

VARSITY BRANDS INC
Form PRER14A
August 12, 2003

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SECURITIES AND EXCHANGE COMMISSION

**SCHEDULE 14A
(Rule 14a-101)**

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No. 3)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Varsity Brands, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11
 - (1) Title of each class of securities to which transaction applies:
Common Stock, par value \$.01 per share

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

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

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

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

(5) Total fee paid:
\$15,165.20

VARSITY BRANDS, INC. LOGO

6745 Lenox Center Court, Suite 300
Memphis, Tennessee 38115

Dear Fellow Stockholder:

On behalf of the Board of Directors, I cordially invite you to attend a special meeting of stockholders of Varsity Brands, Inc. On April 21, 2003, we entered into a merger agreement with VBR Holding Corporation and its wholly owned subsidiary, VB Merger Corporation, each of which is an affiliate of Leonard Green & Partners, L.P. Pursuant to the merger, Varsity will become a wholly owned subsidiary of VBR Holding Corporation. The special meeting will be held on September 15, 2003 at 9:00 AM local time, at the Marriott New York East Side Hotel, 525 Lexington Avenue, New York, New York to consider a proposal to adopt the merger agreement so that the merger can occur. Notice of the special meeting is enclosed.

In the merger, you will be entitled to receive \$6.57 in cash for each share of Varsity common stock that you own. This represents a 39.8% premium over the closing price per share of \$4.70 on April 21, 2003, the last trading day prior to the public announcement of the merger agreement and a 43.8% premium over the average closing price of Varsity's common stock for the 20 trading days prior to the public announcement of the signing of the merger agreement. On August 11, 2003, the closing share price of our common stock was \$6.49.

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

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

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

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

executed proxy either by mail, telephone, or Internet or to vote at the special meeting will have the same effect as a vote against the merger agreement.

Sincerely,

Robert E. Nederlander
Chairman of the Board

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

This proxy statement is dated August 12, 2003, and is first being mailed to Varsity stockholders on or about August 13, 2003.

VARSITY BRANDS, INC. LOGO

**6745 Lenox Center Court, Suite 300
Memphis, Tennessee 38115**

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

Date: September 15, 2003

Time: 9:00 a.m., local time

Place: Marriott New York East Side Hotel, 525 Lexington Avenue, New York, New York

To Our Stockholders:

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

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

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

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

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

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

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

By Order of the Board of
Directors,

Robert E. Nederlander
Chairman of the Board

Memphis, Tennessee 38115
Dated August 12, 2003

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Summary Term Sheet

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

The Proposed Transaction

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

What You Will Be Entitled to Receive in the Merger (see page 58)

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

Background of the Merger (see page 16)

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

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

of the merger agreement or completion of the merger.

Interests of Our Directors and Executive Officers in the Merger (see page 46)

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

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

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

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

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

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

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

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

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

In connection with the merger, we will cash out all options for common stock at a price equal to the excess, or spread, of the \$6.57 per share merger consideration over the per share exercise price of each option. As of the record date, our executive officers and directors held options to purchase a total of 1,167,450 shares (excluding options to be exchanged for options of VBR Holding Corporation) and the aggregate spread for these options is approximately \$2,781,000.

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

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

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

Our board of directors considered several factors in making this determination. Due to the variety of factors considered, the board of directors did not assign relative weights to these factors or determine that any factor was of particular importance. The board reached its conclusion based upon the totality of the information presented and considered during its evaluation of the merger.

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

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

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

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

Opinion of Rothschild Inc. (see page 28)

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

Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders (see page 53)

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

Appraisal Rights (see page 62)

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Stockholders who do not wish to accept the \$6.57 per share cash consideration payable pursuant to the merger may seek, under Delaware law, judicial appraisal of the fair value of their shares by the Delaware Court of Chancery. This value could be more or less than, or the same as, the merger consideration of \$6.57 per share. This "right of appraisal" is subject to a number of restrictions and technical requirements. Generally, in order to exercise appraisal rights, among other things:

you must **not** vote in favor of the merger agreement;

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you must make and deliver to Varsity a written demand for judicial appraisal in compliance with Delaware law **before** the vote on the merger agreement; and

you must hold your shares of record continuously from the time of making a written demand for appraisal until the effective time of the merger.

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

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

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

The Special Meeting (see page 56)

Date, Time, Place and Matters to be Considered (see page 56).

Our special meeting will be held at the Marriott New York East Side Hotel, 525 Lexington Avenue, New York, New York on September 15, 2003 at 9:00 A.M. local time. At the special meeting, you will be asked to vote on the adoption of the merger agreement. A copy of the merger agreement is attached as Annex A to this proxy statement.

Record Date For Voting (see page 56)

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

Procedures Relating To Your Vote At The Special Meeting (see page 56)

Quorum Required

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

Vote Required

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

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

On the record date for the special meeting, our directors and executive officers owned or controlled 4,548,857 shares of common stock, which was approximately 47.4% of the total common stock outstanding. Our directors and executive officers have indicated that they intend to vote in favor of the merger at the special meeting but, except for those directors and

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executive officers who have signed the voting agreements described below, they are not obligated to do so.

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

Completing Your Proxy Card

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

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

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

Revoking Your Proxy

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

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

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

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

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

Questions and Additional Information

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

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

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

The Merger Agreement (see page 66)

Conditions To The Merger (see page 66)

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

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

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

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

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

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

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

there is no pending or threatened regulatory or governmental or third party proceeding seeking to prohibit or restrain the completion of the merger or the ownership or operation of our businesses by VB Merger Corporation or VBR Holding

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Corporation, or to compel them to dispose of a material portion of our businesses;

no legal prohibition to the completion of the merger may be in effect; and

any applicable waiting period (or extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or other similar law has expired or has been terminated.

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

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Termination of The Merger Agreement (see page 70)

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

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

the merger is not completed on or before November 15, 2003 (other than because the terminating party breached the merger agreement);

a law prohibits or otherwise makes consummation of the merger illegal or any governmental entity of competent jurisdiction issues a final and nonappealable injunction, order or decree enjoining the merger;

at the special meeting the merger agreement is not adopted by a majority of the shares of common stock entitled to vote at the special meeting;

the other party materially breaches its representations, warranties or covenants set forth in the merger agreement and the breach cannot be cured by November 15, 2003 or is not cured within ten (10) business days after notice.

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

we breach our covenants in the merger agreement restricting our ability to solicit or negotiate other acquisition proposals;

our board of directors withdraws or changes its recommendation for adoption of the merger agreement in a manner adverse to VBR Holding Corporation and VB Merger Corporation or approves a third party acquisition proposal; or

a third party acquires a majority of our outstanding common stock or a third party acquisition (as defined in the merger agreement) shall otherwise have occurred.

Our Ability to Accept a Superior Proposal (see page 72)

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

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a majority of our board of directors must have concluded, after consultation with outside legal counsel and financial advisors, that the proposal:

provides for consideration with a value that exceeds \$6.57 per share;

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

is reasonably capable of being consummated in a timely manner;

is not subject to any financing condition; and

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

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

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

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

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

Termination Fee and Expenses (see page 72)

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

Information About the Participants (see page 80)

Varsity Brands, Inc.

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

VB Merger Corporation

VB Merger Corporation, a newly formed Delaware corporation, was formed solely for the purpose of completing the merger. VB Merger Corporation is wholly owned by VBR Holding Corporation and has not engaged in any business except in anticipation of the merger. VB

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

VBR Holding Corporation

VBR Holding Corporation, a Delaware corporation, was recently formed by Green Equity Investors for the sole purpose of acquiring majority ownership of Varsity. VBR Holding Corporation has not engaged in any business except in anticipation of the merger. Some of our directors and executive officers (as well as the purchasers of senior subordinated notes expected to be issued by the surviving corporation in connection with the merger) will acquire shares, or options to acquire shares, of VBR Holding Corporation prior to completion of the merger. VBR Holding Corporation's principal address is 11111 Santa Monica Boulevard, Suite 2000, Los Angeles, California 90025, and its telephone number is (310) 954-0444.

