

Allegion US Holding Co Inc.
Form S-4
June 13, 2014
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As filed with the Securities and Exchange Commission on June 13, 2014

Registration No. 333-

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

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ALLEGION US HOLDING COMPANY INC.
(Exact name of registrant as specified in its charter)
SEE TABLE OF ADDITIONAL REGISTRANTS

Delaware
(State or Other Jurisdiction of

N/A
(Primary Standard Industrial

35-2483885
(I.R.S. Employer

Incorporation or Organization) **Classification Code Number)** **Identification No.)**
11819 N. Pennsylvania St.

Carmel, IN 46032

(317) 810-3700

(Address, including zip code, and telephone number, including area code, of registrants principal executive offices)

S. Wade Sheek

Deputy General Counsel and Secretary

11819 N. Pennsylvania St.

Carmel, IN 46032

(317) 810-3700

(Name, address and telephone number of agent for service)

With a copy to

Joshua Ford Bonnie

Simpson Thacher & Bartlett LLP

425 Lexington Avenue

New York, New York 10017-3954

(212) 455-2000

Approximate date of commencement of proposed exchange offer: As soon as practicable after this Registration Statement is declared effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, please check the following box. "

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If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of large accelerated filer, accelerated filer and small reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer " Accelerated filer "

Non-accelerated filer (Do not check if a smaller reporting company) Small reporting company "

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issue Tender Offer) "

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) "

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Note	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
5.75% Senior Notes due 2021	\$300,000,000	100%	\$300,000,000	\$38,640
Guarantees of 5.75% Senior Notes due 2021(2)	N/A	N/A	N/A	N/A(3)

(1) Estimated solely for the purpose of calculating the registration fee under Rule 457(1) of the Securities Act of 1933, as amended (the Securities Act).

(2) See inside facing page for additional registrant guarantors.

(3) Pursuant to Rule 457(n) under the Securities Act, no separate filing fee is required for the guarantees.

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay

its effective date until the registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.

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Exact Name of Registrant as Specified in its Charter	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification Number	Address, Including Zip Code and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices
Allegion plc	Ireland	98-1108930	Block D Iveagh Court Harcourt Road Dublin 2, Ireland +(353) (1) 2546200
Schlage Lock Company LLC	Delaware	54-2139412	11819 N. Pennsylvania St. Carmel, IN 46032 (317) 810-3700
Von Duprin LLC	Indiana	35-1103470	11819 N. Pennsylvania St. Carmel, IN 46032 (317) 810-3700

¹ Allegion plc directly or indirectly owns 100% of Allegion US Holding Company Inc. and the other Additional Registrant Guarantors. Each guarantee of the senior notes registered hereunder will be full and unconditional and joint and several.

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The information in this prospectus is not complete and may be changed. We may not sell the securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated June 13, 2014

PRELIMINARY PROSPECTUS

Allegion US Holding Company Inc.

Offer to Exchange

\$300,000,000 principal amount of Allegion US Holding Company Inc. (the Issuer) 5.75% Senior Notes due 2021 which have been registered under the Securities Act of 1933, as amended (the Securities Act), for any and all of its outstanding 5.75% Senior Notes due 2021 that were issued on October 4, 2013.

The exchange notes will be fully and unconditionally and jointly and severally guaranteed on a senior unsecured basis by Allegion plc (Allegion plc or Parent), the parent of the Issuer, and by certain of Parent's domestic subsidiaries that are or become guarantors or borrowers under the Issuer's senior secured credit facilities or that guarantee certain other debt of the Issuer or a guarantor, as further described herein.

We are conducting the exchange offer in order to provide you with an opportunity to exchange your unregistered eligible notes for freely tradeable notes that have been registered under the Securities Act.

The Exchange Offer

We will exchange all eligible notes that are validly tendered and not validly withdrawn for an equal principal amount of exchange notes that are freely tradable.

You may withdraw tenders of eligible notes at any time prior to the close of business, New York City time, on the last business day on which the exchange offer remains open.

The exchange offer expires at the end of the day, 12:00 a.m. midnight, New York City time, on , 2014, unless extended.

The exchange of eligible notes for exchange notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes.

The terms of the exchange notes to be issued in the exchange offer are substantially identical to the eligible notes, except that the exchange notes will be freely tradeable.

Results of the Exchange Offer

The exchange notes may be sold in the over-the-counter market, in negotiated transactions or through a combination of such methods. We do not plan to list the exchange notes on a national market.

All untendered eligible notes will continue to be subject to the restrictions on transfer set forth in the eligible notes and in the indenture. In general, the eligible notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offer, we do not currently anticipate that we will register the eligible notes under the Securities Act.

See Risk Factors beginning on page 20 for a discussion of certain risks that you should consider before participating in the exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the exchange notes to be distributed in the exchange offer or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for eligible notes where such eligible notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that, for a period of 180 days after the Expiration Date (as defined herein), it will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

The date of this prospectus is _____, 2014.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. The prospectus may be used only for the purposes for which it has been published and no person has been authorized to give any information not contained herein. If you receive any other information, you should not rely on it. We are not, and the initial purchasers of the eligible notes are not, making an offer of these securities in any state where the offer is not permitted.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus, other than purely historical information, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally are identified by the words believe, project, expect, anticipate, estimate, forecast, outlook, intend, strategy, should, will, would, will be, will continue, will likely result, or the negative thereof or variations thereon or similar terminology generally intended to identify forward-looking statements, except as required by law.

Forward-looking statements are based on currently available information and our current assumptions, expectations and projections about future events. While we believe that our assumptions, expectations and projections are reasonable in view of the currently available information, you are cautioned not to place undue reliance on our forward-looking statements. Forward-looking statements speak only as of the date they are made and are not guarantees of future performance. They are subject to future events, risks and uncertainties many of which are beyond our control as well as potentially inaccurate assumptions, that could cause actual results to differ materially from our expectations and projections. We do not undertake to update any forward-looking statements.

Factors that might affect our forward-looking statements include the risk factors discussed in Risk Factors beginning on page 20. There are other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business. Any such risks could cause our results to differ materially from those expressed in forward-looking statements.

MARKET, RANKING, INDUSTRY DATA AND FORECASTS

This prospectus includes market share, ranking, industry data and forecasts that we obtained from industry publications, surveys, public filings and internal company sources. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position and ranking are based on market data currently available to us, management's estimates and assumptions we have made regarding the size of our markets within our industry. While we are not aware of any misstatements regarding our industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading Risk Factors in this prospectus. We cannot guarantee the accuracy or completeness of such information contained in this prospectus.

TRADEMARKS, SERVICE MARKS AND COPYRIGHTS

We own or have rights to trademarks, service marks or trade names that we use in connection with the operation of our business. In addition, our names, logos and website names and addresses are our service marks or trademarks. Other trademarks, service marks and trade names appearing in this prospectus are the property of their respective owners. Some of the trademarks we own or have the right to use include aptiQ, Bocom System, Bricard, Briton, CISA, Dalco, Dexter, Falcon, Fusion, Glynn-Johnson, Interflex, ITO, Ives, Kryptonite, LCN, Legge, Martin Roberts, Normbau, Randi, Schlage, Steelcraft, Von Duprin and XceedID. We also own or have the rights to copyrights that protect the content of our products. Solely for convenience, the trademarks, service marks, tradenames and copyrights referred to in this prospectus are listed without the ©, ® and TM symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks and tradenames.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus and may not contain all of the information that may be important to you. You should read this entire prospectus carefully, including the Risk Factors, our Management's Discussion and Analysis of Financial Condition and Results of Operations, our financial statements and the notes thereto.

In this prospectus, unless otherwise indicated or the context otherwise requires:

the issuer refers to Allegion US Holding Company Inc. and not to any of its subsidiaries or affiliates;

Allegion plc and Parent refer to Allegion plc and not to any of its subsidiaries or affiliates; and

Allegion, the Company, we, our and us refer to Allegion plc and its consolidated subsidiaries.

Our Company

Summary Business Description

Allegion plc is a leading global provider of security products and solutions that keep people safe, secure and productive. We make the world safer as a company of experts, securing the places where people thrive and we create peace of mind by pioneering safety and security. We offer an extensive and versatile portfolio of mechanical and electronic security products across a range of market-leading brands. Our experts across the globe deliver high-quality security products, services and systems and we use our deep expertise to serve as trusted partners to end-users who seek customized solutions to their security needs. Our 10 largest customers represented approximately 25% of our combined revenues in 2013. No single customer represented 10% or more of our combined revenues in 2013.

We were incorporated in Ireland on May 9, 2013 to hold Ingersoll-Rand plc's (Ingersoll Rand) commercial and residential security businesses. On December 1, 2013, Allegion became a stand-alone public company after Ingersoll Rand completed the separation of these businesses from the rest of Ingersoll Rand via the transfer of these businesses from Ingersoll Rand to Allegion and the issuance by Allegion of ordinary shares directly to Ingersoll Rand's shareholders (the Spin-off). We are headquartered in Dublin, Ireland, with our North American corporate office in Carmel, Indiana. We employ more than 8,000 people and have a global manufacturing footprint with 19 production facilities in eleven countries. For the fiscal year ended December 31, 2013 and the three months ended March 31, 2014, we generated revenues of \$2,093.5 million and \$472.5 million, respectively.

Reporting Segments

We manufacture and sell mechanical and electronic security products and solutions in approximately 130 countries, with our top 20 countries accounting for about 97% of our \$2,093.5 million in 2013 revenues. We report our operating results through three reporting segments: Americas, EMEIA and Asia Pacific.

The following table presents the relative percentages of total segment revenue attributable to each reporting segment for each of the last three fiscal years. See Note 21, Business Segment Information, to our annual combined and consolidated financial statements for information regarding net revenues, operating income, and total assets by

reportable segment:

	For the Years Ended December 31,		
	2013	2012	2011
Americas	73%	72%	69%
EMEIA	20%	21%	24%
Asia Pacific	7%	7%	7%

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Our Americas segment provides security products and solutions in approximately 30 countries throughout North America and parts of South America. The segment offers a broad range of products and solutions including locks, locksets, key systems, door closers, exit devices, doors and door frames, electronic product and access control systems to end-users in the commercial, institutional and residential markets, including into the education, healthcare, government, commercial office and single and multi-family residential markets. This segment's strategic brands are Schlage, Von Duprin and LCN.

Our EMEIA segment provides security products and solutions in approximately 85 countries throughout Europe, the Middle East, India and Africa. The segment offers the same portfolio of products as the Americas segment, as well as time and attendance and workforce productivity solutions. This segment's strategic brands are CISA and Interflex. This segment also resells Schlage, Von Duprin and LCN products, primarily in the Middle East.

Our Asia Pacific segment provides security products and solutions in approximately 14 countries throughout Asia Pacific. The segment offers the same portfolio of products as the Americas segment, as well as video analytics solutions. This segment's strategic brands are Schlage, CISA, Von Duprin and LCN.

Revenue By Geographic Destination

Revenue By Product Category

Products and Services

We offer an extensive and versatile portfolio of mechanical and electronic security products across a range of market-leading brands:

Locks, locksets and key systems: A broad array of tubular and mortise door locksets, security levers, and master key systems that are used to protect and control access. We also offer a range of portable security products, including bicycle, small vehicle and travel locks.

Door closers and exit devices: An extensive portfolio of life-safety products generally installed on fire doors and facility entrances and exits. Door closers are devices that automatically close doors after they are opened. Exit devices are generally horizontal attachments to doors and enable rapid exit from the premises.

Electronic Security Products and Access Control Systems: A broad range of electrified locks, door closers, exit devices, access control systems, biometric hand reader systems, key card and reader systems, accessories, and automatic doors.

Time, Attendance and Workforce Productivity Systems: Products and services designed to help business customers manage and monitor workforce access control parameters, attendance and employee scheduling. We offer ongoing aftermarket services in addition to design and installation offerings.

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Video Analytics: Electronic video analytics systems and services, primarily for business and government customers in Asia Pacific. We offer ongoing aftermarket services in addition to design and installation offerings.

Doors and Door Frames: A portfolio of hollow metal doors and door frames. In select geographies, we also provide installation and service maintenance services.

Other Accessories: A variety of additional security and product components, including hinges, door levers, door stops and other accessories, as well as certain bathroom fittings products.

Product Category	Allegion Brands (listed alphabetically for each region)		
	Americas	EMEIA	Asia Pacific
Locks, locksets and key systems			
Door closers and exit devices			

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Product Category	Allegion Brands (listed alphabetically for each region)		
	Americas	EMEIA	Asia Pacific
Electronic Security Products and Access Control Systems, including Time, Attendance and Workforce Productivity Systems and Video Analytics			
Doors and Door Frames			
Other Accessories			

Our Industry

Based on information derived from third party sources, we estimate that the size of the global markets we serve was more than \$30 billion in revenue in 2013, comprised of \$25 billion for mechanical hardware and electronic security products and more than \$5 billion for time, attendance, and workforce productivity systems and systems integration, with compound annual growth of about 1 to 2% per year over the past three years. This growth rate primarily reflects cyclical challenges in the commercial and residential construction markets throughout North America and Europe as certain developing economies experienced higher growth rates during this period. Additionally, growth in electronic security products and solutions continues to outperform the industry as a whole as end-users adopt newer technologies in their facilities. We expect the security products industry will benefit from favorable long-term demographic trends such as continued urbanization of the global population, increased concerns about safety and security and technology-driven innovation.

The security products markets are highly competitive and fragmented throughout the world, with a number of large multi-national companies and thousands of smaller regional and local companies. This high fragmentation primarily reflects local regulatory requirements and highly variable end-user needs. We believe our principal global competitors are Assa Abloy AB, DORMA Holding GmbH, Kaba Holding AG, and Stanley Black & Decker Inc. We also face competition in various markets and product categories throughout the world, including from Spectrum Brands Holdings, Inc. in the North American residential market. As we move into more technologically-advanced product categories, we may also compete against smaller, more specialized competitors.

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Our success depends on a variety of factors, including brand and reputation, product breadth, quality and delivery capabilities, price and service capabilities. As many of our businesses sell through wholesale distribution, our success also depends on building and partnering with a strong channel network. Although price often serves as an important customer decision criterion, we also compete based on the breadth and quality of our products and solutions, our ability to custom-configure solutions to meet individual end-user requirements and our global supply chain.

Our Competitive Strengths

Our competitive strengths derive from combining application expertise and a sophisticated understanding of our markets with knowledge of our end-user s needs and our operational excellence capabilities. We define operational excellence as our lean manufacturing operations, specifically our ability to handle highly complex manufacturing efficiently; our agile supply chain; and our ongoing programs that drive continuous improvements in our products and services. Our competitive strengths include:

Expertise required to design custom-configured solutions for our end-users.

The functional needs, regulatory requirements and aesthetics of every door opening and the related room must be considered when determining their security requirements. As a result, no standard opening exists. Through our long operating history, we have developed the expertise required to address a wide range of entryway security needs. Today, we believe we are a leader in our markets because:

We combine product breadth and depth with aesthetics and functionality. We offer an extensive and versatile portfolio of mechanical and electronic products to meet the needs of our end-users, including products in a broad range of styles and colors with a variety of specific functionalities. For example, we can deliver more than 70 million unique configurations of our Von Duprin exit devices for our end-users and we generally ship any sized order within one week from receipt of the order.

We have deep building code expertise. Most of the markets we serve have complex national, regional and local building codes and standard-making bodies that require end-users to adhere to specific safety requirements. Our long history provides us with a depth of experience that allows us to identify and deliver the right security solutions that meet these requirements and the end-user s particular needs. We employ global teams of specification writers who work with end-users, architects, contractors and distribution partners to design solutions tailored to their unique needs while meeting the applicable building codes and standards.

We have a versatile, advanced electronic products offering. Our portfolio of products and solutions positions us favorably as the security products industry becomes increasingly electronic. We offer wireless access and biometric access control solutions, electro-magnetic locks, electric latches and automatic door openers, in addition to numerous other supporting components. Our electronics strategy includes designing products that employ interoperable, non-proprietary technologies, which we believe provide end-users with a level of flexibility they prefer. For instance, Schlage s AD-series electronic lock employs open architecture that is compatible with nearly any existing access-control software system.

Diversified portfolio of market-leading brands.

Many of our brands have established leadership positions in their markets and product categories and have long-standing reputations for innovation and quality. Several of our brands created their respective product categories, including Schlage (cylindrical locks), Von Duprin (exit devices), LCN (door closures) and CISA (electrically controlled locks). We believe that our Schlage locks, Von Duprin exit devices and LCN closures rank No. 1 in their respective categories in North America and CISA security products rank No. 1 in its product

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category in Italy. We also believe that many other of our brands rank No. 2 or No. 3 in their respective geographies, including Kryptonite (U.S.), Bricard (France), Briton (United Kingdom), and Interflex (Germany). The strength of these brands in their primary geographies has allowed us to extend many of them into new markets. We sell products under more than 25 brand names around the world. We believe that employing specific brands in targeted markets creates strong relationships with those brands. Ten of our brands have at least \$50 million in revenue.

Long history of delivering innovative and high-quality products and solutions.

We have built upon our brand-creation heritage and strong reputation for innovation by continually improving our award-winning product lines and introducing new mechanical and electronic security products. We employ several hundred engineers around the world who work to support and build upon our existing product portfolio. Our ongoing investment in innovation has led to several recent product launches that exemplify our success. For example, we introduced:

in 2013, the launch of the Schlage CO-220 classroom remote lockdown lock;

in 2013, the launch of aptiQmobile virtual credential platform, enabling use of smart phones for access control;

in 2013, Schlage Touchscreen Deadbolt lock, designed for the home that combines stylish design with high-quality functionality, including alarm and motion detection capabilities;

in 2013, our CISA eSigno hospitality platform that allows hotel owners to choose easily between different product types compatible with a single modular platform;

in 2013, our CISA Multi-top Pro platform, a modular mechanical and electronic high security locking platform for glass doors;

in 2012, our Interflex eVayo platform, an award-winning platform of access control and time and attendance reader terminals;

in 2012, our innovative Von Duprin concealed vertical cable platform that enables shorter installation time and simplifies maintenance; and

in 2012, our aptiQ credential and reader platform that allows end-users to use a single product family globally while also enabling the utilization of magnetic strip, proximity and smart card credentials.

Operational excellence capabilities that enable a highly variable product mix while meeting exacting customer-delivery timetables.

The successful design and completion of any door opening solution requires close coordination among the end-user, the installer and the manufacturer. Larger projects, which involve thousands of different parts and precise end-user specifications, amplify this complexity because supply must meet demanding construction timetables.

Our global manufacturing scale, experience and operational capabilities enable us to deliver a high-quality end-user experience. We operate 19 production facilities worldwide and primarily manufacture our products and systems in regions of use to deliver them on a timely basis. For several product lines, including Schlage, Von Duprin and LCN, we ship our products, on average, in less than one week from receipt of an order, regardless of configuration. Our operational capabilities enable us to better meet our end-user's needs by allowing us to make rapid production adjustments. We believe our operational excellence program is an important element of our ability to deliver strong financial performance and to continue to reinvest in our growth initiatives.

Our comprehensive operational excellence program focuses on further reducing the time required from order to shipment. In the six production facilities that implemented this program by the end of 2012, cycle time

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(from receipt of a customer order to shipment) has decreased by an average of more than 45% since program launch. We are in the advanced stages of introducing our operational excellence program in virtually all of our production facilities. We also will continue to leverage and enhance this program across our other locations and work processes, while customizing those processes to best fit our business needs. We expect the results to drive cost savings throughout our business and will utilize these proceeds to either improve profitability or reinvest in our growth initiatives.

Robust network of value-added channel and distribution relationships.

We sell our products through diverse distribution and retail channels ranging from specialty distribution to wholesalers. We also have built a strong network of more than 7,000 channel partners that help our end-users find the right solutions for their needs. Important to the success of these relationships, we support our partners by working directly with architects, contractors and security consultants to help design solutions that meet the functional, regulatory and aesthetic needs of end-users. We educate our channel partners and our end-users on our total cost of ownership value proposition, which emphasizes the quality and durability of our products. These consultative relationships result in increased knowledge and appreciation for the benefits of our products and solutions.

Deep and action-oriented customer insight.

Within the residential security products market, understanding consumer needs and trends is key to ongoing revenue growth. We have developed tools and work with third-party vendors, such as Vista Information Systems and Retail Solutions, Inc., to better understand consumer buying patterns, purchase drivers and brand performance. We use our customer insights to develop targeted marketing programs and merchandising activities that maximize return on investment, anticipate long-term consumer trends and drive product development decisions. We also have long-standing relationships with key retailers in North America and Europe such as The Home Depot, Lowes and Leroy Merlin. Due to our brand leadership positions and investments in market insight, detailed account resources and on-going collaboration with these retailers, we provide category leadership in development and execution on mutually beneficial marketing programs.

Strong financial performance and cash generation capabilities.

We have maintained strong operating profit margins and cash flow generation despite challenging economic conditions in some of our largest geographic markets in recent years. From 2008 to 2012, for example, new build square footage in the U.S. non-residential construction market declined 46%. During that time, our operating margin increased 0.5% to 18.0% (excluding non-cash impairment charges recorded in 2008) despite a total revenue decline of \$367.3 million. In 2013, our operating margin was 11.3% (18.0% excluding a non-cash goodwill impairment charge) and we generated \$223.9 million of operating cash flow from operations.

Our Business Strategy

We intend to achieve sustained, profitable growth in the markets we serve today and in adjacent product categories by being the preferred, trusted security partners to our end-users, and by executing the following growth strategies:

Expand in core markets

With leadership positions in our markets and significant expertise, we possess insight into both end-user needs and regulatory requirements in key market segments, including education (university and primary), healthcare, government, general commercial and residential (single and multi-family). We have developed specific value

propositions across these segments and will continue to leverage our knowledge and experience to identify key opportunities that better serve our end-users. We expect this to include continued investment in products as well as further expansion of our specification and service capabilities.

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Innovation in existing and new product categories

End-users are shifting gradually toward the electronic control of their security products and solutions. We believe that electronic-related product sales are growing at nearly twice the rate of traditional mechanical solutions. According to IMS Research, we are the No. 1 global manufacturer and marketer of electro-magnetic locks. We intend to leverage this position and expand our global capabilities in other product categories through continued product development and investments. Our recent successes serve as a testament to our commitment: the 2012 launch of aptiQ (global credential and reader platform) and the corresponding aptiQ Alliance program, a program that allows our end-users to use our aptiQ products in third party non-access control applications such as logical access, parking and payment; the European launches of eVayo and our CISA hospitality platforms in 2012 and 2013, respectively, and the 2013 launch of the Schlage Touchscreen Deadbolt, a 2013 Product of the Year by *Electronic House* magazine.

