VARSITY BRANDS INC
Form PRER14A
August 05, 2003

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SECURITIES AND EXCHANGE COMMISSION

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No. 2)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

ý Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

Varsity Brands, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required

ý Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:
Common Stock, par value $.01 per share

(2) Aggregate number of securities to which transaction applies:
10,977,997 shares and 1,666,925 options

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): $6.57
For purposes of calculating the filing fee only, the transaction valuation was based upon the sum of:

(i) The product of 9,592,250 issued and outstanding shares of Varsity's common stock at a price of $6.57 per share.
(ii) The product of 1,385,747 shares of Varsity's stock obtained by the conversion by Silver Oak Capital, L.L.C., an affiliate of Angelo, Gordon & Co., L.P. of the $6,125,000 principal amount of Varsity's 4.10% Convertible Subordinated Note due November 1, 2007, at a price of $6.57 per share.
(iii) A cash out or exchange of 1,666,925 shares of Varsity's stock covered by options to purchase Varsity's common stock, at an aggregate cost of $3,700,573.50

(4) Proposed maximum aggregate value of transaction:
$75,826,013.79

(5) Total fee paid:
$15,165.20

[VARSITY BRANDS, INC. LOGO]

6745 Lenox Center Court, Suite 300
Memphis, Tennessee 38115

Dear Fellow Stockholder:

On behalf of the Board of Directors, I cordially invite you to attend a special meeting of stockholders of Varsity Brands, Inc. On April 21, 2003, we entered into a merger agreement with VBR Holding Corporation and its wholly owned subsidiary, VB Merger Corporation, each of which is an affiliate of Leonard Green & Partners, L.P. Pursuant to the merger, Varsity will become a wholly owned subsidiary of VBR Holding Corporation. The special meeting will be held on September [ ], 2003 at 9:00 AM local time, at , New York, New York to consider a proposal to adopt the merger agreement so that the merger can occur. Notice of the special meeting is enclosed.

In the merger, you will be entitled to receive $6.57 in cash for each share of Varsity common stock that you own. This represents a 39.8% premium over the closing price per share of $4.70 on April 21, 2003, the last trading day prior to the public announcement of the merger agreement and a 43.8% premium over the average closing price of Varsity's common stock for the 20 trading days prior to the public announcement of the signing of the merger agreement. On August [ ], 2003, the closing share price of our common stock was $[ ].

The receipt of cash in exchange for your shares of common stock in the merger will constitute a taxable transaction for U.S. federal income tax purposes.

This proxy statement gives you detailed information about the special meeting, the merger agreement and the merger and includes the merger agreement as Annex A. We encourage you to read the proxy statement and the merger agreement carefully.

Our board of directors, has determined that the merger agreement and the merger are fair to and in the best interests of Varsity and its stockholders and by unanimous vote of all directors voting on the matter, recommends that you vote "FOR" adoption of the merger agreement. When you consider the recommendation of the board of directors to adopt the merger agreement, you should be aware that some of our board members and executive officers have interests in the merger that may be different than the interests of Varsity's stockholders generally.

Your vote is important. The proposed merger cannot occur unless, among other things, the merger agreement is adopted by the affirmative vote of the holders of a majority of outstanding shares of Varsity common stock. As of the record date for the special meeting, nine of our current and former directors and officers who have entered into voting agreements with VBR Holding Corporation owned or controlled a total of [4,519,920] shares, which is approximately 47% of all outstanding shares entitled to vote on the merger. As a result, we will need affirmative votes from holders of approximately an additional 276,205 common shares (which is approximately 3% of Varsity's total common stock) to complete the merger. It is very important that your shares be represented at the special meeting. Whether or not you plan to attend the special meeting, please complete, sign and date the enclosed proxy card and promptly return it in the enclosed envelope, which needs no postage if mailed within the United States. You may also submit a proxy by telephone or Internet. Failure to submit a properly executed proxy either by mail, telephone, or Internet or to vote at the special meeting will have the same effect as a vote against the merger agreement.

Sincerely,
Robert E. Nederlander
Chairman of the Board

This transaction has not been approved or disapproved by the Securities and Exchange Commission or any state securities commission. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the fairness or merits of this transaction or upon the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offense.

This proxy statement is dated August [ ], 2003, and is first being mailed to Varsity stockholders on or about August [ ], 2003.

[VARSITY BRANDS, INC. LOGO]

6745 Lenox Center Court, Suite 300
Memphis, Tennessee 38115

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

Date: September [ ], 2003
Time: 9:00 AM, Eastern Daylight Savings Time
Place: [Location to be Determined]

To Our Stockholders:

We are pleased to notify you of, and invite you to attend, a special meeting of stockholders. At the meeting, you will be asked:

To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of April 21, 2003, by and among Varsity Brands, Inc., VB Merger Corporation and VBR Holding Corporation, as the merger agreement may be further amended from time to time.

To consider any other matters that are properly brought before the special meeting or any adjournments or postponements of the special meeting.

Only stockholders of record at the close of business on August 4, 2003 may vote at the special meeting.

We urge you to read the accompanying proxy statement carefully as it sets forth details of the proposed merger and other important information related to the merger.

Under Delaware law, if the merger is completed, holders of Varsity's common stock who do not vote in favor of the merger agreement will have the right to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery, but only if they submit a written demand for such an appraisal prior to the vote on the merger agreement and they comply with the other Delaware law procedures explained in the accompanying proxy statement.

Your vote is important. Whether or not you plan to attend the special meeting, please complete, sign and date the accompanying proxy card and return it in the enclosed envelope, which needs no postage if mailed within the United States. You may also submit a proxy by telephone or Internet by following the instructions on the enclosed proxy card. If you attend the special meeting, you may revoke your proxy and vote in person, if you wish to do so.

By Order of the Board of Directors,
Robert E. Nederlander
Chairman of the Board

Memphis, Tennessee 38115
Dated August [   ], 2003

Table of Contents

Summary Term Sheet

This summary term sheet highlights selected information contained elsewhere in this proxy statement and may not contain all of the information that is important to you. You should carefully read this entire proxy statement and the other documents to which we have referred you for a more complete understanding of the matters being considered at the special meeting. In addition, we incorporate by reference important business and financial information about us into this proxy statement. You may obtain the information incorporated by reference into this proxy statement without charge by following the instructions in the section entitled "Where You Can Find More Information."

The Proposed Transaction

In the merger, VB Merger Corporation will merge into Varsity with Varsity continuing as the surviving corporation. As a result of the merger, we will cease to be an independent, publicly traded company and will become a wholly owned subsidiary of VBR Holding Corporation, an affiliate of Green Equity Investors IV, L.P., a private investment fund affiliated with Leonard Green & Partners, L.P. We refer to Green Equity Investors IV, L.P. as "Green Equity Investors" and to Leonard Green & Partners, L.P. as "Leonard Green & Partners" in this proxy statement.

What You Will Be Entitled to Receive in the Merger (see page 57)

If we complete the merger, VBR Holding Corporation will be the sole stockholder of Varsity, and holders of Varsity's common stock will be entitled to receive $6.57 in cash, without interest, less required withholding taxes, for each share of common stock that they own.

Background of the Merger (see page 16)

In November, 2002, our board of directors formed a special committee to explore our strategic and other alternatives for enhancing shareholder value. Chaired by Don R. Kornstein, the exploratory committee was comprised entirely of directors with no interest in a possible sale of the Company different than those of the unaffiliated stockholders generally and recommended that Varsity explore its strategic alternatives to enhance stockholder value, including a potential sale transaction.

At the direction of the board of directors, Mr. Kornstein negotiated the terms of the merger with the assistance of outside financial and legal advisors. The merger agreement has been approved by the unanimous vote of all directors voting on the matter, a majority of whom have no interest in the completion of the merger different from the interests of our unaffiliated stockholders generally. Jeff Webb, our chief executive officer and president, was the only director who abstained from voting on the merger agreement due to a potential conflict of interest. In consideration for his service as lead negotiator, we have agreed to pay Mr. Kornstein a fee of $150,000, payable upon the earlier of termination of the merger agreement or completion of the merger.

Interests of Our Directors and Executive Officers in the Merger (see page 45)

When considering the recommendation of our board of directors with respect to the merger, you should be aware that some of our directors and executive officers have interests in the merger that are different from, or in addition to, your interests as a Varsity stockholder, which may create potential conflicts of interest. These interests include:

- Jeff Webb, a Varsity director and our chief executive officer and president, John Nichols, our chief financial officer and senior vice president, J. Kristyn Shepherd, our Senior Vice President, Special Events, and Gregory C. Webb, our Senior Vice President, Camps and Events, have entered into agreements to exchange cash, Varsity shares and Varsity stock options (or a combination of them) for shares and options to acquire shares of VBR Holding Corporation,

which will own Varsity following the merger. As a result of these arrangements, these individuals will own or have the right to acquire up to 11% of the common equity interests in VBR Holding Corporation following the merger. In addition, VBR Holding Corporation intends to adopt a stock option plan for Varsity's employees after the merger.

- Jeff Webb and John Nichols have entered into employment agreements that will become effective with the surviving corporation upon the completion of the merger. Jeff Webb's employment agreement will have an initial term of five (5) years at a base salary of $500,000 per annum, plus performance based bonuses based on a target level of 50% of base salary. John Nichols' employment agreement will have an initial term of two (2) years at a base salary of $218,400 per annum, plus performance based bonuses based on a target level of 35% of base salary.

- Each of our other current executive officers, other than Robert E. Nederlander, our chairman, and Leonard Toboroff will continue in their current positions with Varsity following the merger. We have amended our employment agreement with Mr. Toboroff, currently an executive vice president, to provide for his continued employment by Varsity in a non-officer capacity for 18 months following the merger at a base salary of $90,000 per annum, plus health and other benefits for 36 months following the merger.

- Our board of directors has approved cash bonuses for Jeff Webb and John Nichols in the amount of $1,585,000 and $300,000, respectively. Payment of these bonuses is subject to and conditioned upon completion of the merger.

- Our board of directors has approved retention bonuses in an aggregate amount of approximately $415,000 to 27 key employees (other than Jeff Webb and John Nichols). Payment of these bonuses will be made on the 91st day following the completion of the merger, provided that the employee is still employed by us at that date.

- Our board of directors has approved an aggregate of approximately $400,000 of half year operational bonuses to 29 key employees (other than Jeff Webb and John Nichols). Payment of these bonuses is subject to and conditional upon the completion of the merger.

- Under their current employment agreements with Varsity, Mr. Nederlander and Mr. Toboroff are entitled to cash payments of $670,000 and $536,500, respectively, upon a change in control of Varsity.

- In connection with the merger, we will cash out all options for common stock at a price equal to the excess, or spread, of the $6.57 per share merger consideration over the per share exercise price of each option. As of the record date, our executive officers and directors held options to purchase a total of approximately [1,167,450] million shares (excluding options to be exchanged for options of VBR Holding Corporation) and the aggregate spread for these options is approximately $[2,781,405] million.

- After the merger, the surviving corporation will continue indemnification arrangements and directors' and officers' liability insurance for our present and former directors and officers.

Recommendation of Our Board of Directors; Fairness of the Merger (see page 24)

Our board of directors, by a unanimous vote of all directors voting on the matter, has determined that the merger is fair and in the best interests of Varsity's unaffiliated stockholders and recommends that you vote "FOR" the approval and adoption of the merger agreement.

Our board of directors considered several factors in making this determination. Due to the variety of factors considered, the board of directors did not assign relative weights to these factors or

determine that any factor was of particular importance. The board reached its conclusion based upon the totality of the information presented and considered during its evaluation of the merger.

The Position of Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation as to the Fairness of the Merger (see page 36)

Green Equity Investors, its general partner, GEI Capital IV, LLC, VBR Holding Corporation and VB Merger Corporation did not participate in the deliberations of the Varsity board of directors regarding, or receive advice from Varsity's legal or financial advisors as to, the fairness of the merger to Varsity's unaffiliated stockholders. However, based upon their own knowledge and analysis of available information regarding Varsity, as well as discussions with members of Varsity's senior management regarding the factors considered by, and findings of, the Varsity board of directors discussed under "Special Factors Recommendation of Our Board of Directors; Fairness of the Merger," they believe that the merger is fair to Varsity's unaffiliated stockholders. None of them makes any recommendation, however, as to how stockholders of Varsity should vote their shares.

The Position of the Management Investors as to the Fairness of the Merger (see page 38)

Jeff Webb and John Nichols each believe that the merger is fair to Varsity's unaffiliated stockholders. Their belief is based upon their knowledge and analysis of Varsity, as well as the factors considered by, and findings of, the Varsity board of directors discussed under "Special Factors Recommendation of Our Board of Directors; Fairness of the Merger." Neither of them makes any recommendation, however, as to how stockholders of Varsity should vote their shares.

Opinion of Rothschild Inc. (see page 28)

In connection with the merger, our board of directors received an opinion from Rothschild Inc., our financial advisor, as to the fairness, from a financial point of view and as of the date of the opinion, of the $6.57 per share in cash to be received by the holders of our common stock in the merger (other than VBR Holding Corporation, VB Merger Corporation, the members of management acquiring shares or options to acquire shares of VBR Holding Corporation, and their respective affiliates). The full text of Rothschild's written opinion dated April 21, 2003 is attached to this proxy statement as Annex B. We encourage you to read the opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Rothschild. **Rothschild's opinion was provided to our board of directors in connection with its evaluation of the merger, does not address any related transaction and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to any other matters relating to the merger or any related transactions.**

Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders (see page 52)

The receipt of $6.57 in cash for each share of our common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. For U.S. federal income tax purposes, each of our U.S. stockholders who receives this consideration generally will recognize taxable gain or loss as a result of the merger measured by the difference, if any, between $6.57 per share and the adjusted tax basis in that share owned by the stockholder.

Appraisal Rights (see page 61)

Stockholders who do not wish to accept the $6.57 per share cash consideration payable pursuant to the merger may seek, under Delaware law, judicial appraisal of the fair value of their shares by the Delaware Court of Chancery. This value could be more or less than, or the same as, the merger

consideration of $6.57 per share. This "right of appraisal" is subject to a number of restrictions and technical requirements. Generally, in order to exercise appraisal rights, among other things:

- you must **not** vote in favor of the merger agreement;
- you must make and deliver to Varsity a written demand for judicial appraisal in compliance with Delaware law **before** the vote on the merger agreement; and
- you must hold your shares of record continuously from the time of making a written demand for appraisal until the effective time of the merger.

Merely voting against the merger agreement will not preserve your right of appraisal under Delaware law. Also, since a signed proxy card not marked "against" or "abstain" will be voted for the adoption of the merger agreement, the submission of a signed proxy card not marked "against" or "abstain" will result in the loss of appraisal rights. If you hold shares in the name of a broker or other nominee, you must instruct your nominee to take the steps necessary to enable you to assert appraisal rights. If you or your nominee fails to follow all of the steps required by the statute, you will lose your right of appraisal.

Annex C to this proxy statement sets forth the Delaware statute relating to your right of appraisal.

Under the merger agreement, VBR Holdings Corporation and VB Merger Corporation will not have to complete the merger if holders of more than 15% of our outstanding common stock seek to exercise their "right of appraisal."

The Special Meeting (see page 55)

Date, Time, Place and Matters to be Considered (see page 55).

Our special meeting will be held at , New York, New York on September [ ], 2003 at 9:00 A.M. local time. At the special meeting, you will be asked to vote on the adoption of the merger agreement. A copy of the merger agreement is attached as Annex A to this proxy statement.

