read and affirm my commitment to the standards described in the Acuity Brands Code of Ethics and Business Conduct and the policies and guidelines applicable to my position with the Company described in the Code. I confirm that to my knowledge I am not in violation of any of the provisions of the Code or such policies or guidelines, except as I have noted in my e-mail response. Further, I have no knowledge of any unreported violations of any of such provisions by other directors or employees, whether for their own benefit or for the supposed benefit of the Company, except as I have noted in my e-mail response. If any such issue should develop in the future, I will promptly advise the appropriate company officials.

I acknowledge that my acceptance of the foregoing by e-mail response is evidence of my signature.

Failure to read and/or accept this document in no way relieves directors and employees of the responsibility to comply with the standards set forth in the Acuity Brands, Inc. Code of Ethics and Business Conduct.

LIST OF SUBSIDIARIES
ACUITY BRANDS, INC.

<u>Subsidiary or Affiliate</u>	<u>Principal Location</u>	<u>State or Other Jurisdiction of Incorporation or Organization</u>
Acuity Enterprise, Inc.	Atlanta, Georgia	Delaware
Acuity Holdings, Inc.	Montreal, Quebec, Canada	Canada
Acuity Insurance (Bermuda) Ltd.	Hamilton, Bermuda	Bermuda
Acuity Lighting Group, Inc.	Atlanta, Georgia	Delaware
Acuity Specialty Products Group, Inc.	Atlanta, Georgia	Delaware
Acuity Unlimited, Inc.	Atlanta, Georgia	Delaware
C&G Carandini SA	Barcelona, Spain	Spain
Castlight de Mexico, S.A. de C.V.	Matamoros, Tamaulipas	Mexico
Graham International B.V.	Bergen op Zoom, Holland	Netherlands
Holophane S.A. de C.V.	Tultitlan, Mexico City	Mexico
Acuity Brands Servicios S.A. de C.V.	Tultitlan, Mexico City	Mexico
Holophane Alumbrado Iberica S.r.l.	Barcelona, Spain	Spain
Holophane Canada, Inc.	Brampton, Ontario	Canada
Holophane Europe Ltd.	Milton Keynes, England	United Kingdom
Holophane Lichttechnik GmbH	Düsseldorf, Germany	Germany
Holophane Lighting Ltd.	Milton Keynes, England	United Kingdom
HSA Acquisition Corporation	Columbus, OH	Ohio
ID Limited	Douglas, Isle of Man	Isle of Man
Kem Europa B.V.	Bergen op Zoom, Holland	Netherlands
Lithonia Lighting de Mexico S.A. de C.V.	Monterrey, Nuevo Leon	Mexico
Lithonia Lighting Servicios S.A. de C.V.	Monterrey, Nuevo Leon	Mexico
Luxfab Ltd.	Milton Keynes, England	United Kingdom
NSI Leasing, Inc.	Atlanta, Georgia	Delaware
Productos Lithonia Lighting de Mexico, S.A. de C.V.	Monterrey, Nuevo Leon	Mexico
Selig Company of Puerto Rico, Inc.	Atlanta, Georgia	Puerto Rico
Zep Belgium S.A.	Brussels, Belgium	Belgium
Zep Europe B.V.	Bergen op Zoom, Holland	Netherlands
Zep Industries Europa B.V.	Bergen op Zoom, Holland	Netherlands
Zep Italia S.r.l.	Aprilia, Italy	Italy
Zep Manufacturing B.V.	Bergen Op Zoom, Holland	Netherlands

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the registration statements of Acuity Brands, Inc. listed below of our report dated October 2, 2003 with respect to the consolidated financial statements and schedule of Acuity Brands, Inc. included in this Annual Report (Form 10-K) for the year ended August 31, 2003:

1. Registration Statement No. 333-74242 on Form S-8 (Acuity Lighting Group, Inc. Profit Sharing Retirement Plan for Salaried Employees, Zep Manufacturing Company 401(k) Plan, Selig Chemical Industries Retirement Plan, Acuity Brands, Inc. 401(k) Plan for Corporate Employees, Acuity Lighting Group, Inc. 401(k) Plan for Hourly Employees, Enforcer Products 401(k) Plan, 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. Long-Term Incentive Plan, Acuity Brands, Inc. Employee Stock Purchase Plan, Acuity Brands, Inc. 2001 Nonemployee Directors' Stock Option Plan).

ERNST & YOUNG LLP

Atlanta, Georgia
October 30, 2003

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, 2003, 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 31, 2003

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, 2003, 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 31, 2003

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, 2003, 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 31, 2003

POWER OF ATTORNEY

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/s/ Julia B. North

Julia B. North

Dated: October 31, 2003

POWER OF ATTORNEY

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/s/ Ray M. Robinson

Ray M. Robinson

Dated: October 31, 2003

POWER OF ATTORNEY

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/s/ Earnest W. Deavenport, Jr.

Earnest W. Deavenport, Jr.

Dated: October 31, 2003

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, 2003, 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/ Robert F. McCullough

Robert F. McCullough

Dated: October 31, 2003

I, James S. Balloun, 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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)] 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 annual report is being prepared;
 - (b) 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
 - (c) 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 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 31, 2003

/s/ James S. Balloun

James S. Balloun
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.]

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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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)] 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 annual report is being prepared;
 - (b) 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
 - (c) 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 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 31, 2003

/s/ Vernon J. Nagel

Vernon J. Nagel
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.]

**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, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the Chairman, President, 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/ James S. Balloun

James S. Balloun
Chairman, President, and Chief Executive Officer
October 31, 2003

**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, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the Executive Vice President and 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/ Vernon J. Nagel

Vernon J. Nagel
Executive Vice President, and Chief Financial Officer
October 31, 2003