Growth in emerging markets

We believe the global security products market provides a multitude of future growth opportunities as safety demands increase and security requirements and sophistication levels evolve. We also believe economically developing markets will grow faster than the global market average as countries achieve enhanced living standards and experience continued urbanization. We believe our significant industry experience, deep knowledge of commercial and residential building codes and history of innovation give us unique opportunities to help shape the security products industry in these markets. We are committed to investing further in attractive developing markets, including opening additional sales and specifications offices; investing in localized product and supply chain capabilities; and working with local partners and code-making bodies to promote efficient and consistent safety and security standards. We have a proven history of entering developing markets successfully, as evidenced by our growing Asia-Pacific sales. Since 2010, we have generated a compound annual revenue growth rate of nearly 15% in China. We also founded the Safety and Security Institute in China, which helps to educate government officials, architects and builders and also advocates for consistent building codes and standards that address end-users' safety and security.

Operational excellence

The foundation of the process improvement at Allegion is rooted in the Allegion Business System and our Operational Excellence (OpEx) initiatives. We are driving OpEx across the enterprise, and we link our OpEx work to specific business growth opportunities while simultaneously improving internal processes.

Our approach to the deployment of OpEx begins with gaining an understanding of what customers value. Once there is an understanding of the customer's needs and our value proposition, each team responsible for a process under transformation works on activities to create value that differentiates us from our competition. We are in the process of introducing our OpEx program in many of our processes. As we execute the Allegion Business System and our OpEx activities, we attempt to deliver increased value to our customers while also driving improvement to internal processes.

As part of our OpEx program, we have reduced overall supply chain cycle time and variability across production locations that have launched the program. Our ability to deliver highly configured solutions to end-users within exacting timeframes is one important element of our success. Results in 2013 have included reductions in product lead times from customer order to shipment in our manufacturing facilities in Baja, Mexico and Indianapolis, Indiana. Our strategy involves leveraging our operational excellence capabilities as a competitive advantage to improve the overall customer experience and drive employee engagement ultimately driving growth across all of our offerings.

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Opportunistic acquisitions

A disciplined approach to acquisitions is an important part of our growth strategy. The security products industry is highly fragmented, particularly in developing markets and emerging technology product segments that employ newer technologies. This creates numerous acquisition opportunities. We intend to target acquisitions that will broaden our product portfolio, expand our geographic footprint and enhance our position in strategic market segments.

On January 2, 2014, our wholly-owned subsidiary Allegion de Colombia completed the acquisition of certain assets of Schlage Lock de Colombia S.A., the second largest mechanical lock manufacturer in that country. The acquisition of certain assets of the privately-owned company, which has distribution in other South and Central American countries, will enable us to leverage our branded residential and commercial product lines to grow our presence in the Spanish-speaking South American security market.

We now operate a 45,000-square-foot integrated plant in Bogota, Colombia and will continue to sell product under the Schlage brand, as well as the Inafer and Segurex brands. Allegion de Colombia has approximately 350 employees.

Organizational Structure

The diagram below shows the structure of Allegion, simplified for illustrative purposes only.

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Other Information

Allegion plc was incorporated in Ireland on May 9, 2013. Our principal executive offices are located at Block D, Iveagh Court, Harcourt Road, Dublin 2, Ireland, and our U.S. headquarters are located at 11819 N. Pennsylvania Street, Carmel, IN 46032. Our telephone number is (353) (1) 2546200. Our website is located at www.allegion.com. Our website and the information contained on our website are not part of this prospectus, and you should rely only on the information contained in this prospectus when making a decision as to whether to participate in the exchange offer.

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The Exchange Offer

In this prospectus, the term *eligible notes* refers to the \$300,000,000 principal amount of 5.75% Senior Notes due 2021 that Allegion US Holding Company Inc. issued on October 4, 2013 in a private offering and to which this offer relates; the term *exchange notes* refers to the 5.75% Senior Notes due 2021, as registered under the Securities Act; and the terms *Senior Notes* and *notes* refer to the eligible notes and the exchange notes collectively.

General

In connection with the private offering of eligible notes, Allegion US Holding Company Inc. and the guarantors of eligible notes entered into a registration rights agreement with the initial purchasers in which they agreed, among other things, to file under the Securities Act a registration statement relating to the exchange offer, cause such registration statement to become effective no later than 365 days after the date of the original issuance of the eligible notes, to deliver this prospectus to you and to complete the exchange offer within 30 business days after the effectiveness of the registration statement. You are entitled to exchange in the exchange offer your eligible notes for exchange notes which are identical in all material respects to the eligible notes except:

the exchange notes have been registered under the Securities Act;

the exchange notes are not entitled to any registration rights which are applicable to the eligible notes under the registration rights agreement; and

the liquidated damages provisions of the registration rights agreement will no longer be applicable.

The Exchange Offer

Allegion US Holding Company Inc. is offering to exchange \$300,000,000 principal amount of its 5.75% Senior Notes due 2021, which have been registered under the Securities Act, for any and all of its outstanding 5.75% Senior Notes due 2021 issued on October 4, 2013.

You may only exchange eligible notes in a minimum denomination of \$2,000 and integral multiples of \$1,000 in excess of \$2,000.

Resale

Based on an interpretation by the staff of the Securities and Exchange Commission (the *SEC*) set forth in no-action letters issued to third parties, we believe that the exchange notes issued pursuant to the exchange offer in exchange for eligible notes may be offered for resale,

resold and otherwise transferred by you (unless you are our affiliate within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that:

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

you have not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of the exchange notes.

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If you are a broker-dealer and receive exchange notes for your own account in exchange for eligible notes that you acquired as a result of market-making activities or other trading activities, you must acknowledge that you will deliver this prospectus in connection with any resale of the exchange notes. See Plan of Distribution.

Any holder of eligible notes who:

is our affiliate within the meaning of Rule 405 under the Securities Act;

does not acquire the exchange notes in the ordinary course of its business; or

tenders its eligible notes in the exchange offer with the intention to participate, or for the purpose of participating, in a distribution of exchange notes

cannot rely on the position of the staff of the SEC enunciated in *Morgan Stanley & Co. Incorporated* (available June 5, 1991) and *Exxon Capital Holdings Corporation* (available May 13, 1988), as interpreted in the SEC's letter to Shearman & Sterling (available July 2, 1993), or similar no-action letters and, in the absence of an exemption therefrom, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes.

Expiration Date

The exchange offer will expire at the end of the day, 12:00 a.m. midnight, New York City time, on _____, 2014, unless extended by Allegion US Holding Company Inc.

Allegion US Holding Company Inc. does not currently intend to extend the expiration date.

Withdrawal

You may withdraw the tender of your eligible notes at any time prior to the close of business, 5:00 p.m. New York City time, on the last business day on which the exchange offer remains open. Allegion US Holding Company Inc. will return to you any of your eligible notes that are not accepted for any reason for exchange, without expense to you, promptly after the expiration or termination of the exchange offer.

Conditions to the Exchange Offer	The exchange offer is subject to customary conditions, which Allegion US Holding Company Inc. may waive. See The Exchange Offer-Conditions to the Exchange Offer.
Procedures for Tendering Eligible Notes	If you wish to participate in the exchange offer, you must complete, sign and date the accompanying letter of transmittal, or a facsimile of such letter of transmittal, according to the instructions contained in this prospectus and the letter of transmittal. You must then mail or otherwise deliver the letter of transmittal, or a facsimile of such letter of transmittal, together with the eligible notes and any other required documents, to the exchange agent at the address set forth on the cover page of the letter of transmittal.

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If you hold eligible notes through The Depository Trust Company (DTC) and wish to participate in the exchange offer, you must comply with the Automated Tender Offer Program procedures of DTC by which you will agree to be bound by the letter of transmittal. By signing, or agreeing to be bound by, the letter of transmittal, you will represent to us that, among other things:

you are not our affiliate within the meaning of Rule 405 under the Securities Act;

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

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

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

if you are a broker-dealer that will receive exchange notes for your own account in exchange for eligible notes that were acquired as a result of market-making activities, that you will deliver a prospectus, as required by law, in connection with any resale of such exchange notes.

Special Procedures for Beneficial Owners

If you are a beneficial owner of eligible notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and you wish to tender those eligible notes in the exchange offer, you should contact the registered holder promptly and instruct the registered holder to tender those eligible notes on your behalf. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your eligible notes, either make appropriate arrangements to register ownership of the eligible notes in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time and may not be able to be completed prior to the expiration date.

Guaranteed Delivery Procedures

If you wish to tender your eligible notes and your eligible notes are not immediately available or you cannot deliver your eligible notes, the letter of transmittal or any other required documents, or you cannot comply with the procedures under DTC's Automated Tender Offer Program for

transfer of book-entry interests, prior to the expiration date, you must tender your eligible notes according to the guaranteed delivery procedures set forth in this prospectus under The Exchange Offer-Guaranteed Delivery Procedures.

Effect on Holders of Eligible Notes

As a result of the making of, and upon acceptance for exchange of all validly tendered eligible notes pursuant to the terms of, the exchange offer, Allegion US Holding Company Inc. and the guarantors of the notes will have fulfilled a covenant under the registration rights agreement. Accordingly, there will be no additional increase in the interest rate on the eligible notes under the circumstances described in

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the registration rights agreement. If you do not tender your eligible notes in the exchange offer, you will continue to be entitled to all the rights and limitations applicable to the eligible notes as set forth in the indenture, except Allegion US Holding Company Inc. and the guarantors of the notes will not have any further obligation to you to provide for the exchange and registration of the eligible notes under the registration rights agreement or pay additional interest. To the extent that eligible notes are tendered and accepted in the exchange offer, the trading market for eligible notes could be adversely affected.

Consequences of Failure to Exchange

All untendered eligible notes will continue to be subject to the restrictions on transfer set forth in the eligible notes and in the indenture. In general, the eligible notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offer, Allegion US Holding Company Inc. and the guarantors of the notes do not currently anticipate that they will register the eligible notes under the Securities Act.

Material United States Federal Income Tax Consequences

The exchange of eligible notes for exchange notes in the exchange offer will not be a taxable event for United States federal income tax purposes. See United States Federal Income Tax Consequences of the Exchange Offer.

Use of Proceeds

We will not receive any cash proceeds from the issuance of exchange notes in the exchange offer. See Use of Proceeds.

Exchange Agent

Wells Fargo Bank, National Association is the exchange agent for the exchange offer. The addresses and telephone numbers of the exchange agent are set forth in the section captioned The Exchange Offer Exchange Agent.

Table of Contents**The Exchange Notes**

The summary below describes the principal terms of the exchange notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The following is not intended to be complete. You should carefully review the Description of the Exchange Notes section of this prospectus, which contains a more detailed description of the terms and conditions of the eligible notes and the exchange notes. The exchange notes will have terms identical in all material respects to the eligible notes, except that the exchange notes will not contain terms with respect to transfer restrictions, registration rights and additional interest for failure to observe certain obligations in the registration rights agreement.

Issuer	Allegion US Holding Company Inc.
Securities Offered	\$300.0 million aggregate principal amount of 5.75% Senior Notes due 2021.
Maturity	The exchange notes will mature on October 1, 2021.
Interest	Interest on the exchange notes will accrue at a rate of 5.75% per annum, payable semi-annually in cash in arrears on April 1 and October 1 of each year, beginning April 1, 2014. Interest began accruing on October 4, 2013.
Optional Redemption	<p>At any time prior to October 1, 2016, we may redeem all or a portion of the exchange notes at a make-whole redemption price set forth in this prospectus, plus accrued and unpaid interest to, but not including, the redemption date.</p> <p>In addition, at any time prior to October 1, 2016, we have the option to, on one or more occasions, redeem up to 35% of the aggregate principal amount of the exchange notes at a redemption price equal to 105.75% of the principal amount of the exchange notes redeemed, plus accrued and unpaid interest thereon to, but not including, the redemption date, with the net cash proceeds of certain equity offerings.</p> <p>At any time on and after October 1, 2016, we may redeem the exchange notes, in whole or in part, at an initial redemption price of 104.31% of their principal amount, plus accrued and unpaid interest to, but not including, the redemption date. The redemption price will decline each year after 2016 and will be 100% of their principal amount, plus accrued and unpaid interest to, but not including, the redemption date, beginning</p>

on October 1, 2019.

See Description of the Exchange Notes Optional Redemption.

Change of Control

Upon a change of control (as defined under Description of the Exchange Notes), the issuer will be required to make an offer to purchase the exchange notes. The purchase price will equal 101% of the principal amount of the exchange notes on the date of purchase plus accrued interest to, but not including, the purchase date. We may not have sufficient funds available at the time of any change of

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control to make any required debt repayment (including repurchases of the exchange notes). See Risk Factors Risk Factors Related to the Exchange Notes Our ability to repurchase the exchange notes upon a change of control may be limited.

Ranking

The exchange notes will rank senior in right of payment to our future subordinated debt. The exchange notes will rank equally to all of our other unsecured and unsubordinated indebtedness, but will effectively be subordinated to all of our secured indebtedness, including the senior secured credit facilities, to the extent of the value of the assets securing that indebtedness. The exchange notes will also be structurally subordinated to all liabilities of our subsidiaries that do not guarantee the exchange notes.

As of March 31, 2014, the exchange notes would have been effectively subordinated to \$992.6 million of secured indebtedness of Parent and the subsidiaries guaranteeing the exchange notes and there would have been undrawn availability under our revolving credit facility of \$470.9 million, all of which would be secured indebtedness.

Two subsidiaries of the Parent and the Issuer, Von Duprin LLC and Schlage Lock Company LLC, will guarantee the exchange notes. For the twelve months ended March 31, 2014, these subsidiaries represented approximately 60.4% of our total net revenues and 164.6% of our total income before income taxes, and as of March 31, 2014, these subsidiaries represented approximately 33.0% of our total assets and 11.9% of our total liabilities, in each case after intercompany eliminations.

Guarantees

The exchange notes will be fully and unconditionally guaranteed on a senior unsecured basis by Allegion plc and each of its domestic restricted subsidiaries that guarantees obligations, or is a borrower, under the senior secured credit facilities or that guarantees other series of capital markets debt securities of the issuer or a guarantor issued in an aggregate principal amount of \$100.0 million or more. Any guarantee of the exchange notes will be automatically released in the event such guarantee is released under the senior secured credit facilities. The guarantees will rank equally to all other unsecured and unsubordinated indebtedness of the guarantors, but will be effectively subordinated to all of the secured indebtedness of the guarantors to the extent of the value of the assets securing that indebtedness.

The guarantee of a guarantor may terminate under certain circumstances described under Description of the Exchange Notes Guarantees.

Certain Covenants

The terms of the exchange notes restrict our ability and the ability of certain of our subsidiaries (as described in Description of the Exchange Notes) to:

incur, assume or guarantee additional debt or issue certain preferred shares;

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pay dividends on or make other distributions in respect of our capital stock or make other restricted payments;

make certain investments;

sell or transfer certain assets;

create liens on certain assets to secure debt;

consolidate, merge, sell, or otherwise dispose of all or substantially all of our assets;

enter into certain transactions with affiliates; and

designate our subsidiaries as unrestricted.

These covenants are subject to a number of important qualifications, limitations and exceptions. See Description of the Exchange Notes Certain Covenants. Certain covenants are also subject to suspension in the event that the exchange notes have investment grade ratings from both Moody's Investors Service, Inc. and Standard & Poor's Financial Services LLC at any time.

Denomination, Form and Registration of Notes

The exchange notes will be issued in fully registered form and only in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The exchange notes will be issued initially as global notes. DTC will act as depositary for the exchange notes. Except in limited circumstances, global notes will not be exchangeable for certificated notes.

No Prior Market

The exchange notes will be freely transferable but will be new securities for which there will not initially be a market. Accordingly, we cannot assure you that a liquid market for the exchange notes will develop or be maintained. If no active trading market develops, you may not be able to resell your exchange notes at their fair market value or at all.

Risk Factors

You should carefully consider all the information in this prospectus prior to exchanging your eligible notes for exchange notes. In particular, we urge you to consider carefully the factors set forth under the heading Risk Factors.

Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES**

	Three Months Ended March 31, 2014	2013	Year Ended December 31,			
		2012	2011	2010	2009	
Earnings from continuing operations before income taxes	\$ 53.9	\$ 218.5	\$ 363.9	\$ 362.2	\$ 326.7	\$ 338.6
Fixed charges	16.6	22.0	13.3	9.0	6.9	7.1
Total earnings	\$ 70.5	\$ 240.5	\$ 377.2	\$ 371.2	\$ 333.6	\$ 345.7
Fixed charges:						
Interest expense*	\$ 13.1	\$ 10.2	\$ 1.5	\$ 1.4	\$ 1.8	\$ 1.2
Rentals (one-third of rentals)	3.5	11.8	11.8	7.6	5.1	5.9
Total fixed charges	\$ 16.6	\$ 22.0	\$ 13.3	\$ 9.0	\$ 6.9	\$ 7.1
Ratio of earnings to fixed charges	4.2	10.9	28.4	41.2	48.3	48.7

* Includes interest expense on all third-party indebtedness, and excludes interest related to unrecognized tax benefits, which is reported as income tax expense.

The ratio of earnings to fixed charges was computed by dividing earnings by fixed charges for the periods indicated where earnings consists of (1) earnings from continuing operations before income taxes plus (2) fixed charges. Fixed charges consist of (a) interest on all indebtedness, (b) amortization of premiums, discounts and capitalized expenses related to indebtedness and (c) an interest component representing the estimated portion of rental expense that management believes is attributable to interest.

Table of Contents**SUMMARY HISTORICAL AND UNAUDITED CONSOLIDATED FINANCIAL DATA**

The following table presents our summary historical and unaudited consolidated financial data as of March 31, 2014 and for the three months ended March 31, 2014 and 2013, and as of and for each of the fiscal years in the three-year period ended December 31, 2013. We derived the summary historical condensed consolidated financial data as of March 31, 2014 and for the three months ended March 31, 2014 and 2013 from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. We derived the summary historical combined and consolidated financial data as of December 31, 2013 and 2012 and for each of the fiscal years in the three-year period ended December 31, 2013 from our audited combined and consolidated financial statements included elsewhere in this prospectus, and we derived the summary historical combined and consolidated financial data as of December 31, 2011 from our audited combined and consolidated financial statements that are not included in this prospectus. In our management's opinion, the unaudited condensed consolidated financial statements have been prepared on the same basis as the audited combined and consolidated financial statements and include all adjustments, consisting only of ordinary recurring adjustments, necessary for a fair presentation of the information for the periods presented. Results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the entire year.

You should read the summary financial data presented below in conjunction with our audited and unaudited consolidated financial statements and accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

<i>In millions</i>	As of and for the Years Ended December 31,			As of and for the Three Months Ended March 31,	
	2011	2012	2013	2013	2014
Statement of Operations Data					
Net revenues	\$ 2,021.2	\$ 2,046.6	\$ 2,093.5	\$ 473.3	\$ 472.5
Net earnings (loss) attributable to Allegion:					
Continuing operations(a)	225.4	222.3	31.8	39.6	35.8
Discontinued operations	(7.3)	(2.7)	(0.8)	(0.2)	(0.2)
Balance Sheet Data					
Total assets	2,036.2	1,983.8	1,979.9		1,977.9
Total debt, including capital leases	4.9	5.0	1,343.9		1,334.9
Total Parent Company equity (deficit)	1,413.8	1,343.2	(86.8)		(60.4)
Cash Flow Data					
Cash flows provided by (used in):					
Operating activities	265.5	269.2	223.9	0.4	(0.9)
Investing activities	(3.5)	(17.5)	(18.7)	(4.1)	(14.3)
Financing activities	(253.6)	(317.9)	(292.4)	18.2	(3.4)
Other Financial Data and Ratios					
Capital expenditures	25.5	19.6	20.2	5.3	9.2
Depreciation and amortization	46.0	43.8	46.1	11.7	12.2

- (a) Net earnings from continuing operations includes \$37.7 million of centrally managed service costs and corporate allocations from Ingersoll Rand for the three months ended March 31, 2013, and \$174.5 million, \$176.7 million and \$160.5 million of centrally managed service costs and corporate allocations from Ingersoll Rand for the years ended December 31, 2013, 2012 and 2011, respectively.

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RISK FACTORS

You should carefully consider the risks described below, together with all the other information included in this prospectus, in evaluating us and the exchange offer. If any of the risks described below actually occurs, our business, financial condition, results of operations and cash flows could be materially and adversely affected. Any such adverse effect may adversely affect our ability to repay the exchange notes and as a result you could lose all or part of your investment in us. Our business may also be adversely affected by risks and uncertainties not known to us or risks that we currently believe to be immaterial.

Risks Related To The Exchange Offer

There may be adverse consequences if you do not exchange your eligible notes.

If you do not exchange your eligible notes for exchange notes in the exchange offer, you will continue to be subject to restrictions on transfer of your eligible notes as set forth in the offering memorandum distributed in connection with the private offering of the eligible notes. In general, the eligible notes may not be offered or sold unless they are registered or exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register resales of the eligible notes under the Securities Act. You should refer to [Summary The Exchange Offer](#) and [The Exchange Offer](#) for information about how to tender your eligible notes.

The tender of eligible notes under the exchange offer will reduce the outstanding amount of the eligible notes, which may have an adverse effect upon, and increase the volatility of, the market prices of the eligible notes due to a reduction in liquidity.

Risks Related to Our Business

Our global operations subject us to economic risks.

We are incorporated in Ireland and operate in countries worldwide. Our global operations depend on products manufactured, purchased and sold in the U.S. and internationally, including in Europe, China, Australia, Mexico, Venezuela and Turkey. Accordingly, we are subject to risks that are inherent in operating globally, including:

changes in laws and regulations or imposition of currency restrictions and other restraints in various jurisdictions;

limitation of ownership rights, including expropriation of assets by a local government, and limitation on the ability to repatriate earnings;

sovereign debt crises and currency instability in developed and developing countries;

imposition of burdensome tariffs and quotas;

difficulty in staffing and managing global operations;

difficulty in enforcing agreements, collecting receivables and protecting assets through non-U.S. legal systems;

national and international conflict, including war, civil disturbances and terrorist acts; and

economic downturns and social and political instability.

These risks could increase our cost of doing business internationally, increase our counterparty risk, disrupt our operations, disrupt the ability of suppliers and customers to fulfill their obligations and limit our ability to sell products in certain markets.

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Our business relies on the commercial and residential construction and remodeling markets.

We primarily rely on the commercial and residential construction and remodeling markets, which are marked by cyclicity based on overall economic conditions. Weakness or instability in these markets may cause current and potential customers to delay or choose not to make purchases, which could negatively impact the demand for our products and services.

Our growth is dependent, in part, on the development, commercialization and acceptance of new products and services.

We must develop and commercialize new products and services in order to remain competitive in our current and future markets and in order to continue to grow our business. We cannot provide any assurance that any new product or service will be successfully commercialized in a timely manner, if ever, or, if commercialized, will result in returns greater than our investment. Investment in a product or service could divert our attention and resources from other projects that become more commercially viable in the market. We also cannot provide any assurance that any new product or service will be accepted by the market.

Changes in customer preferences and the inability to maintain beneficial relationships with large customers could adversely affect our business.

We have significant customers, particularly major retailers, although no one customer represented more than 10% of combined net sales in 2013, 2012 or 2011. The loss or material reduction of business, the lack of success of sales initiatives or changes in customer preferences or loyalties for our products related to any such significant customer could have a material adverse impact on our business. In addition, major customers who are volume purchasers are much larger than us and have strong bargaining power with suppliers. This limits our ability to recover cost increases through higher selling prices. Furthermore, unanticipated inventory adjustments by these customers can have a negative impact on sales.

