



**Important U.S. Federal Income Tax Information for Stockholders Concerning the
Zep Inc. Stock Distribution**

November 9, 2007

Dear Stockholder,

On October 31, 2007 (the "Distribution Date"), Acuity Brands, Inc. ("Acuity Brands") distributed all the outstanding shares of Zep Inc. ("Zep") to Acuity Brands stockholders of record as of the close of business on October 17, 2007. In the distribution (the "Spin-Off"), you received one (1) share of Zep common stock for every two (2) shares of Acuity Brands common stock you held as of October 17, 2007. You will receive cash in lieu of any fractional shares of Zep common stock.

This letter explains certain U.S. federal income tax consequences of the Spin-Off and describes how to allocate your tax basis between your Acuity Brands common stock and the Zep common stock you received in the Spin-Off.

Tax Treatment of the Spin-Off. On October 17, 2007, Acuity Brands received a private letter ruling from the Internal Revenue Service that the Spin-Off qualifies as a tax-free distribution for U.S. federal income tax purposes. As a result, you will not recognize a gain or loss for U.S. federal income tax purposes upon receipt of the Zep common stock in the Spin-Off. If, however, you receive cash in lieu of fractional shares, you will recognize a gain or loss as described below.

Fractional Shares. No fractional shares of Zep common stock were distributed in the Spin-Off. Instead, all fractional shares of Zep common stock were aggregated for all Acuity Brands stockholders and sold in the public market. You will receive a check that represents cash in lieu of fractional shares. The taxable gain or loss that you recognize with respect to any cash you receive is equal to the difference between the amount of cash you received and your tax basis (determined as described below) in the fractional shares of Zep common stock.

Tax Basis. Your tax basis in the Acuity Brands common stock you owned immediately before the Spin-Off must be allocated between your Acuity Brands common stock and the shares of Zep common stock you received in the Spin-Off (including any fractional share for which you received cash). This allocation is based on the relative fair market values of your Acuity Brands common stock and your Zep common stock. U.S. federal tax law does not specifically identify how you should determine the fair market value of the shares. You should contact your tax advisor to determine these fair market values.

Example: This example assumes you choose to use the average high-low trading price on November 1, 2007 as the method of determining the fair market values of the Acuity Brands common stock and the Zep common stock. Using this method, after the Spin-Off the fair market value of the Acuity Brands common stock was \$39.11 and the fair market value of the Zep common stock was \$14.72, as shown in Table 1 in **Exhibit 1**. The implied value for each Zep share, if there were an equal number of Zep and Acuity Brands shares outstanding, is \$7.36 (\$14.72 per share ÷ 2 shares for each share outstanding). In such case, the relative fair market values of a single Acuity Brands common share and a single Zep common share are set forth in Table 2 of **Exhibit 1**. Based on these relative fair market values, your basis in your Acuity Brands common stock would be apportioned 84.16% to your Acuity Brands common stock and 15.84% to your Zep common stock. This calculation may be illustrated as follows:

- Assume you own a single block of 99 shares of Acuity Brands common stock with a tax basis of \$50 per share (with a total tax basis of \$4,950).
- You are entitled to receive 49.5 shares of Zep common stock in the Spin-Off. Because no fractional shares are issued, you receive 49 shares of Zep common stock and cash in lieu of the fractional share.
- Your total tax basis in your Acuity Brands common stock is allocated \$4,165.92 to the Acuity Brands common stock (84.16% of \$4,950), or \$42.08 per share, and \$784.08 to the Zep common stock (15.84% of \$4,950), or \$15.84 per share.
- The basis allocated to the 0.5 fractional share of Zep common stock for which you received cash is \$7.92 (0.5 fractional share X \$15.84), resulting in a taxable gain to you equal to the sales proceeds minus the \$7.92 per share basis).

The above calculations are summarized in the following table:

| <u>Shares</u> | <u>Number of Shares</u> | <u>Tax Basis Allocation (per share)</u> | <u>Tax Basis Allocation (total)</u> | <u>Cash Received</u> | <u>Taxable Gain</u> |
|-------------------------------|-------------------------|-----------------------------------------|-------------------------------------|----------------------|---------------------|
| Acuity Brands | 99 | \$42.08 | \$4,165.92 | | |
| Zep | 49 | \$15.84 | \$ 776 .16 | | |
| Zep (fractional shares) | <u>0.5</u> | <u>\$15.84</u> | <u>\$ 7.92</u> (a) | (b) | (b) – (a) |
| Total Tax Basis | | | <u>\$4,950.00</u> | | |

If you own Acuity Brands common stock with a different basis for alternative minimum tax (“AMT”) purposes than your basis for regular federal income tax purposes, you will need to allocate your AMT basis between your Acuity Brands common stock and your Zep common stock in the same manner described above.