Green Equity Investors IV, L.P.

Green Equity Investors, a Delaware limited partnership, is a private investment fund formed by Leonard Green & Partners, a Delaware limited partnership. Leonard Green & Partners, is a Los Angeles-based private equity firm specializing in organizing, structuring and sponsoring management

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buy-outs, going-private transactions and recapitalizations of established public and private companies. The principal address of Green Equity Investors and Leonard Green & Partners is 11111 Santa Monica Boulevard, Suite 2000, Los Angeles, California 90025, and their telephone number is (310) 954-0444.

GEI Capital IV, LLC

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

The Management Investors

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

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Selected Consolidated Financial Data of Varsity Brands, Inc.

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

AS OF OR FOR THE THREE MONTHS ENDED MARCH 31,		AS OF OR FOR THE YEAR ENDED DECEMBER 31,				
2003	2002	2002	2001	2000	1999	1998

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**AS OF OR FOR THE
THREE
MONTHS ENDED
MARCH 31,** **AS OF OR FOR THE YEAR ENDED DECEMBER 31,**

(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

STATEMENT OF OPERATIONS DATA														
	\$	23,688	\$	18,693	\$	156,404	\$	147,549	\$	136,035	\$	120,285	\$	112,195
Net revenues														
Cost of revenues														
Gross profit														
Selling, general and administrative expenses														
Income (loss) from operations														
Interest Expense														
Interest Income														
Net Interest expense														
Income (loss) from continuing operations before income taxes, discontinued operations and extraordinary item (gain on retirement of bonds)														
Income taxes (benefit)														
Income (loss) from continuing operations before discontinued operations and extraordinary item														
Earnings (loss) from continuing operations per share before discontinued operations and extraordinary item:														
Basic														
Diluted														
Book Value per Share														
Shareholders Equity														
Outstanding Shares														
Book value per Share														
Net Income per Share														
Basic														
Diluted														
Cash dividends per share(1)														

MARCH 31,

DECEMBER 31,

2003	2002	2002	2001	2000	1999	1998
------	------	------	------	------	------	------

(IN THOUSANDS)

BALANCE SHEET DATA (exclusive of assets held for disposal)(2)

Working capital	\$	21,285	\$	18,215	\$	24,074	\$	23,640	\$	12,065	\$	10,084	\$	6,238
Total assets														
Long-term debt, less current portion														
Stockholders' equity														

**AS OF OR FOR THE
THREE MONTHS
ENDED MARCH 31,**

AS OF OR FOR THE YEAR ENDED DECEMBER 31,

2003	2002	2002	2001	2000	1999	1998
------	------	------	------	------	------	------

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AS OF OR FOR THE
THREE MONTHS
ENDED MARCH 31,

AS OF OR FOR THE YEAR ENDED DECEMBER 31,

(IN THOUSANDS)

STATEMENTS OF CASH FLOWS DATA

Cash flows from continuing operations(3)	\$ (7,080)	\$ (6,826)	\$ 14,315	\$ 4,239	\$ 4,221	\$ (5,690)	\$ (2,847)
Cash flows from investing activities(3)	(758)	(182)	(812)	65,219	(2,638)	(1,384)	(647)
Cash flows from financing activities(3)		(3)	(9,028)	(48,082)	3,099	8,644	4,538
Other Data unaudited:							
EBITDA from continuing operations(4)	\$ (1,961)	\$ (3,683)	\$ 19,012	\$ 18,034	\$ 16,248	\$ 12,378	\$ 9,271

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

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

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

(4) EBITDA from continuing operations is the sum of Varsity's earnings or loss before discontinued operations, extraordinary item gain on retirement of bonds (and the cumulative effect of changes in accounting principles (as applicable)), interest, income taxes, depreciation and amortization expense. EBITDA is a widely accepted financial indicator of a company's ability to service indebtedness. However, EBITDA should not be considered as an alternative to income from operations or to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) and should not be construed as an indication of Varsity's operating performance or as a measure of Varsity's liquidity. The measure of EBITDA presented above may not be comparable to similarly titled measures reported by other companies because EBITDA is not a standardized measure of profitability or cash flow as defined by generally accepted accounting principals.

AS OF OR FOR THE
THREE MONTHS
ENDED
MARCH 31,

AS OF OR FOR THE YEAR ENDED
DECEMBER 31,

2003	2002	2002	2001	2000	1999	1998
------	------	------	------	------	------	------

(IN THOUSANDS)

RECONCILIATION OF NET INCOME (LOSS) TO
EBITDA FROM CONTINUING OPERATIONS

Net income (loss)	\$ (2,648)	\$ (5,867)	\$ 9,927	\$ (8,495)	\$ 561	\$ (599)	\$ (7,139)
Adjustments:							
Extraordinary item (gain on retirement of bonds)			(140)	(4,047)			
Loss on disposal of businesses				9,326			
(Income) loss from operations of discontinued businesses				3,847	(1,158)	(3,856)	1,072
Income taxes (benefit)	(1,700)	(410)	(735)	3,010		905	
Interest Expense	1,949	2,180	8,183	11,096	13,143	12,505	11,889
Interest Income	(37)	(54)	(143)	(750)	(4)	(158)	(103)
Net interest expense	1,912	2,126	8,040	10,346	13,139	12,347	11,786
Depreciation and amortization, other than debt issue costs	475	468	1,920	4,047	3,706	3,581	3,552

	AS OF OR FOR THE THREE MONTHS ENDED MARCH 31,		AS OF OR FOR THE YEAR ENDED DECEMBER 31,				
EBITDA	\$ (1,961)	\$ (3,683)	\$ 19,012	\$ 18,034	\$ 16,248	\$ 12,378	\$ 9,271

Consolidated Ratios of Earnings to Fixed Charges

Set forth below is the ratio of earnings to fixed charges for each of the last five fiscal years.

	AS OF OR FOR THE YEAR ENDED DECEMBER 31,				
	2002	2001	2000	1999	1998
RATIO OF EARNINGS TO FIXED CHARGES:	2.11 to 1	1.33 to 1	0.96 to 1	0.71 to 1	0.49 to 1

The ratio of earnings to fixed charges for the years ended December 31, 2000, 1999 and 1998 indicate a less than one-to-one coverage. The dollar amount of the deficiency for each of these fiscal years is set forth below:

December 31, 2000	\$ 597,000
December 31, 1999	\$ 3,550,000
December 31, 1998	\$ 6,067,000

Seasonality

Our operations are highly seasonal. In recent years, our operations have been most profitable in the second and third quarters, with the third quarter typically the strongest, while losses have typically been incurred in the first and fourth quarters.

The following table sets forth selected unaudited operating results of continuing Varsity operations for each of the four quarters in 2002 and 2001, excluding the operating results of the two business units

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discontinued in 2001, the Riddell Group and Umbro divisions, and the extraordinary gain on bond redemption. You should read this information together with the consolidated financial statements filed with our Annual Report on Form 10-K for the fiscal year ended December 31, 2002, the notes related to those financial statements and the other financial data included elsewhere in this report. For information on how to obtain a copy of our Annual Report, please see "Where You Can Find More Information".