Our brands are important assets of our businesses and violation of our trademark rights by imitators could negatively impact revenues and brand reputation.

Our brands and trademarks enjoy a reputation for quality and value and are important to our success and competitive position. Unauthorized use of our trademarks may not only erode sales of our products, but may also cause significant damage to our brand name and reputation, interfere with relationships with our customers and increase litigation costs. There can be no assurance that our on-going effort to protect our brand and trademark rights will prevent all violations.

Currency exchange rate fluctuations may adversely affect our results.

We are exposed to a variety of market risks, including the effects of changes in currency exchange rates. See Management's Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosure About Market Risk.

Approximately 36% of our 2013 net revenues were derived outside the U.S., and we expect sales to non-U.S. customers to continue to represent a significant portion of our consolidated net revenues. Although we may enter into currency exchange contracts to reduce our risk related to currency exchange fluctuations, changes in the relative fair values of currencies occur from time to time and may, in some instances, have a material impact on our results of operations. Because we do not hedge against all of our currency exposure, our business will continue to be susceptible

to currency fluctuations.

We also translate assets, liabilities, revenues and expenses denominated in non-U.S. dollar currencies into U.S. dollars for our combined and consolidated financial statements based on applicable exchange rates. Consequently, fluctuations in the value of the U.S. dollar compared to other currencies will have a material impact on the value of these items in our consolidated financial statements, even if their value has not changed in their original currency.

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Our business strategy includes making acquisitions and investments that complement our existing business. These acquisitions and investments could be unsuccessful or consume significant resources, which could adversely affect our operating results.

We will continue to analyze and evaluate the acquisition of strategic businesses or product lines with the potential to strengthen our industry position or enhance our existing set of products and services offerings. We cannot assure you that we will identify or successfully complete transactions with suitable acquisition candidates in the future, nor can we assure you that completed acquisitions will be successful.

Acquisitions and investments may involve significant cash expenditures, debt incurrence, operating losses and expenses. Acquisitions involve numerous other risks, including:

diversion of management time and attention from daily operations;

difficulties integrating acquired businesses, technologies and personnel into our business;

difficulties in obtaining and verifying the financial statements and other business information of acquired businesses;

inability to obtain regulatory approvals and/or required financing on favorable terms;

potential loss of key employees, key contractual relationships or key customers of acquired companies or of us;

assumption of the liabilities and exposure to unforeseen liabilities of acquired companies; and

dilution of interests of holders of our ordinary shares through the issuance of equity securities or equity-linked securities.

We may also expand through acquisitions or investments into international markets in which we may have limited experience or are required to rely on business partners. In addition to the risks outlined above, expansion into international markets may require us to compete with local businesses with greater knowledge of the market, including the tastes and preferences of customers, and businesses with dominant market shares.

It may be difficult for us to complete transactions quickly, integrate acquired operations efficiently into our current business operations or effectively compete in new markets we enter. Any acquisitions or investments may ultimately harm our business or financial condition, as such acquisitions may not be successful and may ultimately result in impairment charges.

Our operational excellence efforts may not achieve the improvements we expect.

We utilize a number of tools to improve operational efficiency and productivity. Implementation of new processes to our operations could cause disruptions and there is no assurance that all of our planned operational excellence projects will be fully implemented, or if implemented will realize the expected improvements.

Material adverse legal judgments, fines, penalties or settlements could adversely affect our business.

We are currently and may in the future become involved in legal proceedings and disputes incidental to the operation of our business. Our business may be adversely affected by the outcome of these proceedings and other contingencies (including, without limitation, environmental matters) that cannot be predicted with certainty. As required by U.S. generally accepted accounting principles (GAAP), we establish reserves based on our assessment of contingencies. Subsequent developments in legal proceedings and other contingencies may affect our assessment and estimates of the loss contingency recorded as a reserve and we may be required to make additional material payments.

Allegations that we have infringed the intellectual property rights of third parties could negatively affect us.

We may be subject to claims of infringement of intellectual property rights by third parties. In particular, we often compete in areas having extensive intellectual property rights owned by others and we have become subject

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to claims alleging infringement of intellectual property rights of others. In general, if it is determined that one or more of our technologies, products or services infringes the intellectual property rights owned by others, we may be required to cease marketing those services, to obtain licenses from the holders of the intellectual property at a material cost or to take other actions to avoid infringing the intellectual property rights. The litigation process is costly and subject to inherent uncertainties, and we may not prevail in litigation matters regardless of the merits of our position. Adverse intellectual property litigation or claims of infringement against us may become extremely disruptive if the plaintiffs succeed in blocking the trade of our products and services and may have a material adverse effect on our business.

Our reputation, ability to do business and results of operations could be impaired by improper conduct by any of our employees, agents or business partners.

We are subject to regulation under a variety of U.S. federal and state and non-U.S. laws, regulations and policies including laws related to anti-corruption, export and import compliance, anti-trust and money laundering, due to our global operations. We cannot provide assurance our internal controls will always protect us from the improper conduct of our employees, agents and business partners. Any improper conduct could damage our reputation and subject us to, among other things, civil and criminal penalties, material fines, equitable remedies (including profit disgorgement and injunctions on future conduct), securities litigation and a general loss of investor confidence.

We may be subject to risks relating to our information technology systems.

We rely extensively on information technology systems to manage and operate our business. If these systems cease to function properly or if these systems do not provide the anticipated benefits, our ability to manage our operations could be impaired.

We currently rely on a single vendor for many of the critical elements of our global information technology infrastructure and its failure to provide effective support for such infrastructure could negatively impact our business and financial results.

We have outsourced many of the critical elements of our global information technology infrastructure to a third-party service provider in order to achieve efficiencies. If the service provider does not perform or does not perform effectively, we may not be able to achieve the expected efficiencies and may have to incur additional costs to address failures in providing service by the service provider. Depending on the function involved, such non-performance, ineffective performance or failures of service may lead to business disruptions, processing inefficiencies or security breaches.

Our information technology infrastructure is important to our business and data security breaches or disruptions of such infrastructure could negatively impact our business and financial results.

Our information technology infrastructure is subject to cyber-attacks and unauthorized security intrusions. Despite instituting security policies and business continuity plans, our systems and networks may be vulnerable to system damage, malicious attacks from hackers, employee errors or misconduct, viruses, power and utility outages, and other catastrophic events that could cause significant harm to our business by negatively impacting our business operations, compromising the security of our proprietary information and exposing us to litigation that could adversely affect our reputation.

Commodity shortages and price increases could negatively affect our financial results.

We rely on suppliers to secure commodities, including steel, zinc, brass and other non-ferrous metals, required for the manufacture of our products. A disruption of deliveries from our suppliers or decreased availability of commodities could have an adverse effect on our ability to meet our commitments to customers or

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increase our operating costs. We believe that available sources of supply will generally be sufficient for our needs for the foreseeable future. Nonetheless, the unavailability of some commodities could have a material adverse impact on our business.

Volatility in the prices of these commodities could increase the costs of our products and services, and we may not be able to pass on these costs to our customers. We do not currently hedge against this volatility. The pricing of some commodities we use is based on market prices. To mitigate this exposure, we may use annual and multi-year fixed price contracts to minimize the impact of inflation and to benefit from deflation.

We may be required to recognize impairment charges for our goodwill and other indefinite-lived intangible assets.

At March 31, 2014, the net carrying value of our goodwill and other indefinite-lived intangible assets totaled approximately \$507 million and \$9 million, respectively. In accordance with U.S. GAAP, we periodically assess these assets to determine whether they are impaired. Negative industry or economic trends, disruptions to our business, unexpected changes or planned changes in use of assets, divestitures and market capitalization declines may result in recognition of impairment charges. In particular, our Asia Pacific Other reporting unit had \$57 million of goodwill and an estimated fair value that exceeded its carrying value by approximately 7% at December 31, 2013.

Successful sales and marketing efforts depend on our ability to recruit and retain qualified employees.

Our ability to successfully grow our business depends on the contributions and abilities of key executives, our sales force and other personnel, including the ability of our sales force to adapt to any changes made in the sales organization and achieve adequate customer coverage. We must therefore continue to recruit, retain and motivate management, sales and other personnel sufficiently to maintain our current business and support our projected growth. A shortage of these key employees might jeopardize our ability to grow and expand our business.

Our operations are subject to regulatory risks.

Our U.S. and non-U.S. operations are subject to a number of laws and regulations, including fire and building codes and standards, environmental and health and safety. We have incurred, and will be required to continue to incur, significant expenditures to comply with these laws and regulations. Changes to, or changes in interpretations of, current laws and regulations could require us to increase our compliance expenditures, cause us to significantly alter or discontinue offering existing products and services or cause us to develop new products and services. Altering current products and services or developing new products and services to comply with changes in the applicable laws and regulations could require significant research and development investments, increase the cost of providing the products and services and adversely affect the demand for our products and services.

We may not have been, or we may not at all times be, in full compliance with these laws and regulations. In the event a regulatory authority concludes that we are not or have not at all times been in full compliance with these laws, we could be fined, criminally charged or otherwise sanctioned.

Certain environmental laws assess liability on current or previous owners of real property or operators of manufacturing facilities for the costs of investigation, removal or remediation of hazardous substances or materials at such properties or at properties at which parties have disposed of hazardous substances. Liability for investigative, removal and remedial costs under certain U.S. federal and state laws and certain non-U.S. laws are retroactive, strict and joint and several. In addition to cleanup actions brought by governmental authorities, private parties could bring personal injury or other claims due to the presence of, or exposure to, hazardous substances. We have received notification from U.S. and non-U.S. governmental agencies, including the U.S.

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Environmental Protection Agency (the EPA) and similar state environmental agencies, that conditions at a number of current and formerly owned sites where we and others have disposed of hazardous substances require investigation, cleanup and other possible remedial action. These agencies may require that we reimburse the government for its costs incurred at these sites or otherwise pay for the costs of investigation and cleanup of these sites, including by providing compensation for natural resource damage claims from such sites. For more information, see Business Environmental Regulation.

While we have planned for future capital and operating expenditures to maintain compliance with environmental laws and have accrued for costs related to current remedial efforts, our costs of compliance, or our liabilities arising from past or future releases of, or exposures to, hazardous substances may exceed our estimates. We may also be subject to additional environmental claims for personal injury or cost recovery actions for remediation of facilities in the future based on our past, present or future business activities.

The capital and credit markets are important to our business.

Instability in U.S. and global capital and credit markets, including market disruptions, limited liquidity and interest rate volatility, or reductions in the credit ratings assigned to us by independent ratings agencies could reduce our access to capital markets or increase the cost of funding our short and long term credit requirements. In particular, if we are unable to access capital and credit markets on terms that are acceptable to us, we may not be able to make certain investments or fully execute our business plans and strategy.

Our suppliers and customers are also dependent upon the capital and credit markets. Limitations on the ability of customers, suppliers or financial counterparties to access credit could lead to insolvencies of key suppliers and customers, limit or prevent customers from obtaining credit to finance purchases of our products and services and cause delays in the delivery of key products from suppliers.

Our operations in Venezuela expose us to several risks.

Venezuela is currently experiencing significant political and civil unrest and economic instability, and in February 2013 the Venezuelan government devalued its currency and the official exchange rate changed from 4.3 to 6.3 Venezuelan Bolivares Fuertes (VEF) to 1 U.S. Dollar. We recognized a \$6.2 million realized foreign currency loss related to the devaluation in the first quarter of 2013. When the government devalued the VEF in February, 2013, it established a new auction-based exchange rate market program, referred to as SICAD. The amount of transactions that have run through the SICAD and restrictions around participation have limited our access to any foreign exchange rate other than the official rate to pay for imported goods and manage our local monetary asset balances. Accordingly, all of our net monetary assets are measured at the official 6.3 exchange rate at March 31, 2014.

In late January 2014, the Venezuelan government made several announcements affecting currency exchange and other controls. Although the official exchange rate remains at 6.3, the government announced that the exchange rate for certain foreign investments will move to the rate available on the SICAD currency market, which was 10.7 VEF to 1 U.S. Dollar (SICAD 1 rate) at March 31, 2014. We do not currently qualify for this SICAD rate. In March 2014, the Venezuelan government launched a SICAD 2 rate to provide a greater supply of U.S. Dollars from sources other than the Venezuelan government. All companies located or domiciled in Venezuela may bid for U.S. Dollars for any purpose. The SICAD 2 exchange rate closed at 50.9 VEF to 1 U.S. Dollar on March 31, 2014. We believe the fixed exchange rate of 6.3 VEF to 1 U.S. Dollar remains legally available to us and we intend to continue to remeasure the net monetary assets of our Venezuelan entities at this rate.

The impact to us of a devaluation from the official exchange rate to the SICAD 1 market exchange rate of 10.7 VEF to 1 U.S. Dollar would be a charge of approximately \$7.1 million and to the SICAD 2 market exchange rate of 50.9 VEF to 1 U.S. Dollar would be a charge of \$15.1 million based on net financial asset balances as of

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March 31, 2014; however, the charge could be higher if the SICAD market exchange rate moves higher. There is considerable uncertainty as to the nature of transactions that will flow through SICAD and how SICAD will operate in the future, however we believe there is considerable risk that the official rate will be devalued further. Further devaluation could have a material impact on our financial condition, results of operations or cash flow.

This current state of affairs could lead to further devaluation of its currency, volatility of exchange rates, and disruption of the economy. If the current unrest and instability continues, our ability to acquire necessary goods from suppliers could be limited, our customers may not be able to fulfill their obligations, our ability to manufacture and sell products could be disrupted and our Venezuelan operations could be adversely affected.

Risks Relating to the Spin-off

We may be unable to achieve some or all of the benefits that we expect to achieve from our spin-off from Ingersoll Rand.

As an independent, publicly-traded company, we believe that our business will benefit from, among other things, allowing us to better focus our financial and operational resources on our specific business, allowing our Board of Directors and management to design and implement corporate strategies and policies that are based primarily on the characteristics of our business, allowing us to more effectively respond to industry dynamics and allowing the creation of effective incentives for our management and employees that are more closely tied to our business performance. However, we may not be able to achieve some or all of the benefits that we expect to achieve as an independent company in the time we expect, if at all.

Our accounting and other management systems may not be adequately prepared to meet the financial reporting and other requirements to which we will be subject following the Spin-off.

Our financial results were previously included within the consolidated results of Ingersoll Rand, and we believe that our financial reporting and internal controls were appropriate for those of subsidiaries of a public company. However, we were not directly subject to the reporting and other requirements of the Securities Exchange Act, as amended (the Exchange Act). In connection with the Spin-off, we are directly subject to reporting and other obligations under the Exchange Act. Beginning with our Annual Report on Form 10-K for fiscal year 2014, we will be required to comply with Section 404 of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) which requires annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm addressing these assessments. These reporting and other obligations may place significant demands on our management, administrative and operational resources, including accounting systems and resources.

The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. Under the Sarbanes-Oxley Act, we are required to maintain effective disclosure controls and procedures and internal controls over financial reporting. Any failure to achieve and maintain effective internal controls could have a material adverse effect on our financial condition, results of operations or cash flows.

We may be unable to make, on a timely or cost-effective basis, the changes necessary to operate as an independent company, and we may experience increased costs.

We have historically operated as part of Ingersoll Rand's corporate organization, and Ingersoll Rand has assisted us by providing certain corporate functions. Ingersoll Rand is obligated contractually to provide to us only those transition services specified in agreements we entered into with Ingersoll Rand. We may be unable to replace in a timely manner

or on comparable terms the services or other benefits that Ingersoll Rand previously provided to us that are not specified in any transition services agreement. Upon expiration of any transition services agreement, each of the services that are covered in the agreement will have to be provided internally or by third parties and we may be unable to replace those services in a timely manner or on comparable terms. In addition, if Ingersoll Rand does not continue to perform transition services and the other services that are called for under any transition services agreement, we may not be able to operate our business as effectively.

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Our historical consolidated financial data are not necessarily representative of the results we would have achieved as an independent, publicly-traded company and may not be a reliable indicator of our future results.

The historical data we presented herein may not reflect what our business, financial condition, results of operations and cash flows would have been had we been an independent, publicly-traded company during the periods presented or what our business, financial condition, results of operations and cash flows will be in the future when we are an independent company. This is primarily because:

Ingersoll Rand, or one of its affiliates, performed significant corporate functions for us, including tax and treasury administration and certain governance functions, including internal audit and external reporting. Our historical statements reflect allocations of corporate expenses from Ingersoll Rand for these functions and may not reflect the costs we will incur for similar services in the future as an independent company. Furthermore, we are responsible for the additional costs associated with being an independent, publicly-traded company, including costs related to corporate governance and external reporting.

Our working capital requirements and capital for our general corporate purposes, including acquisitions and capital expenditures, historically have been satisfied as part of the company-wide cash management practices of Ingersoll Rand. While our businesses have historically generated sufficient cash to finance our working capital and other cash requirements, we no longer have access to Ingersoll Rand's cash pool. Without the opportunity to obtain financing from Ingersoll Rand, we may need to obtain additional financing from banks, through public offerings or private placements of debt or equity securities or other arrangements.

Other significant changes may occur in cost structure, management, financing and business operations as a result of our operating as a company separate from Ingersoll Rand.

Our historical financial data does not include an allocation of interest expense comparable to the on-going interest expense we will incur as part of the financing of the Spin-off. After giving pro-forma effect to the Spin-off, our interest expense would have been approximately \$53 million for the year ended December 31, 2013 (compared to \$10.2 million reflected in our historical financial statements).

As an independent, publicly-traded company, we may not enjoy the same benefits that we did as a part of Ingersoll Rand.

There is a risk that, by separating from Ingersoll Rand, we may become more susceptible to market fluctuations and other adverse events than we would have been if we were still part of Ingersoll Rand. As part of Ingersoll Rand, we were able to enjoy certain benefits from Ingersoll Rand's operating diversity, purchasing power and opportunities to pursue integrated strategies with Ingersoll Rand's other businesses. As an independent, publicly-traded company, we do not have similar diversity or integration opportunities and may not have similar purchasing power or access to capital markets.

As an independent, publicly-traded company, our capital structure and sources of liquidity changed significantly from our historical capital structure.

We have \$1.0 billion outstanding under our senior secured term loan facilities and \$300 million of fixed rate senior notes, among other borrowings. The net proceeds of the senior notes and the senior secured credit facilities were

distributed to Ingersoll Rand. As an independent, publicly-traded company, we will no longer participate in cash management and funding arrangements with Ingersoll Rand. Instead, our ability to fund our capital needs depends on our ongoing ability to generate cash from operations, and to access our borrowing facilities and capital markets, which is subject to general economic, financial, competitive, regulatory and other factors that are beyond our control.

The ownership by our executive officers of ordinary shares, stock options or other stock-based awards of Ingersoll Rand may create, or may create the appearance of, conflicts of interest.

Substantially all of our executive officers own ordinary shares of Ingersoll Rand, stock options to purchase ordinary shares of Ingersoll Rand or other Ingersoll Rand stock-based awards because of their former positions

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with Ingersoll Rand. The individual holdings of ordinary shares, stock options to purchase ordinary shares or other stock-based awards of Ingersoll Rand may be significant for some of these persons compared to their total assets. These equity interests may create, or appear to create, conflicts of interest when these officers are faced with decisions that could benefit or affect the officers, as equity holders of Ingersoll Rand, in ways that do not benefit or affect us or our shareholders in the same manner.

The one-time and ongoing costs of the spin-off may be greater than we expected.

We have incurred and will continue to incur costs in connection with being a stand-alone public company that relate primarily to accounting, tax, legal and other professional costs; financing costs in connection with obtaining our financing as a stand-alone company; compensation, such as modifications to certain incentive awards upon completion of the spin-off; recruiting and relocation costs associated with hiring our senior management personnel; and costs to separate assets and information systems. These costs may be greater than anticipated.

We may not be able to achieve a competitive worldwide effective corporate tax rate.

We cannot give any assurance as to what our effective tax rate will be in future years, because of, among other things, uncertainty regarding the geographic mix of income and the tax policies of the jurisdictions where we operate. Our actual effective tax rate may vary from our expectation and that variance may be material. Additionally, the tax laws of Ireland and other jurisdictions could change in the future, and such changes could cause a material change in our effective tax rate.

We may have been able to receive better terms from unaffiliated third parties than the terms we receive in our agreements related to the spin-off.

The agreements related to the spin-off, including the Separation and Distribution Agreement, Employee Matters Agreement, Tax Matters Agreement, Transition Services Agreement, agreements with respect to real estate and intellectual property matters and any other agreements, were negotiated in the context of the Spin-off from Ingersoll Rand while we were still part of Ingersoll Rand. Accordingly, these agreements may not reflect terms that would have resulted from arm's-length negotiations among unaffiliated third parties. The terms of the agreements in the context of the Spin-off are related to, among other things, allocations of assets, liabilities, rights, indemnifications and other obligations among Ingersoll Rand and us. We might have received better terms under the agreements relating to the Spin-off had they been negotiated with disinterested third parties who competed with each other to win our business than we received from Ingersoll Rand.

In connection with the Spin-off, Ingersoll Rand indemnified us for certain liabilities and we indemnified Ingersoll Rand for certain liabilities. If we are required to act on these indemnities to Ingersoll Rand, we may need to divert cash to meet those obligations and our financial results could be negatively impacted. The Ingersoll Rand indemnity may not be sufficient to insure us against the full amount of liabilities for which it will be allocated responsibility, and Ingersoll Rand may not be able to satisfy its indemnification obligations in the future.

Pursuant to the Separation and Distribution Agreement, the Employee Matters Agreement and the Tax Matters Agreement with Ingersoll Rand, Ingersoll Rand agreed to indemnify us for certain liabilities, and we agreed to indemnify Ingersoll Rand for certain liabilities, in each case for uncapped amounts. Such indemnities may be significant and could negatively impact our business, particularly indemnities relating to our actions that could impact the tax-free nature of the Spin-off. Third parties could also seek to hold us responsible for any of the liabilities that Ingersoll Rand retained. Further, the indemnity from Ingersoll Rand may not be sufficient to protect us against the full amount of such liabilities, and Ingersoll Rand may not be able to fully satisfy its indemnification obligations.

Moreover, even if we ultimately succeed in recovering from Ingersoll Rand any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves.

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If the distribution or certain internal transactions undertaken in anticipation of the spin-off are determined to be taxable for U.S. federal income tax purposes, we, our shareholders that are subject to U.S. federal income tax and/or Ingersoll Rand could incur significant U.S. federal income tax liabilities and, in certain circumstances, we could be required to indemnify Ingersoll Rand for material taxes pursuant to indemnification obligations under the Tax Matters Agreement.