U.S. Federal income Tax Reporting Requirement. You are required to attach a statement describing the details of the Spin-Off to your U.S. federal income tax return for the period that includes the Distribution Date. This would be the 2007 U.S. federal income tax return for calendar year stockholders. A sample stockholder statement is attached as **Exhibit 2**.

THE INFORMATION SET FORTH ABOVE IS FOR GENERAL INFORMATION PURPOSES ONLY AND DOES NOT PURPORT TO ADDRESS ALL ASPECTS OF FEDERAL TAXATION THAT MAY BE RELEVANT TO PARTICULAR STOCKHOLDERS. THIS INFORMATION DOES NOT CONSTITUTE TAX ADVICE AND MAY NOT BE APPLICABLE TO STOCKHOLDERS WHO ARE NOT CITIZENS OR RESIDENTS OF THE UNITED STATES, NOR DOES IT ADDRESS TAX CONSEQUENCES WHICH MAY VARY WITH YOUR INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, YOU ARE URGED TO CONSULT YOUR TAX ADVISOR TO DETERMINE THE APPLICATION OF THE INFORMATION SET FORTH ABOVE TO YOUR INDIVIDUAL CIRCUMSTANCES AND THE PARTICULAR FEDERAL, FOREIGN, STATE AND LOCAL TAX CONSEQUENCES OF THE SPIN-OFF TO YOU.

**Determination of the Fair Market Values of
Acuity Brands and Zep After the Spin-Off**

The Spin-Off occurred as the close of business on October 31, 2007. The first regular trading day for the Zep common stock was November 1, 2007.

U.S. federal income tax law does not specifically identify how you should determine the fair market values of the Acuity Brands common stock and the Zep common stock after the Spin-Off. One method of determining value is to use the average of the high and low trading prices of the Acuity Brands common stock and the Zep common stock on the first regular trading day for the Zep common stock (November 1, 2007). The trading prices and basis allocation percentages using this method, which you and your tax advisor may find useful, are set forth in the following Table 1 and Table 2.

Table 1
Trading Prices

| <u>Common Shares</u> | <u>Average High-Low Trading Price on November 1, 2007</u> |
|-----------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| Acuity Brands (value per share) | \$39.11 |
| Zep (value per share) | \$14.72 |
| Zep (implied value for each Zep share if there were an equal number of Zep and Acuity Brands shares outstanding | \$7.36 (\$14.72 ÷ 2 using a 1:2 distribution ratio) |

Table 2
Basis Allocation Percentages

| <u>Common Shares</u> | <u>Average High-Low Trading Price Allocation %</u> |
|------------------------------------------------|--------------------------------------------------------|
| Acuity Brands Value (a) | \$39.11 |
| Zep Implied Value (b) | \$7.36 |
| (a) + (b) = (c) | \$46.47 |
| Acuity Brands Allocation % (a) ÷ (c) | 84.16% |
| Zep Allocation % (b) ÷ (c) | 15.84% |

INFORMATION STATEMENT TO THE INTERNAL REVENUE SERVICE

**Statement of Stockholder receiving a distribution of common stock in Zep Inc.,
pursuant to Treasury Regulations § 1.355-5(b)**

1. On October 31, 2007, the undersigned, a stockholder owning shares in Acuity Brands, Inc. as of the close of business on October 17, 2007, received a distribution of stock in Zep Inc., a controlled corporation, pursuant to Section 355 of the Internal Revenue Code of 1986, as amended (the "Code").
2. The names and address of the corporations involved are as follows:
 - (a) Acuity Brands, Inc. (the distributing corporation)
1170 Peachtree Street, N.E.
Suite 2400
Atlanta, Georgia 30309-7676
 - (b) Zep Inc. (the controlled corporation)
4401 Northside Parkway
Suite 700
Atlanta, Georgia 30327
3. No stock or securities in Acuity Brands, Inc. were surrendered by the undersigned in connection with the distribution.
4. The undersigned received _____ shares (including fractional shares of Zep Inc. common stock in the distribution).
5. The undersigned has been informed that, by letter dated October 17, 2007, the Internal Revenue Service ruled that the distribution by Acuity Brands, Inc. of shares of Zep Inc. was a tax-free corporate separation in which no gain or loss would be recognized under Section 355 and Section 368(a) (1) (D) of the Code.

Stockholder's Signature

Spouse's Signature (if stock held jointly)