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(In thousands)				
Year ended December 31, 2003:				
Revenues	\$ 23,688			
Percent of total annual revenues	N/A			
Income (loss) from continuing operations	\$ (2,648)			
Year ended December 31, 2002:				
Revenues	\$ 18,693	\$ 57,370	\$ 61,196	\$ 19,145
Percent of total annual revenues	11.9%	36.7%	39.1%	12.3%
Income (loss) from continuing operations	\$ (5,867)	\$ 8,608	\$ 9,988	\$ (2,942)
Year ended December 31, 2001:				
Revenues	\$ 16,659	\$ 54,011	\$ 60,126	\$ 16,753
Percent of total annual revenues	11.3%	36.6%	40.7%	11.4%
Income (loss) from continuing operations	\$ (4,312)	\$ 4,862	\$ 5,853	\$ (5,772)

This seasonal pattern is influenced by the following factors:

Cheerleading and dance uniforms and accessories are typically ordered and shipped between late March, when cheerleaders are selected for the coming school year, and the end of August, just before the new school year begins.

We incur costs relating to our camp business during the first and second quarter as we prepare for the upcoming camp season, while most revenue relating to the camps is earned during the period from June to August. Company Dance competitions and conventions primarily take place during the first and second quarters which may temper this segment's seasonality.

Trading Market And Price

Our common stock is traded on the American Stock Exchange under the symbol "VBR." We have set forth below our quarterly per share data:

	CLOSING SALES PRICE	
	HIGH	LOW
	(PER SHARE)	
2003		
Third Quarter (through August 11, 2003)	\$ 6.60	\$ 6.40
Second Quarter	\$ 6.47	\$ 4.50
First Quarter	\$ 4.69	\$ 4.00
2002		
Fourth Quarter	\$ 4.75	\$ 3.70
Third Quarter	4.75	3.85
Second Quarter	4.49	2.00
First Quarter	2.45	1.85
2001		
Fourth Quarter	\$ 2.20	\$ 1.40
Third Quarter	2.24	1.56
Second Quarter	2.69	1.25
First Quarter	3.25	2.25

On April 21, 2003, the last full trading day prior to the announcement of the signing of the merger agreement, the last reported sales price per share of Varsity common stock was \$4.70. On August 11, 2003, the most recent practicable trading day prior to the date of this proxy statement, the last reported sales price per share was \$6.49. Stockholders should obtain current market price quotations for Varsity common stock in connection with voting their shares.

Dividends

We have never declared or paid any dividends with respect to our common stock. Any determination to pay dividends in the future will be at the discretion of our board of directors and will be dependent upon our results of operations, financial condition, capital expenditures, working capital requirements, any contractual restrictions and other factors our board of directors deems relevant. We do not anticipate that any cash dividends will be paid on the common stock in the foreseeable future if, for any reason, the merger is not completed.

We agreed in the merger agreement not to, and to cause our subsidiaries not to, declare or pay any dividend until the closing of the merger without the prior written consent of VB Merger Corporation, except for dividends paid in the ordinary course by one of our subsidiaries.

Special Note Regarding Forward-Looking Statements

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. These statements may be made directly in this proxy statement, and they may also be made a part of this proxy statement by reference to other documents filed by Varsity with the Securities and Exchange Commission, which is known as "incorporation by reference."

Words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "target," "objective," "goal" and words and terms of similar substance used in connection with any discussion of future operating or financial performance, or the merger, identify forward-looking statements. Our forward-looking statements are based on management's current views about future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The following risks related to our business, among others, could cause or contribute to actual results differing materially from those described in the forward-looking statements:

Restrictive Covenants and Asset Encumbrances

Our debt instruments contain numerous restrictive covenants that limit the discretion of our management on various business matters. Our debt instruments also contain a number of financial covenants that require us to meet financial ratios and tests. A failure to comply with the obligations contained in these instruments, if not cured or waived, could permit acceleration of the related indebtedness and acceleration of indebtedness under other instruments that contain cross-acceleration or cross-default provisions. If we were obligated to repay all or a significant portion of our indebtedness, there can be no assurance that we would have sufficient cash to do so or that we could successfully refinance such indebtedness.

Seasonality and Quarterly Fluctuations

Our business and results of operations are highly seasonal and follow a similar annual pattern. Accordingly, a substantial portion of our annual revenues and all of our net income is generated in the second and third quarters of each calendar year, while the first and fourth quarters have historically resulted in net losses. Our working capital needs have generally followed a similar pattern reaching their peak at the end of the first calendar quarter and continuing through the second quarter. For a more detailed explanation of the seasonality of our earnings, see "Selected Consolidated Financial Data of Varsity Brands Seasonality."

Personal Injury Claims

Cheerleading is a vigorous athletic activity involving jumps, tumbling, partner stunts and pyramids, with which there are associated risks of personal injury.

Uncertainty of Insurance Coverage

From time to time, we are subject to personal injury claims arising from our cheerleader and dance team camps, none of which has been or is material to our operations. We believe we are adequately insured against such risks. We cannot assure you however, that one or more meritorious claims against us for serious personal injury would not have an adverse effect upon our business, financial condition and results of operations.

Risk of Loss of Material Contractual Relationships

We organize and produce various national cheerleading and dance team championships for exclusive broadcast on the ESPN, Inc. cable channel. Our current agreement with ESPN expires in October of 2003. We have entered into several agreements with Walt Disney Attractions, Inc. pursuant to which our national cheerleading and dance team championships through 2004 will be held at the Walt Disney

World Resort in Florida. While we believe that we will be successful in renewing or replacing the agreements with ESPN and Walt Disney Attractions in a manner which will continue to

promote our products and services, we cannot assure you that we will be successful in doing so or that we will be able to do so on economically favorable terms.

Competition

We are one of two major national companies that design and market cheerleader, dance team and booster club uniforms and accessories and are one of two major national operators of camps. While our only national competitor is National Spirit Group Limited, we also compete with other smaller national and regional competitors that serve the uniform and accessories market or that operate cheerleader and dance team camps and clinics.

Regulation

At present, no national governing body regulates cheerleading and dance team activities at the collegiate level. However, if rules limiting off-season training are applied to cheerleading and/or dance teams (similar to rules imposed by the NCAA on other sports) we might not be able to offer a significant number of our camps either because participants might be prohibited from participating during the summer or because suitable sites might not be available. However, we currently do not believe that any regulation of collegiate cheerleading dance teams as a "sport" is forthcoming in the foreseeable future, and in the event any rules are proposed to be adopted by athletic associations, we expect to participate in the formulation of such rules to the extent permissible.

At the high school level, some state athletic associations have classified cheerleading as a sport and have in some cases imposed restrictions on off-season practices and out-of-state travel to competitions. However, in all cases to date, we have been able to work with these state athletic associations to designate acceptable times for the cheerleaders within these states to attend our camps.

Dependence on Key Personnel

Our executive officers and other key employees of Varsity have been primarily responsible for the development and expansion of our business, and the loss of the services of one or more of these individuals could have a material adverse effect on the Company.

We caution you not to place undue reliance on our forward-looking statements, which speak only as of the date of this proxy statement or the date of the document incorporated by reference in this proxy statement. Except as required by law, we are under no obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

For additional information about factors that could cause actual results to differ materially from those described in the forward-looking statements, please see the quarterly reports on Form 10-Q and the annual reports on Form 10-K that Varsity has filed with the Securities and Exchange Commission as described under "Where You Can Find More Information."

All forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

Special Factors

Background of the Merger

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Our management and board of directors have been of the view for a number of years that our common stock has been undervalued due to a number of factors, including the relatively small size of our company and the niche industry in which we operate. As a consequence, in addition to focusing on implementing operating efficiencies, we attempted to implement various business initiatives to improve our prospects, such as: expanding into the dance studio market, which for the first time since we undertook this initiative in 1997 was profitable for the 2002 fiscal year; developing an internet marketing strategy, which has augmented and enhanced our ability to communicate with our core constituency of junior and senior high school cheerleaders; and acquiring the UMBRO license for soccer sportswear, which was not successful and which we discontinued approximately three years after commencing this initiative at the end of 1998. Although we had sporadically over the past few years been approached regarding potential change in control transactions and had considered potential investment, acquisition and other opportunities, none of those approaches or other potential investment, acquisition and other opportunities ever advanced beyond a preliminary stage.