Record Date For Voting (see page 55)

You may vote at the special meeting if you owned shares of our common stock at the close of business on August 4, 2003. On that date, there were 9,592,250 shares of our common stock, par value $.01 per share, outstanding.

Procedures Relating To Your Vote At The Special Meeting (see page 55)

Quorum Required

- In order to have a quorum at the special meeting, a majority of the total number of all outstanding shares of common stock as of the record date must be present in person or by proxy.

Vote Required

- The merger agreement must be approved by the affirmative vote of at least a majority of the outstanding shares of common stock. Abstentions and broker non-votes will have the effect of a vote "AGAINST" the adoption of the merger agreement.

At the special meeting, you will be entitled to one vote for each share of common stock you hold of record as of August 4, 2003. On the record date, there were 9,592,250 shares of Varsity common stock entitled to vote at the special meeting.

On the record date for the special meeting, our directors and executive officers owned or controlled 4,548,857 shares of common stock, which was approximately 47.4% of the total common stock outstanding. Our directors and executive officers have indicated that they intend to vote in favor of the merger at the special meeting but, except for those directors and executive officers who have signed the voting agreements described below, they are not obligated to do so.

As of the record date for the special meeting, nine of our current and former directors and executive officers who have entered into voting agreements with VBR Holding Corporation owned or controlled a total of 4,519,920 shares, which is approximately 47% of all outstanding shares. As a result, we will need affirmative votes from holders of approximately an additional 276,205 common shares (which is approximately 3% of Varsity's total common stock) to complete the merger.

Completing Your Proxy Card

After carefully reading and considering the information contained in this proxy statement, you should complete, date and sign your proxy card and mail it in the enclosed return envelope as soon as possible so that your shares are represented at the special meeting, even if you plan to attend the meeting in person. You can also submit your proxy by telephone by calling (800) PROXIES, the number on your proxy card, or over the Internet by going to www.voteproxy.com, the website designated on your proxy card. You must have your control number and proxy card available if you attempt to vote using the telephone or Internet. If voting via telephone, use the telephone keypad to submit the required information and your vote, after the appropriate voice prompts. If voting via Internet, please follow the on-screen instructions. Unless you specify to the contrary, all of your shares represented by valid proxies that have been submitted will be voted "FOR" the adoption of the merger agreement. You may also vote in person by ballot at the special meeting.

If your shares are held in "street name" by your bank or broker, your bank or broker will vote your shares, but only if you provide written instructions to your bank or broker on how to vote. You should follow the procedures provided by your bank or broker regarding how to instruct it to vote your shares. Without instructions, your bank or broker will not vote your shares and the failure to vote will have the same effect as a vote "AGAINST" the adoption of the merger agreement.

Do Not Send In Your Stock Certificates With Your Proxy Card.

Revoking Your Proxy

Until exercised at the special meeting, you can revoke your proxy and change your vote in any of the following ways:

- by delivering a written revocation to us c/o American Stock Transfer & Trust Company at 59 Maiden Lane, Plaza Level, New York, New York 10038;

- by delivering a proxy of a later date by mail, Internet or telephone;

- by attending the special meeting and voting in person. Your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person at the meeting; or

- if you have instructed a bank or broker to vote your shares, by following the directions received from your bank or broker to change those instructions.

Questions and Additional Information

For additional information regarding the procedure for delivering your proxy see "The Special Meeting Voting and Revocation of Proxies" and "The Special Meeting Solicitation of Proxies."

You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each account in which you hold our common stock. If you are a holder of record and your shares are registered in more than one name, you will also receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive.

If you have more questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, you should contact American Stock Transfer & Trust Company, at 59 Maiden Lane, Plaza Level, New York, New York 10038, or by telephone at (800) 937-5449 or our corporate secretary at our executive offices at 6745 Lenox Center Court, Suite 300, Memphis, Tennessee 38115, or by telephone at (901) 387-4300.

The Merger Agreement (see page 65)

Conditions To The Merger (see page 65)

We will complete the merger only if a number of conditions are satisfied or waived, including, but not limited to, the following:

- we must obtain the affirmative vote of the holders of at least a majority of the total number of shares of our common stock outstanding and entitled to vote at the special meeting;

- holders of no more than 15% of our common stock shall have validly demanded judicial appraisal of the fair value of their shares;

- we must complete a tender offer for at least a majority of the outstanding principal amount of our 10.5% senior notes due 2007;

- there shall not have occurred any change, event, occurrence, development or circumstance which constitutes or could reasonably be expected to constitute a material adverse effect for us or for VB Merger Corporation and VBR Holding Corporation;

- Varsity, VB Merger Corporation and VBR Holding Corporation must be in compliance in all material respects with their respective covenants in the merger agreement;

- the representations and warranties of Varsity, VB Merger Corporation and VBR Holding Corporation must be true and correct, generally subject to exceptions that would not have a material adverse effect on the party making the representations and warranties;

- there is no pending or threatened regulatory or governmental or third party proceeding seeking to prohibit or restrain the completion of the merger or the ownership or operation of our businesses by VB Merger Corporation or VBR Holding Corporation, or to compel them to dispose of a material portion of our businesses;

- no legal prohibition to the completion of the merger may be in effect; and any applicable waiting period (or extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or other similar law has expired or has been terminated.

We hope to complete the merger shortly following receipt of the required stockholder vote to adopt the merger agreement. Some of these conditions are beyond our control, and we cannot assure you that any of these conditions, including the conditions within our control, will be met or waived.

Termination of The Merger Agreement (see page 69)

We and VBR Holding Corporation may mutually agree to terminate the merger agreement at any time prior to the completion of the merger, whether before or after stockholder approval has been obtained.

In addition, we or VBR Holding Corporation may terminate the merger agreement by written notice to the other if:

- the merger is not completed on or before November 15, 2003 (other than because the terminating party breached the merger agreement);
- a law prohibits or otherwise makes consummation of the merger illegal or any governmental entity of competent jurisdiction issues a final and nonappealable injunction, order or decree enjoining the merger;
- at the special meeting the merger agreement is not adopted by a majority of the shares of common stock entitled to vote at the special meeting;
- the other party materially breaches its representations, warranties or covenants set forth in the merger agreement and the breach cannot be cured by November 15, 2003 or is not cured within ten (10) business days after notice.

VBR Holding Corporation may terminate the merger agreement without our consent if:

- we breach our covenants in the merger agreement restricting our ability to solicit or negotiate other acquisition proposals;
- our board of directors withdraws or changes its recommendation for adoption of the merger agreement in a manner adverse to VBR Holding Corporation and VB Merger Corporation or approves a third party acquisition proposal; or
- a third party acquires a majority of our outstanding common stock or a third party acquisition (as defined in the merger agreement) shall otherwise have occurred.

Our Ability to Accept a Superior Proposal (see page 71)

We may also terminate the merger agreement without the consent of VB Merger Corporation and VBR Holding Corporation before obtaining stockholder approval for the merger if our board of directors authorizes us to accept an unsolicited superior acquisition proposal from a third party. This right, however, is subject to the following requirements:

- a majority of our board of directors must have concluded, after consultation with outside legal counsel and financial advisors, that the proposal:
  - provides for consideration with a value that exceeds $6.57 per share;

would be, if consummated, more favorable to the holders of common stock than the merger;

is reasonably capable of being consummated in a timely manner;

is not subject to any financing condition; and

is made by a party who has provided us with reasonable evidence that it has sufficient funds to complete the proposed transaction.

our board of directors must determine, after consultation with outside counsel expert in Delaware law, that the taking of this action is required in order for the board to comply with its fiduciary duties under Delaware law;

we must have complied with the provisions of the merger agreement relating to solicitation of other offers;

we must have given VB Merger Corporation and VBR Holding Corporation four (4) business days' notice of our intention to enter into another, superior agreement and we shall have given them the opportunity to revise the terms of the merger, if they choose to do so; and

we must pay VBR Holding Corporation a termination fee and expenses as described below.

Termination Fee and Expenses (see page 71)

The merger agreement provides that upon termination in specified circumstances, we must pay a termination fee of $3.5 million to VBR Holding Corporation and reimburse VBR Holding Corporation for fees and expenses up to $1.75 million. Under some circumstances, VBR Holding Corporation must reimburse us for fees and expenses up to $1.75 million.

Information About the Participants (see page 79)

Varsity Brands, Inc.

We are a Delaware corporation. We are the leading provider of goods and services to the school spirit industry. We design, market and manufacture cheerleading and dance team uniforms and accessories, and dance and recital apparel for the studio dance market; operate cheerleading and dance team instructional camps throughout the United States; and produce nationally televised cheerleading and dance team championships and other special events, including studio dance competitions and conventions. We market our proprietary products and services to schools, recreational organizations, coaches and participants in the extra-curricular market using our own nationwide sales force, as well as websites that are targeted to specific audiences and specific activities. Our principal address is 6745 Lenox Center Court, Suite 300, Memphis, Tennessee 38115, and our telephone number is (901) 387-4300.

VB Merger Corporation

VB Merger Corporation, a newly formed Delaware corporation, was formed solely for the purpose of completing the merger. VB Merger Corporation is wholly owned by VBR Holding Corporation and has not engaged in any business except in anticipation of the merger. VB Merger Corporation's principal address is 11111 Santa Monica Boulevard, Suite 2000, Los Angeles, California 90025 and its telephone number is (310) 954-0444.

VBR Holding Corporation

VBR Holding Corporation, a Delaware corporation, was recently formed by Green Equity Investors for the sole purpose of acquiring majority ownership of Varsity. VBR Holding Corporation has not engaged in any business except in anticipation of the merger. Some of our directors and executive officers (as well as the purchasers of senior subordinated notes expected to be issued by the surviving corporation in connection with the merger) will acquire shares, or options to acquire shares, of VBR Holding Corporation prior to completion of the merger. VBR Holding Corporation's principal

address is 11111 Santa Monica Boulevard, Suite 2000, Los Angeles, California 90025, and its telephone number is (310) 954-0444.

Green Equity Investors IV, L.P.

Green Equity Investors, a Delaware limited partnership, is a private investment fund formed by Leonard Green & Partners, a Delaware limited partnership. Leonard Green & Partners, is a Los Angeles-based private equity firm specializing in organizing, structuring and sponsoring management buy-outs, going-private transactions and recapitalizations of established public and private companies. The principal address of Green Equity Investors and Leonard Green & Partners is 11111 Santa Monica Boulevard, Suite 2000, Los Angeles, California 90025, and their telephone number is (310) 954-0444.

GEI Capital IV, LLC

GEI Capital IV, LLC, a Delaware limited liability company, is the sole general partner of Green Equity Investors. The principal business of GEI Capital is being the sole general partner of Green Equity Investors. The managers and members of GEI Capital IV, LLC are individual partners in Leonard Green & Partners. We refer to GEI Capital IV, LLC as "GEI Capital" in this proxy statement. The principal address of GEI Capital is 11111 Santa Monica Boulevard, Suite 2000, Los Angeles, California 90025, and its telephone number is (310) 954-0444.

The Management Investors

Jeff Webb, John Nichols, J. Kristyn Shepherd and Gregory Webb who will continue to be employed by Varsity following the merger, will acquire shares, and options to acquire shares, in VBR Holding Corporation, which will be the sole owner of Varsity following the merger. We sometimes refer to Jeff Webb and John Nichols as the "management investors" and to Jeff Webb, John Nichols, J. Kristyn Shepherd and Gregory Webb as the "participating investors" in this proxy statement. The principal address of each of the management investors is c/o Varsity, 6745 Lenox Center Court, Suite 300, Memphis, Tennessee 38115 and their telephone number is (901) 387-4300.

Selected Consolidated Financial Data of Varsity Brands, Inc.

Set forth below is selected historical consolidated financial information of Varsity and its subsidiaries. The historical financial information was derived from the historical financial statements and related notes of Varsity. Interim unaudited data for the three months ended March 31, 2003 and 2002 reflect, in the opinion of Varsity's management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of that data. Results for the three months ended March 31, 2003 do not necessarily indicate results that may be obtained for any other interim period or for the year as a whole.

	AS OF OR FOR THE THREE MONTHS ENDED MARCH 31,		AS OF OR FOR THE YEAR ENDED DECEMBER 31,				
	2003	2002	2002	2001	2000	1999	1998
	(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)						
STATEMENT OF OPERATIONS DATA							
Net revenues	$ 23,688	$ 18,693	$ 156,404	$ 147,549	$ 136,035	$ 120,285	$ 112,195
Cost of revenues	14,493	12,129	91,916	86,968	81,347	71,657	67,924

	AS OF OR FOR THE THREE MONTHS ENDED MARCH 31,		AS OF OR FOR THE YEAR ENDED DECEMBER 31,				
Gross profit	9,195	6,564	64,488	60,581	54,688	48,628	44,271
Selling, general and administrative expenses	11,631	10,715	47,396	46,594	42,146	39,831	38,552
Income (loss) from operations	(2,436)	(4,151)	17,092	13,987	12,542	8,797	5,719
Interest Expense	1,949	2,180	8,183	11,096	13,143	12,505	11,889
Interest Income	(37)	(54)	(143)	(750)	(4)	(158)	(103)
Net Interest expense	1,912	2,126	8,040	10,346	13,139	12,347	11,786
Income (loss) from continuing operations before income taxes, discontinued operations and extraordinary item (gain on retirement of bonds)	(4,348)	(6,277)	9,052	3,641	(597)	(3,550)	(6,067)
Income taxes (benefit)	(1,700)	(410)	(735)	3,010		905	
Income (loss) from continuing operations before discontinued operations and extraordinary item	$ (2,648)	$ (5,867)	$ 9,787	$ 631	$ (597)	$ (4,455)	$ (6,067)
Earnings (loss) from continuing operations per share before discontinued operations and extraordinary item:							
Basic	$ (.28)	$ (.62)	$ 1.03	$ .07	$ (.06)	$ (.48)	$ (.66)
Diluted	$ (.28)	$ (.62)	$ .91	$ .07	$ (.06)	$ (.48)	$ (.66)
Book Value per Share							
Shareholders Equity	25,139	11,510	27,787	17,377	25,872	24,865	25,451
Outstanding Shares	9,592	9,452	9,592	9,452	9,452	9,263	9,259
Book value per Share	$ 2.62	$ 1.22	$ 2.90	$ 1.84	$ 2.74	$ 2.68	$ 2.75
Net Income per Share							
Basic	$ (0.28)	$ (0.62)	$ 1.05	$ (0.90)	$ 0.06	$ (0.06)	$ (0.78)
Diluted	$ (0.28)	$ (0.62)	$ 0.92	$ (0.90)	$ 0.06	$ (0.06)	$ (0.78)
Cash dividends per share(1)							

	MARCH 31,		DECEMBER 31,				
	2003	**2002**	**2002**	**2001**	**2000**	**1999**	**1998**
				(IN THOUSANDS)			
BALANCE SHEET DATA (exclusive of assets held for disposal)(2)							
Working capital	$ 21,285	$ 18,215	$ 24,074	$ 23,640	$ 12,065	$ 10,084	$ 6,238
Total assets	114,601	110,981	119,558	118,631	106,185	109,433	108,586
Long-term debt, less current portion	69,785	80,410	69,785	80,410	138,919	136,097	126,900
Stockholders' equity	25,139	11,510	27,787	17,377	25,872	24,865	25,451

	AS OF OR FOR THE THREE MONTHS ENDED MARCH 31,		AS OF OR FOR THE YEAR ENDED DECEMBER 31,				
	2003	**2002**	**2002**	**2001**	**2000**	**1999**	**1998**
				(IN THOUSANDS)			
STATEMENTS OF CASH FLOWS DATA							
Cash flows from continuing operations(3)	$ (7,080)	$ (6,826)	$ 14,315	$ 4,239	$ 4,221	$ (5,690)	$ (2,847)
Cash flows from investing activities(3)	(758)	(182)	(812)	65,219	(2,638)	(1,384)	(647)
Cash flows from financing activities(3)		(3)	(9,028)	(48,082)	3,099	8,644	4,538

	AS OF OR FOR THE THREE MONTHS ENDED MARCH 31,		AS OF OR FOR THE YEAR ENDED DECEMBER 31,				
Other Data unaudited):							
EBITDA from continuing operations(4)	$ (1,961)	$ (3,683)	$ 19,012	$ 18,034	$ 16,248	$ 12,378	$ 9,271

(1)
Varsity's line of credit facility and Senior Note Agreement restrict Varsity's ability to pay dividends.