Ingersoll Rand has received an IRS ruling substantially to the effect that, among other things, the distribution of our ordinary shares, together with certain related transactions, qualify under Sections 355 and 368(a) of the Internal Revenue Code (the Code), with the result that Ingersoll Rand and Ingersoll Rand's shareholders will not recognize any taxable income, gain or loss for U.S. federal income tax purposes as a result of the Spin-off, except to the extent of cash received in lieu of fractional shares (the IRS Ruling). The IRS Ruling also provided that certain internal transactions undertaken in anticipation of the distribution qualify for favorable treatment under the Code. In addition to obtaining the IRS Ruling, Ingersoll Rand received opinions from the law firm of Simpson Thacher & Bartlett LLP substantially to the effect that certain requirements, including certain requirements that the IRS did not rule on, necessary to obtain tax-free treatment have been satisfied, such that the distribution for U.S. federal income tax purposes and certain other matters relating to the distribution, including certain internal transactions undertaken in anticipation of the distribution, received tax-free treatment under Section 355 of the Code. The receipt and effectiveness of the IRS Ruling and the opinions were conditions to the distribution that were satisfied or waived by Ingersoll Rand. The IRS Ruling and the opinions rely on certain facts and assumptions and certain representations and undertakings from us and Ingersoll Rand regarding the past and future conduct of our respective businesses and other matters. Notwithstanding the IRS Ruling and the opinions, the IRS could determine on audit that the distribution or the internal transactions should be treated as taxable transactions if it determines that any of these facts, assumptions, representations or undertakings is not correct or has been violated, or that the distribution or the internal transactions should be taxable for other reasons, including as a result of significant changes in shares or asset ownership after the distribution. A legal opinion represents the tax adviser's best legal judgment, is not binding on the IRS or the courts, and the IRS or the courts may not agree with the opinion. In addition, the opinion will be based on current law, and cannot be relied upon if current law changes with retroactive effect. If the distribution is determined to be taxable, the distribution could be treated as a taxable dividend or capital gain for U.S. federal income tax purposes, and our shareholders could incur significant U.S. federal income tax liabilities. In addition, we or Ingersoll Rand could incur significant U.S. federal income tax liabilities if it is ultimately determined that certain internal transactions undertaken in anticipation of the distribution are taxable.

In addition, under the terms of the Tax Matters Agreement, in the event the distribution or the internal transactions were determined to be taxable as a result of actions taken after the distribution by us or Ingersoll Rand, the party responsible for such failure would be responsible for all taxes imposed on us or Ingersoll Rand as a result thereof. If such failure is not the result of actions taken after the distribution by us or Ingersoll Rand, then we would be responsible for any taxes imposed on us or Ingersoll Rand as a result of such determination. Such tax amounts could be significant.

In addition, the amount of our shares that we can issue may be limited because the issuance of our shares may cause the distribution to be a taxable event for Ingersoll Rand under Section 355(e) of the Code, and under the Tax Matters Agreement, we could be required to indemnify Ingersoll Rand for that tax.

We might not be able to engage in desirable strategic transactions and equity issuances following the distribution because of restrictions relating to U.S. federal income tax requirements for tax-free distributions.

Our ability to engage in significant equity transactions could be limited or restricted after the distribution in order to preserve, for U.S. federal income tax purposes, the tax-free nature of the distribution by Ingersoll Rand. Even if the

distribution otherwise qualifies for tax-free treatment under Section 355 of the Code, it may result in a corporate-level taxable gain to Ingersoll Rand and certain of its affiliates under Section 355(e) of the Code if 50% or more, by vote or value, of our shares or Ingersoll Rand's shares are acquired or issued as part of a plan or

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series of related transactions that includes the distribution. Any acquisitions or issuances of our shares or Ingersoll Rand's shares within two years after the distribution will generally be presumed to be part of such a plan, although we or Ingersoll Rand may be able to rebut that presumption.

To preserve the tax-free treatment to Ingersoll Rand of the distribution, under the Tax Matters Agreement, we are prohibited from taking or failing to take any action that prevents the distribution and related transactions from being tax-free. Further, for the two-year period following the distribution, without obtaining the consent of Ingersoll Rand, a private letter ruling from the IRS or an unqualified opinion from a nationally recognized law firm or accounting firm, we are prohibited from, among other things:

approving or allowing any transaction that results in a change in ownership of more than 50% of our ordinary shares when combined with any other changes in ownership of our shares,

redeeming or repurchasing certain amounts of equity securities,

selling or otherwise disposing of substantially all of our assets, or

engaging in certain internal transactions.

These restrictions may limit our ability to pursue strategic transactions or engage in new business or other transactions that may maximize the value of our business. Moreover, the Tax Matters Agreement provides that we are responsible for any taxes imposed on Ingersoll Rand or any of its affiliates as a result of the failure of the distribution or the internal transactions to qualify for favorable treatment under the Code unless such failure is attributable to certain actions taken after the distribution by Ingersoll Rand.

In February 2014, our Board of Directors authorized the repurchase of up to \$200 million of our ordinary shares. Due to these restrictions, we may not engage in privately negotiated transactions or acquire more than 20% of our outstanding shares within two years after the Distribution. We believe that we will be able to execute the authorized share repurchases and preserve the tax-free treatment of the distribution. However, if we are unable to preserve the tax-free treatment, any taxes imposed on us could be significant.

If the distribution is determined to be taxable for Irish tax purposes, significant Irish tax liabilities may arise.

Ingersoll Rand has received an opinion of the Irish Revenue regarding the Irish tax consequences of the distribution to the effect that certain reliefs and exemptions for corporate reorganizations apply. In addition to obtaining the opinion from Irish Revenue, Ingersoll Rand received an opinion from the law firm of Arthur Cox confirming the applicability of the relevant exemptions and reliefs to the distribution and that certain internal transactions will not trigger tax costs. These opinions rely on certain facts and assumptions and certain representations and undertakings from us and Ingersoll Rand regarding the past and future conduct of our respective businesses and other matters. Notwithstanding the opinions, Irish Revenue could determine on audit that the distribution or the internal transactions do not qualify for the relevant exemptions or reliefs if it determines that any of these facts, assumptions, representations or undertakings is not correct or has been violated. A legal opinion represents the tax adviser's best legal judgment, is not binding on Irish Revenue or the courts and Irish Revenue or the courts may not agree with the legal opinion. In addition, the legal opinion was based on current law, and cannot be relied upon if current law changes with retroactive effect. If the

distribution ultimately is determined not to fall within certain exemptions or reliefs, the distribution could result in our shareholders having an Irish tax liability as a result of the distribution (if a shareholder is an Irish resident or holds shares in Ingersoll Rand in an Irish branch or agency), or we or Ingersoll Rand could incur Irish tax liabilities.

In addition, under the terms of the Tax Matters Agreement, in the event the distribution does not qualify for certain reliefs or exemptions, then we would be responsible for any taxes imposed on us or Ingersoll Rand as a result of such determination. Such tax amounts could be significant.

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Risks Related to Allegion plc's Incorporation in Ireland

Allegion plc is organized in Ireland, and a substantial portion of our assets are located outside the United States. As a result, you may have difficulty enforcing, or may be unable to enforce, judgments obtained in the United States.

Allegion plc is organized under the laws of Ireland, and a substantial portion of our assets are located outside the United States. As a result, it may not be possible to enforce court judgments obtained in the United States against us or our directors or officers (whether based on the civil liability provisions of U.S. federal or state securities laws, New York law as the governing law of the exchange notes, indentures and guarantees or otherwise) in Ireland or in countries other than the United States where we have assets. We have been advised by our legal advisors in Ireland that the United States does not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters with Ireland. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States, whether based on U.S. federal or state securities laws or otherwise, would not automatically be enforceable (and in certain circumstances may not be enforceable at all) in Ireland. Furthermore, you will not be able to bring a lawsuit or otherwise seek any remedies under the laws of the United States or any states therein (U.S. Law), including remedies available under the U.S. federal securities laws, in courts of Ireland (otherwise than in relation to agreements governed by U.S. Law where Irish courts have accepted jurisdiction to hear the matter). See *Service of Process and Enforcement of Liabilities* for further information.

Under Irish law the guarantee of the exchange notes by Allegion plc may be affected, challenged or ineffective under certain circumstances

The guarantee of the exchange notes by Allegion plc may be subject to review under Irish law in, inter alia, the following circumstances:

Allegion plc, having become the subject of liquidation proceedings within six months (or two years if the guarantee is given in favor of anyone who is, in relation to Allegion plc, a connected person) of issuing the guarantee, is made the subject of an application by the liquidator, on behalf of Allegion plc, to the Irish courts to void the guarantee on the grounds that the issuance of the guarantee constituted a preference over other creditors at a time when Allegion plc was insolvent;

if Allegion plc were wound up, the Irish courts, on the application of a liquidator or creditor, may, if it can be shown that the guarantee or any payments made thereunder constituted a fraud on Allegion plc, order a return of payments made by Allegion plc under the guarantee;

if the guarantee is challenged on the grounds that there was no corporate benefit to Allegion plc in entering into the guarantee; or

Allegion plc having become insolvent, or deemed likely to become insolvent, is made the subject of court protection under the examinership procedure (see further below) and the court approves a scheme for the compromise of debts of Allegion plc.

Examinership is a court moratorium/protection procedure available under Irish company law. An examiner may be appointed to an Irish company which is likely to be insolvent if the Irish High Court is satisfied that there is a reasonable prospect of the survival of the company and all or part of its undertaking as a going concern. During the examinership period (70 days, or longer in certain circumstances) the company is protected from most forms of enforcement procedure. The primary risks to you if an examiner were to be appointed to Allegion plc are as follows:

during the period of protection (A) the examiner may direct that no payments be made by Allegion plc under the guarantee and (B) no action could be taken by creditors to enforce their rights under that guarantee; and

the potential for a scheme of arrangement being approved in respect of the Allegion plc (resulting in a write down of its liabilities, including those under the guarantee).

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Changes in tax laws, regulations or treaties, changes in our status under the tax laws of many jurisdictions or adverse determinations by taxing authorities could increase our tax burden or otherwise affect our financial condition or operating results, as well as subject our shareholders to additional taxes.

The realization of any tax benefit related to our incorporation and tax residence in Ireland could be impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof by the tax authorities of many jurisdictions. From time to time, proposals have been made and/or legislation has been introduced to change the tax laws of various jurisdictions or limit tax treaty benefits that if enacted could materially increase our tax burden and/or effective tax rate. For instance, recent U.S. legislative proposals would broaden the circumstances under which we would be considered a U.S. resident for U.S. tax purposes, which would significantly diminish the realization of any tax benefit related to our incorporation in Ireland. There are other recent U.S. legislative proposals that could modify or eliminate the tax deductibility of various currently deductible payments, which could materially and adversely affect our effective tax rate and cash tax position. Moreover, other U.S. legislative proposals could have a material adverse impact on us by overriding certain tax treaties and limiting the treaty benefits on certain payments by our U.S. subsidiaries to our non-U.S. affiliates, which could increase our tax liability. We cannot predict the outcome of any specific legislation in any jurisdiction.

While we monitor proposals that would materially impact our tax burden and/or effective tax rate and investigate our options, we could still be subject to increased taxation on a going forward basis no matter what action we undertake if certain legislative proposals are enacted, certain tax treaties are amended and/or our interpretation of applicable tax law is challenged and determined to be incorrect. In particular, any changes and/or differing interpretations of applicable tax law that have the effect of disregarding our incorporation in Ireland, limiting our ability to take advantage of tax treaties between jurisdictions, modifying or eliminating the deductibility of various currently deductible payments, or increasing the tax burden of operating or being resident in a particular country, could subject us to increased taxation.

Risks Related to Exchange Notes and the Guarantees

Our substantial leverage could harm our business by limiting our available cash and our access to additional capital and, to the extent of our variable rate indebtedness, exposing us to interest rate risk.

We have approximately \$1.3 billion of outstanding indebtedness at March 31, 2014. In addition, we have a senior secured revolving credit facility permitting borrowings of up to \$500 million. This amount of indebtedness substantially increases our cash interest expense in future years compared to prior years and may limit our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions, restructuring and general corporate or other purposes, limit our ability to adjust to changing market conditions and place us at a competitive disadvantage compared to our less leveraged competitors. Further volatility in the credit markets would adversely impact our ability to obtain favorable terms on financing in the future. In addition, a substantial portion of our cash flows from operations is dedicated to the payment of principal and interest on our indebtedness and will not be available for other purposes, including our operations, capital expenditures, payment of dividends, share repurchase programs and future business opportunities. We may be more vulnerable than a less leveraged company to a downturn in the general economic conditions or in our business, or we may be unable to carry out capital spending that is important to our growth. We may be vulnerable to interest rate increases, as certain of our borrowings, including those under our senior secured credit facilities, are at variable rates.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which actions may not be successful.

Our ability to make scheduled payments or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flow

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from operating activities sufficient to permit us to pay the principal and interest on our indebtedness. For more information see Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, reduce or eliminate the payment of dividends, sell assets, seek additional capital or seek to restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to sell material assets or operations to attempt to meet our debt service and other obligations. The terms of the credit agreement governing our senior secured credit facilities and the indenture governing our senior notes contain customary financial covenants that may restrict our ability to use the proceeds from asset sales. We may not be able to consummate those asset sales to raise capital or sell assets at prices we believe are fair, and proceeds that we do receive may not be adequate to meet any debt service obligations then due.

Despite our levels of indebtedness, we may still be able to incur substantially more debt, which could further exacerbate the risks associated with our substantial leverage.

We may be able to incur substantial additional indebtedness in the future. Although the terms of the credit agreement governing our senior secured credit facilities and the indenture governing our senior notes contain customary restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. In addition, our senior secured revolving credit facility permits borrowings of up to \$500 million. If we incur additional debt above the levels we currently have, the risks associated with our leverage, including those described above, would increase.

The terms of our debt covenants could limit how we conduct our business and our ability to raise additional funds.

The terms of the credit agreement governing our senior secured credit facilities and the indenture governing our senior notes restrict us from taking certain actions that we may think are in the best interests of our shareholders. A breach of the covenants or restrictions could result in a default under the applicable indebtedness. As a result of these restrictions, we may be:

limited in how we conduct our business;

limited in our ability to pay dividends or make other distributions to our shareholders;

unable to raise additional debt or equity financing to operate during general economic or business downturns; or

unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our plans.

These covenants and restrictions could affect our ability to operate our business, and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. Additionally, our ability to comply with these covenants may be affected by events beyond our control, including general economic and credit conditions and industry downturns, and the other factors described in these risk factors.

Many of the restrictive covenants contained in the indenture will be suspended if and for so long as the exchange notes are rated investment grade by Moody's and S&P and no default has occurred and is continuing.

Many of the covenants in the indenture governing the exchange notes will be suspended if and for so long as the exchange notes are rated investment grade (as defined in the indenture) by Moody's and S&P, provided that

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at such time no default with respect to the exchange notes has occurred and is continuing. There can be no assurance that the exchange notes will ever be rated investment grade or that if they are rated investment grade, that the exchange notes will maintain such ratings. Suspension of these covenants would allow us to engage in certain transactions that would not be permitted while these covenants were in force and these transactions will not result in an event of default if the covenants are subsequently reinstated. See Description of the Exchange Notes Certain Covenants Effectiveness of Covenants.

The exchange notes and the guarantees will not be secured by any of our assets or the assets of the guarantors and therefore will be effectively subordinated to our and their existing and future secured indebtedness.

The exchange notes and the guarantees will be general unsecured obligations ranking effectively junior in right of payment to all existing and future secured debt, including borrowings under our senior secured credit facilities to the extent of the collateral securing such debt. In addition, our senior secured credit facilities and the indenture governing the exchange notes will permit the incurrence of additional debt in certain circumstances, some of which may be secured debt. In the event that we are declared bankrupt, become insolvent or are liquidated or reorganized, creditors whose debt is secured by our and the guarantors' assets will be entitled to the remedies available to secured creditors under applicable laws, including the foreclosure of the collateral securing such debt, before any payment may be made with respect to the exchange notes or the guarantees. As a result, there may be insufficient assets to pay amounts due on the exchange notes, and holders of the exchange notes may receive less, ratably, than holders of secured indebtedness.

The parent guarantor of the exchange notes is a holding company with no significant independent operations and no significant assets except capital stock of its subsidiaries. As a result, the parent guarantor of the exchange notes would be unable to meet its obligations if we fail to make payment of interest or principal on the exchange notes.

Allegion plc is a holding company with no independent operations and no significant assets other than the capital stock of its subsidiaries. Allegion plc, therefore, is dependent upon the receipt of dividends or other distributions from its subsidiaries to fund any obligations that it incurs, including obligations under our guarantee of the exchange notes. Accordingly, if we should at any time be unable to pay interest on or principal of the exchange notes, it is highly unlikely that Allegion plc will be able to distribute the funds necessary to enable it to meet its obligation under the parent guarantee.

The exchange notes will be structurally subordinated to the existing and future liabilities of certain of our subsidiaries which are not guaranteeing the exchange notes.

The exchange notes will not be guaranteed by certain of our current and future subsidiaries, including all of our foreign subsidiaries. As a result, the exchange notes will be structurally subordinated to all existing and future liabilities of such non-guarantor subsidiaries. Our rights and the rights of our creditors to participate in the assets of any non-guarantor subsidiary in the event that such a subsidiary is liquidated or reorganized will be subject to the prior claims of such subsidiary's creditors. As a result, all indebtedness and other liabilities, including trade payables, of our non-guarantor subsidiaries, whether secured or unsecured, must be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to us in order for us to meet our obligations with respect to the exchange notes. To the extent that we may be a creditor with recognized claims against any non-guarantor subsidiary, our claims would still be subject to the prior claims of such subsidiary's creditors to the extent that they are secured or senior to those held by us. Subject to restrictions contained in financing arrangements, our non-guarantor subsidiaries may incur additional indebtedness and other liabilities, all of which would rank structurally senior to the exchange notes.

Our ability to repurchase the exchange notes upon a change of control may be limited.

We will be required under the indenture governing the exchange notes to make an offer to repurchase the exchange notes and the existing notes upon a change of control (as defined in the indenture). A change of control

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also would constitute a default under our senior secured credit facilities. Therefore, upon the occurrence of a change of control, the lenders under our senior secured credit facilities would have the right to accelerate their loans, and if so accelerated, we would be required to pay all of our outstanding obligations under such facilities. We may not be able to pay you the required price for your notes at that time because we may not have available funds to pay the repurchase price. In addition, the terms of other existing or future debt may prevent us from paying you. There can be no assurance that we would be able to repay such other debt or obtain consents from the holders of such other debt to repurchase these notes. Any requirement to offer to purchase any outstanding notes may result in us having to refinance our outstanding indebtedness, which we may not be able to do. In addition, even if we were able to refinance our outstanding indebtedness, such financing may be on terms unfavorable to us. In addition, certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, would not constitute a Change of Control under the indenture. See Description of the Exchange Notes Repurchase at the Option of Holders Change of Control.

Our variable rate indebtedness may expose us to interest rate risk, which could cause our debt costs to increase significantly.

A portion of our borrowings at March 31, 2014 are term loans with variable rates of interest which expose us to interest rate risks. We are exposed to the risk of rising interest rates to the extent that we fund our operations with short-term or variable-rate borrowings. At March 31, 2014, we have approximately \$1.3 billion of aggregate debt outstanding, and this amount includes \$1.0 billion of floating-rate term loans and \$300 million of our fixed-rate senior notes. We have the ability to incur up to \$500 million of additional floating-rate debt under our senior secured revolving credit facility. Based on the amount of floating-rate debt outstanding at March 31, 2014, a 100 basis point increase in LIBOR would result in an incremental annual interest expense of approximately \$7.1 million. If the LIBOR or other applicable base rates under our senior secured credit facilities increase in the future then the floating-rate debt could have a material effect on our interest expense.

Our being subject to certain fraudulent transfer and conveyance statutes may have adverse implications for the holders of the exchange notes.

If, under relevant federal and state fraudulent transfer and conveyance statutes, in a bankruptcy or reorganization case or a lawsuit by or on behalf of our unpaid creditors or the guarantors, a court were to find that, at the time the exchange notes were issued by us or guaranteed by the guarantors:

We issued or the guarantors guaranteed the exchange notes with the intent of hindering, delaying or defrauding current or future creditors, we or the guarantors received less than reasonably equivalent value or fair consideration for issuing or guaranteeing the exchange notes, as applicable; and

We or the guarantors, as the case may be,

were insolvent or were rendered insolvent by reason of the incurrence or guarantee, as applicable, of the indebtedness constituting the exchange notes,

were engaged, or about to engage, in a business or transaction for which our assets constituted unreasonably small capital,

intended to incur, or believed that we would incur, debts beyond our ability to pay as such debts matured, or

were a defendant in an action for money damages, or had a judgment for money damages docketed against us if, in either case, after final judgment the judgment is unsatisfied, such court could avoid or subordinate the exchange notes and the relevant guarantee to presently existing and future indebtedness of us or the guarantors, as the case may be, and take other action detrimental to the holders of the exchange notes, including, under certain circumstances, invalidating the exchange notes or the guarantees.

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The measure of insolvency for purposes of the foregoing considerations will vary depending upon the law of the jurisdiction that is being applied in any such proceeding. Generally, however, we or any guarantor would be considered insolvent if, at the time we incur or guarantee, as the case may be, the indebtedness constituting the exchange notes, either:

the sum of our debts, including contingent liabilities, is greater than our assets, at a fair valuation; or

the present fair saleable value of our assets is less than the amount required to pay the probable liability on our total existing debts and liabilities, including contingent liabilities, as they become absolute and matured. We cannot give you any assurance as to what standards a court would use to determine whether we or a guarantor, as the case may be, were solvent at the relevant time, or whether, whatever standard was used, the exchange notes or guarantees would not be avoided on another of the grounds described above.

We believe that at the time the exchange notes are initially issued by us and guaranteed by the guarantors, we and the guarantors will be:

neither insolvent nor rendered insolvent thereby,

in possession of sufficient capital to run our respective businesses effectively,

incurring debts within our respective abilities to pay as the same mature or become due, and

will have sufficient assets to satisfy any probable money judgment against us in any pending action. In reaching these conclusions, we have relied upon our analysis of cash flow projections, which, among other things, assume that we will in the future realize certain selling prices and volumes and favorable changes in product mix, and estimated values of assets and liabilities. We cannot assure you, however, that a court passing on such questions would reach the same conclusions.

The lenders under our senior secured credit facilities will have the discretion to release the guarantors under the senior secured credit facilities in a variety of circumstances, or such guarantors may be automatically released, which will cause those guarantors to be automatically released from their guarantees of the exchange notes.

While any obligations under our senior secured credit facilities remain outstanding, any guarantee of the exchange notes may be released without action by, or consent of, any holder of the exchange notes or the trustee under the indenture governing the exchange notes, if the related guarantor is no longer a guarantor of obligations under the senior secured credit facilities. See Description of the Exchange Notes. The lenders under our senior secured credit facilities will have the discretion to release the guarantees under the senior secured credit facilities in a variety of circumstances and, in some circumstances, such guarantors will be automatically released. You will not have a claim as a creditor against any subsidiary that is no longer a guarantor of the exchange notes, and the indebtedness and other liabilities, including trade payables, whether secured or unsecured, of those subsidiaries will effectively be senior to

claims of noteholders. See Description of the Exchange Notes Guarantees.