In October 2002, a private equity firm that had, in the past, made preliminary inquiries regarding a possible transaction with us, contacted our executive management and indicated that it was interested in acquiring us. On November 5, 2002, with the authorization of our board of directors, Jeff Webb, our president and chief executive officer, Robert Nederlander, our chairman of the board, Leonard Toboroff, a director and our vice president, and John Nichols, our chief financial officer, met with representatives of this private equity firm in New York City. At that meeting, the private equity firm provided us with an indication of interest to acquire all of our outstanding common stock.

The private equity firm advised us at the end of the meeting that if it were to proceed, it would require that we enter into a 60-day exclusivity agreement, during which time the private equity firm would have the exclusive right to conduct due diligence to enable it to decide whether to make a formal proposal to acquire us and to negotiate a definitive acquisition agreement. During this 60-day exclusivity period, we would have been prohibited from engaging in discussions with any other potential acquiror.

Upon the conclusion of the meeting, John Nichols advised our outside counsel, Zukerman Gore & Brandeis, LLP, of the substance of the meeting. On November 6, 2002, the private equity firm's outside counsel contacted our counsel and reiterated its client's request that we enter into an exclusivity agreement.

Following consultation with Jeff Webb, John Nichols and Messrs. Nederlander and Toboroff, as well as outside counsel, our board of directors determined that maintaining flexibility would provide us with the best opportunity to maximize stockholder value, and that it was not in the best interests of our stockholders for us to enter into an exclusivity agreement with the private equity firm at this time and foreclose other possible opportunities. Our counsel advised the private equity firm's outside counsel of our decision on November 8, 2002.

As a consequence of our receipt of this indication of interest, on November 12, 2002, the executive committee of our board of directors, comprised of Messrs. Nederlander, Webb and Toboroff, convened telephonically to discuss the advisability of establishing a new committee of the board to explore whether opportunities existed to enhance stockholder value and, based upon the results of such exploration, to recommend to the full board whether it would be in the stockholders' best interests to pursue any such opportunities at this time. The other members of our board of directors then joined the telephonic meeting.

The full board considered the concept of establishing an exploratory committee to examine whether there may be opportunities to enhance stockholder value by engaging in a transaction with a strategic or financial purchaser, rather than remaining an independent public company, particularly in light of the board's perception that the public markets had undervalued, and would continue to

undervalue, the Company, notwithstanding that Varsity had experienced some success with certain of its business initiatives. The board noted that our seven person board included Jeff Webb, our founder, whose continued employment through the completion of any transaction and thereafter was likely to be a requirement of any non-strategic investor that might seek to acquire us. The board made this determination based upon its belief that Jeff Webb's extensive knowledge of, and experience in, the school spirit industry would be an important factor to financial purchasers, which generally do not operate the companies they acquire, but rely on key management to remain with the acquired company and operate the business upon the completion of the acquisition. In addition, the board also noted that two of our other executive officers, Messrs. Nederlander and Toboroff, have employment contracts that would entitle them to change in control payments under specified circumstances. Accordingly, the board unanimously determined that the exploratory committee should be comprised of the remaining four members of our board, all of whom had no interest in a possible sale of the Company different than those of our unaffiliated stockholders generally.

Consequently, during this telephonic meeting, the board unanimously decided to establish the exploratory committee, comprised of Don R. Kornstein (chairman), Arthur N. Seessel, III, Glenn E. "Bo" Schembechler and John McConaughy, Jr. The board granted the exploratory committee the authority to take those actions that it determined in its judgment to be advisable in connection with exploring strategic

alternatives. The exploratory committee was authorized to retain separate legal counsel of its choice. Other than forming the exploratory committee to analyze whether there may exist opportunities to enhance stockholder value, no formal board decisions were made at this time.

The exploratory committee then held its initial telephonic meeting in order to establish the time and date for a subsequent meeting at which they would discuss the selection of legal counsel.

The exploratory committee met again on November 14, 2002. After considering various law firms, the exploratory committee unanimously voted to retain Schulte Roth & Zabel LLP as its legal advisor. Schulte Roth & Zabel LLP had not previously provided any legal services to us or our affiliates, other than limited advice provided a number of years ago to one of our former executive officers. At subsequent meetings of the exploratory committee on November 21 and December 4, 2002, representatives of Schulte Roth & Zabel reviewed with the exploratory committee its role and duties under applicable law. In late November, the executive committee advised each member of the exploratory committee that he would receive \$20,000 as compensation for his services, payable by the end of 2002, and that Mr. Kornstein would receive an additional \$10,000 as chairman of the exploratory committee. In addition, after confirming with the remaining members of the board its authority to retain a financial advisor, the exploratory committee interviewed four investment banking firms, and determined that it would retain Rothschild Inc. Rothschild had not previously provided any services to us or our affiliates.

The exploratory committee commenced a process, with the assistance of its professional advisors, to identify strategic and financial candidates that might be interested in acquiring us, and prepared summary descriptive materials for distribution to interested candidates.

During the first week of December 2002, the exploratory committee authorized Rothschild to make initial contact with 18 potential candidates on our behalf. The candidates, which included 12 private equity funds and six strategic candidates, were selected based on various criteria, including such candidates' prior interest in pursuing a transaction with Varsity, past or current businesses in, or investments in companies with businesses in, Varsity's business sectors, the size of the investment funds and the funds' past equity investments in the case of private equity funds and the potential for cost savings and other strategies in the case of strategic candidates. Eleven of these potential candidates expressed interest in receiving summary descriptive materials concerning us. After entering into a confidentiality agreement with us, each of these candidates was given these materials, which included financial projections for the five-year period ended December 31, 2007.

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During the week of January 6, 2003, seven of the potential candidates, all of which were private equity firms, submitted written preliminary indications of interest to acquire us. As a result, including the preliminary proposal that we received in November 2002, we then had a total of eight preliminary indications of interest to acquire the Company.

At a telephonic meeting on January 12, 2003, the exploratory committee reviewed with its legal and financial advisors all of the indications of interest that it had received. In connection with this review, the exploratory committee determined that the preliminary indications of interest contained different financial assumptions, regarding, among other things, the amount of our net debt. When adjusted to reflect consistent assumptions, seven of the eight preliminary indications of interest were within a range the exploratory committee believed justified continued participation in a process, and one was materially below this range.

At a meeting of the full board of directors on January 13, 2003, the exploratory committee described the preliminary results of its process. The exploratory committee informed the board that while none of the potential strategic candidates expressed any interest in pursuing a potential transaction with us, eight private equity firms expressed interest in acquiring us and submitted preliminary indications of interest. The exploratory committee further advised the board that seven of the eight private equity firms had proposed a purchase price within a range that justified continued participation in the process when compared on a like basis, and that the purchase price proposed by the eighth private equity firm was \$0.75 less than the next lowest proposed purchase price, and thus materially below the range of the per share indications of interest submitted by the other seven potential purchasers. Since, among other things, the price range of seven of the preliminary indications of interest represented a substantial premium not only to the current trading range of our common stock, but also to the trading range of our common stock during the past few years, the exploratory committee advised the full board that our stockholders' interest would be best served by continuing the process.

Based upon the recommendation of the exploratory committee, the board engaged in a full discussion of the matter. Our counsel, Zukerman Gore & Brandeis, in attendance at the board meeting by invitation, reviewed with the full board its fiduciary duties under applicable law, including in the event the board were to decide to sell the Company. After further discussion, the board unanimously authorized the continued exploration of a possible transaction to enhance stockholder value.