(2)
See Note 10 to the consolidated financial statements relating to contingent liabilities in Varsity's Annual Report on Form 10-K for the year ended December 31, 2002, incorporated in this proxy statement by reference. See "Where You Can Find More Information" for information about obtaining a copy of this Annual Report.

(3)
For more detail regarding cash flow from these activities see the Consolidated Statements of Cash Flow on Page F-6 in Varsity's Annual Report on Form 10-K for the year ended December 31, 2002, incorporated in this proxy statement by reference.

(4)
EBITDA from continuing operations is the sum of Varsity's earnings or loss before discontinued operations, extraordinary item gain on retirement of bonds (and the cumulative effect of changes in accounting principles (as applicable)), interest, income taxes, depreciation and amortization expense. EBITDA is a widely accepted financial indicator of a company's ability to service indebtedness. However, EBITDA should not be considered as an alternative to income from operations or to cash flows from operating
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Interest Expense, net
8.1

7.8

24.1

23.3

Miscellaneous (Income)/Expense, net
(0.1
)

(3.0
)

0.6

(2.8
)
Total Other Expense
8.0

4.8

24.7

20.5

Income before Provision for Income Taxes

64.6

45.2

183.7

122.8

Provision for Income Taxes
20.8

13.5

62.7

40.3

Net Income
$
43.8

$
31.7

$
121.0

$
82.5

Earnings Per Share:

Basic Earnings per Share
$
1.01

$
0.74

$
2.81

$

1.93

Basic Weighted Average Number of Shares Outstanding
42.8

42.2

42.7

42.0

Diluted Earnings per Share
$
1.01

$
0.73

$
2.79

$
1.91

Diluted Weighted Average Number of Shares Outstanding
43.1

42.6

43.0

42.4

Dividends Declared per Share
$
0.13

$
0.13

$
0.39

$
0.39

Comprehensive Income:

Net Income	$ 43.8	$ 31.7	$ 121.0	$ 82.5
Other Comprehensive Income/(Expense) Items:				
Foreign currency translation adjustments	1.8	(0.6)	2.8	0.1
Defined benefit pension plans, net of tax	0.7	1.2	1.9	0.2
Other Comprehensive Income/(Expense), net of tax	2.5	0.6	4.7	0.3
Comprehensive Income	$ 46.3	$		

32.3

$
125.7

$
82.8

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

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ACUITY BRANDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In millions)

	Nine Months Ended May 31 2014	2013
Cash Provided by/(Used for) Operating Activities:		
Net income	$121.0	$82.5
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	32.2	30.2
Share-based compensation expense	13.2	12.8
Excess tax benefits from share-based payments	(10.5)	(6.6)
(Gain) Loss on the sale or disposal of property, plant, and equipment	0.1	(2.4)
Asset impairments	—	0.3
Deferred income taxes	0.7	2.0
Change in assets and liabilities, net of effect of acquisitions, divestitures, and effect of exchange rate changes:		
Accounts receivable	(34.0)	(35.6)
Inventories	(10.4)	(4.7)
Prepayments and other current assets	(0.1)	(0.1)
Accounts payable	6.6	5.3
Other current liabilities	25.6	(7.4)
Other	(15.6)	(8.5)
Net Cash Provided by Operating Activities	128.8	67.8
Cash Provided by/(Used for) Investing Activities:		
Purchases of property, plant, and equipment	(24.8)	(31.4)
Proceeds from sale of property, plant, and equipment	0.9	7.4
Acquisitions of business and intangible assets, net of cash acquired	—	(25.5)
Net Cash Used for Investing Activities	(23.9)	(49.5)
Cash Provided by/(Used for) Financing Activities:		
Proceeds from stock option exercises and other	8.3	10.0
Excess tax benefits from share-based payments	10.5	6.6
Dividends paid	(16.9)	(16.8)
Net Cash Provided by/(Used for) Financing Activities	1.9	(0.2)
Effect of Exchange Rate Changes on Cash	1.4	(0.7)
Net Change in Cash and Cash Equivalents	108.2	17.4
Cash and Cash Equivalents at Beginning of Period	359.1	284.5
Cash and Cash Equivalents at End of Period	$467.3	$301.9
Supplemental Cash Flow Information:		
Income taxes paid during the period	$55.0	$33.2
Interest paid during the period	$21.4	$20.6

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

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ACUITY BRANDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Amounts in millions, except per-share data and as indicated)

1. Description of Business and Basis of Presentation

Acuity Brands, Inc. (“Acuity Brands”) is the parent company of Acuity Brands Lighting, Inc. (“ABL”) and other subsidiaries (Acuity Brands, ABL, and such other subsidiaries are collectively referred to herein as the "Company”). The Company designs, produces, and distributes a broad array of lighting solutions and services for commercial, institutional, industrial, infrastructure, and residential applications for various markets throughout North America and select international markets. The Company's lighting solutions include devices such as luminaires, lighting controls, power supplies, prismatic skylights, light-emitting diode (“LED”) lamps, and integrated lighting systems for indoor and outdoor applications utilizing a combination of light sources, including daylight, and other devices controlled by software that monitors and manages light levels while optimizing energy consumption (collectively referred to herein as “lighting solutions”). The Company has one operating segment serving the North American lighting market and select international markets.

The Company has made several acquisitions over the last five years to expand and enhance its portfolio of lighting solutions, including the following recent acquisitions:

On March 13, 2013, the Company acquired for cash, including potential additional cash payments that may be paid in future periods under earn-out provisions, all of the ownership interests in eldoLAB Holding B.V. (“eldoLED”), a leading provider of high-performance drivers for LED lighting systems based in Eindhoven, the Netherlands. The operating results of eldoLED have been included in the Company's consolidated financial statements since the date of acquisition.

On December 20, 2012, the Company acquired for cash all of the ownership interests in Adura Technologies ("Adura"), a leading developer of radio frequency (RF) mesh networking technology that allows individual light fixtures to communicate in a wireless mesh network with switches, sensors, and system management software. The operating results for Adura have been included in the Company’s consolidated financial statements since the date of acquisition.

The Consolidated Financial Statements have been prepared by the Company in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and present the financial position, results of operations, and cash flows of Acuity Brands and its wholly-owned subsidiaries. References made to years are for fiscal year periods.

These unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary to present fairly the Company’s consolidated financial position as of May 31, 2014, the consolidated statements of comprehensive income for the three and nine months ended May 31, 2014 and 2013, and the consolidated cash flows for the nine months ended May 31, 2014 and 2013. Certain information and footnote disclosures normally included in the Company’s annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. However, the Company believes that the disclosures included herein are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the audited consolidated financial statements of the Company as of and for the three years ended August 31, 2013 and notes thereto included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on October 29, 2013 (File No. 001-16583) (“Form 10-K”).

The results of operations for the three and nine months ended May 31, 2014 and 2013 are not necessarily indicative of the results to be expected for the full fiscal year because the net sales and net income of the Company historically have been higher in the second half of its fiscal year and because, among other reasons, of the continued uncertainty of general economic conditions that may impact the key end markets of the Company for the remainder of fiscal 2014.

2. Significant Accounting Policies

Use of Estimates

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

Reclassifications

Certain prior-period amounts have been reclassified to conform to the current year presentation. No material reclassifications occurred during the current period.

3. New Accounting Pronouncements

Accounting Standards Adopted in Fiscal 2014

In July 2012, the Financial Accounting Standards Board ("FASB") issued ASU No. 2012-02, Intangibles - Goodwill and Other (Topic 350) - Testing Indefinite-Lived Intangible Assets for Impairment ("ASU 2012-02"), which allows companies to assess qualitative factors to determine if indefinite-lived intangible assets other than goodwill have been impaired. If the qualitative factors reviewed do not indicate that it is more likely than not that the fair value of an indefinite-lived intangible asset does not exceed the carrying value, ASU 2012-02 deems any further impairment testing to be unnecessary. In the event that the qualitative review indicates otherwise, a company is required to perform further quantitative impairment testing as prescribed by Topic 350. ASU 2012-02 is effective for fiscal years beginning after September 15, 2012, with early adoption permitted. The Company adopted ASU 2012-02 in the first quarter of fiscal 2014. The provisions of ASU 2012-02 did not have a material effect on the Company's financial condition, results of operations, and cash flows.

In January 2013, the FASB issued ASU No. 2013-01, Balance Sheet (Topic 210) - Disclosures about Offsetting Assets and Liabilities ("ASU 2013-01"), which amended ASC Subtopic 210-20, Balance Sheet - Offsetting. ASU 2013-01 clarified the scope of ASU 2011-11, Balance Sheet (Topic 210) - Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"). ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of that entity's financial statements to understand the effect of those arrangements on its financial position. ASU 2013-01 clarifies the scope of ASU 2011-11 as applying to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are offset either in accordance with other requirements of the Accounting Standards Codification or subject to an enforceable master netting arrangement or similar arrangement. The provisions of ASU 2011-11 and ASU 2013-01 are effective retrospectively to all comparative periods for public entities during annual reporting periods beginning after January 1, 2013 (effective date) and interim reporting periods therein. The Company adopted ASU 2011-11 and ASU 2013-01 in the first quarter of fiscal 2014. The provisions of ASU 2011-11 and ASU 2013-01 did not have a material effect on the Company's financial condition, results of operations, and cash flows.

Accounting Standards Yet to Be Adopted

In March 2013, the FASB issued ASU No. 2013-05, Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (a consensus of the FASB Emerging Issues Task Force) ("ASU 2013-05"), which applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. ASU 2013-05 is effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The Company is currently reviewing the provisions of ASU 2013-05 but does not expect it to have a material effect on the Company's financial condition, results of operations, and cash flows.

In July 2013, the FASB issued ASU No. 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force) ("ASU 2013-11"), which applies to the presentation of unrecognized tax benefits as a liability on the balance sheet when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose. ASU 2013-11 is effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The Company is currently reviewing the provisions of ASU 2013-11 but does not expect it to have a material effect on the Company's financial condition, results of operations, and cash flows.

In May 2014, the FASB issued ASU No. 2014-09, Revenue From Contracts With Customers ("ASU 2014-09"), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASU 2014-09 is effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2016. The

Company is currently reviewing the provisions of ASU 2014-09 but does not expect it to have a material effect on the Company's financial condition, results of operations, and cash flows.

4. Acquisitions

The Company has actively pursued opportunities for investment and growth through acquisitions. The Company has acquired businesses that participate in the lighting solutions market, as discussed below. As with previous acquisitions, the companies were purchased to further expand and complement the Company’s lighting solutions portfolio and were fully incorporated into the Company’s operations. None of the business combinations-individually or in the aggregate-represented a material transaction as compared with the Company’s financial condition, results of operations, or cash flows in any of the periods in which control was obtained.

eldoLED Acquisition

On March 13, 2013, the Company acquired for cash, including potential additional cash payments that may be paid in future periods under earn-out provisions, all of the ownership interests in eldoLAB Holding B.V. (“eldoLED”), a leading provider of high-performance drivers for LED lighting systems based in Eindhoven, the Netherlands. Potential cash payments related to the earn-out provisions are payable beginning in fiscal 2014 and ending in fiscal 2017 subject to achievement of the earn-out provisions. The operating results of eldoLED have been included in the Company's consolidated financial statements since the date of acquisition and are not material to the Company's financial condition, results of operations, or cash flows. Management finalized the acquisition accounting for eldoLED during the second quarter of fiscal 2014 and the amounts are reflected in the Consolidated Balance Sheets.

Adura Technologies Acquisition

On December 20, 2012, the Company acquired for cash all of the ownership interests in Adura Technologies ("Adura"), a leading developer of radio frequency (RF) mesh networking technology that allows individual light fixtures to communicate in a wireless mesh network with switches, sensors, and system management software. The operating results of Adura have been included in the Company's consolidated financial statements since the date of acquisition and are not material to the Company's financial condition, results of operations, or cash flows. Management finalized the acquisition accounting for Adura during the first quarter of fiscal 2014 and the amounts are reflected in the Consolidated Balance Sheets.

5. Assets Held For Sale

The Company classifies long-lived assets as held for sale upon the development of a plan for disposal and meeting the other requirements in accordance with applicable U.S. GAAP and ceases the depreciation and amortization of the assets at that date. The Company is actively marketing its four properties classified as held for sale. As of May 31, 2014, the carrying value of the properties held for sale was $6.7, of which $3.9 is included in Prepayments and other current assets and $2.8 is included in Other long-term assets on the Consolidated Balance Sheets.

6. Fair Value Measurements

The Company determines fair value measurements based on the assumptions a market participant would use in pricing the asset or liability. ASC Topic 820, Fair Value Measurements and Disclosures ("ASC 820"), establishes a three level hierarchy making a distinction between market participant assumptions based on (i) unadjusted quoted prices for identical assets or liabilities in an active market (Level 1), (ii) quoted prices in markets that are not active or inputs that are observable either directly or indirectly for substantially the full term of the asset or liability (Level 2), and (iii) prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement (Level 3).

The following table presents information about assets and liabilities required to be carried at fair value and measured on a recurring basis as of May 31, 2014 and August 31, 2013:

	Fair Value Measurements as of:							
	May 31, 2014				August 31, 2013			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Assets:								
Cash and cash equivalents	$467.3	$—	$—	$467.3	$359.1	$—	$—	$359.1
Other	0.6	—	—	0.6	0.7	—	—	0.7
Liabilities:								
Other	$0.6	$—	$13.6	$14.2	$0.7	$—	$12.1	$12.8

The Company utilizes valuation methodologies to determine the fair values of its financial assets and liabilities in conformity with the concepts of "exit price" and the fair value hierarchy as prescribed in ASC 820. All valuation methods and assumptions are validated at least quarterly to ensure the accuracy and relevance of the fair values. There were no material changes to the valuation methods or assumptions used to determine fair values during the current period.

The Company used the following valuation methods and assumptions in estimating the fair value of the following assets and liabilities:

The fair value of Level 1 assets and liabilities is determined based on quoted market prices.

The fair value of Level 3 liabilities is estimated using a discounted cash flow technique with significant inputs that are not observable in the market, appropriately discounted considering the uncertainties associated with the obligation. Changes in these inputs, including probability assessments or the discount rate, could result in a higher or lower fair value measurement. Any reasonably likely change in the assumptions used in the analysis would not result in a material change to the fair value of these liabilities.

No transfers between the levels of the fair value hierarchy occurred during the current fiscal period. In the event of a transfer in or out of a level within the fair value hierarchy, the transfers would be recognized on the date of occurrence.