Your ability to transfer the exchange notes may be limited by the absence of an active trading market, and we cannot assure you that an active trading market will develop for the exchange notes.

We are offering the exchange notes to the holders of the eligible notes. The eligible notes were offered and sold in a private offering in October 2013 to institutional investors and are eligible for trading by qualified institutional buyers as defined under Rule 144A of the Securities Act. Upon consummation of the applicable exchange offer, we expect that each series of the exchanges notes will share a single CUSIP.

We do not intend to apply for a listing of the exchange notes on any national securities exchange or to arrange for quotation of the exchange notes on any automated dealer quotation system. The initial purchasers in

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the private offering of the eligible notes have advised us that they intend to make a market in the exchange notes, as permitted by applicable laws and regulations; however, the initial purchasers are not obligated to do so and they may discontinue their market-making activities at any time in their sole discretion without notice. In addition, such market-making activity may be limited during the pendency of the exchange offer or the effectiveness of a shelf registration statement in lieu thereof. Accordingly, there can be no assurance that an active market for the exchange notes will develop. Moreover, even if a market for the exchange notes does develop, the exchange notes could trade at a substantial discount from their face amount. If a market for the exchange notes does not develop, or if market conditions change, purchasers may be unable to resell the exchange notes for an extended period of time, if at all. Consequently, a purchaser may not be able to liquidate its investment readily, and the exchange notes may not be readily accepted as collateral for loans.

If a trading market does develop, changes in our credit ratings or the debt markets could adversely affect the market price of the exchange notes.

The price for the exchange notes depends on many factors, including:

our credit ratings;

prevailing interest rates being paid by, or the market prices for debt securities issued by, other companies similar to us;

our financial condition, financial performance and prospects; and

the overall conditions of the general economy and the financial markets.

The conditions of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Such fluctuations could have an adverse effect on the price of the exchange notes.

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USE OF PROCEEDS

We will not receive any cash proceeds from the issuance of the exchange notes pursuant to the exchange offer. In consideration for issuing the exchange notes as contemplated in this prospectus, we will receive in exchange a like principal amount of eligible notes, the terms of which are identical in all material respects to the exchange notes. The eligible notes surrendered in exchange for the exchange notes will be retired and canceled and cannot be reissued. Accordingly, issuance of the exchange notes will not result in any change in our capitalization.

Table of Contents**CAPITALIZATION**

The following table sets forth the unaudited cash and capitalization of Allegion as of March 31, 2014. You should review the following table in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and accompanying notes included elsewhere in this prospectus.

<i>In millions</i>	As of March 31, 2014
Cash and cash equivalents	\$ 205.4
Indebtedness:	
Short-term borrowings and current maturities of long-term debt	\$ 70.5
Long-term debt	
Revolving credit facility(1)	
Term Loan A(2)	493.8
Term Loan B(2)	498.8
Senior notes	300.0
Total indebtedness	\$ 1,292.6
Equity:	
Ordinary shares, \$0.01 par value	1.0
Capital in excess of par value	20.4
Retained earnings	28.0
Accumulated other comprehensive earnings (losses)	(109.8)
Noncontrolling interest	32.1
Total equity (deficit)	\$ (28.3)
Total capitalization	\$ 1,264.3

- (1) In November 2013 we entered into a senior secured revolving credit facility of \$500.0 million maturing in 2018, of which up to \$100.0 million is available for the issuance of letters of credit, and including a swingline facility in an amount of up to \$50.0 million. See Description of Other Indebtedness.
- (2) In November 2013 we entered into a \$500.0 million Term Loan A Facility due in 2018 and a \$500.0 million Term Loan B Facility due 2020. See Description of Other Indebtedness.

Table of Contents**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

The following table presents our selected historical consolidated financial data as of March 31, 2014 and for the three months ended March 31, 2014 and 2013, and as of and for each of the fiscal years in the five-year period ended December 31, 2013. We derived the selected historical condensed consolidated financial data as of March 31, 2014 and for the three months ended March 31, 2014 and 2013 from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. We derived the selected historical combined and consolidated financial data as of December 31, 2013 and 2012 and for each of the fiscal years in the three-year period ended December 31, 2013 from our audited combined and consolidated financial statements included elsewhere in this prospectus, and we derived the selected historical combined and consolidated financial data as of December 31, 2011, 2010 and 2009 and for the fiscal years ended December 31, 2010 and 2009 from our audited combined and consolidated financial statements that are not included in this prospectus. In our management's opinion, the unaudited condensed consolidated financial statements have been prepared on the same basis as the audited combined and consolidated financial statements and include all adjustments, consisting only of ordinary recurring adjustments, necessary for a fair presentation of the information for the periods presented.

Our historical consolidated financial statements include certain expenses of Ingersoll Rand that were allocated to us for certain corporate functions, including finance, information technology, legal, human resources, integrated supply chain and marketing. These costs may not be representative of the future costs we will incur as an independent, publicly-traded company. In addition, our historical financial information does not reflect changes that we expect to experience in the future as a result of our spin-off from Ingersoll Rand, including changes in the financing, operations, cost structure and personnel needs of our business. Our consolidated financial statements also do not reflect the allocation of certain assets and liabilities between Ingersoll Rand and us. Consequently, the financial information included here may not necessarily reflect our financial position, results of operations and cash flows in the future or what our financial position, results of operations and cash flows would have been had we been an independent, publicly-traded company during the periods presented.

You should read the selected historical consolidated financial data presented below in conjunction with our audited and unaudited consolidated financial statements and accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this prospectus.

<i>In millions</i>	As of and for the Three Months Ended March 31,		As of and for the Years Ended December 31,				
	2014	2013	2013	2012	2011	2010	2009
Net revenues	\$ 472.5	\$ 473.3	\$ 2,093.5	\$ 2,046.6	\$ 2,021.2	\$ 1,967.7	\$ 2,038.8
Net earnings (loss) attributable to Allegion:							
Continuing operations(a)	35.8	39.6	31.8	222.3	225.4	194.3	180.4
Discontinued operations	(0.2)	(0.2)	(0.8)	(2.7)	(7.3)	(2.5)	(3.0)
Total assets	1,977.9		1,979.9	1,983.8	2,036.2	2,052.5	2,016.2
Total debt, including capital leases	1,334.9		1,343.9	5.0	4.9	6.2	7.9
Total Parent Company equity (deficit)	(60.4)		(86.8)	1,343.2	1,413.8	1,457.4	1,378.8

- (a) Net earnings from continuing operations includes \$37.7 million of centrally managed service costs and corporate allocations from Ingersoll Rand for the three months ended March 31, 2013, and \$174.5 million, \$176.7 million, \$160.5 million, \$157.8 million and \$160.9 million of centrally managed service costs and corporate allocations from Ingersoll Rand for the years ended December 31, 2013, 2012, 2011, 2010 and 2009, respectively.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under Risk Factors and Cautionary Statement Concerning Forward-Looking Statements. The following section is qualified in its entirety by the more detailed information, including our consolidated financial statements and the notes thereto, which appears elsewhere in this prospectus.

Overview

Organization

We are a leading global provider of security products and solutions operating in three geographic regions: Americas; EMEA; and Asia Pacific. We sell a wide range of security products and solutions for end-users in commercial, institutional and residential markets worldwide, including into the education, healthcare, government, commercial office and single and multi-family residential markets. Our strategic brands include Schlage, Von Duprin, LCN, CISA, and Interflex.

Trends and Economic Events

Current market conditions, including challenges in international markets, continue to impact our financial results. Uneven global commercial new construction activity is negatively impacting our results, however U.S. residential and consumer markets have begun to improve, and we are seeing improvements in the U.S. new builder and replacement markets.

Based on information derived from third party sources, we estimate that the size of the global markets we serve was more than \$30 billion in revenue in 2013, comprised of \$25 billion for mechanical hardware products and more than \$5 billion for time, attendance, and workforce productivity systems and systems integration. We believe that the security products industry will benefit from several global macroeconomic and long-term demographic trends, which include heightened awareness of security requirements, increased global urbanization and the shift to a digital, interconnected environment. In the more established economies of North America and Europe, where the security product industry's compound annual growth rate was 1 to 2% per year during the challenging economy experienced over the past three years, we believe our markets are poised for a cyclical recovery driven in part by accelerating growth in the underlying commercial and residential construction markets. Annual revenue growth for the security products market in emerging economies, which represented approximately 14.6% of our net revenues for the year ended December 31, 2013, exceeded 5% over the past 3 years. Additionally, we expect growth in the global electronic product categories we serve to continue to outperform the industry as end-users adopt newer technologies in their facilities.

Our business may be negatively impacted if, among other things, market conditions in North America and Europe worsen or do not improve as we expect them to, developing economies in which we do business decline or do not continue to grow at recent rates or we are unable to capitalize on the growth in electronic product categories. A number of other challenges and uncertainties that could affect our business are described under Risk Factors.

Recent Developments

Spin-Off Transaction

On December 1, 2013, Allegion became a stand-alone public company after Ingersoll-Rand plc (Ingersoll Rand) completed the separation of its commercial and residential security businesses (the Business) from the rest of Ingersoll Rand, via the transfer of the Business from Ingersoll Rand to Allegion and the issuance by Allegion of ordinary shares directly to Ingersoll Rand s shareholders (the Spin-off). As part of the Spin-off, Allegion issued

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one ordinary share for every three ordinary shares of Ingersoll Rand held of record as of 5:00 p.m., New York City time on November 22, 2013. Allegion ordinary shares trade under the symbol `ALLE` on the New York Stock Exchange. Allegion issued a total of approximately 96.0 million ordinary shares in the Spin-off. We incurred approximately \$5.9 million of non-recurring separation costs in 2013 related to the Spin-off.

Indebtedness

In conjunction with the Spin-off, we issued \$1,300 million of indebtedness comprised of (i) \$300 million of 5.75% senior secured notes due in 2021 and (ii) a credit agreement providing for (a) \$1.0 billion of Senior Secured Term Loan Facilities, consisting of a \$500 million `tranche A` Term Loan Facility due in 2018 (the `Term Loan A Facility`) and a \$500 million `tranche B` Term Loan Facility due in 2020 (the `Term Loan B Facility`, and together with the `Term Loan A Facility`, the `Term Facilities`), and (b) a \$500 million Senior Secured Revolving Credit Facility (the `Revolver`) maturing in 2018. These credit facilities are referred to as the `Senior Secured Credit Facilities`. The net proceeds of this indebtedness (approximately \$1,274.4 million) were distributed to Ingersoll Rand in connection with the Spin-off.

Goodwill and Indefinite-lived Intangibles

See `Critical Accounting Policies` `Goodwill and indefinite-lived intangible assets` `2013 Impairment Test` for further discussion.

Joint Venture Order Flow Change

In late 2013, we signed a revised joint venture operating agreement for our consolidated joint venture in Asia. Previously, the joint venture acted as a pass-through to the end customer. The consolidated joint venture no longer recognizes the revenue and cost of goods sold on these products. Products are shipped direct to the end customer with the joint venture receiving a royalty in an amount that approximates the lost margin. We recognized revenue of approximately \$17.7 million related to this business in our Americas segment for the three months ended March 31, 2013. The change did not have a material impact on operating income or on cash flows for the three months ended March 31, 2014.

Venezuela Devaluation

Venezuela is a highly inflationary economy under GAAP. As a result, the U.S. dollar is the functional currency for our consolidated joint venture in Venezuela. Any currency remeasurement adjustments for non-U.S. dollar denominated monetary assets and liabilities and other transactional foreign exchange gains and losses are reflected in earnings.

The Venezuelan government's official exchange rate is currently 6.3 Venezuelan Bolivares Fuertes (VEF) to 1 U.S. Dollar (USD), which is the current rate at which all of our VEF denominated net monetary assets in Venezuela are measured. The Venezuelan government re-instituted a secondary exchange rate (SICAD 1 rate) for select goods and services. The SICAD 1 rate was 10.7 VEF to \$1 at March 31, 2014. Allegion does not currently qualify for this SICAD rate. In March 2014, the Venezuelan government launched a SICAD 2 rate to provide a greater supply of U.S. Dollars from sources other than the Venezuelan government. All companies located or domiciled in Venezuela may bid for U.S. Dollars for any purpose. The SICAD 2 exchange rate closed at 50.9 VEF to \$1 on March 31, 2014. We believe the fixed exchange rate of 6.3 VEF to \$1 remains legally available to us and we intend to continue to remeasure the net monetary assets of our Venezuelan entities at this rate.

The impact to us of a devaluation from the official exchange rate to a SICAD 1 rate of 10.7 VEF to \$1 would be a charge of approximately \$7.1 million and to a SICAD 2 rate of 50.9 VEF to \$1 would be a charge of \$15.1 million

based on our net monetary asset balances as of March 31, 2014 of approximately \$17.2 million, including \$4.6 million of cash. Net revenues of our operation in Venezuela were \$15.5 million for the three

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months ended March 31, 2014. A devaluation could have a material impact on our results of operations depending on the exchange rate we apply and the amount of net monetary assets included in our consolidated balance sheet denominated in VEF.

Acquisition of Schlage de Colombia

On January 2, 2014, our wholly-owned subsidiary Allegion de Colombia completed the acquisition of certain assets of Schlage Lock de Colombia S.A., the second largest mechanical lock manufacturer in that country for approximately \$5.3 million in cash.

2014 Dividend

On March 31, 2014, we paid a quarterly dividend of \$0.08 per Allegion plc ordinary share to shareholders of record as of March 17, 2014. On April 9, 2014, our Board of Directors authorized and declared a quarterly dividend in the amount of \$0.08 per Allegion plc ordinary share, which is payable on June 30, 2014 to shareholders of record on June 16, 2014.

Spin-off related charges

In the first quarter of 2014, we incurred \$8.8 million of separation costs associated with the spin-off from Ingersoll Rand, of which \$8.7 million was recognized in Selling and administrative expenses in our results of operations and \$0.1 million was recognized in Cost of goods sold. Separation costs for the three months ended March 31, 2014 primarily include professional and consulting fees, system implementation costs and relocation and other personnel related costs.

Results of Operations Three Months Ended March 31

<i>In millions, except per share amounts</i>	2014	% of revenues	2013	% of revenues
Net revenues	\$ 472.5		\$ 473.3	
Cost of goods sold	280.6	(59.4)%	287.2	(60.7)%
Selling and administrative expenses	125.1	(26.5)%	117.3	(24.8)%
Operating income	66.8	14.1%	68.8	14.5%
Interest expense	13.1		0.4	
Other (gain) loss, net	(0.2)		7.5	
Earnings before income taxes	53.9		60.9	
Provision for income taxes	16.3		19.7	
Earnings from continuing operations	37.6		41.2	
Discontinued operations, net of tax	(0.2)		(0.2)	
Net earnings	37.4		41.0	
Less: Net earnings attributable to noncontrolling interests	1.8		1.6	
Net earnings attributable to Allegion plc	\$ 35.6		\$ 39.4	

**Diluted net earnings per ordinary share attributable to
Allegion plc ordinary shareholders:**

Continuing operations	\$ 0.37	\$ 0.41
Discontinued operations		
Net earnings	\$ 0.37	\$ 0.41

The discussions that follow describe the significant factors contributing to the changes in our results of operations for the periods presented.

Table of Contents***Net Revenues***

Net revenues for the three months ended March 31, 2014 decreased by 0.2%, or \$0.8 million, compared with the same period in 2013, which resulted from the following:

Pricing	1.7%
Volume	1.1%
Acquisitions	0.6%
Currency exchange rates	0.1%
Impact of consolidated Asia joint venture order flow change	(3.7)%
Total	(0.2)%

The decrease in net revenues was primarily driven by the impact of the change in order flow through our consolidated joint venture in Asia discussed above. This decrease was partially offset by improved pricing, higher volumes and the acquisition of Schlage de Colombia in January 2014.

Operating Income/Margin

Operating margin for the three months ended March 31, 2014 decreased to 14.1% from 14.5% for the same period of 2013. The decrease was primarily due to unfavorable volume/product mix and increased investment spending, including \$8.8 million of spin-related costs. These decreases were partially offset by improved pricing in excess of material inflation and productivity benefits in excess of other inflation across all segments.

Interest Expense

Interest expense for the three months ended March 31, 2014 increased \$12.7 million compared with the same period of 2013 as a result of entering into the \$1,000 million total senior secured term loan facilities and issuing \$300 million of senior notes in the fourth quarter of 2013 in conjunction with the spin-off from Ingersoll Rand.

Other, Net

The components of Other, net for the three months ended March 31 were as follows:

<i>In millions</i>	2014	2013
Interest income	\$ (0.2)	\$ (0.1)
Exchange loss	0.1	7.5
Other	(0.1)	0.1
Other (gain) loss, net	\$ (0.2)	\$ 7.5

The increase in Other, net for the three months ended March 31, 2014 resulted primarily from lower foreign currency losses compared to the same period in 2013, which included a realized foreign currency translation loss of \$6.2 million related to the devaluation of the VEF.

Provision for Income Taxes

The effective tax rates for the three months ended March 31, 2014 and 2013 were 30.3% and 32.3%, respectively. The decrease in the effective tax rate compared to 2013 is primarily due to favorable changes in the mix of pre-tax income earned in lower rate jurisdictions, partially offset by lower discrete tax benefits.

Table of Contents**Results of Operations - For the years ended December 31***Dollar amounts in millions,*

<i>except per share data</i>	2013	% of Revenues	2012	% of Revenues	2011	% of Revenues
Net revenues	\$ 2,093.5		\$ 2,046.6		\$ 2,021.2	
Cost of goods sold	1,233.9	58.9%	1,220.6	59.7%	1,211.4	59.9%
Selling and administrative expenses	486.2	23.2%	457.4	22.3%	450.8	22.3%
Asset impairment	137.6	6.6%		%		%
Operating income	235.8	11.3%	368.6	18.0%	359.0	17.8%
Interest expense	10.2		1.5		1.4	
Other expense (income), net	7.1		3.2		(4.6)	
Earnings before income taxes	218.5		363.9		362.2	
Provision for income taxes	174.2		135.9		130.5	
Earnings from continuing operations	44.3		228.0		231.7	
Discontinued operations, net of tax	(0.8)		(2.7)		(7.3)	
Net earnings	43.5		225.3		224.4	
Less: Net earnings attributable to noncontrolling interests	12.5		5.7		6.3	
Net earnings attributable to Allegion plc	\$ 31.0		\$ 219.6		\$ 218.1	
Diluted net earnings per ordinary share attributable to Allegion plc ordinary shareholders:						
Continuing operations	\$ 0.33		\$ 2.32		\$ 2.35	
Discontinued operations	(0.01)		(0.03)		(0.08)	
Net earnings	\$ 0.32		\$ 2.29		\$ 2.27	

Net Revenues

Net revenues for the year ended December 31, 2013 increased by 2.3%, or \$46.9 million, compared to the same period in 2012 due to the following:

Pricing	1.7%
Volume/product mix	2.3%
Impact of consolidated Asia joint venture order flow change	(1.3)%
Currency exchange rates / other	(0.4)%

Total	2.3%
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The increase in net revenues was primarily driven by improved pricing across all segments as well as increased volumes in the Americas segment due to stronger demand in both the commercial and residential markets as well as new products, particularly from our electronics portfolio. These increases were partially offset by unfavorable currency impacts, lower volume in EMEIA due to weak markets and the impact of the change in order flow through our consolidated joint venture in Asia discussed above.

Net revenues for the year ended December 31, 2012 increased by 1.3%, or \$25.4 million, compared to the same period in 2011, due to the following:

Volume/product mix	0.3%
Pricing	2.3%
Currency exchange rates	(1.3)%
Total	1.3%

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The increase in revenues was primarily driven by improved pricing across all segments and increased volumes in the Americas segment due to stronger demand in residential markets. These increases were partially offset by decreased volume/product mix in EMEIA due to weak markets and unfavorable foreign currency impacts.

Cost of Goods Sold

For the year ended December 31, 2013, cost of goods sold as a percentage of revenue decreased to 58.9% from 59.7%. Costs of goods sold as a percentage of revenue for the year ended December 31, 2013 was favorably impacted by a \$21.5 million gain on a property sale in China (1.0%) and negatively impacted by \$3.8 million of restructuring charges and non-recurring separation costs incurred in connection with the Spin-off (0.2%). Cost of goods sold as a percentage of revenue for the year ended December 31, 2012 was negatively impacted by \$3.7 million of restructuring charges and other costs (0.2%). Excluding the impact of these items, cost of goods sold as a percentage for the year ended December 31, 2013 increased to 59.8% from 59.5% primarily due to inflation (1.9%) and unfavorable channel/region mix (0.5%), partially offset by productivity benefits and other items (2.1%).

For the year ended December 31, 2012, cost of goods sold as a percentage of revenue decreased to 59.7% (59.4% excluding restructuring charges) from 59.9%. The improvement is the result of productivity actions and favorable currency impacts partially offset by material inflation.

Selling and Administrative Expenses

For the year ended December 31, 2013, selling and administrative expenses as a percentage of revenue increased to 23.2% from 22.3%. Selling and administrative expenses as a percentage of revenue for the year ended December 31, 2013 was negatively impacted by \$2.7 million of restructuring charges (0.1%) and \$5.0 of non-recurring separation costs incurred in connection with the Spin-off (0.2%). Selling and administrative expenses as a percentage of revenue for the year ended December 31, 2012 was negatively impacted by \$4.5 million of restructuring charges and other costs (0.2%). Excluding the impact of these items, selling and administrative expenses as a percentage of revenue increased to 22.9% from 22.1%, primarily due to non-material inflation (1.2%) and increased investment spending (0.5%) partially offset by productivity benefits (0.5%) and other items (0.4%).

For the year ended December 31, 2012, selling and administrative expenses as a percentage of revenue remained at 22.3% compared to the prior year. Restructuring charges and non-material inflation were partially offset by productivity benefits and favorable currency impacts.

Operating Income/Margin

Operating margin for the year ended December 31, 2013 decreased to 11.3% from 18.0% for the same period in 2012. Operating margin for the year ended December 31, 2013 was negatively impacted by the non-cash goodwill impairment charge (6.6%) and favorably impacted by the gain on a property sale in China (1.1%). Excluding the impact of these items, operating margin for the year ended December 31, 2013 was 16.9%. The decrease was primarily due incremental investment spending associated with new product development (0.6%), unfavorable product mix (0.5%) and restructuring charges and non-recurring separation costs (0.2%), partially offset by favorable volume leverage (0.2%). Price increases (1.4%) and productivity benefits (2.4%) offset inflation, higher corporate expense allocations and other items (3.8%, collectively) for the year ended December 31, 2013.

Operating margin for the year ended December 31, 2012 increased to 18.0% from 17.8% for the same period in 2011. The increase was primarily due to improved pricing in excess of material inflation (1.7%) and the realization of productivity benefits in excess of other inflation (0.6%). These increases were partially offset by unfavorable

volume/product mix (1.3%) and increased investment spending (0.8%).