The board then noted that all of the indications of interest received by us were from private equity firms rather than strategic candidates. The board also noted that private equity firms typically rely on the existing management team to continue to operate the business through and

after the completion of any transaction. As a consequence, the board recognized that it would likely be important for our core management team (other than Messrs. Nederlander and Toboroff, who have historically focused on providing guidance to us with respect to strategic matters and not day-to-day operations) to continue to operate our business, at least through the completion of any transaction, in order to ensure the consummation of any transaction we might determine to pursue.

In connection with all but one of the proposals submitted by the private equity firms, these firms made it clear that they specifically contemplated that Jeff Webb, our founder and chief executive officer, would be the key member of the management team following the transaction (the final private equity firm also subsequently confirmed to the Company's representatives that Jeff Webb's continued involvement with the Company following the closing of the transaction was essential). The board noted that Jeff Webb's employment contract had expired in May 2000. The board also noted that while Jeff Webb and the Company had from time to time sought to enter into a new employment agreement, they had not yet done so. It was further noted that Jeff Webb had received salary and bonus of \$605,000 in 2002. Given the management structure contemplated by seven of the eight private equity firms, the board concluded that it would likely be essential for us to ensure that Jeff Webb continue in his current management capacity at least through the completion of any transaction. The board therefore noted, although it did not conclusively determine at this time, that a transaction and stay

bonus pool with respect to Jeff Webb and the other members of the Company's core management team would likely be needed to ensure the successful completion of the sale process, should it be determined to pursue this course of action.

The board determined that the appropriate course of action, based upon the recommendation of the exploratory committee, was the continued exploration of a possible acquisition transaction by one of the private equity firms that had submitted an indication of interest. Further, since the board was comprised of a majority of directors who had no interest in a possible sale of the Company different than those of our public stockholders generally, the board also determined that the exploratory committee could at this time be dissolved, and that the determination of which acquisition proposal, if any, to proceed with would be made by the entire board. In connection with this determination, the full board unanimously designated Mr. Kornstein to act as the lead director on behalf of the entire board to work closely with our legal and financial advisors in exploring a sale, and if terms could be reached with a potential purchaser, negotiating a definitive agreement. In addition, the board determined that, given Jeff Webb's likely required participation in the Company after completion of any transaction by a private equity firm, he would remain apprised of all material developments, although he would not take an active role in the process going forward.

Thereafter, Mr. Kornstein instructed Rothschild to advise seven of the eight private equity firms which had submitted proposals that they would be invited to participate in a second round of indications of interest. Mr. Kornstein instructed Rothschild that the eighth private equity firm, which had submitted the lowest proposed purchase price, was to be advised that it was no longer part of the process. Each of the seven private equity firms was also advised that we would adjust its proposal in determining the final per share merger consideration in order to reflect transaction expenses we expected to incur, including the bonus pool referred to above, professional fees and insurance costs. These expenses, however, were not yet fully quantified at this time.

All of the private equity firms were also advised that they would be afforded the opportunity to meet with management, and were invited to attend our sales meetings in Phoenix, Arizona during the last week in January, as well as to visit the National High School Cheerleading Championship that we were holding in Orlando, Florida on February 8 and 9. Each of these private equity firms was also offered the opportunity to visit a data room to review business and financial information about us.

All seven of the private equity firms were advised that the second round of written indications of interest would be due on February 26, 2003. During the period from January 28 through February 25, our executive management team made presentations to those private equity firms which requested a presentation. During this period, Leonard Green & Partners reviewed with certain of the management investors the capital structure contemplated in connection with its proposal and advised them that, in connection with such proposal, it contemplated that management would be offered an opportunity to acquire up to 15% of the common stock of VBR Holding Corporation for \$1.5 million.

All seven private equity firms submitted bids on February 26, 2003. Following receipt of the bids, Mr. Kornstein met with four other members of the board, Jeff Webb, Robert Nederlander, Leonard Toboroff and Jack McConnaughy, as well as with John Nichols and our legal and financial advisors. At that meeting the group reviewed the seven second round written indications of interest, all of which were delivered to the remaining two board members by the next morning. The price range of these indications of interest varied from highest to lowest by \$1.55 per share. All of the private equity firms required, as a condition to effecting a transaction with us, that they be able to negotiate employment agreements and investment agreements with management, which would provide for management to make an equity investment in any ongoing entity, if the bidders were permitted to proceed. However, the details of any such arrangements had not been determined at that time. Significantly, each of the indications of interest, other than the one made by Leonard Green & Partners, was expressly subject to and conditioned upon the potential purchaser obtaining financing. In its proposal, however, Leonard Green & Partners expressly stated that it would provide a back-up financing commitment for the full amount necessary to complete the acquisition, and that it anticipated that a definitive purchase

agreement would not contain any financing condition. The board considered this aspect of the Leonard Green & Partners proposal quite significant, because it increased the likelihood of closing a transaction at a time when the current economic climate and volatile geopolitical environment made financing uncertain.

After Mr. Kornstein conferred with the two board members who were not present at the February 26 meeting, the board determined to provide four of the potential purchasers with the opportunity to have further meetings with management to facilitate their submitting their final and best proposal. In order to make sure that all of the private equity firms were still interested in continuing in the bidding process, the board instructed Rothschild to approach the seven private equity firms in order to ascertain from them whether they reasonably believed, at this juncture, that they would be able to negotiate satisfactory employment agreements and investment agreements with management. The board was informed by Rothschild that at that time the remaining potential purchasers had indicated that they believed that they could come to such agreements with management on mutually agreeable terms if they were given the opportunity to do so. Since this would not be an issue going forward in the process, the board selected these four potential purchasers based upon price to stockholders and relative certainty of closure.

All four of the remaining potential purchasers subsequently met with Jeff Webb and John Nichols to engage in further due diligence discussions, and thereafter submitted their proposals. Before these bids were submitted, the board directed Rothschild to inform each of these bidders that we expected to incur various expenses in connection with the transaction, including the potential management bonus pool, and other costs related to items such as insurance, and fees of legal and financial advisors and although some of these expenses were known at this time, the total amount of these expenses was not yet determined. As a result, each of these bidders was further advised that we would uniformly adjust any bids received to account for these expenses once they were determined so as to arrive at the final, per share merger consideration. The Board also instructed Rothschild to inform each of the bidders of the factors which the Board considered important in its consideration of their proposals, specifically, price and certainty of closure. Mr. Kornstein instructed Rothschild to call each of the four potential purchasers to confirm that their proposals were their final and best proposals for consideration by the board of directors.

A meeting of the board of directors was held on March 5, 2003 in New York City, at which all but one of our board members were in attendance (one of our independent directors was unable to attend due to a medical emergency). Also attending the meeting in person were John Nichols and our legal and financial advisors. Rothschild reviewed for the board the process to date, including the potential purchasers from which bids were received, the information that had been provided to these purchasers and the opportunities made available to these purchasers to receive additional information concerning Varsity, including data room visits and management presentations. Also reviewed with the board were the proposed terms, including proposed purchase prices, exclusivity requirements, management equity participation proposals, financing conditions and status of proposed financings, of each of the four final proposals submitted as well as the three other proposals previously considered by the board. The proposed purchase prices received ranged from \$5.53 to \$7.08 after adjustment for the call premium in connection with the redemption of Varsity's outstanding 10.5% senior notes and reflected proposed exclusivity periods ranging from zero to 90 days. Three of the potential purchasers proposed co-investment in the company by participating members of Varsity's management at a per share price to be discussed with Varsity's management, one of the potential purchasers proposed a \$2.0 million investment by Varsity's management post-closing, Leonard Green & Partners proposed an investment of \$1.5 million by Varsity's management for 15% of Varsity common stock and an additional option plan for 3% of Varsity common stock, and the remaining two potential purchasers indicated that terms relating to management participation, if any, would be discussed with Varsity's management. All of the potential purchasers, other than Leonard Green & Partners, required a financing condition, five of which indicated possible financing for the transaction by financial institutions subject to such

institutions' internal credit approval, due diligence and other customary conditions. The board also reviewed the material non-financial terms of these proposals. Zukerman Gore & Brandeis then reviewed with the board its fiduciary duties under applicable law.