The Company's Level 3 liabilities consist of certain acquisition-related liabilities. The change in these liabilities during fiscal 2014 was due to a $1.1 increase in the estimated fair value and a $0.4 increase due to currency rate fluctuations in the period. The expense associated with the change in the estimated fair value was included in Selling, Distribution, and Administrative Expenses within the Consolidated Statements of Comprehensive Income.

Disclosures of fair value information about financial instruments (whether or not recognized in the balance sheet), for which it is practicable to estimate that value, are required each reporting period in addition to any financial instruments carried at fair value on a recurring basis as prescribed by ASC Topic 825, Financial Instruments ("ASC 825"). In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows.

The carrying values and estimated fair values of certain of the Company's financial instruments were as follows at May 31, 2014 and August 31, 2013:

	May 31, 2014		August 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities:				
Senior unsecured public notes, net of unamortized discount	$349.6	$395.4	$349.6	$381.5
Industrial revenue bond	4.0	4.0	4.0	4.0

The senior unsecured public notes are carried at the outstanding balance, including bond discounts, as of the end of the reporting period. Fair value is estimated based on discounted future cash flows using rates currently available for debt of similar terms and maturity (Level 2).

The tax-exempt industrial revenue bond is carried at the outstanding balance as of the end of the reporting period. The industrial revenue bond is a variable-rate instrument that resets on a weekly basis; therefore, the Company estimates that the face amount of the bond approximates fair value as of May 31, 2014 based on bonds of similar terms and maturity (Level 2).

ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value to the Company. In many cases, the fair value estimates cannot be substantiated by comparison to independent markets, nor can the disclosed value be realized in immediate settlement of the instruments. In evaluating the Company's management of liquidity and other risks, the fair values of all assets and liabilities should be taken into consideration, not only those presented above.

7. Goodwill and Intangible Assets

Through multiple acquisitions, the Company acquired intangible assets consisting primarily of trademarks and trade names associated with specific products with finite lives, definite-lived distribution networks, patented technology, non-compete agreements, and customer relationships, which are amortized over their estimated useful lives. Indefinite lived intangible assets consist of trade names that are expected to generate cash flows indefinitely.

The Company recorded amortization expense of $2.8 and $2.8 related to intangible assets with finite lives during the three months ended May 31, 2014 and 2013, respectively, and $8.4 and $8.0 during the nine months ended May 31, 2014 and 2013, respectively. Amortization expense is generally recorded on a straight-line basis and is expected to be approximately $11.3 in fiscal 2014, $11.1 in fiscal 2015, $10.5 in fiscal 2016, $10.2 in fiscal 2017, and $10.2 in fiscal 2018.

The changes in the carrying amount of goodwill during the nine months ended May 31, 2014 are summarized as follows:

Balance at August 31, 2013	$568.2
Adjustments for acquired businesses	1.4
Foreign currency translation adjustments	0.5
Balance at May 31, 2014	$570.1

Further discussion of the Company's goodwill and other intangible assets is included within the Significant Accounting Policies footnote of the Notes to Consolidated Financial Statements within the Company's Form 10-K.

8. Inventories

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

	May 31, 2014	August 31, 2013
Raw materials, supplies, and work in process[(1)]	$118.6	$122.6
Finished goods	106.8	90.9
	225.4	213.5
Less: Reserves	(11.6)	(10.5)
Total Inventory	$213.8	$203.0

(1) Due to the immaterial amount of estimated work in process and the short lead times for the conversion of raw materials to finished goods, the Company does not believe the segregation of raw materials, supplies, and work in process to be meaningful information.

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9. Earnings Per Share

Basic earnings per share is computed by dividing net earnings available to common stockholders by the weighted average number of common shares outstanding, which has been modified to include the effects of all participating securities (unvested share-based payment awards with a right to receive nonforfeitable dividends) as prescribed by the two-class method under ASC Topic 260, Earnings Per Share ("ASC 260"), during the period. The new equity plan approved in January 2013 changed the dividend provisions causing share-based payment awards to lose the right to receive nonforfeitable dividends. Due to this change, any shares granted after January 2013 are not participating securities as prescribed by the two-class method under ASC 260 and are accounted for in the diluted earnings per share calculation described below.

Diluted earnings per share is computed similarly but reflects the potential dilution that would occur if dilutive options were exercised, restricted stock awards (unvested share-based payment awards without a right to receive nonforfeitable dividends) were vested, and other distributions related to deferred stock agreements were incurred. Stock options of approximately 47,847 and 72,736 for the three months ended May 31, 2014 and 2013, respectively, and approximately 57,845 and 88,327 for the nine months ended May 31, 2014 and 2013, respectively, were excluded from the diluted earnings per share calculation as the effect of inclusion would have been antidilutive. Restricted stock of approximately 13,988 for the three months ended May 31, 2014, and approximately 4,714 for the nine months ended May 31, 2014, were excluded from the diluted earnings per share calculation as the effect of inclusion would have been antidilutive. There were no shares of restricted stock excluded from the diluted earnings per share calculation for the three and nine months ended May 31, 2013. Further discussion of the Company's stock options and restricted stock awards is included within the Common Stock and Related Matters and Share-Based Payments footnotes of the Notes to Consolidated Financial Statements within the Company's Form 10-K.

The following table calculates basic earnings per common share and diluted earnings per common share for the three and nine months ended May 31, 2014 and 2013:

	Three Months Ended		Nine Months Ended	
	May 31, 2014	May 31, 2013	May 31, 2014	May 31, 2013
Basic Earnings per Share:				
Net income	$43.8	$31.7	$121.0	$82.5
Less: Income attributable to participating securities	(0.4)	(0.5)	(1.2)	(1.3)
Net income available to common shareholders	$43.4	$31.2	$119.8	$81.2
Basic weighted average shares outstanding	42.8	42.2	42.7	42.0
Basic earnings per share	$1.01	$0.74	$2.81	$1.93
Diluted Earnings per Share:				
Net income	$43.8	$31.7	$121.0	$82.5
Less: Income attributable to participating securities	(0.4)	(0.5)	(1.2)	(1.3)
Net income available to common shareholders	$43.4	$31.2	$119.8	$81.2
Basic weighted average shares outstanding	42.8	42.2	42.7	42.0
Common stock equivalents	0.3	0.4	0.3	0.4
Diluted weighted average shares outstanding	43.1	42.6	43.0	42.4
Diluted earnings per share	$1.01	$0.73	$2.79	$1.91

10. Comprehensive Income

Comprehensive income represents a measure of all changes in equity that result from recognized transactions and other economic events other than transactions with owners in their capacity as owners. Other comprehensive income for the Company includes foreign currency translation and pension adjustments.

The following table presents the changes in each component of accumulated other comprehensive loss:

	Foreign Currency Items	Defined Benefit Pension Plans	Accumulated Other Comprehensive Loss Items
Balance at August 31, 2013	$(18.8)	$(43.8)	$(62.6)
Other Comprehensive Income/(Expense) before reclassifications	2.8	—	2.8
Amounts reclassified from accumulated other comprehensive income	—	1.9	1.9
Net current-period Other Comprehensive Income/(Expense)	2.8	1.9	4.7
Balance at May 31, 2014	$(16.0)	$(41.9)	$(57.9)

The following table presents the tax (expense)/benefit allocated to each component of other comprehensive income/(expense) for the three months ended May 31, 2014 and 2013:

	Three Months Ended May 31, 2014			May 31, 2013		
	Before Tax Amount	Tax (Expense) or Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) or Benefit	Net of Tax Amount
Foreign Currency Translation Adjustments	$1.8	$—	$1.8	$(0.6)	$—	$(0.6)
Defined Benefit Pension Plans:						
Amortization of defined benefit pension items:						
Prior service cost	0.2 (1)	(0.1)	0.1	0.2 (1)	(0.1)	0.1
Actuarial losses	0.8 (1)	(0.2)	0.6	1.6 (1)	(0.5)	1.1
Total Defined Benefit Pension Plans, net	1.0	(0.3)	0.7	1.8	(0.6)	1.2
Other Comprehensive Income/(Expense)	$2.8	$(0.3)	$2.5	$1.2	$(0.6)	$0.6

(1) These accumulated other comprehensive income components are included in net periodic pension cost. See Pension and Profit Sharing Plans footnote within the Notes to Consolidated Financial Statements for additional details.

The following table presents the tax (expense)/benefit allocated to each component of other comprehensive income/(expense) for the nine months ended May 31, 2014 and 2013:

	Nine Months Ended May 31, 2014			May 31, 2013		
	Before Tax Amount	Tax (Expense) or Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) or Benefit	Net of Tax Amount
Foreign Currency Translation Adjustments	$2.8	$—	$2.8	$0.1	$—	$0.1
Defined Benefit Pension Plans:						
Prior service cost from plan amendment	—	—	—	(5.5)	2.2	(3.3)
Amortization of defined benefit pension items:						
Prior service cost	0.6 (1)	(0.2)	0.4	0.5 (1)	(0.1)	0.4
Actuarial losses	2.3 (1)	(0.8)	1.5	4.7 (1)	(1.6)	3.1
Total Defined Benefit Pension Plans, net	2.9	(1.0)	1.9	(0.3)	0.5	0.2
Other Comprehensive Income/(Expense)	$5.7	$(1.0)	$4.7	$(0.2)	$0.5	$0.3

(1) These accumulated other comprehensive income components are included in net periodic pension cost. See Pension and Profit Sharing Plans footnote within the Notes to Consolidated Financial Statements for additional details.

11. Debt
Lines of Credit
On January 31, 2012, the Company executed a $250.0 revolving credit facility (the "Revolving Credit Facility"). The Revolving Credit Facility will mature and all amounts outstanding will be due and payable on January 31, 2017.
The Revolving Credit Facility contains financial covenants, including a minimum interest coverage ratio ("Minimum Interest Coverage Ratio") and a leverage ratio ("Maximum Leverage Ratio") of total indebtedness to EBITDA (earnings before interest, taxes, depreciation and amortization expense), as such terms are defined in the Revolving Credit Facility agreement. These ratios are computed at the end of each fiscal quarter for the most recent 12-month period. The Revolving Credit Facility allows for a Maximum Leverage Ratio of 3.50 and a Minimum Interest Coverage Ratio of 2.50, subject to certain conditions defined in the financing agreement. The Company was in compliance with all financial covenants under the Revolving Credit Facility as of May 31, 2014. At May 31, 2014, the Company had additional borrowing capacity under the Revolving Credit Facility of $243.8 under the most restrictive covenant in effect at the time, which represents the full amount of the Revolving Credit Facility less outstanding letters of credit of $6.2 issued under the Revolving Credit Facility. As of May 31, 2014, the Company had outstanding letters of credit totaling $10.4, primarily for securing collateral requirements under the casualty insurance programs for Acuity Brands and providing credit support for the Company's industrial revenue bond, including $6.2 issued under the Revolving Credit Facility.
Generally, amounts outstanding under the Revolving Credit Facility bear interest at a "Eurocurrency Rate." Eurocurrency Rate advances can be denominated in a variety of currencies, including U.S. Dollars, and amounts outstanding bear interest at a periodic fixed rate equal to the London Inter Bank Offered Rate ("LIBOR") for the applicable currency plus a margin as determined by Acuity Brands' leverage ratio ("Applicable Margin"). The Applicable Margin is based on the Company's leverage ratio, as defined in the Revolving Credit Facility, with such margin ranging from 1.075% to 1.65%.
The Company is required to pay certain fees in connection with the Revolving Credit Facility, including administrative service fees and an annual facility fee. The annual facility fee is payable quarterly in arrears and is determined by the Company's leverage ratio as defined in the Revolving Credit Facility. This facility fee ranges from 0.175% to 0.35% of the aggregate $250.0 commitment of the lenders under the Revolving Credit Facility.
Notes
At May 31, 2014, the Company had $350.0 of publicly-traded, senior unsecured notes outstanding at a 6% interest rate that are scheduled to mature in December 2019 (the "Notes") and $4.0 of tax-exempt industrial revenue bonds that are scheduled to mature in 2021. Further discussion of the Company's debt is included within the Debt and Lines of Credit footnote of the Notes to Consolidated Financial Statements within the Company's Form 10-K.
Interest Expense
Interest expense, net, is comprised primarily of interest expense on long-term debt, obligations in connection with non-qualified retirement benefits, and Revolving Credit Facility borrowings partially offset by interest income on cash and cash equivalents.
The following table summarizes the components of interest expense, net:

	Three Months Ended		Nine Months Ended	
	May 31, 2014	May 31, 2013	May 31, 2014	May 31, 2013
Interest expense	$8.2	$8.0	$24.4	$23.9
Interest income	(0.1)	(0.2)	(0.3)	(0.6)
Interest expense, net	$8.1	$7.8	$24.1	$23.3

12. Commitments and Contingencies

In the normal course of business, the Company is subject to the effects of certain contractual stipulations, events, transactions, and laws and regulations that may, at times, require the recognition of liabilities, such as those related to self-insurance reserves and claims, legal and contractual issues, environmental laws and regulations, guarantees, and indemnities. The Company establishes reserves when the associated costs related to uncertainties or guarantees become probable and can be reasonably estimated. For the period ended May 31, 2014, no material changes have occurred in the Company's reserves for self-insurance, litigation, environmental matters, or guarantees and indemnities, or relevant events and circumstances, from those disclosed in the Commitments and Contingencies footnote of the Notes to the Consolidated Financial Statements within the Company’s Form 10-K.

Product Warranty and Related Issues

The Company records an allowance for the estimated amount of future warranty claims when the related revenue is recognized, primarily based on historical experience of identified warranty claims. However, there can be no assurance that future warranty costs will not exceed historical experience. Estimated recall costs are recognized upon such time that the Company becomes aware of product defects and other related issues. If actual future warranty costs exceed historical amounts or unforeseen recall costs occur, additional allowances may be required, which could have a material adverse impact on the Company’s results of operations and cash flows in future periods.

The Company and the U.S. Consumer Product Safety Commission announced a recall of certain incandescent emergency light fixtures on May 28, 2014. During the first nine months of fiscal 2014, the Company accrued a liability of $4.5 for the estimated costs associated with this matter. Due to the inherent uncertainty at this stage in estimating costs, including any applicable claims or other liabilities associated with the fixture failures or the Company's handling of this issue, it is possible that there could be additional costs associated with the ultimate resolution of the matter. The Company does not expect the ultimate resolution of this matter to have a material, adverse effect on the financial condition, results of operations, or cash flows of the Company in future periods.

Reserves for product warranty and related issues are included in Other accrued liabilities on the Consolidated Balance Sheets. The changes in the reserves for product warranty and related issues during the nine months ended May 31, 2014 are summarized as follows:

Balance at August 31, 2013	$ 5.9	
Adjustments to the reserve	6.1	
Payments made during the period	(1.6	)
Balance at May 31, 2014	$ 10.4	

Litigation

As reported in prior periods, on March 25, 2013, a freight payment and audit service provider, Trendset, Inc. (“Trendset”), provided notice to its customers that all freight payment services would immediately cease as a result of fraud at Trendset. Management believes that the Company incurred a loss primarily related to funds disbursed by the Company to Trendset that were not subsequently remitted to freight carriers that provided services on behalf of the Company and additional costs related to recovery efforts. Based on then available information, management estimated that the Company's loss was approximately $8.1 which was previously included in Selling, Distribution, and Administrative Expenses in the Consolidated Statements of Comprehensive Income during fiscal 2013.