Table of Contents***Interest Expense***

Interest expense for the year ended December 31, 2013 increased \$8.7 million compared to the same period in 2012 as a result of entering into the \$1,000 million total Senior Secured Credit Facilities and issuing \$300 million of senior notes in the fourth quarter of 2013 in conjunction with the spin-off from Ingersoll Rand. Had this debt been outstanding as of the beginning of 2013, our interest expense would have been approximately \$53 million for the year ended December 31, 2013.

Interest expense for the year ended December 31, 2012 increased \$0.1 million compared with the same period of 2011. Our interest-bearing debt balances were \$5.0 million and \$4.9 million as of December 31, 2012 and 2011, respectively. The amount of interest expense incurred is consistent with the fluctuation in the balance of interest-bearing debt for all periods.

Other, Net

The components of Other, net, for the year ended December 31 are as follows:

<i>In millions</i>	2013	2012	2011
Interest income	\$ (0.8)	\$ (0.1)	\$ (0.4)
Exchange gain (loss)	7.9	3.3	(4.1)
Other			(0.1)
Other, net	\$ 7.1	\$ 3.2	\$ (4.6)

For the year ended December 31, 2013, Other, net decreased by \$3.9 million compared to the same period in 2012 primarily due to unfavorable foreign currency impacts. Included within Exchange gain (loss) for the year ended December 31, 2013 is a \$6.2 million realized foreign currency loss related to the devaluation of the Venezuelan Bolivar (VEF) from the pre-existing exchange rate of 4.3 VEF to 1 U.S. dollar to 6.3 VEF to 1 U.S. dollar.

For the year ended December 31, 2012, Other, net decreased by \$7.8 million compared with the same period in 2011 primarily from unfavorable foreign currency impacts.

Provision for Income Taxes

For the year ended December 31, 2013, our effective tax rate of 79.7% compared to 37.3% for the year ended December 31, 2012. The effective tax rate for the year ended December 31, 2013 included the impact of a non-cash pre-tax goodwill impairment charge of \$137.6 million (\$131.2 million after-tax). Additionally, the effective tax rate included \$44.8 million of discrete tax adjustments consisting of \$31.5 million of expense related to valuation allowances on deferred tax assets that are no longer expected to be utilized and \$13.3 million of net tax expense resulting primarily from transactions occurring to effect the Spin-off. Excluding these items, the effective tax rate was 36.4%. Our tax rate was above the U.S. statutory rate of 35.0% primarily due to U.S. state and local taxes and net increases in our liability for unrecognized tax benefits partially offset by earnings in non-U.S. jurisdictions, which, in aggregate, had a lower effective rate.

For periods prior to the Spin-off, income tax expense has been recorded as if we filed tax returns on a stand-alone basis. This separate return methodology applies the accounting guidance for income taxes to the stand-alone financial

statements as if we were a stand-alone enterprise for the periods prior to the Spin-off using statutory rates. These rates did not contemplate certain tax strategies that could lower the effective tax rate in future periods, if executed.

For the year ended December 31, 2012, our effective tax rate of 37.3% compared to 36.0% for the year ended December 31, 2011. Our tax rate was above the U.S. statutory rate of 35.0% primarily due to U.S. state and local taxes and net increases in our liability for unrecognized tax benefits partially offset by earnings in non-U.S. jurisdictions, which, in aggregate, had a lower effective rate.

Table of Contents***Discontinued Operations***

Discontinued operations recognized a loss for the year ended December 31, 2013 primarily due to lease expense and other miscellaneous expenses from previously sold businesses.

Review of Business Segments

We operate in and report financial results for three segments: Americas, EMEIA, and Asia Pacific. These segments represent the level at which our chief operating decision maker reviews company financial performance and makes operating decisions.

Segment operating income is the measure of profit and loss that our chief operating decision maker uses to evaluate the financial performance of the business and as the basis for resource allocation, performance reviews, and compensation. For these reasons, we believe that Segment operating income represents the most relevant measure of segment profit and loss. Our chief operating decision maker may exclude certain charges or gains, such as corporate charges and other special charges from Operating income, to arrive at a Segment operating income that is a more meaningful measure of profit and loss upon which to base our operating decisions. We define Segment operating margin as Segment operating income as a percentage of Net revenues.

The segment discussions that follow describe the significant factors contributing to the changes in results for each segment included in continuing operations. Effective January 1, 2013, we transferred a product line from our Asia Pacific segment to our Americas segment. This transfer is reflected in the historical segment results for the three months ended March 31, 2013.

Americas

Our Americas segment is a leading provider of security products and solutions in approximately 30 countries throughout North America and parts of South America. The segment sells a broad range of products and solutions including, locks, locksets, key systems, door closers, exit devices, doors and door frames, electronic product and access control systems to end-users in commercial, institutional and residential facilities, including into the education, healthcare, government, commercial office and single and multi-family residential markets. This segment's strategic brands are Schlage, Von Duprin and LCN.

On December 30, 2011, we completed the divestiture of our security installation and service business, which was sold under the Integrated Systems and Services brand in the United States and Canada, to Kratos Public Safety & Security Solutions, Inc. As a result of the sale, we have reported this business as a discontinued operation for all periods presented. Segment information excludes the results of this business for all periods presented.

Segment results for the three months ended March 31 were as follows:

<i>Dollar amounts in millions</i>	2014	2013	% change
Net revenues	\$ 345.4	\$ 351.3	(1.7)%
Segment operating income	86.0	82.4	4.4%
Segment operating margin	24.9%	23.5%	

Net revenues for the three months ended March 31, 2014 decreased by 1.7%, or \$5.9 million, compared with the same period in 2013, primarily due to the impact of the change in order flow through our consolidated joint venture

discussed above (5.0%) and unfavorable currency movements (1.0%), partially offset by improved pricing (2.1%), higher volumes (1.4%) and the acquisition of Schlage de Colombia in January 2014 (0.8%).

Segment operating margin increased to 24.9% for the three months ended March 31, 2014, compared to 23.5% for the same period of 2013. This increase was primarily due to impact of the change in order flow

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through our consolidated joint venture discussed above (1.2%), pricing improvements in excess of material inflation (0.9%) and productivity benefits in excess of other inflation (0.8%), partially offset by unfavorable volume/product mix (0.6%) and incremental investment and other spending (0.9%).

Segment results for the years ended December 31 were as follows:

<i>Dollar amounts in millions</i>	2013	% change	2012	% change	2011
Net revenues	\$ 1,514.7	2.9%	\$ 1,471.9	5.0%	\$ 1,402.2
Segment operating income	390.0	3.4%	377.2	8.5%	347.8
Segment operating margin	25.7%		25.6%		24.8%

2013 vs 2012

Net revenues for the year ended December 31, 2013 increased by 2.9%, or \$42.8 million, compared to the same period in 2012 due to the following:

Pricing	2.1%
Volume/product mix	3.9%
Impact of consolidated joint venture order flow change	(1.8)%
Currency exchange rates/other	(1.3)%
Total	2.9%

The increase in revenues was primarily due to increased volume due to stronger demand in both the commercial and residential markets as well as new products, particularly from our electronics portfolio, and price increases in Venezuela. These increases were partially offset by unfavorable currency impacts and the impact of the change in order flow through our consolidated joint venture discussed above.

Segment operating margin for the year ended December 31, 2013 improved to 25.7% from 25.6% compared to the same period of 2012. The increase was primarily due to favorable volume leverage (0.6%), pricing movements in excess of material inflation (0.8%) partially offset by unfavorable product/channel mix (0.4%), incremental investment spending (0.5%), other inflation in excess of productivity (0.2%) and unfavorable currency impacts (0.2%).

2012 vs 2011

Net revenues for the year ended December 31, 2012 increased by 5.0% or \$69.7 million, compared to the same period in 2011 due to the following:

Volume/product mix	2.3%
Pricing	2.9%
Currency exchange rates	(0.2)%

Total

5.0%

The increase in revenues was primarily due to improved pricing and increased volume in the residential builder, retail and South American markets.

Segment operating margin for the year ended December 31, 2012 improved to 25.6% from 24.8% compared to the same period in 2011. This increase was primarily due to pricing improvements in excess of material inflation (1.8%) and productivity benefits in excess of other inflation (0.3%), partially offset by unfavorable product mix (0.9%) and increased investment spending (0.5%).

Table of Contents**EMEIA**

Our EMEIA segment provides security products and solutions in approximately 85 countries throughout Europe, the Middle East, India and Africa. The segment offers end-users a broad range of products, services and solutions including, locks, locksets, key systems, door closers, exit devices, doors and door frames, electronic product and access control systems, as well as time and attendance and workforce productivity solutions. This segment's strategic brands are CISA and Interflex. This segment also resells Schlage, Von Duprin and LCN products, primarily in the Middle East.

During the year ended December 31, 2013, the Company recorded a non-cash pre-tax goodwill impairment charge of \$137.6 million, which has been excluded from these results.

Segment results for the three months ended March 31 were as follows:

<i>Dollar amounts in millions</i>	2014	2013	% change
Net revenues	\$ 105.1	\$ 100.7	4.4%
Segment operating income	(1.2)	(5.4)	77.8%
Segment operating margin	(1.1)%	(5.4)%	

Net revenues for the three months ended March 31, 2014 increased by 4.4%, or \$4.4 million, compared with the same period of 2013, primarily due to improved pricing (0.6%) and favorable foreign currency movements (4.1%), partially offset by lower volume (0.3%).

Segment operating margin improved to (1.1)% for the three months ended March 31, 2014, compared to (5.4)% for the same period of 2013. This increase was primarily due to productivity benefits in excess of other inflation (0.9%), pricing improvements in excess of material inflation (0.9%), favorable foreign currency movements (1.1%) and lower restructuring charges (3.9%), partially offset by increased investment and other spending (0.9%), unfavorable volume/mix (0.3%) and separation costs (1.3%). Total restructuring and separation costs were \$1.8 million and \$4.4 million for the three months ended March 31, 2014 and 2013, respectively.

Segment results for the years ended December 31 were as follows:

<i>Dollar amounts in millions</i>	2013	% change	2012	% change	2011
Net revenues	\$ 425.3	(0.7)%	\$ 428.3	(10.0)%	\$ 476.0
Segment operating income	(3.1)	(137.8)%	8.2	(57.7)%	19.4
Segment operating margin	(0.7)%		1.9%		4.1%

2013 vs 2012

Net revenues for the year ended December 31, 2013 decreased by 0.7% or \$3.0 million, compared to the same period in 2012 due to the following:

Pricing	0.9%
Volume/product mix	(3.7)%

Currency exchange rates	2.1%
Total	(0.7)%

The decrease in revenues was primarily due to decreased volumes due to economic weakness in most major markets, partially offset by favorable currency impacts and improved pricing.

Segment operating margin for the year ended December 31, 2013 decreased to (0.7)% from 1.9% compared to the same period of 2012. The decrease was primarily due to increased restructuring and non-recurring

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separation costs (0.4%), unfavorable volume leverage (1.9%), unfavorable mix (0.9%) and increased investment spending and non-operating costs (1.4%), partially offset by pricing movements in excess of material inflation (0.6%), productivity benefits in excess of other inflation (1.4%) and favorable foreign currency movements (0.2%).

2012 vs 2011

Net revenues for the year ended December 31, 2012 decreased by 10.0% or \$47.7 million, compared to the same period in 2011 due to following:

Volume/product mix	(5.0)%
Pricing	1.3%
Currency exchange rates	(6.3)%
Total	(10.0)%

The decrease in revenues was due to unfavorable foreign currency impacts and unfavorable volume/product mix due to weak construction markets in southern Europe, partially offset by favorable pricing and favorable volume/product mix in the Middle East and Germanic regions.

Segment operating margin for the year ended December 31, 2012 declined to 1.9% from 4.1% compared with the same period of 2011. This decrease was primarily due to unfavorable volume/product mix (3.1%) and increased investment spending (1.9%), partially offset by productivity benefits in excess of other inflation (1.9%) and pricing improvements in excess of material inflation (1.2%).

Asia Pacific

Our Asia Pacific segment provides security products and solutions in approximately 14 countries throughout the Asia Pacific region. The segment offers end-users a broad range of products, services and solutions including, locks, locksets, key systems, door closers, exit devices, electronic product and access control systems, and as well as video analytics solutions. This segment's strategic brands are Schlage, CISA, Von Duprin and LCN.

Segment results for the three months ended March 31 were as follows:

<i>Dollar amounts in millions</i>	2014	2013	% change
Net revenues	\$ 22.0	\$ 21.3	3.3%
Segment operating income	(3.0)	(1.1)	(172.7)%
Segment operating margin	(13.6)%	(5.2)%	

Net revenues for the three months ended March 31, 2014 increased by 3.3%, or \$0.7 million, compared with the same period of 2013, which primarily resulted from favorable volume/product mix (4.2%) and improved pricing (0.3%) partially offset by unfavorable currency movements (1.2%).

Segment operating margin decreased to (13.6)% for the three months ended March 31, 2014, compared to (5.2)% for the same period of 2013. This decrease was primarily related to the closure of the Asia joint venture manufacturing operations in China (9.5%), increased investment spending (1.2%) and other inflation in excess of productivity

benefits (1.2%), partially offset by favorable volume/product mix (3.2%), improved pricing (0.2%) and favorable foreign currency movements (0.1%).

Segment results for the years ended December 31 were as follows:

<i>Dollar amounts in millions</i>	2013	% change	2012	% change	2011
Net revenues	\$ 153.5	4.8%	\$ 146.4	2.4%	\$ 143.0
Segment operating income	25.4	122.8%	11.4	(4.2)%	11.9
Segment operating margin	16.5%		7.8%		8.3%

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2013 vs 2012

Net revenues for the year ended December 31, 2013 increased by 4.8% or \$7.1 million, compared to the same period in 2012, due to the following:

Volume/product mix	3.5%
Pricing	0.5%
Currency exchange rates	0.8%
Total	4.8%

The increase in revenues was mainly due to favorable volume/product mix and favorable foreign currency impacts.

Segment operating margin for the year ended December 31, 2013 increased to 16.5% from 7.8% compared with the same period of 2012. The increase was primarily due to the \$21.5 million gain on sale of a property in China discussed above (14.7%). Excluding the gain on sale of property, operating margin decreased to 2.6% from 7.8% in 2013. The decrease was primarily due to unfavorable volume leverage and mix (2.8%), a non-recurring favorable item in 2012 (1.9%) and increased investment spending (0.7%).

2012 vs 2011

Net revenues for the year ended December 31, 2012 increased by 2.4%, or \$3.4 million, compared with the same period of 2011, which primarily resulted from the following:

Volume/product mix	(0.2)%
Pricing	0.8%
Currency exchange rates	1.8%
Total	2.4%

The increase in revenues was due to pricing improvements and favorable foreign currency impacts, partially offset by unfavorable volume/product mix.

Segment operating margin for the year ended December 31, 2012 decreased to 7.8% from 8.3% compared with the same period of 2011. This decrease was primarily related to unfavorable volume/product mix (3.4%) and unfavorable currency impacts (1.4%), partially offset by productivity benefits in excess of other inflation (4.1%).

Liquidity and Capital Resources***Sources and uses of liquidity***

Our primary source of liquidity is cash provided by operating activities. Cash provided by operating activities is used to invest in new product and channel development, fund capital expenditures and fund working capital requirements and is expected to be adequate to service any future debt, pay any declared dividends and potentially fund acquisitions

and share repurchases. Our ability to fund these capital needs depends on our ongoing ability to generate cash provided by operating activities, and to access our borrowing facilities (including unused availability under our revolving line of credit) and capital markets. We believe that our future cash provided by operating activities, together with our access to funds on hand and capital markets, will provide adequate resources to fund our operating and financing needs.

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The following table reflects the major categories of cash flows for the three months ended March 31. For additional details, see the Condensed and Consolidated Statements of Cash Flows in the condensed and consolidated financial statements.

<i>In millions</i>	2014	2013
Operating cash flow provided by (used in) continuing operations	\$ (0.7)	\$ 0.6
Investing cash flow provided by (used in) continuing operations	(14.3)	(4.1)
Financing cash flow provided by (used in) continuing operations	(3.4)	18.2

Operating Activities

Net cash used in continuing operating activities during the three months ended March 31, 2014 was \$0.7 million, compared with net cash provided by continuing operating activities of \$0.6 million during the comparable period in 2013. Operating cash flows for the three months ended March 31, 2014 reflect increased investment spending and non-recurring separation costs.

Investing Activities

Net cash used in continuing investing activities during the three months ended March 31, 2014 was \$14.3 million, compared with \$4.1 million during the comparable period in 2013. The change in investing activities is primarily attributable to an increase in capital expenditures during the three months ended March 31, 2014 as well \$5.3 million paid for the acquisition of Schlage de Colombia in January 2014.

Financing Activities

Net cash used in continuing financing activities during the three months ended March 31, 2014 was \$3.4 million, compared with net cash provided by continuing financing activities of \$18.2 million during the comparable period in 2013. The change in net cash used in financing activities is primarily due to \$19.3 million of net transfers from our former parent in 2013 that did not recur in 2014 as a result of our spin-off from them in December 2013 as well as \$7.2 million of dividend payments made to ordinary shareholders during the three months ended March 31, 2014 and \$7.5 million of repayments of our long-term debt, partially offset by \$8.0 million in proceeds from shares issued under incentive plans and \$3.8 million of excess tax benefits from share based compensation

The following table reflects the major categories of cash flows for the years ended December 31, respectively. For additional details, please see the Combined and Consolidated Statements of Cash Flows in the Combined and Consolidated Financial Statements.

<i>In millions</i>	2013	2012	2011
Cash provided by operating activities	\$ 223.9	\$ 269.2	\$ 265.5
Cash used in investing activities	(18.7)	(17.5)	(3.5)
Cash used in financing activities	(292.4)	(317.9)	(253.6)

Operating activities

Cash flow provided by operating activities for the year ended December 31, 2013 decreased \$45.3 million compared to the same period in the prior year. Operating cash flows for 2013 reflect lower earnings from continuing operations

and an increase in working capital compared to the same period in the prior year.

Net cash provided by operating activities was \$269.2 million for the year ended December 31, 2012 compared to \$265.5 million for 2011. Operating cash flows for 2012 and 2011 reflect consistent earnings from continuing operations and working capital levels.

Table of Contents*Investing activities*

Cash flow used in investing activities for the year ended December 31, 2013 increased \$1.2 million compared to the same period in the prior year. Cash used in investing activities for the year ended December 31, 2013 included \$20.2 million of capital expenditures, \$40.2 million of cash classified as restricted as it is pledged as collateral against a short-term note payable and \$41.7 million of proceeds from the sale of property, plant and equipment primarily related to proceeds from the sale of property in China.

Net cash used in continuing investing activities was \$17.5 million for the year ended December 31, 2012, compared to \$3.5 million for 2011. The decline in investing activities for 2011 is primarily attributable to the proceeds from the Integrated Systems and Services divestiture.

Capital expenditures were \$20.2 million, \$19.6 million and \$25.5 million for 2013, 2012 and 2011, respectively. In 2014, we expect capital expenditures to be approximately \$40.0 million as we invest in information technology systems, new product development and manufacturing plant related capital to support our growth initiatives.

Financing activities

Cash flow used in financing activities for the year ended December 31, 2013 decreased \$25.5 million compared to the same period in the prior year. Net transfers to Ingersoll Rand increased \$1,286.7 million as the \$1,300.0 million proceeds from the issuance of the Senior Notes and the Senior Secured Credit Facilities were distributed to Ingersoll Rand, net of debt issuance costs.

Net cash used in continuing financing activities was \$317.9 million for the year ended December 31, 2012 compared to \$253.6 million for 2011. The change in financing activities is primarily attributable to net transfers to Ingersoll Rand of \$311.6 million and \$240.6 million for 2012 and 2011, respectively.

Capitalization

Borrowings and current maturities of long-term debt consisted of the following:

<i>In millions</i>	March 31, 2014	December 31, 2013
Term Loan A Facility due 2018	\$ 493.8	\$ 500.0
Term Loan B Facility due 2020	498.8	500.0
5.75% Senior notes due 2021	300.0	300.0
Other debt, including capital leases, maturing in various amounts through 2016	2.2	2.8
Other short-term borrowings	40.1	41.1
Total debt	\$ 1,334.9	\$ 1,343.9
Less: current portion of long term debt	70.5	71.9
	\$ 1,264.4	\$ 1,272.0

The Term Loan A Facility amortizes in quarterly installments, at the following rates per year: 5% in 2014; 5% in 2015 and 10% in each year thereafter, with the final installment due on September 27, 2018. The Term Loan B Facility

amortizes in quarterly installments in an amount equal to 1.00% per annum, with the balance due on September 27, 2020. We repaid \$7.5 million in total on the Term Loan A and Term Loan B Facilities in the first quarter of 2014. The Senior Notes are due in full on October 1, 2021.

We have a 5-year, \$500.0 million revolving credit facility maturing on September 27, 2018 (the Revolver). As of March 31, 2014, we did not have any borrowings outstanding under the Revolver and had \$29.1 million of letters of credit outstanding.

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We are required to comply with certain covenants under our senior secured credit facilities. We are required to comply with a maximum leverage ratio of 4.00 (based on a ratio of total consolidated indebtedness, net of unrestricted cash up to \$100 million, to consolidated EBITDA) and a minimum interest expense coverage ratio of 3.50 (based on a ratio of consolidated EBITDA to consolidated interest expense, net of interest income). As of March 31, 2014, we were in compliance with these covenants. Additionally, the indenture to our senior notes and the senior secured credit facilities contain affirmative and negative covenants that, among other things, limit or restrict our ability to enter into certain transactions.

The majority of non-US earnings are considered to be permanently reinvested in non-US jurisdictions where the Company has made, and intends to continue to make, substantial investments to support the ongoing development and growth of our global operations. Accordingly, applicable income taxes have not been accrued on the portion of our earnings that is considered to be permanently reinvested. However, in the fourth quarter of 2013 we recorded \$7.5 million of tax expense related certain undistributed earnings of a non-U.S. subsidiary no longer deemed to be permanently reinvested. At March 31, 2014 and December 31, 2013, we had unrestricted cash and cash equivalents of \$205.4 million and \$227.4 million, respectively. Approximately 65.3% of our cash and cash equivalents was located outside the U.S., including approximately \$6.9 million in Venezuela. We do not intend, nor do we foresee a need, to repatriate these funds; however, repatriation of these funds would expose us to additional taxes.

Pension Plans

Our investment objective in managing defined benefit plan assets is to ensure that all present and future benefit obligations are met as they come due. We seek to achieve this goal while trying to mitigate volatility in plan funded status, contribution and expense by better matching the characteristics of the plan assets to that of the plan liabilities. Global asset allocation decisions are based on a dynamic approach whereby a plan's allocation to fixed income assets increases progressively over time. We monitor plan funded status and asset allocation regularly in addition to investment manager performance.

We monitor the impact of market conditions on our defined benefit plans on a regular basis. None of our defined benefit pension plans have experienced a significant impact on their liquidity due to the volatility in the markets. For further details on pension plan activity, see Note 9 to the condensed and consolidated financial statements contained in our Form 10-Q for the quarter ended March 31, 2014.