The board noted that two of the four private equity firms did not raise their bids and that the other two did raise their bids, including Leonard Green & Partners by \$0.35. The two proposals which contained the highest per share consideration were from The Riverside Company, the private equity firm with which we met in November 2002, and Leonard Green & Partners. Furthermore, each of these two highest bidders expressly stated that it would not participate in the process any further and would withdraw its proposal unless it was afforded the exclusive right to negotiate with us. Significantly, however, the bid submitted by Leonard Green & Partners reiterated that it would not be subject to financing, while the proposal from the other private equity firm continued to be conditioned upon obtaining financing.

The board discussed that simply comparing the nominal per share merger consideration of the two high bids did not take into account the back-up financing commitment offered by Leonard Green & Partners, and, as a result, the increased certainty of closing a transaction, which the

board believed was an important factor. The board believed that failure to complete a transaction due to the buyer's inability to secure the financing could place us at a competitive disadvantage. This would be exacerbated by the fact that we were heading into the height of our selling season for uniform sales and camp enrollment. Specifically, the board believed that a failed transaction could destabilize us by creating uncertainty and upsetting the morale of our sales force and other employees, who we rely upon to effectively market and sell our products and services. The board was also concerned that our competitors would seek to use any failed transaction to their advantage, depicting us as vulnerable and unstable to our significant vendors, key customers, relationship partners and employees. Further, given that our business is primarily a cash-flow business not requiring or involving significant "hard" assets, the board believed that obtaining the necessary debt financing without the benefit of substantial "hard" assets to secure the financing could be even more difficult than might otherwise be the case in the difficult and uncertain financing environment. Although the board noted that The Riverside Company, which submitted the highest nominal per share price, had orally advised our representatives that it believed that it could obtain the necessary financing to consummate the transaction, the board also took note of the fact that the size of The Riverside Company's fund was substantially smaller than that of any of the other seven private equity firms which had submitted bids and that it had not, as far as the board was aware, ever independently committed the equity capital necessary to close a transaction as large as ours. The Riverside Company had advised us that it had received proposals and letters of interest (but not commitment letters) from Antares Leveraged Capital, Banc One Mezzanine, MassMutual, GE Capital Merchant Banking Group, Madison Capital, Merrill Lynch Capital and National City Bank with respect to the debt financing that The Riverside Company required to effect the proposed transaction. However, The Riverside Company did not independently have the committed capital to finance its proposed transaction. Conversely, Leonard Green & Partners could finance the entire purchase without the need for any outside financing.

The board then turned to the management bonus pool issue. As the board had anticipated, each of the four proposals was conditioned on the continued involvement of Jeff Webb and John Nichols and the Company's core management team. During the time since January 13, 2003 when the board first discussed the possibility that a management bonus pool may be advisable to ensure the successful completion of any transaction we may wish to pursue with a financial buyer, Mr. Kornstein had discussed with the board members, other than Jeff Webb, the appropriate magnitude of any management bonus pool. Of particular concern was the amount of any bonus for Jeff Webb. Based on the directors' knowledge and transaction experience, they recognized that change of control payments for similarly situated chief executive officers of up to three times annual compensation were not uncommon. In Jeff Webb's case, that would amount to approximately \$1.8 million. The board was also cognizant of the fact that in connection with the Company's last change in control transaction in 1997,

John Nichols received a \$250,000 transaction bonus. In addition, based on his current contract with the Company, John Nichols is entitled to receive an aggregate of approximately \$560,000 upon the closing of a change in control transaction if he chooses not to continue with the Company thereafter. Further, the board also wanted to provide bonuses to other employees of the Company to assure that they remain with the Company following any transaction for a period of time sufficient to assure an orderly transition. After further considering all of the individuals (which was anticipated to be in excess of 26 individuals) who would participate in the transaction and stay bonus pools, the board, while not deciding the matter, was of the view that given the approximate size of the transaction, the Company's contractual obligations and the efforts required of the Company's management team and various personnel in order to effectively consummate a transaction and effect an orderly transition, a total bonus pool of up to approximately \$2.3 million should be factored into all proposals.

After a thorough discussion, the board decided to table any decision until 11:00 a.m. Eastern Standard Time on Friday, March 7, 2003, providing the members of the board additional time to consider all four proposals.

On Friday, March 7, at 11:00 a.m., the full board reconvened via telephonic conference call. John Nichols and our legal and financial advisors were also present. At this meeting, Zukerman Gore & Brandeis summarized the applicable fiduciary duties of the board. The board then engaged in a discussion of the four proposals, including a review of the factors and issues discussed at the March 5 meeting with particular emphasis on the price and certainty of closure, particularly in light of the current financing, economic and geopolitical environment, which appeared to be worsening as war with Iraq appeared imminent. Although the exact amounts were not known at this time, making uniform adjustments to compare the bids on a like basis for the potential amount of the bonus pool, insurance costs, fees of our legal and financial advisors, and other costs, the highest bid would have equated to \$6.80 per share and the bid by Leonard Green & Partners, which was the second highest, would have equated to \$6.57 per share. In considering Leonard Green & Partners, the board not only took note of its back-up financing commitment, which the board concluded greatly enhanced the certainty of closing a transaction, but also noted the fact that Leonard Green & Partners exhibited the best understanding of the financial aspects of our business. As a consequence, the board had greater confidence that it could reach an agreement with Leonard Green & Partners at its proposed purchase price. Thereafter, taking into account all of the considerations discussed at the March 5 and the March 7 meetings, upon the unanimous vote of all of the directors voting on the matter, with Jeff Webb abstaining, the board determined to enter into a short-term exclusivity agreement with Leonard Green & Partners. No other board decision was made at this time.

On March 11, 2003, we entered into a 30-day exclusivity agreement with Leonard Green & Partners. Upon the execution of the exclusivity agreement, we delivered an initial draft of the merger agreement to Leonard Green & Partners and its counsel, Latham & Watkins LLP. On

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March 13, 2003, Leonard Green & Partners sent a team of business and legal professionals to our corporate headquarters to commence extensive financial, business and legal due diligence.

Over the course of the next 30 days there were numerous meetings and conference calls between our respective counsel, and numerous drafts of the merger agreement were circulated. During this process, Mr. Kornstein, our lead director, working with our counsel, negotiated a number of issues with Leonard Green & Partners. These issues included the nature and scope of our representations and warranties, the definition of "material adverse effect" as it applied to our business between the signing of the merger agreement and the consummation of the merger, the permissible business activities we could engage in between the signing of the merger agreement and the consummation of the merger, the manner in which our outstanding 10.5% senior notes due 2007 would be repaid, the closing condition that holders of no more than an agreed upon percentage of our outstanding shares would exercise appraisal rights under Delaware law, and the termination fee and other fees and costs payable in the event of the termination of the merger agreement. During this time, Mr. Kornstein regularly

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updated each of the members of the board other than Jeff Webb as to the progress of the ongoing negotiations.

During this 30-day period, Jeff Webb and John Nichols negotiated the terms of their respective employment agreements and other arrangements with Leonard Green & Partners, all of which were subject to the closing of the transaction. During this 30-day period, Leonard Green & Partners also negotiated the terms of the voting agreements to be entered into with some of our stockholders.

On April 10, 2003, as the parties had been engaged in active, ongoing negotiations which appeared to be progressing towards a definitive agreement, we extended the exclusivity agreement with Leonard Green & Partners until April 18, 2003. Thereafter, on April 17, we agreed to a further extension to April 23 in order to provide the parties with sufficient time to resolve the few remaining issues and finalize the merger agreement and related documents. Each member of the board was provided with copies of the draft merger agreement on April 12, and again on April 19, this second time with substantially all of the related schedules and exhibits.