During fiscal 2014, the Company received $5.8 in recovery payments related to this loss, consisting primarily of payments under an insurance policy maintained by the Company. These recoveries are included as an offset to expense in Selling, Distribution and Administrative Expenses in the Consolidated Statements of Comprehensive Income and cover a portion of, but not the entirety of, the Company’s loss related to this matter. The Company is evaluating other potential actions to recover the remainder of its loss through multiple sources including, but not limited to, claims against Trendset and claims against certain parties affiliated with Trendset. Numerous other Trendset customers are also pursuing claims against Trendset for their losses, and several with significant losses filed an involuntary petition commencing a bankruptcy proceeding against Trendset under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code"). Based on available information, management cannot estimate the likelihood, amount or timing of any further potential recovery. Any future recovery would be recorded when realized. The Company may incur additional costs in future periods as a result of these recovery activities. It is the opinion of management that any such future costs, though not currently estimable, will not have a material adverse effect on the financial condition or results of operations of Acuity Brands. Additionally, the Company believes that the Trustee in the Trendset bankruptcy action may attempt, through preference or other actions under the Bankruptcy Code, to recover from the Company or its freight carriers amounts paid by Trendset to the Company's freight carriers during the period prior to Trendset's bankruptcy proceeding. The Company believes that such actions to recover funds from the Company or its freight carriers would be inappropriate and would ultimately be unsuccessful. The Company believes no such loss is probable. The Company further believes that, even if successful, such actions would be unlikely to have a material adverse effect on the Company.

13. Share-Based Payments

The Company accounts for share-based payments through the measurement and recognition of compensation expense for share-based payment awards made to employees and directors of the Company, including stock options and restricted shares (all part of the Company's equity incentive plan), and share units representing certain deferrals into the Company's director deferred compensation plan or the Company's supplemental deferred savings plan. Each of these award programs is more fully discussed within the Company's Form 10-K. The Company recorded $4.5 and $4.2 of share-based expense for the three months ended May 31, 2014 and 2013, respectively, and $13.2 and $12.8 of share-based expense for the nine months ended May 31, 2014 and 2013, respectively. Benefits of tax deductions in excess of recognized share-based compensation cost are reported as a financing cash flow, rather than as an operating cash flow, and were $10.5 and $6.6 for the nine months ended May 31, 2014 and 2013, respectively. New shares issued upon exercise of stock options were 6,933 and 28,510 for the three months ended May 31, 2014 and 2013, respectively, and 198,618 and 336,529 for the nine months ended May 31, 2014 and 2013, respectively.

Further details regarding the Company's share-based payments are included within the Share-Based Payments footnote of the Notes to Consolidated Financial Statements within the Company's Form 10-K.

14. Pension and Profit Sharing Plans

The Company has several pension plans, both qualified and non-qualified, 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. Plan assets are invested primarily in equity and fixed income securities.

Net periodic pension cost for the Company's defined benefit pension plans during the three and nine months ended May 31, 2014 and 2013 included the following components before tax:

	Three Months Ended		Nine Months Ended	
	May 31, 2014	May 31, 2013	May 31, 2014	May 31, 2013
Service cost	$0.6	$0.9	$1.9	$2.6
Interest cost	2.1	2.0	6.6	6.0
Expected return on plan assets	(2.5)	(2.2)	(7.5)	(6.5)
Amortization of prior service cost	0.2	0.2	0.6	0.5
Recognized actuarial loss	0.8	1.6	2.3	4.7
Net periodic pension cost	$1.2	$2.5	$3.9	$7.3

On October 23, 2012, the Board of Directors of the Company, following a competitive assessment of executive retirement benefits and with an objective to ensure such company benefits were sufficient to retain and attract executive talent, approved certain amendments to the Acuity Brands, Inc. 2002 Supplemental Executive Retirement Plan ("2002 SERP"). The amendments to the 2002 SERP increased participant benefits requiring the recognition of an additional pre-tax pension liability of $5.5 in fiscal 2013, which is included in the Consolidated Balance Sheets.

15. Special Charge
Fiscal 2013 Actions
During fiscal 2013, the Company continued efforts to streamline the organization through the planned closure of certain production facilities as well as the realignment of responsibilities primarily within various selling, distribution, and administrative departments. The Company expects that these actions to streamline its business activities, in addition to those taken in previous fiscal years, will allow it to reduce costs and enhance customer service capabilities, while permitting continued investment in future growth initiatives, such as new products, expanded market presence, and technology and innovation.
During fiscal 2013, the Company recorded a pre-tax special charge of $7.8 consisting of severance and employee-related costs of $7.6 and lease termination costs of $0.2, which were included in Special Charge in the Consolidated Statements of Comprehensive Income. During fiscal 2014, the Company recognized a reversal of pre-tax special charges of $0.2 due primarily to lower-than-anticipated costs related to severance and employee-related expenses of $0.6 partially offset by production transfer costs of $0.4.
As of May 31, 2014, remaining severance reserves were $0.9 and are included in Accrued Compensation on the Consolidated Balance Sheets. The changes in the reserves related to this program during the nine months ended May 31, 2014 are summarized as follows:

Balance at August 31, 2013	$5.1	
Special charge	(0.6	)
Payments made during the period	(3.6	)
Balance at May 31, 2014	$0.9	

16. Supplemental Guarantor Condensed Consolidating Financial Statements
In December 2009, ABL, the wholly-owned and principal operating subsidiary of the Company, refinanced the then current outstanding debt through the issuance of the Notes. See Debt and Lines of Credit footnote of the Notes to Consolidated Financial Statements within the Company’s Form 10-K for further information.
In accordance with the registration rights agreement by and between ABL and the guarantors to the Notes and the initial purchasers of the Notes, ABL and the guarantors to the Notes filed a registration statement with the SEC for an offer to exchange the Notes for an issue of SEC-registered notes with identical terms. Due to the filing of the registration statement and offer to exchange, the Company determined the need for compliance with Rule 3-10 of SEC Regulation S-X (“Rule 3-10”). In lieu of providing separate audited financial statements for ABL and ABL IP Holding, the Company has included the accompanying Condensed Consolidating Financial Statements in accordance with Rule 3-10(d) of SEC Regulation S-X since the Notes are fully and unconditionally guaranteed by Acuity Brands and ABL IP Holding. The column marked “Parent” represents the financial condition, results of operations, and cash flows of Acuity Brands. The column marked “Subsidiary Issuer” represents the financial condition, results of operations, and cash flows of ABL. The column entitled “Subsidiary Guarantor” represents the financial condition, results of operations, and cash flows of ABL IP Holding. Lastly, the column listed as “Non-Guarantors” includes the financial condition, results of operations, and cash flows of the non-guarantor direct and indirect subsidiaries of Acuity Brands, which consist primarily of foreign subsidiaries. Eliminations were necessary in order to arrive at consolidated amounts. In addition, the equity method of accounting was used to calculate investments in subsidiaries. Accordingly, this basis of presentation is not intended to present our financial condition, results of operations, or cash flows for any purpose other than to comply with the specific requirements for parent-subsidiary guarantor reporting.

CONDENSED CONSOLIDATING BALANCE SHEETS

	May 31, 2014					
	Parent	Subsidiary Issuer	Subsidiary Guarantor	Non-Guarantors	Eliminations	Consolidated
ASSETS						
Current Assets:						
Cash and cash equivalents	$435.2	$2.3	$—	$29.8	$—	$467.3
Accounts receivable, net	—	305.5	—	47.0	—	352.5
Inventories	—	199.1	—	14.7	—	213.8
Other current assets	7.0	21.4	—	8.0	—	36.4
Total Current Assets	442.2	528.3	—	99.5	—	1,070.0
Property, Plant, and Equipment, net	0.4	117.0	—	30.8	—	148.2
Goodwill	—	518.0	2.7	49.4	—	570.1
Intangible assets, net	—	88.0	122.5	24.8	—	235.3
Other long-term assets	2.7	17.8	—	5.7	—	26.2
Investments in and amounts due from subsidiaries	727.9	170.9	135.8	(53.7)	(980.9)	—
Total Assets	$1,173.2	$1,440.0	$261.0	$156.5	$(980.9)	$2,049.8
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current Liabilities:						
Accounts payable	$0.7	$240.5	$—	$15.4	$—	$256.6
Other accrued liabilities	16.6	105.5	—	30.0	—	152.1
Total Current Liabilities	17.3	346.0	—	45.4	—	408.7
Long-Term Debt	—	353.6	—	—	—	353.6
Deferred Income Taxes	(30.0)	85.9	—	0.5	—	56.4
Other Long-Term Liabilities	61.1	28.1	—	17.1	—	106.3
Total Stockholders' Equity	1,124.8	626.4	261.0	93.5	(980.9)	1,124.8
Total Liabilities and Stockholders' Equity	$1,173.2	$1,440.0	$261.0	$156.5	$(980.9)	$2,049.8

CONDENSED CONSOLIDATING BALANCE SHEETS

	August 31, 2013					
	Parent	Subsidiary Issuer	Subsidiary Guarantor	Non-Guarantors	Eliminations	Consolidated
ASSETS						
Current Assets:						
Cash and cash equivalents	$331.0	$0.8	$—	$27.3	$—	$359.1
Accounts receivable, net	—	270.8	—	47.5	—	318.3
Inventories	—	191.2	—	11.8	—	203.0
Other current assets	4.4	23.0	—	5.7	—	33.1
Total Current Assets	335.4	485.8	—	92.3	—	913.5
Property, Plant, and Equipment, net	0.4	118.1	—	29.4	—	147.9
Goodwill	—	517.0	2.7	48.5	—	568.2
Intangible assets, net	—	99.9	119.2	26.0	—	245.1
Other long-term assets	3.8	19.4	—	5.9	—	29.1
Investments in and amounts due from subsidiaries	701.5	170.7	118.2	(61.5)	(928.9)	—
Total Assets	$1,041.1	$1,410.9	$240.1	$140.6	$(928.9)	$1,903.8
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current Liabilities:						
Accounts payable	$1.6	$233.2	$—	$14.7	$—	$249.5
Other accrued liabilities	17.0	95.0	—	24.7	—	136.7
Total Current Liabilities	18.6	328.2	—	39.4	—	386.2
Long-Term Debt	—	353.6	—	—	—	353.6
Deferred Income Taxes	(32.5)	85.8	—	0.6	—	53.9
Other Long-Term Liabilities	61.5	33.6	—	21.5	—	116.6
Total Stockholders' Equity	993.5	609.7	240.1	79.1	(928.9)	993.5
Total Liabilities and Stockholders' Equity	$1,041.1	$1,410.9	$240.1	$140.6	$(928.9)	$1,903.8

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended May 31, 2014					
	Parent	Subsidiary Issuer	Subsidiary Guarantor	Non-Guarantors	Eliminations	Consolidated
Net Sales:						
External sales	$—	$545.5	$—	$58.4	$—	$603.9
Intercompany sales	—	—	9.6	25.1	(34.7)	—
Total Sales	—	545.5	9.6	83.5	(34.7)	603.9
Cost of Products Sold	—	325.4	—	59.6	(24.5)	360.5
Gross Profit	—	220.1	9.6	23.9	(10.2)	243.4
Selling, Distribution, and Administrative Expenses	7.2	153.4	1.0	19.4	(10.2)	170.8
Intercompany charges	(0.8)	0.4	—	0.4	—	—
Special Charge	—	—	—	—	—	—
Operating Profit/(Loss)	(6.4)	66.3	8.6	4.1	—	72.6
Interest expense (income), net	2.5	5.7	—	(0.1)	—	8.1
Equity earnings in subsidiaries	(49.5)	(2.3)	—	—	51.8	—
Miscellaneous (income) expense, net	—	(0.8)	—	0.7	—	(0.1)
Income before Provision for Income Taxes	40.6	63.7	8.6	3.5	(51.8)	64.6
Provision/(Benefit) for Income Taxes	(3.2)	19.4	3.4	1.2	—	20.8
Net Income	$43.8	$44.3	$5.2	$2.3	$(51.8)	$43.8
Other Comprehensive Income/(Expense) Items:						
Foreign Currency Translation Adjustments	1.8	1.8	—	—	(1.8)	1.8
Defined Benefit Pension Plans, net	0.7	1.0	—	0.7	(1.7)	0.7
Other Comprehensive Income/(Expense) Items, net of tax	2.5	2.8	—	0.7	(3.5)	2.5
Other Comprehensive Income/(Expense)	$46.3	$47.1	$5.2	$3.0	$(55.3)	$46.3

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended May 31, 2013					
	Parent	Subsidiary Issuer	Subsidiary Guarantor	Non-Guarantors	Eliminations	Consolidated
Net Sales:						
External sales	$—	$481.7	$—	$59.8	$—	$541.5
Intercompany sales	—	—	8.1	22.5	(30.6)	—
Total Sales	—	481.7	8.1	82.3	(30.6)	541.5
Cost of Products Sold	—	280.1	—	62.8	(22.5)	320.4
Gross Profit	—	201.6	8.1	19.5	(8.1)	221.1
Selling, Distribution, and Administrative Expenses	6.7	147.1	0.7	17.5	(8.1)	163.9
Intercompany charges	(0.9)	0.6	—	0.3	—	—
Special Charge	—	5.5	—	1.7	—	7.2
Operating Profit/(Loss)	(5.8)	48.4	7.4	—	—	50.0
Interest expense (income), net	2.4	5.5	—	(0.1)	—	7.8
Equity earnings in subsidiaries	(37.1)	0.5	—	—	36.6	—
Miscellaneous (income) expense, net	—	(3.7)	—	0.7	—	(3.0)
Income before Provision for Income Taxes	28.9	46.1	7.4	(0.6)	(36.6)	45.2
Provision/(Benefit) for Income Taxes	(2.8)	13.2	3.0	0.1	—	13.5
Net Income	$31.7	$32.9	$4.4	$(0.7)	$(36.6)	$31.7
Other Comprehensive Income/(Expense) Items:						
Foreign Currency Translation Adjustments	(0.6)	(0.6)	—	—	0.6	(0.6)
Defined Benefit Pension Plans, net	1.2	0.7	—	0.3	(1.0)	1.2
Other Comprehensive Income/(Expense) Items, net of tax	0.6	0.1	—	0.3	(0.4)	0.6
Other Comprehensive Income/(Expense)	$32.3	$33.0	$4.4	$(0.4)	$(37.0)	$32.3

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

	Nine Months Ended May 31, 2014					
	Parent	Subsidiary Issuer	Subsidiary Guarantor	Non-Guarantors	Eliminations	Consolidated
Net Sales:						
External sales	$—	$1,541.8	$—	$183.0	$—	$1,724.8
Intercompany sales	—	—	27.0	67.8	(94.8)	—
Total Sales	—	1,541.8	27.0	250.8	(94.8)	1,724.8
Cost of Products Sold	—	908.8	—	185.7	(65.4)	1,029.1
Gross Profit	—	633.0	27.0	65.1	(29.4)	695.7
Selling, Distribution, and Administrative Expenses	21.0	435.6	3.1	57.2	(29.4)	487.5
Intercompany charges	(2.4)	1.2	—	1.2	—	—
Special Charge	—	(0.2)	—	—	—	(0.2)
Operating Profit/(Loss)	(18.6)	196.4	23.9	6.7	—	208.4
Interest expense (income), net	7.5	16.7	—	(0.1)	—	24.1
Equity earnings in subsidiaries	(137.8)	(5.3)	—	—	143.1	—
Miscellaneous (income) expense, net	—	(0.7)	—	0.2	1.1	0.6
Income before Provision for Income Taxes	111.7	185.7	23.9	6.6	(144.2)	183.7
Provision/(Benefit) for Income Taxes	(9.3)	61.1	9.4	1.5	—	62.7
Net Income	$121.0	$124.6	$14.5	$5.1	$(144.2)	$121.0
Other Comprehensive Income/(Expense) Items:						
Foreign Currency Translation Adjustments	2.8	2.8	—	—	(2.8)	2.8
Defined Benefit Pension Plans, net	1.9	1.6	—	1.1	(2.7)	1.9
Other Comprehensive Income/(Expense) Items, net of tax	4.7	4.4	—	1.1	(5.5)	4.7
Other Comprehensive Income/(Expense)	$125.7	$129.0	$14.5	$6.2	$(149.7)	$125.7