Contractual Obligations

The following table summarizes our contractual cash obligations by required payment periods, in millions:

	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Short-term debt	\$ 41.9	\$	\$	\$	\$ 41.9
Long-term debt	30.0	87.0	410.0	775.0	1,302.0
Interest payments on long-term debt	44.3	86.2	78.6	70.4	279.5
Purchase obligations	124.7				124.7
Operating leases	15.9	18.8	5.5	0.2	40.4
Total contractual cash obligations	\$ 256.8	\$ 192.0	\$ 494.1	\$ 845.6	\$ 1,788.5

Future expected obligations under our pension and postretirement benefit plans, income taxes, environmental and product liability matters have not been included in the contractual cash obligations table above.

Pensions

At December 31, 2013, we had net obligations of \$83.1 million, which consist of noncurrent pension assets of \$546.1 million and current and non-current pension benefit liabilities of \$629.2 million. It is our objective to

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contribute to the pension plans to ensure adequate funds are available in the plans to make benefit payments to plan participants and beneficiaries when required. We currently project that we will contribute approximately \$17.0 million to our plans worldwide in 2014. Because the timing and amounts of long-term funding requirements for pension obligations are uncertain, they have been excluded from the preceding table. See Note 10 to the Combined and Consolidated Financial Statements contained in our Form 10-K for the fiscal year ended December 31, 2013 for additional information.

Postretirement Benefits Other than Pensions

At December 31, 2013, we had postretirement benefit obligations of \$14.2 million. We fund postretirement benefit costs principally on a pay-as-you-go basis as medical costs are incurred by covered retiree populations. Benefit payments, which are net of expected plan participant contributions and Medicare Part D subsidy, are expected to be approximately \$1.1 million in 2014. Because the timing and amounts of long-term funding requirements for postretirement obligations are uncertain, they have been excluded from the preceding table. See Note 10 to the Combined and Consolidated Financial Statements contained in our Form 10-K for the fiscal year ended December 31, 2013 for additional information.

Income Taxes

At December 31, 2013, we have total unrecognized tax benefits for uncertain tax positions of \$40.6 million and \$11.5 million of related accrued interest and penalties, net of tax. The liability has been excluded from the preceding table as we are unable to reasonably estimate the amount and period in which these liabilities might be paid. See Note 16 to the Combined and Consolidated Financial Statements for additional information regarding matters relating to income taxes, including unrecognized tax benefits and Internal Revenue Service (IRS) tax disputes.

Contingent Liabilities

We are involved in various litigations, claims and administrative proceedings, including those related to environmental, asbestos-related, and product liability matters. We believe that these liabilities are subject to the uncertainties inherent in estimating future costs for contingent liabilities, and will likely be resolved over an extended period of time. Because the timing and amounts of potential future cash flows are uncertain, they have been excluded from the preceding table. See Note 20 to the Combined and Consolidated Financial Statements contained in our Form 10-K for the fiscal year ended December 31, 2013 for additional information.

Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon our Combined and Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). The preparation of financial statements in conformity with those accounting principles requires management to use judgment in making estimates and assumptions based on the relevant information available at the end of each period. These estimates and assumptions have a significant effect on reported amounts of assets and liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities because they result primarily from the need to make estimates and assumptions on matters that are inherently uncertain. Actual results may differ from estimates. If updated information or actual amounts are different from previous estimates, the revisions are included in our results for the period in which they become known.

The following is a summary of certain accounting estimates and assumptions made by management that we consider critical.

Allowance for doubtful accounts We have provided an allowance for doubtful accounts receivable, which represents our best estimate of probable loss inherent in our accounts receivable portfolio. This estimate is based upon our policy, derived from our knowledge of our end markets, customer base and products.

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Goodwill and indefinite-lived intangible assets We have significant goodwill and indefinite-lived intangible assets on our balance sheet related to acquisitions. Our goodwill and other indefinite-lived intangible assets are tested and reviewed annually during the fourth quarter for impairment or when there is a significant change in events or circumstances that indicate that the fair value of an asset is more likely than not less than the carrying amount of the asset.

Recoverability of goodwill is measured at the reporting unit level and begins with a qualitative assessment to determine if it is more likely than not that the fair value of each reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test included in GAAP. For those reporting units where it is required, the first step compares the carrying amount of the reporting unit to its estimated fair value. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step of the impairment test is not necessary. To the extent that the carrying value of the reporting unit exceeds its estimated fair value, a second step is performed, wherein the reporting unit's carrying value of goodwill is compared to the implied fair value of goodwill. To the extent that the carrying value exceeds the implied fair value, impairment exists and must be recognized.

As quoted market prices are not available for our reporting units, the calculation of their estimated fair value in step one is based on two valuation techniques, a discounted cash flow model (income approach) and a market adjusted multiple of earnings and revenues (market approach), with each method being equally weighted in the calculation. We believe an equal weighting of both approaches is appropriate. The income approach relies on the Company's estimates of future cash flows and explicitly addresses factors such as timing, growth and margins, with due consideration given to forecasting risk. The market approach reflects the market's expectations for future growth and risk, with adjustments to account for differences between the guideline publicly-traded companies and the subject reporting units.

In step 2, the implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. The estimated fair value of the reporting unit is allocated to all of the assets and liabilities of the reporting unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit, as determined in the first step of the goodwill impairment test, was the price paid to acquire that reporting unit.

Recoverability of other intangible assets with indefinite useful lives is first assessed using a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. This assessment is used as a basis for determining whether it is necessary to calculate the fair value of an indefinite-lived intangible asset. For those indefinite-lived assets where it is required, a fair value is determined on a relief from royalty methodology (income approach), which is based on the implied royalty paid, at an appropriate discount rate, to license the use of an asset rather than owning the asset. The present value of the after-tax cost savings (i.e. royalty relief) indicates the estimated fair value of the asset. Any excess of the carrying value over the estimated fair value is recognized as an impairment loss equal to that excess.

The determination of the estimated fair value and the implied fair value of goodwill and other indefinite-lived intangible assets requires us to make assumptions about estimated cash flows including profit margins, long-term forecasts, discount rates and terminal growth rates. We developed these assumptions based on the market and geographic risks unique to each reporting unit.

2013 Impairment Test

As discussed under 2012 Impairment Test, the estimated fair value of our EMEIA reporting unit exceeded its carrying value by 2.5% as of October 1, 2012. We continued to monitor the close proximity of the reporting unit's carrying value compared to its fair value and determined that we were required to complete the first step of the two-step

impairment test in the third quarter of 2013. Under the income approach we assumed a discount rate of 11.0%, near term growth rates ranging from 2.5% to 4.6% and a terminal growth rate of 2.5%. Under the market approach, we assumed a weighted average multiple of 8.9 and 8.0 times projected 2013 and 2014

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EBITDA, respectively, and a multiple of 0.7 and 0.6 times projected 2013 and 2014 revenue, respectively, based on industry market data. The results of our impairment test indicated that the estimated fair value of our EMEIA reporting unit was less than its carrying value; consequently, we performed the second step of the impairment test to quantify the amount of the non-cash, goodwill impairment charge. In the third quarter of 2013 we recorded a non-cash pre-tax goodwill impairment charge of \$137.6 million (\$131.2 million after-tax). This charge had no impact on our cash flows or our compliance with debt covenants. Immediately after the impairment charge, our EMEIA reporting unit fair value exceeded its carrying value by 21.4% on a step one basis as of July 1, 2013. For our annual goodwill impairment test performed during the fourth quarter of 2013, the fair value of our EMEIA reporting unit exceeded its carrying value by approximately 24%.

During 2013, we renegotiated a significant joint venture contract within our Asia Pacific Other reporting unit and moved the related product line to our Americas segment. As a result of these business changes, we completed the first step of the two-step impairment test. This reporting unit has goodwill of approximately \$57 million.

Our Asia Pacific Other reporting unit exceeded its carrying value by approximately 7% as of October 1, 2013. We have provided below key assumptions and a sensitivity analysis. Under the income approach we assumed a weighted average discount rate of 13.0%, near term growth rates ranging from (1.3%) to 15.9% and a terminal growth rate of 4.0%. Under the market approach, we assumed a weighted average implied multiple of 0.9 and 10.5 times projected 2012 revenue and earnings before interest, taxes, depreciation and amortization (EBITDA), respectively, based on industry market data. Holding other assumptions constant, a 1.0% increase in the discount rate would result in a \$7.8 million decrease in the estimated fair value of the reporting unit, a 1.0% decrease in the long-term growth rate would result in a \$5.5 million decrease in the estimated fair value of the reporting unit. Either of these scenarios individually would result in the reporting unit failing step 1, which would lead to any or all of the reporting unit's \$57 million of goodwill to be impaired.

2012 Impairment Test

For our annual impairment testing performed during the fourth quarter of 2012, we concluded it was necessary to calculate the fair value for each of the reporting units and indefinite-lived intangibles. Based on the results of these calculations, we determined that the fair value of the reporting units and indefinite-lived intangible assets exceeded their respective carrying values. The estimates of fair value are based on the best information available as of the date of the assessment, which primarily incorporates management assumptions about expected future cash flows.

Goodwill Under the income approach, we assumed a forecasted cash flow period of five years with discount rates ranging from 10.0% to 12.0%, near term growth rates ranging from (1.1)% to 14.8% and terminal growth rates ranging from 2.5% to 4.0%. Under the market approach, we used an adjusted multiple ranging from 6.7 to 7.9 of projected EBITDA and 0.8 to 1.2 of projected revenues based on the market information of comparable companies.

For all reporting units except the EMEIA reporting unit, the excess of the estimated fair value over carrying value (expressed as a percentage of carrying value) was a minimum of 15%. The EMEIA reporting unit's estimated fair value exceeded its carrying value by 2.5%. This reporting unit had goodwill of approximately \$190 million.

For the EMEIA reporting unit we have provided below additional assumptions and a sensitivity analysis. Under the income approach we assumed a discount rate of 10%, near term growth rates ranging from (1.1)% to 5% and a terminal growth rate of 2.5%. Under the market approach, we assumed a weighted average multiple of 7.8 and 7.1 times projected 2012 and 2013 EBITDA, respectively, and a multiple of 0.8 times projected 2012 and 2013 revenue, based on industry market data. Holding other assumptions constant, a 1.0% increase in the discount rate would result in a \$20 million decrease in the estimated fair value of the reporting unit, a 1.0%

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decrease in the long-term growth rate would result in a \$15 million decrease in the estimated fair value of the reporting unit and a 5.0% decrease in the selected market multiples would result in a \$15 million decrease in the estimated fair value of the reporting unit. Each of these scenarios individually would result in the reporting unit failing step 1.

Assessing the fair value of goodwill includes, among other things, making key assumptions for estimating future cash flows and appropriate market multiples. These assumptions are subject to a high degree of judgment and complexity. We make every effort to estimate future cash flows as accurately as possible with the information available at the time the forecast is developed. However, changes in assumptions and estimates may affect the estimated fair value of the reporting unit, and could result in impairment charges in future periods. Factors that have the potential to create variances in the estimated fair value of the reporting unit include but are not limited to the following:

Decreases in estimated market sizes or market growth rates due to greater-than-expected declines in volumes, pricing pressures or disruptive technology;

Declines in our market share and penetration assumptions due to increased competition or an inability to develop or launch new products;

The impacts of the European sovereign debt crisis, including greater-than-expected declines in pricing, reductions in volumes, or fluctuations in foreign exchange rates;

The level of success of on-going and future research and development efforts, including those related to recent acquisitions, and increases in the research and development costs necessary to obtain regulatory approvals and launch new products;

Increase in the price or decrease in the availability of key commodities and the impact of higher energy prices; and

Increases in our market-participant risk-adjusted weighted-average cost of capital;

Other Indefinite-lived intangible assets In testing our other indefinite-lived intangible assets for impairment, we assumed forecasted revenues for a period of five years with a discount rate of 11.0%, a terminal growth rate of 2.5%, and a royalty rate of 5.0%. All indefinite-lived intangible assets had a fair value that exceeded their carrying value by more than 15%.

A significant increase in the discount rate, decrease in the long-term growth rate, decrease in the royalty rate or substantial reductions in our end markets and volume assumptions could have a negative impact on the estimated fair values of any of our tradenames. The estimates of fair value are based on the best information available as of the date of the assessment, which primarily incorporates management assumptions about expected future cash flows.

Long-lived assets and finite-lived intangibles Long-lived assets and finite-lived intangibles are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. Assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows can be generated. Impairment in the carrying value of an asset would be recognized whenever anticipated future undiscounted cash flows from an asset are less than its carrying value. The impairment is measured as the amount by which the carrying value exceeds the fair value of the asset as determined by an estimate of discounted cash flows. We believe that our use of estimates and assumptions are reasonable and comply with generally accepted accounting principles. Changes in business conditions could potentially require future adjustments to these valuations.

Loss contingencies Liabilities are recorded for various contingencies arising in the normal course of business, including litigation and administrative proceedings, environmental and asbestos matters and product liability, product warranty, worker's compensation and other claims. We have recorded reserves in the combined and consolidated financial statements related to these matters, which are

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developed using input derived from actuarial estimates and historical and anticipated experience data depending on the nature of the reserve, and in certain instances with consultation of legal counsel, internal and external consultants and engineers. Subject to the uncertainties inherent in estimating future costs for these types of liabilities, we believe our estimated reserves are reasonable and do not believe the final determination of the liabilities with respect to these matters would have a material effect on our financial condition, results of operations, liquidity or cash flows for any year.

Revenue recognition Revenue is recognized and earned when all of the following criteria are satisfied: (a) persuasive evidence of a sales arrangement exists; (b) the price is fixed or determinable; (c) collectability is reasonably assured; and (d) delivery has occurred or service has been rendered. Delivery generally occurs when the title and the risks and rewards of ownership have substantially transferred to the customer. Both the persuasive evidence of a sales arrangement and fixed or determinable price criteria are deemed to be satisfied upon receipt of an executed and legally binding sales agreement or contract that clearly defines the terms and conditions of the transaction including the respective obligations of the parties. If the defined terms and conditions allow variability in all or a component of the price, revenue is not recognized until such time that the price becomes fixed or determinable. At the point of sale, we validate that existence of an enforceable claim that requires payment within a reasonable amount of time and assesses the collectability of that claim. If collectability is not deemed to be reasonably assured, then revenue recognition is deferred until such time that collectability becomes probable or cash is received. Delivery is not considered to have occurred until the customer has taken title and assumed the risks and rewards of ownership. Service and installation revenue are recognized when earned. In some instances, customer acceptance provisions are included in sales arrangements to give the buyer the ability to ensure the delivered product or service meets the criteria established in the order. In these instances, revenue recognition is deferred until the acceptance terms specified in the arrangement are fulfilled through customer acceptance or a demonstration that established criteria have been satisfied. If uncertainty exists about customer acceptance, revenue is not recognized until acceptance has occurred.

We offer various sales incentive programs to our customers, dealers, and distributors. Sales incentive programs do not preclude revenue recognition, but do require an accrual for our best estimate of expected activity. Examples of the sales incentives that are accrued for as a contra receivable and sales deduction at the point of sale include, but are not limited to, discounts (i.e. net 30 type), coupons, and rebates where the customer does not have to provide any additional requirements to receive the discount. Sales returns and customer disputes involving a question of quantity or price are also accounted for as a reduction in revenue and a contra receivable. At December 31, 2013 and 2012, we had a customer claim accrual (contra receivable) of \$21.9 million and \$20.8 million, respectively. All other incentives or incentive programs where the customer is required to reach a certain sales level, remain a customer for a certain period, provide a rebate form or is subject to additional requirements are accounted for as a reduction of revenue and establishment of a liability. At December 31, 2013 and 2012, we had a sales incentive accrual of \$21.0 million and \$20.2 million, respectively. Each of these accruals represents our best estimate we expect to pay related to previously sold units based on historical claim experience. These estimates are reviewed regularly for accuracy. If updated information or actual amounts are different from previous estimates, the revisions are included in our results for the period in which they become known. Historically, the aggregate differences, if any, between our estimates and actual amounts in any year have not had a material impact on our combined and consolidated financial statements.

We provide equipment, integrated solutions, and installation designed to customer specifications through construction-type contracts. The term of these types of contracts is typically less than one year, but can be as long as three years. Revenues related to these contracts are recognized using the percentage-of-completion method in accordance with GAAP. This measure of progress toward completion, utilized to recognize sales and profits, is based on the proportion of actual cost incurred to date as compared to the total estimate of contract costs at completion. The

timing of revenue recognition often differs from the invoicing schedule to the customer with revenue recognition in advance of customer invoicing recorded to unbilled accounts receivable and invoicing in advance of revenue recognition recorded to deferred revenue. At December 31, 2013, all recorded receivables

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(billed and unbilled) are due within one year. We re-evaluate our contract estimates periodically and reflects changes in estimates in the current period using the cumulative catch-up method. These periodic reviews have not historically resulted in significant adjustments. If estimated contract costs are in excess of contract revenues, then the excess costs are accrued.

We enter into sales arrangements that contain multiple elements, such as equipment, installation and service revenue. For multiple element arrangements, each element is evaluated to determine the separate units of accounting. The total arrangement consideration is then allocated to the separate units of accounting based on their relative selling price at the inception of the arrangement. The relative selling price is determined using vendor specific objective evidence (VSOE) of selling price, if it exists; otherwise, third-party evidence (TPE) of selling price is used. If neither VSOE nor TPE of selling price exists for a deliverable, a best estimate of the selling price is developed for that deliverable. We primarily utilize VSOE to determine its relative selling price. We recognize revenue for delivered elements when the delivered item has stand-alone value to the customer, the basic revenue recognition criteria have been met, and only customary refund or return rights related to the delivered elements exist.

Income taxes Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. We recognize future tax benefits, such as net operating losses and non-U.S. tax credits, to the extent that realizing these benefits is considered in our judgment to be more likely than not. We regularly review the recoverability of our deferred tax assets considering our historic profitability, projected future taxable income, timing of the reversals of existing temporary differences and the feasibility of our tax planning strategies. Where appropriate, we record a valuation allowance with respect to a future tax benefit.

The provision for income taxes involves a significant amount of management judgment regarding interpretation of relevant facts and laws in the jurisdictions in which we operate. Future changes in applicable laws, projected levels of taxable income, and tax planning could change the effective tax rate and tax balances recorded by us. In addition, tax authorities periodically review income tax returns filed by us and can raise issues regarding our filing positions, timing and amount of income or deductions, and the allocation of income among the jurisdictions in which we operate. A significant period of time may elapse between the filing of an income tax return and the ultimate resolution of an issue raised by a revenue authority with respect to that return. We believe that we have adequately provided for any reasonably foreseeable resolution of these matters. We will adjust our estimate if significant events so dictate. To the extent that the ultimate results differ from our original or adjusted estimates, the effect will be recorded in the provision for income taxes in the period that the matter is finally resolved.

Employee benefit plans We provide a range of benefits to eligible employees and retirees, including pensions, postretirement and postemployment benefits. Determining the cost associated with such benefits is dependent on various actuarial assumptions including discount rates, expected return on plan assets, compensation increases, employee mortality, turnover rates and healthcare cost trend rates. Actuarial valuations are performed to determine expense in accordance with GAAP. Actual results may differ from the actuarial assumptions and are generally accumulated and amortized into earnings over future periods. We review our actuarial assumptions at each measurement date and make modifications to the assumptions based on current rates and trends, if appropriate. The discount rate, the rate of compensation increase and the expected long-term rates of return on plan assets are determined as of each measurement date. A discount rate reflects a rate at which pension benefits could be effectively settled. Discount rates for all plans are

established using hypothetical yield curves based on the yields of corporate bonds rated AA quality. Spot rates are developed from the yield curve and used to discount future benefit payments. The rate of compensation increase is dependent on expected future compensation levels. The expected long-term rate of return on plan assets reflects the average rate of returns expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. The expected long-term rate of return on plan assets is based on what is

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achievable given the plan's investment policy, the types of assets held and the target asset allocation. The expected long-term rate of return is determined as of each measurement date. We believe that the assumptions utilized in recording our obligations under our plans are reasonable based on input from our actuaries, outside investment advisors and information as to assumptions used by plan sponsors.

Changes in any of the assumptions can have an impact on the net periodic pension cost or postretirement benefit cost. Estimated sensitivities to the expected 2013 net periodic pension cost of a 0.25% rate decline in the two basic assumptions are as follows: the decline in the discount rate would increase expense by approximately \$0.8 million and the decline in the estimated return on assets would increase expense by approximately \$1.3 million. A 1.0% increase in the healthcare cost trend rate would increase the cost by approximately \$0.1 million.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements:

In December 2011, the FASB issued ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11 requires enhanced disclosures including both gross and net information about financial and derivative instruments eligible for offset or subject to an enforceable master netting arrangement or similar agreement. This new guidance was effective for annual reporting periods beginning on or after January 1, 2013 and subsequent interim periods. The requirements of ASU 2011-11 did not have a significant impact on the Combined and Consolidated Financial Statements.

In January 2013, the FASB issued ASU 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*. ASU 2013-01 clarifies the scope of ASU 2011-11 to apply to derivative instruments that are offset or subject to an enforceable master netting arrangement or similar agreement. This clarified guidance is effective for annual reporting periods beginning on or after January 1, 2013 and subsequent interim periods. The revised requirements of ASU 2013-01 are not expected to have a significant impact on the Combined and Consolidated Financial Statements.

In February 2013, the FASB issued Accounting Standards Update (ASU) 2013-04, *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*. ASU 2013-04 provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements where the total obligation is fixed at the reporting date, and for which no specific guidance currently exists. This new guidance is effective for annual reporting periods beginning on or after December 15, 2013 and subsequent interim periods. The requirements of ASU 2013-04 do not have a significant impact on the Condensed and Consolidated Financial Statements.

In March 2013, the FASB issued ASU 2013-05, *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*. ASU 2013-05 clarifies the application of US GAAP to the release of cumulative translation adjustments related to changes of ownership in or within foreign entities, including step acquisitions. This new guidance is effective for annual reporting periods beginning on or after December 15, 2013 and subsequent interim periods. The requirements of ASU 2013-04 do not have a significant impact on the Condensed and Consolidated Financial Statements.

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*. With certain exceptions, ASU 2013-11 requires entities to present an unrecognized tax benefit, or portion of an unrecognized tax benefit, as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward. The guidance is effective for interim and annual periods beginning after December 15,

2013 on either a prospective or retrospective basis with early adoption permitted. The requirements of ASU 2013-11 do not have a significant impact on the Condensed and Consolidated Financial Statements.

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Recently Issued Accounting Pronouncements:

In April 2014, the FASB issued ASU No. 2014-08 Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which amends the definition of a discontinued operation in Accounting Standards Codification Topic 205-20 (Presentation of Financial Statements Discontinued Operations) and requires entities to disclose additional information about disposal transactions that do not meet the discontinued-operations criteria. The ASU redefines a discontinued operation as a component or group of components of an entity that (1) has been disposed of by sale or other than by sale or is classified as held for sale and (2) represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. According to the ASU, a strategic shift that has (or will have) a major effect on an entity's operations and results includes the disposal of a major geographical area, a major line of business, a major equity investment, or other major parts of an entity. The ASU is effective prospectively for disposals or components classified as held for sale in periods on or after December 15, 2014. We have not assessed what impact, if any, the ASU 2014-08 will have on the Condensed and Consolidated Financial Statements.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to fluctuations in currency exchange rates, interest rates and commodity prices which could impact our results of operations and financial condition.