On April 21, 2003 at 5:00 p.m., our board of directors met via conference telephone to consider the definitive merger agreement with VBR Holding Corporation and VB Merger Corporation, the entities formed to effect the transaction. John Nichols and our legal and financial advisors also attended the meeting. The definitive merger agreement under consideration was essentially identical to the draft delivered to the board members on April 19, except for conforming changes, the correction of typographical errors and a change requested by us to the provision in the merger agreement governing the number of days allowed to cure breaches of representations, warranties and covenants by either party. At this meeting, Rothschild summarized the third party solicitation process that had been conducted, and the economic terms of the Leonard Green & Partners proposal. Rothschild then reviewed with the board its financial analysis of the merger consideration and delivered to the board an oral opinion (confirmed by delivery of a written opinion dated April 21, 2003) to the effect that, as of the date of the opinion and based on and subject to the matters described in its opinion, the merger consideration was fair, from a financial point of view, to the holders of our common stock (other than VBR Holding Corporation, VB Merger Corporation, the members of management acquiring shares or options to acquire shares of VBR Holding Corporation, and their respective affiliates).

Zukerman Gore & Brandeis reviewed with the board of directors its fiduciary duties under applicable law, including those duties in connection with a sale of the Company. Our counsel then reviewed with the board the various issues that had been the subject of extensive negotiations in connection with the merger agreement, including, but not limited to: conditions under which we could provide non-public information to, and engage in discussions with, a third party bidder; the circumstances under which we would be able to terminate the merger agreement in order to enter into an alternative transaction, including the determination of what would constitute a superior proposal; the amount of the termination fee that we would be required to pay in that circumstance; our obligation to provide VBR Holding Corporation and VB Merger Corporation with the opportunity to negotiate changes to the merger agreement in the event we received an alternative, superior proposal; the nature and scope of the representations and warranties to be provided by us; the requirement that Jeff Webb and John Nichols both be employed by the surviving corporation upon the consummation of the merger; the definition of "material adverse effect" as it applied to our business between the signing of the merger agreement and the consummation of the merger and the relationship between such definition and the "bring down" of our representations and warranties; the manner in which our outstanding 10.5% senior notes due 2007 would be repaid; the requirement that no more than 15% of the Company's stockholders effectively exercise appraisal rights under Delaware law; and other closing conditions required to be satisfied by the parties in order to effect the merger.

The board then engaged in a discussion regarding the proposed merger, during which the board compared the prospects of remaining a public company to the prospects of engaging in the transaction under consideration. The board noted our inability to attract research analyst coverage despite our efforts to attract coverage, as well as the poor performance of equity securities in the last few years in

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general. The board also discussed our poor stock performance over the same period, as well as not seeing any factors that could reasonably be expected to occur in the foreseeable future that would change this situation. Accordingly, in light of these facts, and all of the other considerations that had been taken into account by the board throughout the process, the board determined that the merger under consideration was the best alternative to maximize stockholder value. The board, by the affirmative vote of six of its directors, with Jeff Webb abstaining, then approved the merger agreement and determined that it is fair, advisable to, and in the best interest of, our stockholders, and authorized management to execute the merger agreement and recommended adoption of the merger agreement by our stockholders.

In connection with its approval of the merger agreement, the board also determined to grant transaction and stay bonuses to 29 members of management in the aggregate amount of approximately \$2.3 million. The board did not compare our particular grants to any other transaction, and granted these bonuses in recognition of the value various members of management provided us and to assure that these individuals, including Jeff Webb and John Nichols, would continue with us through the closing of the transaction. In determining to grant these bonuses, the board considered the fact that failure to retain management would jeopardize the closing of the merger. Of those transaction and stay bonuses, \$1.585 million is to be paid to Jeff Webb and \$300,000 is to be paid to John Nichols upon the closing of the merger. The balance of this bonus pool, approximately \$415,000, is to be paid to other members of management on the 91st day following the closing of the transaction, assuming they remain employed by us until such time. Jeff Webb's transaction and stay bonus is approximately what, in the board's view, Jeff Webb would reasonably have been expected to receive under an executive employment agreement that contained a change in control provision consistent with what executives in similar positions to Jeff Webb often receive. John Nichols has an executive employment agreement with the Company, which provides that on a change of control John Nichols is entitled to terminate his employment agreement and receive a payment equal to two times the sum of his base salary of \$210,000 per annum plus the prior year's bonus of \$70,000, for an aggregate payment of \$560,000. If we complete the merger, John Nichols' new employment agreement will take effect and he will not be entitled to these payments.

The board of directors also determined to pre-pay to 29 members of management, other than Jeff Webb and John Nichols, half year operational bonuses of approximately \$400,000 in the aggregate on the closing of the merger. The board further agreed to pay David Groelinger, a former executive who served as a consultant to us during the negotiation process, attending negotiating sessions and working with our counsel, \$40,000 upon the closing of the transaction for various services rendered. Finally, the board determined that Mr. Kornstein should receive a payment of \$150,000 in recognition of his substantial contribution of time and effort in his capacity as our lead director working with our legal and financial advisors with respect to exploring a change in control transaction and the negotiation of the definitive merger agreement on behalf of the board of directors. Payment to Mr. Kornstein is to be made upon the earlier of the closing of the merger or termination of the merger agreement.

The merger agreement was then signed on April 21, 2003 and publicly announced before the opening of trading of our common stock the following morning on April 22, 2003.

Recommendation of Our Board of Directors; Fairness of the Merger

Our board of directors consists of a majority of directors who have no direct or indirect interest in the merger that is different from the interests of Varsity stockholders generally. At a special meeting of the board of directors held on January 13, 2003, the board of directors, by unanimous vote of all directors voting on the matter:

determined, based upon the recommendation of the exploratory committee established by the board to explore strategic alternatives to enhance stockholder value, including a potential sale

transaction, to continue to undertake a process in order to determine the interest, if any, that a potential buyer might have with respect to acquiring Varsity.

At a special meeting of the board of directors held on April 21, 2003, the board of directors, by unanimous vote of all directors voting on the matter:

determined that the merger is fair to and in the best interests of our unaffiliated stockholders;

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determined that the merger agreement is advisable and approved the merger agreement and the transactions contemplated thereby; and

recommended that stockholders vote to approve and adopt the merger agreement and the transactions contemplated thereby.

Jeff Webb was the only director who abstained from these votes due to a potential conflict of interest. See the section entitled " Background of the Merger" for additional information on the board of director's recommendations.

In making the determinations and recommendation set forth above, the members of the board of directors considered the following material positive factors:

the board's view that there had been an exhaustive solicitation of third party bids and each bidder had been provided with several opportunities to increase or otherwise improve its bid. The board concluded that the final proposal made by Leonard Green & Partners was the best offer received taking into account both price and certainty of closure. See the section entitled " Background of the Merger" for additional information regarding the negotiations;

our board of directors' knowledge of our business, assets, financial condition and results of operations, our competitive position, the nature of our business and the industry in which we compete, supported its view that the certainty of the \$6.57 cash consideration to be received by our stockholders in the merger was preferable to continuing to own shares of our common stock, particularly in light of the fact that the Company's stock had not traded at or above this amount for more than four years, and its view that given the uncertain economic climate and the Company's historical trading price, there was no reason to believe that it would do so in the reasonably foreseeable future;