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

	Nine Months Ended May 31, 2013					
	Parent	Subsidiary Issuer	Subsidiary Guarantor	Non-Guarantors	Eliminations	Consolidated
Net Sales:						
External sales	$—	$1,333.5	$—	$175.8	$—	$1,509.3
Intercompany sales	—	—	22.9	65.5	(88.4)	—
Total Sales	—	1,333.5	22.9	241.3	(88.4)	1,509.3
Cost of Products Sold	—	791.6	—	182.9	(65.5)	909.0
Gross Profit	—	541.9	22.9	58.4	(22.9)	600.3
Selling, Distribution, and Administrative Expenses	20.9	399.3	2.2	49.3	(22.9)	448.8
Intercompany charges	(2.6)	1.7	—	0.9	—	—
Special Charge	—	6.2	—	2.0	—	8.2
Operating Profit/(Loss)	(18.3)	134.7	20.7	6.2	—	143.3
Interest expense (income), net	7.0	16.6	—	(0.3)	—	23.3
Equity earnings in subsidiaries	(98.4)	(5.0)	—	0.1	103.3	—
Miscellaneous (income) expense, net	—	(3.3)	—	0.5	—	(2.8)
Income before Provision for Income Taxes	73.1	126.4	20.7	5.9	(103.3)	122.8
Provision/(Benefit) for Income Taxes	(9.4)	39.4	8.3	2.0	—	40.3
Net Income	$82.5	$87.0	$12.4	$3.9	$(103.3)	$82.5
Other Comprehensive Income/(Expense) Items:						
Foreign Currency Translation Adjustments	0.1	0.1	—	—	(0.1)	0.1
Defined Benefit Pension Plans, net	0.2	2.1	—	1.0	(3.1)	0.2
Other Comprehensive Income/(Expense) Items, net of tax	0.3	2.2	—	1.0	(3.2)	0.3
Other Comprehensive Income/(Expense)	$82.8	$89.2	$12.4	$4.9	$(106.5)	$82.8

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CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

	Nine Months Ended May 31, 2014					
	Parent	Subsidiary Issuer	Subsidiary Guarantor	Non-Guarantors	Eliminations	Consolidated
Net Cash Provided by Operating Activities	$ 102.3	$ 25.3	$ —	$ 1.2	$ —	$ 128.8
Cash Provided by (Used for) Investing Activities:						
Purchases of property, plant, and equipment	—	(20.2)	—	(4.6)	—	(24.8)
Proceeds from sale of property, plant, and equipment	—	0.9	—	—	—	0.9
Investments in subsidiaries	—	(4.5)	—	4.5	—	—
Net Cash Used for Investing Activities	—	(23.8)	—	(0.1)	—	(23.9)
Cash Provided by (Used for) Financing Activities:						
Proceeds from stock option exercises and other	8.3	—	—	—	—	8.3
Excess tax benefits from share-based payments	10.5	—	—	—	—	10.5
Dividends paid	(16.9)	—	—	—	—	(16.9)
Net Cash Provided by Financing Activities	1.9	—	—	—	—	1.9
Effect of Exchange Rate Changes on Cash	—	—	—	1.4	—	1.4
Net Change in Cash and Cash Equivalents	104.2	1.5	—	2.5	—	108.2
Cash and Cash Equivalents at Beginning of Period	331.0	0.8	—	27.3	—	359.1
Cash and Cash Equivalents at End of Period	$ 435.2	$ 2.3	$ —	$ 29.8	$ —	$ 467.3

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

	Nine Months Ended May 31, 2013					
	Parent	Subsidiary Issuer	Subsidiary Guarantor	Non-Guarantors	Eliminations	Consolidated
Net Cash Provided by Operating Activities	$ 29.0	$ 38.3	$ —	$ 0.5	$ —	$ 67.8
Cash Provided by (Used for) Investing Activities:						
Purchases of property, plant, and equipment	(0.4)	(28.7)	—	(2.3)	—	(31.4)
Proceeds from sale of property, plant, and equipment	—	7.4	—	—	—	7.4
Investments in subsidiaries	—	(13.1)	—	—	13.1	—
Acquisitions of business and intangible assets	—	(3.8)	—	(21.7)	—	(25.5)
Net Cash (Used for) Provided by Investing Activities	(0.4)	(38.2)	—	(24.0)	13.1	(49.5)
Cash Provided by (Used for) Financing Activities:						
Proceeds from stock option exercises and other	10.0	—	—	—	—	10.0
Excess tax benefits from share-based payments	6.6	—	—	—	—	6.6
Intercompany capital	—	—	—	13.1	(13.1)	—
Dividends paid	(16.8)	—	—	—	—	(16.8)
Net Cash (Used for) Provided by Financing Activities	(0.2)	—	—	13.1	(13.1)	(0.2)
Effect of Exchange Rate Changes on Cash	—	(0.1)	—	(0.6)	—	(0.7)
Net Change in Cash and Cash Equivalents	28.4	—	—	(11.0)	—	17.4
Cash and Cash Equivalents at Beginning of Period	246.6	—	—	37.9	—	284.5
Cash and Cash Equivalents at End of Period	$ 275.0	$ —	$ —	$ 26.9	$ —	$ 301.9

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations
($ in millions, except per-share data and as indicated)
The following discussion should be read in conjunction with the Consolidated Financial Statements and related notes included within this report. References made to years are for fiscal year periods.
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, Inc. (“Acuity Brands”), and its subsidiaries as of May 31, 2014 and for the three and nine months ended May 31, 2014 and 2013. 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 2013 Annual Report on Form 10-K for the fiscal year ended August 31, 2013, filed with the Securities and Exchange Commission (the “SEC”) on October 29, 2013 (“Form 10-K”).
Overview
Company
Acuity Brands, Inc. (“Acuity Brands”) is the parent company of Acuity Brands Lighting, Inc. (“ABL”) and other subsidiaries (Acuity Brands, ABL, and such other subsidiaries are collectively referred to herein as the 'Company”). The Company, with its principal office in Atlanta, Georgia, employs approximately 6,800 people worldwide.
The Company designs, produces, and distributes a broad array of lighting solutions, components, and services for commercial, institutional, industrial, infrastructure, and residential applications for various markets throughout North America and select international markets. The Company's lighting solutions include devices such as luminaires, lighting controls, prismatic skylights, light-emitting diode (“LED”) lamps and drivers, and integrated lighting systems for indoor and outdoor applications utilizing a combination of light sources, including daylight, and other devices controlled by software that monitors and manages light levels while optimizing energy consumption (collectively referred to herein as “lighting solutions”). The Company is one of the world's leading producers and distributors of lighting solutions, with a broad, highly configurable product offering, consisting of a diversified portfolio of lighting, controls, components, and daylighting brands. The Company integrates conventional and advanced solid-state lighting fixtures with digital controls and daylighting products to create greater energy efficiencies and higher quality of light for a broad and diverse customer base. As of May 31, 2014, the Company operates 16 manufacturing facilities and seven distribution facilities along with two warehouses to serve its extensive customer base.
Please refer to the Description of Business and Basis of Presentation footnote of the Notes to Consolidated Financial Statements for more information.
Liquidity and Capital Resources
The Company’s principal sources of liquidity are operating cash flows generated primarily from its business operations, cash on hand, and various sources of borrowings. The ability of the Company to generate sufficient cash flow from operations or to access certain capital markets, including banks, is necessary to fund its operations and capital expenditures, pay dividends, meet its obligations as they become due, and maintain compliance with covenants contained in its financing agreements.
Based on its cash on hand, availability under existing financing arrangements and current projections of cash flow from operations, the Company believes that it will be able to meet its liquidity needs over the next 12 months. Short-term needs are expected to include funding operations as currently planned, making anticipated capital investments, paying quarterly stockholder dividends as currently anticipated, paying principal and interest on borrowings as currently scheduled, making required contributions to its employee benefit plans, funding potential acquisitions, and potentially repurchasing shares of its outstanding common stock as authorized by the Board of Directors (the "Board"). Two million shares of the Company’s common stock are currently authorized and available for repurchase under an existing repurchase program. The Company expects to repurchase these shares on an opportunistic basis. The Company currently expects to invest approximately $45.0 during fiscal 2014 of which $24.8 had been invested as of May 31, 2014, primarily for equipment, tooling, and new and enhanced information technology capabilities. Additionally, management believes that the Company’s cash flows from operations and sources of funding, including, but not limited to, borrowing capacity, will sufficiently support the long-term liquidity needs of the Company.
Cash Flow
The Company uses available cash and cash flow from operations, as well as proceeds from the exercise of stock options, to fund operations and capital expenditures, repurchase common stock of the Company, fund acquisitions, and pay dividends.
The Company’s cash position at May 31, 2014 was $467.3, an increase of $108.2 from August 31, 2013. Cash flow generated from operations, cash generated from stock issued under employee and director compensation plans, and proceeds from the sale

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of assets during the period were used during the first nine months of fiscal 2014 primarily to make capital expenditures of $24.8 and pay dividends to stockholders of $16.9.

The Company generated $128.8 of cash flow from operating activities during the nine months ended May 31, 2014 compared with $67.8 in the prior-year period, an increase of $61.0, due primarily to higher net income and lower variable incentive compensation payments partially offset by an increase in cash used for working capital. The increase in cash used for working capital during the first nine months of fiscal 2014 compared with the first nine months of fiscal 2013 was primarily related to higher accounts receivable and inventory levels in fiscal 2014.

Management believes that investing in assets and programs that will over time increase the overall return on its invested capital is a key factor in driving stockholder value. The Company invested $24.8 and $31.4 in the first nine months of fiscal 2014 and 2013, respectively, primarily related to investments in new tooling, machinery, and information technology. As noted above, the Company expects to invest approximately $45.0 primarily for equipment, tooling, and enhanced information technology capabilities during fiscal 2014.

On March 13, 2013, the Company acquired for cash, including potential additional cash payments that may be paid in future periods under earn-out provisions, all of the ownership interests in eldoLAB Holding B.V. (“eldoLED”), a leading provider of high-performance drivers for LED lighting systems based in Eindhoven, the Netherlands. Potential cash payments related to the earn-out provisions are payable beginning in fiscal 2014 and ending in fiscal 2017 subject to achievement of the earn-out provisions. The operating results of eldoLED have been included in the Company's consolidated financial statements since the date of acquisition and are not material to the Company's financial condition, results of operations, or cash flows.

On December 20, 2012, the Company acquired for cash all of the ownership interests in Adura Technologies ("Adura"), a leading developer of radio frequency (RF) mesh networking technology that allows individual light fixtures to communicate in a wireless mesh network with switches, sensors, and system management software. The operating results of Adura have been included in the Company's consolidated financial statements since the date of acquisition and are not material to the Company's financial condition, results of operations, or cash flows.

Capitalization

The current capital structure of the Company is comprised principally of senior unsecured notes and equity of its stockholders. As of May 31, 2014, total debt outstanding of $353.6 remained substantially unchanged from August 31, 2013 and consisted primarily of fixed-rate obligations.

On January 31, 2012, the Company executed a $250.0 revolving credit facility (the “Revolving Credit Facility”). The Revolving Credit Facility will mature and any and all amounts outstanding will be due and payable on January 31, 2017.

The Company was in compliance with all financial covenants under the Revolving Credit Facility as of May 31, 2014. At May 31, 2014, the Company had additional borrowing capacity under the Revolving Credit Facility of $243.8 under the most restrictive covenant in effect at the time, which represents the full amount of the Revolving Credit Facility less outstanding letters of credit of $6.2 issued under the Revolving Credit Facility. As of May 31, 2014, the Company had outstanding letters of credit totaling $10.4, primarily for securing collateral requirements under the casualty insurance programs for Acuity Brands and providing credit support for the Company’s industrial revenue bond, including $6.2 issued under the Revolving Credit Facility. See the Debt footnote of the Notes to Consolidated Financial Statements.

During the first nine months of fiscal 2014, the Company’s consolidated stockholders’ equity increased $131.3 to $1,124.8 at May 31, 2014 from $993.5 at August 31, 2013. The increase was due primarily to net income earned in the period, as well as amortization of stock-based compensation, stock issuances resulting primarily from the exercise of stock options, and amortization of pension plan prior service costs and actuarial losses partially offset by dividend payments. The Company’s debt to total capitalization ratio (calculated by dividing total debt by the sum of total debt and total stockholders’ equity) was 23.9% and 26.2% at May 31, 2014 and August 31, 2013, respectively. The ratio of debt, net of cash, to total capitalization, net of cash, was (11.2)% at May 31, 2014 and (0.6)% at August 31, 2013.

Dividends

Acuity Brands paid dividends on its common stock of $16.9 ($0.39 per share) during the nine months ended May 31, 2014 compared with $16.8 ($0.39 per share) during the nine months ended May 31, 2013. All decisions regarding the declaration and payment of dividends by Acuity Brands are at the discretion of the Board and are evaluated regularly in light of the Company’s financial condition, earnings, growth prospects, funding requirements, applicable law, and any other factors the Board deems relevant.

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Results of Operations

Third Quarter of Fiscal 2014 Compared with Third Quarter of Fiscal 2013

The following table sets forth information comparing the components of net income for the three months ended May 31, 2014 and 2013:

	Three Months Ended			
	May 31, 2014	May 31, 2013	Increase (Decrease)	Percent Change
Net Sales	$603.9	$541.5	$62.4	11.5 %
Cost of Products Sold	360.5	320.4	40.1	12.5 %
Gross Profit	243.4	221.1	22.3	10.1 %
Percent of net sales	40.3 %	40.8 %	(50) bps	
Selling, Distribution, and Administrative Expenses	170.8	163.9	6.9	4.2 %
Special Charge	—	7.2	(7.2)	(100.0)%
Operating Profit	72.6	50.0	22.6	45.2 %
Percent of net sales	12.0 %	9.2 %	280 bps	
Other Expense (Income)				
Interest Expense, net	8.1	7.8	0.3	3.8 %
Miscellaneous Income, net	(0.1)	(3.0)	2.9	(96.7)%
Total Other Expense	8.0	4.8	3.2	66.7 %
Income before Provision for Income Taxes	64.6	45.2	19.4	42.9 %
Percent of net sales	10.7 %	8.3 %	240 bps	
Provision for Taxes	20.8	13.5	7.3	54.1 %
Effective tax rate	32.2 %	29.9 %		
Net Income	$43.8	$31.7	$12.1	38.2 %
Diluted Earnings per Share	$1.01	$0.73	$0.28	38.4 %

Net sales were $603.9 for the three months ended May 31, 2014 compared with $541.5 reported for the three months ended May 31, 2013, an increase of $62.4, or 11.5%. For the three months ended May 31, 2014, the Company reported net income of $43.8, an increase of $12.1, or 38.2%, compared with $31.7 for the three months ended May 31, 2013. For the third quarter of fiscal 2014, diluted earnings per share increased to $1.01 compared with $0.73 reported in the year-ago period.