Foreign Currency Exposures

We have operations throughout the world that manufacture and sell products in various international markets. As a result, we are exposed to movements in exchange rates of various currencies against the U.S. dollar as well as against other currencies throughout the world. We actively manage material currency exposures that are associated with purchases and sales and other assets and liabilities at the operating unit level. Those exposures that cannot be naturally offset to an insignificant amount are hedged with foreign currency derivatives. Derivative instruments utilized by us in our hedging activities are viewed as risk management tools, involve little complexity and are not used for trading or speculative purposes. To minimize the risk of counter party non-performance, derivative instrument agreements are made only through major financial institutions with significant experience in such derivative instruments.

We evaluate our exposure to changes in currency exchange rates on our foreign currency derivatives using a sensitivity analysis. The sensitivity analysis is a measurement of the potential loss in fair value based on a percentage change in exchange rates. Based on the firmly committed currency derivative instruments in place at December 31, 2013, a hypothetical change in fair value of those derivative instruments assuming a 10% adverse change in exchange rates would result in an unrealized loss of approximately \$23.3 million, as compared with \$4.2 million at December 31, 2012. These amounts, when realized, would be offset by changes in the fair value of the underlying transactions.

Venezuela is a highly inflationary economy under U.S. GAAP. As a result, the U.S. dollar is the functional currency for our consolidated joint venture in Venezuela. Any currency remeasurement adjustments for non-U.S. dollar denominated monetary assets and liabilities and other transactional foreign exchange gains and losses are reflected in earnings.

The Venezuelan government's official exchange rate changed is currently 6.3 Venezuelan Bolívares Fuertes (VEF) to 1 U.S. Dollar, which is the current rate at which all of our net monetary assets in Venezuela are measured. The Venezuelan government re-instituted a secondary exchange rate (SICAD 1 rate) for select goods and services. The SICAD 1 rate was 10.7 VEF to \$1 at March 31, 2014. Allegion does not currently qualify for this SICAD rate. In

March 2014, the Venezuelan government launched a SICAD 2 rate to provide a greater supply of U.S. Dollars from sources other than the Venezuelan government. All companies located or domiciled in Venezuela may bid for U.S. Dollars for any purpose. The SICAD 2 exchange rate closed at 50.9 VEF to \$1 on March 31, 2014. We believe the fixed exchange rate of 6.3 VEF to \$1 remains legally available to us and we intend to continue to remeasure the net monetary assets of our Venezuelan entities at this rate.

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The impact to us of a devaluation from the official exchange rate to a SICAD 1 rate of 10.7 VEF to \$1 would be a charge of approximately \$7.1 million and to a SICAD 2 rate of 50.9 VEF to \$1 would be a charge of \$15.1 million based on our net monetary asset balances as of March 31, 2014 of approximately \$17.2 million, including \$4.6 million of cash. Net revenues of our operation in Venezuela were \$15.5 million for the three months ended March 31, 2014. A devaluation could have a material impact on our results of operations depending on the exchange rate we apply and the amount of net monetary assets included in our consolidated balance sheet denominated in VEF.

Commodity Price Exposures

We are exposed to volatility in the prices of commodities used in some of our products and we use fixed price contracts to manage this exposure. We do not have committed commodity derivative instruments in place at March 31, 2014.

Interest Rate Exposure

Outstanding borrowings under our Senior Secured Credit Facilities accrue interest at variable rates and expose us to interest rate risks. A 100 basis point increase in LIBOR would result in an incremental interest expense of annual interest expense of approximately \$7.1 million. If the base interest rate in our credit facilities increases in the future then the floating-rate debt could have a material effect on our interest expense.

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BUSINESS

Overview

Allegion is a leading global provider of security products and solutions that keep people safe, secure and productive. We make the world safer as a company of experts, securing the places where people thrive and we create peace of mind by pioneering safety and security. We offer an extensive and versatile portfolio of mechanical and electronic security products across a range of market-leading brands. Our experts across the globe deliver high-quality security products, services and systems and we use our deep expertise to serve as trusted partners to end-users who seek customized solutions to their security needs.

Allegion Principal Products

Door closers and controls	Door and door frames (steel)
Electronic security products	Electronic and biometric access control systems
Exit devices	Locks, locksets and key systems
Time, attendance and workforce productivity systems	Video analytics systems
Other accessories	

Access control security products and solutions are critical elements in every building. Most door openings are custom-configured to maximize a room's particular form and function while also meeting local and national building and safety code requirements and end-user security needs. Most buildings have multiple door openings, each serving its own purpose and requiring different specific access-control solutions. Each door must fit exactly within its frame, be prepared precisely for its hinges, synchronize with its specific lockset and corresponding latch and align with a specific key to secure the door. Moreover, security products are increasingly linked electronically, creating additional functionality and complexity.

We believe our ability to deliver a wide range of solutions that can be custom-configured to meet end-users' security needs is a key driver of our success. We accomplish this with:

Our extensive and versatile product portfolio, combined with our deep expertise, which enables us to deliver the right products and solutions to meet diverse security and functional specifications;

Our consultative approach and expertise, which enables us to develop the most efficient and appropriate building security and access-control specifications to fulfill the unique needs of our end-users and their partners, including architects, contractors, home-builders and engineers; and

Our operational excellence capabilities, including our global manufacturing operations and agile supply chain, which facilitate our ability to deliver specific product and system configurations to end-users worldwide, quickly and efficiently.

Based on information derived from third party sources, we estimate that the size of the global markets we serve was more than \$30 billion in revenue in 2013, comprised of \$25 billion for mechanical hardware and electronic security products and more than \$5 billion for time, attendance, and workforce productivity systems and systems integration. We believe that the security products industry will benefit from several global macroeconomic and long-term

demographic trends, including:

recovery of construction markets in key North American markets

heightened awareness of security requirements,

increased global urbanization, and

the shift to a digital, interconnected environment.

In the more established economies of North America and Europe, the security products industry's compound annual growth rate was 1 to 2% per year due to the challenging economy experienced over the past three years. We believe our markets are poised for a significant cyclical recovery driven in part by accelerating growth in the underlying commercial and residential construction markets. Annual market revenue growth in emerging economies exceeded 5% over the past three years, supported by strong demand in China, the Middle

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East and other developing economies. Additionally, we expect growth in the global electronic product categories we serve to outperform the security products industry as end-users adopt newer technologies in their facilities.

We operate in three geographic regions: Americas; Europe, Middle East, India and Africa (EMEIA); and Asia Pacific. We sell our products and solutions under the following brands:

Allegion Brands

(listed alphabetically for each region)

Product Category	Americas	EMEIA	Asia Pacific
Locks, locksets and key systems			

Door closers and exit devices

Electronic Security Products and Access Control Systems, including Time, Attendance and Workforce Productivity Systems and Video Analytics

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Allegion Brands

(listed alphabetically for each region)

Product Category	Americas	EMEA	Asia Pacific
Doors and Door Frames			

Other Accessories

We sell a wide range of security products and solutions for end-users in commercial, institutional and residential facilities worldwide, including into the education, healthcare, government, hospitality, commercial office and single and multi-family residential markets. Our strategic brands are Schlage®, Von Duprin®, LCN®, CISA® and Interflex®. We believe Schlage, Von Duprin and LCN hold the No. 1 position in their primary product categories in North America and CISA and Interflex hold the No.1 or No. 2 position in their primary product categories in certain European markets.

For the year ended December 31, 2013, we generated revenues of \$2,093.5 million and operating income of \$235.8 million.

Revenue By Geographic Destination

Revenue By Product Category

History and Developments

Allegion plc was incorporated in Ireland on May 9, 2013, to hold Ingersoll Rand's commercial and residential security businesses. On December 1, 2013, Allegion became a stand-alone public company after Ingersoll Rand completed the separation of these businesses from the rest of Ingersoll Rand via the transfer of these businesses from Ingersoll Rand to Allegion and the issuance by Allegion of ordinary shares directly to Ingersoll Rand's shareholders (the Spin-off). Our security businesses have long and distinguished operating histories. Several of our brands were established more than 75 years ago, and many of our brands originally created their categories:

Von Duprin, established in 1908, was awarded the first exit device patent;

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Schlage, established in 1920, was awarded the first patents granted for the cylindrical lock and the push button lock;

LCN, established in 1926, created the first door closure;

CISA, established in 1926, devised the first electronically controlled lock; and

Steelcraft Doors, established in 1927, developed the first mass-produced hollow metal door in 1942.

We have built upon these founding legacies since our entry into the security products market through the acquisition of Schlage, Von Duprin and LCN in 1974. Today, we continue to develop and introduce innovative and market-leading products. Recent examples include: Schlage Touchscreen Deadbolt, a residential lock; CISA eSigno, a hotel locking platform; eVayo, a European electronics security platform (winner, 2012 reddot product design award); Von Duprin Concealed Vertical Cable System that significantly reduces total installation time and ongoing maintenance requirements; aptiQ, a versatile and multi-technology card reader platform; and Schlage's AD/CO, an electronic locking platform that allows end-users to add additional features without lock replacement.

Our Strengths

Our competitive strengths derive from combining application expertise and a sophisticated understanding of our markets with knowledge of our end-user's needs and our operational excellence capabilities. We define operational excellence as our lean manufacturing operations, specifically our ability to handle highly complex manufacturing efficiently; our agile supply chain; and our ongoing programs that drive continuous improvements in our products and services. Our competitive strengths include:

Expertise required to design custom-configured solutions for our end-users.

The functional needs, regulatory requirements and aesthetics of every door opening and the related room must be considered when determining their security requirements. As a result, no standard opening exists. Through our long operating history, we have developed the expertise required to address a wide range of entryway security needs. Today, we believe we are a leader in our markets because:

We combine product breadth and depth with aesthetics and functionality. We offer an extensive and versatile portfolio of mechanical and electronic products to meet the needs of our end-users, including products in a broad range of styles and colors with a variety of specific functionalities. For example, we can deliver more than 70 million unique configurations of our Von Duprin exit devices for our end-users and we generally ship any sized order within one week from receipt of the order.

We have deep building code expertise. Most of the markets we serve have complex national, regional and local building codes and standard-making bodies that require end-users to adhere to specific safety requirements. Our long history provides us with a depth of experience that allows us to identify and deliver the right security solutions that meet these requirements and the end-user's particular needs. We employ global teams of specification writers who work with end-users, architects, contractors and distribution

partners to design solutions tailored to their unique needs while meeting the applicable building codes and standards.

We have a versatile, advanced electronic products offering. Our portfolio of products and solutions positions us favorably as the security products industry becomes increasingly electronic. We offer wireless access and biometric access control solutions, electro-magnetic locks, electric latches and automatic door openers, in addition to numerous other supporting components. Our electronics strategy includes designing products that employ interoperable, non-proprietary technologies, which we believe provide end-users with a level of flexibility they prefer. For instance, Schlage's AD-series electronic lock employs open architecture that is compatible with nearly any existing access-control software system.

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Diversified portfolio of market-leading brands.

Many of our brands have established leadership positions in their markets and product categories and have long-standing reputations for innovation and quality. Several of our brands created their respective product categories, including Schlage (cylindrical locks), Von Duprin (exit devices), LCN (door closures) and CISA (electrically controlled locks). We believe that our Schlage locks, Von Duprin exit devices and LCN closures rank No. 1 in their respective categories in North America and CISA security products rank No. 1 in its product category in Italy. We also believe that many other of our brands rank No. 2 or No. 3 in their respective geographies, including Kryptonite (U.S.), Bricard (France), Briton (United Kingdom), and Interflex (Germany). The strength of these brands in their primary geographies has allowed us to extend many of them into new markets. We sell products under more than 25 brand names around the world. We believe that employing specific brands in targeted markets creates strong relationships with those brands. Ten of our brands have at least \$50 million in revenue.

Long history of delivering innovative and high-quality products and solutions.

We have built upon our brand-creation heritage and strong reputation for innovation by continually improving our award-winning product lines and introducing new mechanical and electronic security products. We employ several hundred engineers around the world who work to support and build upon our existing product portfolio. Our ongoing investment in innovation has led to several recent product launches that exemplify our success. For example, we introduced:

in 2013, the launch of the Schlage CO-220 classroom remote lockdown lock;

in 2013, the launch of aptiQmobile virtual credential platform, enabling use of smart phones for access control;

in 2013, Schlage Touchscreen Deadbolt lock, designed for the home that combines stylish design with high-quality functionality, including alarm and motion detection capabilities;

in 2013, our CISA eSigno hospitality platform that allows hotel owners to choose easily between different product types compatible with a single modular platform;

in 2013, our CISA Multi-top Pro platform, a modular mechanical and electronic high security locking platform for glass doors;

in 2012, our Interflex eVayo platform, an award-winning platform of access control and time and attendance reader terminals;

in 2012, our innovative Von Duprin concealed vertical cable platform that enables shorter installation time and simplifies maintenance; and

in 2012, our aptiQ credential and reader platform that allows end-users to use a single product family globally while also enabling the utilization of magnetic stripe, proximity and smart card credentials.

Operational excellence capabilities that enable a highly variable product mix while meeting exacting customer-delivery timetables.

The successful design and completion of any door opening solution requires close coordination among the end-user, the installer and the manufacturer. Larger projects, which involve thousands of different parts and precise end-user specifications, amplify this complexity because supply must meet demanding construction timetables.

Our global manufacturing scale, experience and operational capabilities enable us to deliver a high-quality end-user experience. We operate 19 production facilities worldwide and primarily manufacture our products and systems in regions of use to deliver them on a timely basis. For several product lines, including Schlage, Von Duprin and LCN, we ship our products, on average, in less than one week from receipt of an order, regardless of

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configuration. Our operational capabilities enable us to better meet our end-user's needs by allowing us to make rapid production adjustments. We believe our operational excellence program is an important element of our ability to deliver strong financial performance and to continue to reinvest in our growth initiatives.

Our comprehensive operational excellence program focuses on further reducing the time required from order to shipment. In the six production facilities that implemented this program by the end of 2012, cycle time (from receipt of a customer order to shipment) has decreased by an average of more than 45% since program launch. We are in the advanced stages of introducing our operational excellence program in virtually all of our production facilities. We also will continue to leverage and enhance this program across our other locations and work processes, while customizing those processes to best fit our business needs. We expect the results to drive cost savings throughout our business and will utilize these proceeds to either improve profitability or reinvest in our growth initiatives.

Robust network of value-added channel and distribution relationships.

We sell our products through diverse distribution and retail channels ranging from specialty distribution to wholesalers. We also have built a strong network of more than 7,000 channel partners that help our end-users find the right solutions for their needs. Important to the success of these relationships, we support our partners by working directly with architects, contractors and security consultants to help design solutions that meet the functional, regulatory and aesthetic needs of end-users. We educate our channel partners and our end-users on our total cost of ownership value proposition, which emphasizes the quality and durability of our products. These consultative relationships result in increased knowledge and appreciation for the benefits of our products and solutions.

Deep and action-oriented customer insight.

Within the residential security products market, understanding consumer needs and trends is key to ongoing revenue growth. We have developed tools and work with third-party vendors, such as Vista Information Systems and Retail Solutions, Inc., to better understand consumer buying patterns, purchase drivers and brand performance. We use our customer insights to develop targeted marketing programs and merchandising activities that maximize return on investment, anticipate long-term consumer trends and drive product development decisions. We also have long-standing relationships with key retailers in North America and Europe such as The Home Depot, Lowes and Leroy Merlin. Due to our brand leadership positions and investments in market insight, detailed account resources and on-going collaboration with these retailers, we provide category leadership in development and execution on mutually beneficial marketing programs.

Strong financial performance and cash generation capabilities.

We have maintained strong operating profit margins and cash flow generation despite challenging economic conditions in some of our largest geographic markets in recent years. From 2008 to 2012, for example, new build square footage in the U.S. non-residential construction market declined 46%. During that time, our operating margin increased 0.5% to 18.0% (excluding non-cash impairment charges recorded in 2008) despite a total revenue decline of \$367.3 million. In 2013, our operating margin was 11.3% (18.0% excluding a non-cash goodwill impairment charge) and we generated \$223.9 million of operating cash flow from operations.

Our Strategies

We intend to achieve sustained, profitable growth in the markets we serve today and in adjacent product categories by being the preferred, trusted security partners to our end-users, and by executing the following growth strategies:

Expand in core markets

With leadership positions in our markets and significant expertise, we possess insight into both end-user needs and regulatory requirements in key market segments, including education (university and primary),

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healthcare, government, general commercial and residential (single and multi-family). We have developed specific value propositions across these segments and will continue to leverage our knowledge and experience to identify key opportunities that better serve our end-users. We expect this to include continued investment in products as well as further expansion of our specification and service capabilities.

Innovation in existing and new product categories

End-users are shifting gradually toward the electronic control of their security products and solutions. We believe that electronic-related product sales are growing at nearly twice the rate of traditional mechanical solutions. According to IMS Research, we are the No. 1 global manufacturer and marketer of electro-magnetic locks. We intend to leverage this position and expand our global capabilities in other product categories through continued product development and investments. Our recent successes serve as a testament to our commitment: the 2012 launch of aptiQ (global credential and reader platform) and the corresponding aptiQ Alliance program, a program that allows our end-users to use our aptiQ products in third party non-access control applications such as logical access, parking and payment; the European launches of eVayo and our CISA hospitality platforms in 2012 and 2013, respectively, and the 2013 launch of the Schlage Touchscreen Deadbolt, a 2013 Product of the Year by *Electronic House* magazine.

Growth in emerging markets

We believe the global security products market provides a multitude of future growth opportunities as safety demands increase and security requirements and sophistication levels evolve. We also believe economically developing markets will grow faster than the global market average as countries achieve enhanced living standards and experience continued urbanization. We believe our significant industry experience, deep knowledge of commercial and residential building codes and history of innovation give us unique opportunities to help shape the security products industry in these markets. We are committed to investing further in attractive developing markets, including opening additional sales and specifications offices; investing in localized product and supply chain capabilities; and working with local partners and code-making bodies to promote efficient and consistent safety and security standards. We have a proven history of entering developing markets successfully, as evidenced by our growing Asia-Pacific sales. Since 2010, we have generated a compound annual revenue growth rate of nearly 15% in China. We also founded the Safety and Security Institute in China, which helps to educate government officials, architects and builders and also advocates for consistent building codes and standards that address end-users' safety and security.

Operational excellence

The foundation of the process improvement at Allegion is rooted in the Allegion Business System and our Operational Excellence (OpEx) initiatives. We are driving OpEx across the enterprise, and we link our OpEx work to specific business growth opportunities while simultaneously improving internal processes.

Our approach to the deployment of OpEx begins with gaining an understanding of what customers value. Once there is an understanding of the customer's needs and our value proposition, each team responsible for a process under transformation works on activities to create value that differentiates us from our competition. We are in the process of introducing our OpEx program in many of our processes. As we execute the Allegion Business System and our OpEx activities, we attempt to deliver increased value to our customers while also drive improvement to internal processes.

As part of our OpEx program, we have reduced overall supply chain cycle time and variability across production locations that have launched the program. Our ability to deliver highly configured solutions to end-users within exacting timeframes is one important element of our success. Results in 2013 have included reductions in product lead times from customer order to shipment in our manufacturing facilities in Baja, Mexico and Indianapolis, Indiana. Our

strategy involves leveraging our operational excellence capabilities as a competitive advantage to improve the overall customer experience and drive employee engagement ultimately driving growth across all of our offerings.

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Opportunistic acquisitions

A disciplined approach to acquisitions is an important part of our growth strategy. The security products industry is highly fragmented, particularly in developing markets and emerging technology product segments that employ newer technologies. This creates numerous acquisition opportunities. We intend to target acquisitions that will broaden our product portfolio, expand our geographic footprint and enhance our position in strategic market segments.

On January 2, 2014, our wholly-owned subsidiary Allegion de Colombia completed the acquisition of certain assets of Schlage Lock de Colombia S.A., the second largest mechanical lock manufacturer in that country. The acquisition of certain assets of the privately-owned company, which has distribution in other South and Central American countries, will enable us to leverage our branded residential and commercial product lines to grow our presence in the Spanish-speaking South American security market.

We now operate a 45,000-square-foot integrated plant in Bogota, Colombia and will continue to sell product under the Schlage brand, as well as the Inafer and Segurex brands. Allegion de Colombia has approximately 350 employees.

Industry and Competition

Based on information derived from third party sources, we estimate that the size of the global markets we serve was more than \$30 billion in revenue in 2013, comprised of \$25 billion for mechanical hardware and electronic security products and more than \$5 billion for time, attendance, and workforce productivity systems and systems integration, with compound annual growth of about 1 to 2% per year over the past three years. This growth rate primarily reflects cyclical challenges in the commercial and residential construction markets throughout North America and Europe as certain developing economies experienced higher growth rates during this period. Additionally, growth in electronic security products and solutions continues to outperform the industry as a whole as end-users adopt newer technologies in their facilities. We expect the security products industry will benefit from favorable long-term demographic trends such as continued urbanization of the global population, increased concerns about safety and security and technology-driven innovation.

The security products markets are highly competitive and fragmented throughout the world, with a number of large multi-national companies and thousands of smaller regional and local companies. This high fragmentation primarily reflects local regulatory requirements and highly variable end-user needs. We believe our principal global competitors are Assa Abloy AB, DORMA Holding GmbH, Kaba Holding AG, and Stanley Black & Decker Inc. We also face competition in various markets and product categories throughout the world, including from Spectrum Brands Holdings, Inc. in the North American residential market. As we move into more technologically-advanced product categories, we may also compete against smaller, more specialized competitors.

Our success depends on a variety of factors, including brand and reputation, product breadth, quality and delivery capabilities, price and service capabilities. As many of our businesses sell through wholesale distribution, our success also depends on building and partnering with a strong channel network. Although price often serves as an important customer decision criterion, we also compete based on the breadth and quality of our products and solutions, our ability to custom-configure solutions to meet individual end-user requirements and our global supply chain.

Our Reporting Segments

We manufacture and sell mechanical and electronic security products and solutions in approximately 130 countries, with our top 20 countries accounting for about 97% of our \$2,093.5 million in 2013 revenues. We report our operating results through three reporting segments: Americas, EMEIA and Asia Pacific.

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The following table presents the relative percentages of total segment revenue attributable to each reporting segment for each of the last three fiscal years. See Note 21, Business Segment Information, to our annual combined and consolidated financial statements for information regarding net revenues, operating income, and total assets by reportable segment:

	For the Years Ended December 31,		
	2013	2012	2011
Americas	73%	72%	69%
EMEIA	20%	21%	24%
Asia Pacific	7%	7%	7%

Our Americas segment provides security products and solutions in approximately 30 countries throughout North America and parts of South America. The segment offers a broad range of products and solutions including locks, locksets, key systems, door closers, exit devices, doors and door frames, electronic product and access control systems to end-users in the commercial, institutional and residential markets, including into the education, healthcare, government, commercial office and single and multi-family residential markets.