The table below reconciles certain U.S. GAAP financial measures to the corresponding non-U.S. GAAP measures referred to in the discussion of the Company's results of operations, which exclude incremental costs and recoveries associated with a fraud at a freight service provider, special charges associated primarily with continued efforts to streamline the organization, and other costs associated with temporary manufacturing inefficiencies. Although special charges related to other efforts to improve overall Company efficiency have been recognized in prior periods and could recur in future periods, management typically excludes the impact of special charges during internal reviews of performance and uses these non-U.S. GAAP measures for baseline comparative operational analysis, decision making, and other activities. These non-U.S. GAAP financial measures, including adjusted gross profit and margin, adjusted selling, distribution, and administrative expenses and percent of sales, adjusted operating profit and margin, adjusted net income, and adjusted diluted earnings per share are provided to enhance the user's overall understanding of the Company's current financial performance. Specifically, the Company believes these non-U.S. GAAP measures provide greater comparability and enhanced visibility into the results of operations, excluding the impact of special charges and certain other expenses. The non-U.S. GAAP financial measures should be considered in addition to, and not as a substitute for or superior to, results prepared in accordance with U.S. GAAP.

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	Three Months Ended			
	May 31, 2014	May 31, 2013	Increase (Decrease)	Percent Change
Gross Profit	$243.4	$221.1		
Add-back: Manufacturing inefficiencies	—	0.8		
Adjusted Gross Profit	$243.4	$221.9	$21.5	9.7 %
Percent of net sales	40.3 %	41.0 %	(70) bps	
Selling, Distribution, and Administrative Expenses	$170.8	$163.9		
Less: Freight service provider fraud-related expense	—	(8.1)		
Add-back: Freight service provider fraud-related recovery	0.8	—		
Adjusted Selling, Distribution and Administrative Expenses	$171.6	$155.8	$15.8	10.1 %
Percent of net sales	28.4 %	28.8 %	(40) bps	
Operating Profit	$72.6	$50.0		
Add-back: Manufacturing inefficiencies	—	0.8		
Add-back: Freight service provider fraud-related expense	—	8.1		
Less: Freight service provider fraud-related recovery	(0.8)	—		
Add-back: Special charge	—	7.2		
Adjusted Operating Profit	$71.8	$66.1	$5.7	8.6 %
Percent of net sales	11.9 %	12.2 %	(30) bps	
Net Income	$43.8	$31.7		
Add-back: Manufacturing inefficiencies, net of tax	—	0.5		
Add-back: Freight service provider fraud-related expense, net of tax	—	5.0		
Less: Freight service provider fraud-related recovery, net of tax	(0.5)	—		
Add-back: Special charge, net of tax	—	4.7		
Adjusted Net Income	$43.3	$41.9	$1.4	3.3 %
Diluted Earnings per Share	$1.01	$0.73		
Add-back: Manufacturing inefficiencies, net of tax	—	0.01		
Add-back: Freight service provider fraud-related expense, net of tax	—	0.12		
Less: Freight service provider fraud-related recovery, net of tax	(0.01)	—		
Add-back: Special charge, net of tax	—	0.11		
Adjusted Diluted Earnings per Share	$1.00	$0.97	$0.03	3.1 %

Net Sales

Net sales for the three months ended May 31, 2014 increased 11.5% compared with the prior-year period due primarily to an approximate 13% increase in sales volume partially offset by unfavorable changes in product prices and the mix of products sold ("price/mix") of 1% and the unfavorable impact of foreign currency rate changes of 0.5%. Sales volume was higher across most product categories and key sales channels. In addition, the Company realized greater demand for LED-based luminaires in the current quarter as sales of these products nearly doubled compared to the year-ago period and represented more than 33% of total net sales. Because of the changing dynamics of the Company's product portfolio, including the increase of integrated lighting solutions as well as the proliferation of new products due to the adoption of solid-state lighting, it is not possible to precisely quantify volume nor precisely differentiate the individual components of price/mix.

Gross Profit

Gross profit for the third quarter of fiscal 2014 increased $22.3, or 10.1%, to $243.4 compared with $221.1 in the prior-year period. Gross profit margin decreased to 40.3% for the three months ended May 31, 2014 compared with 40.8% in the prior-year period. Gross profit margin was negatively impacted by approximately 70 basis points from a combination of $2.1 due to increased product warranty and related costs primarily related to certain incandescent emergency light fixtures and $2.1 due to net unfavorable changes in foreign currency rates. In addition, gross profit margin was negatively impacted by unfavorable price/mix and certain inefficiencies associated with ramping up the Company's electronic component production capabilities. These higher costs were partially offset by the favorable impact of increased net sales volume.

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Third quarter fiscal 2014 gross profit of $243.4 increased $21.5, or 9.7%, compared to adjusted gross profit (excluding the impact of temporary manufacturing inefficiencies directly attributable to the Cochran facility closure) for the year-ago period of $221.9. Gross profit margin decreased 70 basis points to 40.3% for the three months ended May 31, 2014 compared with adjusted gross profit margin of 41.0% in the prior-year period, which excludes the impact of the temporary manufacturing inefficiencies.

Operating Profit

Selling, Distribution, and Administrative ("SD&A") expenses for the three months ended May 31, 2014 were $170.8 compared with $163.9 in the prior-year period, an increase of $6.9, or 4.2%. The increase in SD&A expenses was due primarily to higher costs to support the greater sales volume, including freight and commissions, and higher employee-related costs, including variable incentive compensation costs. SD&A expenses for the third quarter of fiscal 2014 were 28.3% of net sales compared with 30.3% for the prior-year period.

Adjusted SD&A expenses (excluding the impact of recoveries and costs associated with the fraud at a freight service provider) for the three months ended May 31, 2014 were $171.6 (28.4% of net sales) compared with $155.8 (28.8% of net sales) in the prior-year period. Further details regarding the fraud at a freight service provider and the related costs and recoveries are included in the Commitment and Contingencies footnote of the Notes to Consolidated Financial Statements.

Operating profit for the third quarter of fiscal 2014 was $72.6 compared with $50.0 for the prior-year period, an increase of $22.6, or 45.2%. The increase in operating profit was due primarily to the favorable impact of higher net sales. In addition, the special charges of $7.2 recorded in the third quarter of fiscal 2013 did not recur in fiscal 2014. These improvements were partially offset by higher costs to support greater sales volume, higher employee-related costs, increased product warranty and related costs, net unfavorable changes in foreign currency rates, and unfavorable price/mix.

Adjusted operating profit (excluding the impact of recoveries associated with the fraud at a freight service provider) increased by $5.7, or 8.6%, to $71.8 for the third quarter of fiscal 2014 compared with $66.1 (excluding the impact of incremental costs associated with the fraud at a freight service provider, special charges, and temporary manufacturing inefficiencies directly attributable to the Cochran facility closure) for the third quarter of fiscal 2013. Adjusted operating profit margin (excluding the impact of recoveries associated with the fraud at a freight service provider) decreased 30 basis points to 11.9% for the third quarter of fiscal 2014 compared with adjusted operating profit margin (excluding the impact of incremental costs associated with the fraud at a freight service provider, special charges, and temporary manufacturing inefficiencies directly attributable to the Cochran facility closure) of 12.2% in the year-ago period.

Other Expense (Income)

Other expense (income) consists principally of net interest expense and net miscellaneous income, which is comprised primarily of gains and losses associated with foreign currency-related transactions. Interest expense, net, increased slightly to $8.1 for the three months ended May 31, 2014 compared with $7.8 for the three months ended May 31, 2013. Higher interest expense was due primarily to increased interest expense related to obligations associated with non-qualified retirement plans and lower interest income. The Company reported net miscellaneous income of $0.1 and $3.0 in the third quarter of fiscal 2014 and 2013, respectively.

Provision for Income Taxes and Net Income

The Company's effective income tax rate was 32.2% and 29.9% for the three months ended May 31, 2014 and 2013, respectively. In both periods, the effective tax rate was favorably impacted by a reduction of certain income tax reserves. The Company estimates that the effective tax rate for fiscal 2014 will be approximately 35.5% before any discrete items and if the rates in its taxing jurisdictions remain generally consistent throughout the year.

Net income for the third quarter of fiscal 2014 increased $12.1 to $43.8 from $31.7 reported for the prior-year period. The increase in net income resulted primarily from higher operating profit partially offset by higher other expense and a higher provision for income taxes. Diluted earnings per share for the three months ended May 31, 2014 increased $0.28 to $1.01 compared with diluted earnings per share of $0.73 for the prior-year period.

Adjusted net income (excluding the impact of recoveries associated with the fraud at a freight service provider) for the third quarter of fiscal 2014 was $43.3 compared with $41.9 of adjusted net income (excluding the impact of incremental costs associated with the fraud at a freight service provider, special charges, and temporary manufacturing inefficiencies directly attributable to the Cochran facility closure) in the prior-year period, which represented an increase of $1.4, or 3.3%. Adjusted diluted earnings per share (excluding the impact of recoveries associated with the fraud at a freight service provider) for the three months ended May 31, 2014 increased $0.03, or 3.1%, to $1.00 compared with adjusted diluted earnings per share (excluding the impact of incremental costs associated with the fraud at a freight service provider, special charges, and temporary manufacturing inefficiencies directly attributable to the Cochran facility closure) of $0.97 for the prior-year period.

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First Nine Months of Fiscal 2014 Compared with First Nine Months of Fiscal 2013

The following table sets forth information comparing the components of net income for the nine months ended May 31, 2014 and 2013:

	Nine Months Ended			
	May 31, 2014	May 31, 2013	Increase (Decrease)	Percent Change
Net Sales	$1,724.8	$1,509.3	$215.5	14.3%
Cost of Products Sold	1,029.1	909.0	120.1	13.2%
Gross Profit	695.7	600.3	95.4	15.9%
Percent of net sales	40.3%	39.8%	50 bps	
Selling, Distribution, and Administrative Expenses	487.5	448.8	38.7	8.6%
Special Charge	(0.2)	8.2	(8.4)	(102.4)%
Operating Profit	208.4	143.3	65.1	45.4%
Percent of net sales	12.1%	9.5%	260 bps	
Other Expense (Income)				
Interest Expense, net	24.1	23.3	0.8	3.4%
Miscellaneous Expense (Income), net	0.6	(2.8)	3.4	(121.4)%
Total Other Expense	24.7	20.5	4.2	20.5%
Income before Provision for Income Taxes	183.7	122.8	60.9	49.6%
Percent of net sales	10.7%	8.1%	260 bps	
Provision for Taxes	62.7	40.3	22.4	55.6%
Effective tax rate	34.1%	32.8%		
Net Income	$121.0	$82.5	$38.5	46.7%
Diluted Earnings per Share	$2.79	$1.91	$0.88	46.1%

Net sales were $1,724.8 for the nine months ended May 31, 2014 compared with $1,509.3 reported for the nine months ended May 31, 2013, an increase of $215.5, or 14.3%. For the nine months ended May 31, 2014, the Company reported net income of $121.0, an increase of $38.5, or 46.7%, compared with $82.5 for the nine months ended May 31, 2013. For the first nine months of fiscal 2014, diluted earnings per share increased to $2.79 compared with $1.91 reported in the year-ago period.

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The table below reconciles certain U.S. GAAP financial measures to the corresponding non-U.S. GAAP measures referred to in the discussion of the Company's results of operations, which exclude incremental costs and recoveries related to a fraud at a freight service provider, special charges associated primarily with continued efforts to streamline the organization, and other costs associated with temporary manufacturing inefficiencies.

	Nine Months Ended			
	May 31, 2014	May 31, 2013	Increase (Decrease)	Percent Change
Gross Profit	$695.7	$600.3		
Add-back: Manufacturing inefficiencies	—	8.4		
Adjusted Gross Profit	$695.7	$608.7	$87.0	14.3 %
Percent of net sales	40.3 %	40.3 %	—	bps
Selling, Distribution, and Administrative Expenses	$487.5	$448.8		
Less: Freight service provider fraud-related expense	—	(8.1)		
Add-back: Freight service provider fraud-related recovery	5.8	—		
Adjusted Selling, Distribution and Administrative Expenses	$493.3	$440.7	$52.6	11.9 %
Percent of net sales	28.6 %	29.2 %	(60)	bps
Operating Profit	$208.4	$143.3		
Add-back: Manufacturing inefficiencies	—	8.4		
Add-back: Freight service provider fraud-related expense	—	8.1		
Less: Freight service provider fraud-related recovery	(5.8)	—		
Add-back: Special charge	(0.2)	8.2		
Adjusted Operating Profit	$202.4	$168.0	$34.4	20.5 %
Percent of net sales	11.7 %	11.1 %	60	bps
Net Income	$121.0	$82.5		
Add-back: Manufacturing inefficiencies, net of tax	—	5.2		
Add-back: Freight service provider fraud-related expense, net of tax	—	5.0		
Less: Freight service provider fraud-related recovery, net of tax	(3.6)	—		
Add-back: Special charge, net of tax	(0.1)	5.3		
Adjusted Net Income	$117.3	$98.0	$19.3	19.7 %
Diluted Earnings per Share	$2.79	$1.91		
Add-back: Manufacturing inefficiencies, net of tax	—	0.12		
Add-back: Freight service provider fraud-related expense, net of tax	—	0.12		
Less: Freight service provider fraud-related recovery, net of tax	(0.08)	—		
Add-back: Special charge, net of tax	—	0.12		
Adjusted Diluted Earnings per Share	$2.71	$2.27	$0.44	19.4 %

Net Sales

Net sales for the nine months ended May 31, 2014 increased 14.3% compared with the prior-year period due primarily to an increase in sales volume, which was partially offset by the impact of an unfavorable change of approximately 1% in price/mix. The impact on net sales from acquisitions and changes in foreign currency rates was not material. Sales volume was higher across most product categories and key sales channels. In addition, the Company realized greater demand for LED-based luminaires during the first nine months of fiscal 2014 as sales of these products more than doubled compared to the year-ago period and represented more than 30% of total net sales. The Company estimates the unfavorable price/mix during the first nine months of fiscal 2014 was influenced by a reduction in the sales price of certain LED luminaires reflecting the continued decline in the cost of purchased LED components.

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Gross Profit

Gross profit for the first nine months of fiscal 2014 increased $95.4, or 15.9%, to $695.7 compared with $600.3 in the prior-year period. Gross profit margin increased to 40.3% for the nine months ended May 31, 2014 compared with 39.8% in the prior-year period. The increase in gross profit margin was due largely to the favorable impact of increased net sales volume, lower material and component costs, and improved manufacturing productivity due, in part, to the elimination of $8.4 of temporary manufacturing inefficiencies incurred during the nine months ended May 31, 2013 directly attributable to the closure of the Company's Cochran facility. These improvements were partially offset by unfavorable price/mix, increased product warranty and related costs, and net unfavorable changes in foreign currency rates.

Gross profit for the first nine months of fiscal 2014 of $695.7 increased $87.0, or 14.3%, compared to adjusted gross profit (excluding the impact of temporary manufacturing inefficiencies directly attributable to the Cochran facility closure) for the year-ago period of $608.7. Adjusted gross profit margin (excluding the impact of the temporary manufacturing inefficiencies in the prior year) was 40.3% for both nine-month periods ended May 31, 2014 and 2013.

Operating Profit

SD&A expenses for the nine months ended May 31, 2014 were $487.5 compared with $448.8 in the prior-year period, an increase of $38.7, or 8.6%. The increase in SD&A expenses was due primarily to higher costs to support the greater sales volume, including freight and commissions, higher employee-related costs, including variable incentive compensation costs, and greater spending on activities to enhance sales, service, and customer support capabilities. These expenses were partially offset by recoveries of $5.8 associated with the fraud at a freight service provider. Further details regarding the fraud at a freight service provider and the related costs and recoveries are included in the Commitment and Contingencies footnote of the Notes to Consolidated Financial Statements. SD&A expenses for the first nine months of fiscal 2014 were 28.3% of net sales compared with 29.7% for the prior-year period. Adjusted SD&A expenses (excluding the impact of the incremental costs and recoveries associated with the fraud at a freight service provider) for the first nine months of fiscal 2014 were $493.3, or 28.6% of net sales, which was 60 basis points lower than the prior year period.

The Company recognized a reversal of pre-tax special charges of $0.2 during the first nine months of fiscal 2014, due to lower-than-anticipated costs related to previously-initiated streamlining efforts of $0.6 partially offset by production transfer costs of $0.4. During the first nine months of fiscal 2013, the Company recorded a net pre-tax special charge of $8.2 related primarily to streamlining activities initiated during the third quarter of fiscal 2013 associated with a reduction in various selling, distribution, and administrative positions and the closure of certain small production facilities as well as production transfer costs associated with the closure of the Cochran facility. Further details regarding the Company's special charges are included in the Special Charge footnote of the Notes to Consolidated Financial Statements.

Operating profit for the first nine months of fiscal 2014 was $208.4 compared with $143.3 for the prior-year period, an increase of $65.1, or 45.4%. The increase in operating profit for the first nine months of fiscal 2014 compared with the first nine months of fiscal 2013 was due primarily to the favorable impact of higher net sales, lower material and component costs, improved manufacturing productivity, lower special charges, and the recoveries associated with the fraud at a freight service provider. These improvements were partially offset by higher costs to support greater sales volume, higher employee-related costs, increased product warranty and related costs, net unfavorable changes in foreign currency rates, and unfavorable price/mix.

Adjusted operating profit (excluding the impact of recoveries associated with the fraud at a freight service provider and special charges) increased by $34.4, or 20.5%, to $202.4 for the first nine months of fiscal 2014 compared with $168.0 (excluding the impact of incremental costs associated with the fraud at a freight service provider, special charges, and temporary manufacturing inefficiencies directly attributable to the Cochran facility closure) for the first nine months of fiscal 2013. Adjusted operating profit margin for the first nine months of fiscal 2014 (excluding the impact of recoveries associated with the fraud at a freight service provider and special charges) increased 60 basis points to 11.7% compared with adjusted operating profit margin (excluding the impact of incremental costs associated with the fraud at a freight service provider, special charges, and temporary manufacturing inefficiencies directly attributable to the Cochran facility closure) of 11.1% in the year-ago period.

Other Expense (Income)

Other expense (income) consists principally of net interest expense and net miscellaneous expense (income), which is comprised primarily of gains and losses associated with foreign currency-related transactions. Interest expense, net, increased to $24.1 for the nine months ended May 31, 2014 compared with $23.3 for the nine months ended May 31, 2013. Higher interest expense was due primarily to increased interest expense related to obligations associated with non-qualified retirement plans and lower interest income. The Company reported net miscellaneous expense of $0.6 in the first nine months of fiscal 2014 compared to net miscellaneous income of $2.8 in the prior-year period.

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Provision for Income Taxes and Net Income

The Company’s effective income tax rate was 34.1% and 32.8% for the nine months ended May 31, 2014 and 2013, respectively.

Net income for the first nine months of fiscal 2014 increased $38.5 to $121.0 from $82.5 reported for the prior-year period. The increase in net income resulted primarily from higher operating profit partially offset by higher other expense and a higher provision for income taxes. Diluted earnings per share for the nine months ended May 31, 2014 increased $0.88 to $2.79 compared with diluted earnings per share of $1.91 for the prior-year period. Adjusted net income (excluding the impact of recoveries associated with the fraud at a freight service provider and special charges) for the first nine months of fiscal 2014 was $117.3 compared with $98.0 of adjusted net income (excluding the impact of incremental costs associated with the fraud at a freight service provider, special charges, and temporary manufacturing inefficiencies directly attributable to the Cochran facility closure) in the prior-year period, which represented an increase of $19.3, or 19.7%. Adjusted diluted earnings per share (excluding the impact of recoveries associated with the fraud at a freight service provider) for the nine months ended May 31, 2014 increased $0.44, or 19.4%, to $2.71 compared with adjusted diluted earnings per share (excluding the impact of incremental costs associated with the fraud at a freight service provider, special charges, and temporary manufacturing inefficiencies directly attributable to the Cochran facility closure) of $2.27 for the prior-year period.

Outlook

Management believes that the execution of the Company's strategy will provide opportunities for continued future profitable growth. The Company's strategy is to capitalize on market growth opportunities by continuing to expand and leverage its industry-leading product and solutions portfolio combined with its extensive market presence and financial strength. Management continues to position the Company to optimize short-term performance while investing in and deploying resources for long-term profitable growth opportunities.

The growth rate for the North American lighting market, which typically benefits from new construction as well as renovation and retrofit activity, is projected to be in the mid-to-upper single digit range for the remainder of calendar 2014 with continued gradual improvement over the next several years. While management still expects to see some volatility in demand among certain sales channels and geographies, management's expectation for the remainder of fiscal 2014 is that overall demand in the Company's end markets will continue to improve and be more consistent and broad-based. Management currently believes that the Company will benefit from continued renovation and tenant improvement projects, further expansion in underpenetrated geographies and channels, and growth from the introduction of new products and lighting solutions.

Additionally, the lighting industry continues to experience some volatility with respect to input costs. While some commodity costs have waned recently, others continue to rise. As the economy improves, management believes there is the potential for rising input costs. While management expects employee-related costs will continue to rise due to wage inflation and rising health care costs, management will continue to be vigilant in its pricing posture and productivity efforts to help offset rising costs. Further, the Company plans to accelerate its investment and production capabilities in electronic components for LED lighting solutions. Management expects inefficiencies resulting from this ramp up to continue to negatively impact gross profit margins over the next few quarters. Management remains optimistic about the opportunities for solid profitable growth for the fourth quarter of 2014 and the foreseeable future and expects that the Company will be able to outperform the markets it serves while delivering performance more consistent with management's long-term financial objectives.

From a longer term perspective, management expects that its addressable markets will experience solid growth over the next decade, particularly as energy and environmental concerns come to the forefront. Management remains positive about the future prospects of the Company and its ability to continue to outperform the markets it serves.

Critical Accounting Estimates

Management’s Discussion and Analysis of Financial Condition and Results of Operations addresses the financial condition and results of operations as reflected in the Company’s Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. As discussed in the Description of Business and Basis of Presentation footnote of the Notes to Consolidated Financial Statements, the preparation of financial statements in conformity with U.S. GAAP 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 revenue recognition; accounts receivable; inventory valuation; depreciation, amortization and the recoverability of long-lived assets, including goodwill and intangible assets; share-based compensation expense; medical, product warranty, and other reserves; income taxes; retirement benefits;

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litigation; and environmental matters. Management bases its estimates and judgments on its substantial historical experience and other relevant factors, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Management discusses the development of accounting estimates with the Company’s Audit Committee.

There have been no material changes in the Company’s critical accounting estimates during the current period. For a detailed discussion of significant accounting policies that may involve a higher degree of judgment, please refer to the Company’s Form 10-K.

Cautionary Statement Regarding Forward-Looking Information

This filing contains forward-looking statements within the meaning of the federal securities laws. Statements made herein that may be considered forward-looking include statements incorporating terms such as “expects”, “believes”, “intends”, “anticipates” and similar terms that relate to future events, performance, or results of the Company. In addition, the Company, or the executive officers on the Company’s behalf, may from time to time make forward-looking statements in reports and other documents the Company files with the SEC or in connection with oral statements made to the press, current and potential investors, or others. Forward-looking statements include, without limitation: (a) the Company’s projections regarding financial performance, liquidity, capital structure, and capital expenditures; (b) expectations about the impact of volatility and uncertainty in general economic conditions; (c) external forecasts projecting industry growth rates; (d) expectations about the impact of volatility and uncertainty in component, commodity and input costs as well as employee-related and healthcare costs, and the Company’s ability to manage those challenges; (e) the Company’s ability to execute and realize benefits from capitalizing on growth opportunities, expanding in key markets, enhancing service to the customer, and investing in product innovation; (f) the Company’s estimate of its fiscal 2014 annual tax rate; (g) the Company's estimate of losses related to the fraud at a freight service provider or future product warranty and other related claims; (i) the Company’s future amortization expense; (j) the Company’s ability to achieve its long-term financial goals and measures; (k) the Company's future investment in production capabilities for electronic components for LED lighting solutions; and (l) the Company's expectations regarding future economic growth and its ability to outperform the markets it serves. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this quarterly report. Except as required by law, the Company undertakes no obligation to publicly update or release any revisions to these forward-looking statements to reflect any events or circumstances after the date of this quarterly report or to reflect the occurrence of unanticipated events. The Company’s forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the historical experience of the Company and management’s present expectations or projections. These risks and uncertainties include, but are not limited to, customer and supplier relationships and prices; competition; ability to realize anticipated benefits from initiatives taken and timing of benefits; market demand; litigation and other contingent liabilities; market conditions; and economic, political, governmental, and technological factors affecting the Company. Also, additional risks that could cause the Company’s actual results to differ materially from those expressed in the Company’s forward-looking statements are discussed in Part I, “Item 1a. Risk Factors” of the Company’s Form 10-K, and are specifically incorporated herein by reference.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

General. The Company is exposed to market risks that may impact its Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income, and Consolidated Statements of Cash Flows due primarily to fluctuations in interest rates, foreign exchange rates, and commodity prices. There have been no material changes to the Company’s exposure from market risks from those disclosed in Part II, Item 7a of the Company’s Form 10-K.

Item 4. Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to reasonably ensure that information required to be disclosed in the reports filed or submitted by the Company under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to reasonably ensure that information required to be disclosed by the Company in the reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

As required by SEC rules, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of May 31, 2014. 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

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as of May 31, 2014. However, because all disclosure procedures must rely to a significant degree on actions or decisions made by employees throughout the organization, such as reporting of material events, the Company and its reporting officers believe that they cannot provide absolute assurance that all control issues and instances of fraud or errors and omissions, if any, within the Company will be detected. Limitations within any control system, including the Company's control system, include faulty judgments in decision-making or simple errors or mistakes. In addition, controls can be circumvented by an individual, by collusion between two or more people, or by management override of the control. Because of these limitations, misstatements due to error or fraud may occur and may not be detected.

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

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

As reported in prior periods, on March 25, 2013, a freight payment and audit service provider, Trendset, Inc. (“Trendset”), provided notice to its customers that all freight payment services would immediately cease as a result of fraud at Trendset. Management believes that the Company incurred a loss primarily related to funds disbursed by the Company to Trendset that were not subsequently remitted to freight carriers that provided services on behalf of the Company and additional costs related to recovery efforts. Based on available information, management estimated that the Company's loss was approximately $8.1 which was previously included in Selling, Distribution, and Administrative Expenses in the Consolidated Statements of Comprehensive Income during fiscal 2013.

During fiscal 2014, the Company received $5.8 in recovery payments related to this loss, consisting primarily of payments under an insurance policy maintained by the Company. These recoveries are included as an offset to expense in Selling, Distribution and Administrative Expenses in the Consolidated Statements of Comprehensive Income and cover a portion of, but not the entirety of, the Company’s loss related to this matter. The Company is evaluating other potential actions to recover the remainder of its loss through multiple sources including, but not limited to, claims against Trendset and claims against certain parties affiliated with Trendset. Numerous other Trendset customers are also pursuing claims against Trendset for their losses, and several with significant losses filed an involuntary petition commencing a bankruptcy proceeding against Trendset under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code"). Based on available information, management cannot estimate the likelihood, amount or timing of any further potential recovery. Any future recovery would be recorded when realized. The Company may incur additional costs in future periods as a result of these recovery activities. It is the opinion of management that any such future costs, though not currently estimable, will not have a material adverse effect on the financial condition or results of operations of Acuity Brands. Additionally, the Company believes that the Trustee in the Trendset bankruptcy action may attempt, through preference or other actions under the Bankruptcy Code, to recover from the Company or its freight carriers amounts paid by Trendset to the Company’s freight carriers during the period prior to Trendset’s bankruptcy proceeding. The Company believes that such actions to recover funds from the Company or its freight carriers would be inappropriate and would ultimately be unsuccessful. The Company believes that no such loss is probable. The Company further believes that, even if successful, such actions would be unlikely to have a material adverse effect on the Company.

Information regarding reportable legal proceedings is contained in Part I, “Item 3. Legal Proceedings” in the Company’s Form 10-K. Information set forth in this report’s Commitments and Contingencies footnote of the Notes to Consolidated Financial Statements describes any legal proceedings that became reportable during the quarter ended May 31, 2014, and updates any descriptions of previously reported legal proceedings in which there have been material developments during such quarter. The discussion of legal proceedings included within the Commitments and Contingencies footnote of the Notes to Consolidated Financial Statements is incorporated into this Item 1 by reference.

Item 1a. Risk Factors

There have been no material changes in the Company’s risk factors from those disclosed in Part I, “Item 1a. Risk Factors” of the Company’s Form 10-K.

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Item 5. Other Information

Declaration of Dividend

On June 27, 2014, the Board of Directors of the Company declared a quarterly dividend of $0.13 per share. The dividend is payable on August 1, 2014 to stockholders of record on July 18, 2014.

Item 6. Exhibits
Exhibits are listed on the Index to Exhibits.

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SIGNATURES

Pursuant to the requirements 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: July 1, 2014	By:	/S/ VERNON J. NAGEL VERNON J. NAGEL CHAIRMAN, PRESIDENT, AND CHIEF EXECUTIVE OFFICER
Date: July 1, 2014	By:	/S/ RICHARD K. REECE RICHARD K. REECE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER (Principal Financial and Accounting Officer)

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INDEX TO EXHIBITS

EXHIBIT 3	(a)	Restated Certificate of Incorporation of Acuity Brands, Inc. (formerly Acuity Brands Holdings, Inc.), dated as of September 26, 2007.	Reference is made to Exhibit 3.1 of registrant’s Form 8-K as filed with the Commission on September 26, 2007, which is incorporated herein by reference.
	(b)	Certificate of Amendment of Acuity Brands, Inc. (formerly Acuity Brands Holdings, Inc.), dated as of September 26, 2007.	Reference is made to Exhibit 3.2 of registrant’s Form 8-K as filed with the Commission on September 26, 2007, which is incorporated herein by reference.
	(c)	Amended and Restated Bylaws of Acuity Brands, Inc., dated as of September 30, 2011.	Reference is made to Exhibit 3.1 of registrant’s Form 8-K as filed with the Commission on October 5, 2011, which is incorporated herein by reference.
EXHIBIT 31	(a)	Certification of the Chief Executive Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed with the Commission as part of this Form 10-Q.
	(b)	Certification of the Chief Financial Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed with the Commission as part of this Form 10-Q.
EXHIBIT 32	(a)	Certification of the Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed with the Commission as part of this Form 10-Q.
	(b)	Certification of the Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed with the Commission as part of this Form 10-Q.
EXHIBIT 101		The following financial information from the Company’s Quarterly Report on Form 10-Q for the quarter ended November 30, 2013, filed on January 9, 2014, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Cash Flows, and (iv) the Notes to Consolidated Financial Statements.	Filed with the Commission as part of this Form 10-Q.