the terms of the merger agreement, including the ability of the board of directors, in the exercise of its fiduciary duties, to consider competing proposals. The board of directors considered that the merger agreement permits it, following consultation with advisors and in the exercise of its fiduciary obligations under applicable law, to furnish information to and participate in negotiations with persons making bona fide unsolicited offers and permits the board to terminate the merger agreement and accept a financially superior proposal under specified conditions, subject to payment to VBR Holding Corporation of a termination fee of \$3.5 million and reimbursement of VBR Holding Corporation's reasonable, documented out-of-pocket expenses and fees, including reasonable attorneys fees, not to exceed \$1.75 million. See the sections entitled "The Merger The Merger Agreement Our Ability to Accept a Superior Proposal" and "The Merger The Merger Agreement Termination Fees and Expenses" for additional information regarding the ability of our board of directors to consider competing proposals;

the voting agreements terminate automatically upon termination of the merger agreement, thereby enabling us to accept a superior offer under certain circumstances;

the relationship between the \$6.57 price per share to be paid in the merger and the recent market prices of our common stock. The \$6.57 price per share to be paid in the merger represents a 39.8% premium to the closing price of our common stock on April 21, 2003 (the day the merger agreement was signed and the day before the public announcement of the potential merger), a 43.8% premium over the average closing price of our common stock for the

last twenty trading days prior to the public announcement of the potential merger, and a 174% premium over the 52-week low trading price of \$2.40;

the likelihood that the merger will be consummated. In particular, the board of directors considered the fact that the merger agreement does not include any financing condition or contingency. The board concluded, particularly in light of the reputation of Leonard Green & Partners, its fund size and back-up financing commitments, that VB Merger Corporation and VBR Holding Corporation have the financial ability to complete the merger, and the other transactions contemplated in the merger agreement;

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the financial presentation of Rothschild, including its opinion dated April 21, 2003 to the board of directors as to the fairness, from a financial point of view and as of the date of the opinion, of the \$6.57 consideration to be received by the holders of Varsity common stock (other than the VB Merger Corporation, VBR Holding Corporation, the members of management acquiring shares or options to acquire shares of VBR Holding Corporation, and their respective affiliates), as more fully described below under "Opinion of Rothschild Inc." The board of directors found reasonable and adopted Rothschild's opinion and related analyses;

the fact that the merger consideration is all cash, which provides certainty of value to our stockholders; and

the fact that appraisal rights will be available under Delaware law with respect to the merger. See the section entitled "The Merger Appraisal Rights" for information on how to exercise your appraisal rights.

Our board of directors also considered potentially negative factors in its deliberations concerning the merger, including:

we will no longer exist as an independent company and our stockholders will no longer participate in our growth;

under the terms of the merger agreement, we are unable to solicit other acquisition proposals;

we would be required to pay VBR Holding Corporation a termination fee and expenses if the merger agreement is terminated under some circumstances, including if we terminate the merger agreement to accept a superior proposal, and that our obligation to pay the termination fee might discourage competing acquisition proposals. See the sections entitled "The Merger The Merger Agreement Our Ability to Accept a Superior Proposal" and "The Merger The Merger Agreement Termination Fees and Expenses";

gains from an all-cash transaction would generally be taxable to our stockholders for U.S. federal income tax purposes;

while we expect to complete the merger, there can be no assurance that all conditions to the parties' obligations to complete the merger will be satisfied and, as a result, it is possible that the merger may not be completed even if approved by our stockholders (see "The Merger The Merger Agreement Conditions to the Completion of the Merger");

the fact that certain conditions to VBR Holding Corporation's and VB Merger Corporation's obligations to complete the merger are beyond our control, including the condition that we successfully complete a tender offer for a majority in principal amount of our Senior Notes and the condition that holders of no more than 15% of our outstanding shares validly exercise their appraisal rights (see "The Merger The Merger Agreement Conditions to the Completion of the Merger"); and

the possibility of disruption to the operations of Varsity following announcement of the merger, and the resulting effect on Varsity if the merger does not close.

Our board of directors concluded, however, that these negative factors could be managed or mitigated by Varsity or were unlikely to have a material impact on the merger, and that, overall, the

potentially negative factors associated with the merger were outweighed by the potential benefits of the merger. For example, the board of directors believed that the merger could be completed on the proposed terms.

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Our board of directors was fully aware of and considered the possible conflicts of interest of the management investors. See the sections entitled " Background of the Merger," and " Interests of Our Directors and Executive Officers in the Merger" for a description of these possible conflicts of interest. Our board of directors considered in this regard that the exploratory committee recommended that we explore strategic alternatives to enhance stockholder value, including a potential sale transaction, with an understanding that these potential conflicts of interests were likely to occur and that the composition of the board of directors, consisting of a majority of members with no interest in the completion of a sale transaction that is different from the interests of our unaffiliated stockholders generally, permitted it to represent effectively the interests of those unaffiliated stockholders.

While our board of directors did not independently consider the going concern value of Varsity, it considered and adopted the discounted cash flow analysis performed by Rothschild. With respect to liquidation value, the board of directors considered that, as a member of the school spirit industry, with significant value in its employees and goodwill, liquidation value would likely be significantly lower than the valuation of Varsity as a going concern and, as such, would not provide a useful comparison for assessing the fairness of the \$6.57 per share consideration. In addition, the board of directors considered that book value (\$3.11 per share as of June 30, 2003), which is based on the historical cost value of Varsity's assets (but does not take into account any shares of common stock issuable upon the exercise of options of the conversion of Varsity's convertible debt), also would not provide a fair value for the business as compared to current period measurements of Varsity's operational performance, such as EBITDA and earnings per share. Since none of Green Equity Investors, GEI Capital, VBR Holding Corporation, VB Merger Corporation, Jeff Webb or John Nichols had purchased shares of our common stock in the last two years, the board was not able to compare the merger consideration with a related range of purchase prices.

The above discussion of the material factors considered by our board of directors is not intended to be exhaustive, but does set forth the principal factors considered by the board of directors. The board collectively reached its conclusion to approve the merger agreement and the merger in light of the various factors described above and other factors that each member of the board of directors (other than Jeff Webb, who abstained from the vote) believed were appropriate. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, our board of directors found it impracticable, and did not attempt, to quantify, rank or otherwise assign relative weights to the specific factors it considered or determine that any factor was of particular importance in reaching its determination that the merger agreement and the transactions contemplated thereby are fair to, and in the best interests of, our unaffiliated stockholders. Rather, our board of directors viewed its recommendations as being based upon its judgment, in light of the totality of the information presented and considered, of the overall effect of the merger on our unaffiliated stockholders compared to any alternative transaction or remaining an independent company. In considering the factors discussed above, individual directors may have given different weights to different factors. Our board of directors did not analyze the fairness of the \$6.57 per share consideration in isolation from the other considerations referred to above. Our board of directors did not attempt to distinguish between factors that support a determination that the merger is "fair" and factors that support a determination that the merger is in the "best interests" of our unaffiliated stockholders.

The board of directors believes that the merger is advisable and is fair to, and in the best interests of Varsity's unaffiliated stockholders. By a unanimous vote of all directors voting on the matter, the board of directors recommends that you vote "FOR" the approval and adoption of the merger agreement.

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Our Position as to the Procedural Fairness of the Merger

Our board of directors also determined that the merger is procedurally fair, because, among other things:

the manner in which the transaction process was conducted including, but not limited to:

an exploratory committee, chaired by Mr. Kornstein and comprised entirely of directors with no interest in a potential sale of the Company different than those of the unaffiliated stockholders generally, recommended that we explore strategic alternatives to enhance stockholder value, including a potential sale transaction;

a majority of the members of our board of directors are independent and have no interest in a sale of the Company different than those of the unaffiliated stockholders generally and Jeff Webb, our chief executive officer and president, abstained from the vote on the merger;

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one of the independent directors, Mr. Kornstein, the former chairman of the exploratory committee, was designated lead director and delegated with the authority to work with our financial and legal advisors in exploring a potential change in control transaction and negotiating a definitive merger agreement;

the terms of the merger agreement were determined through extensive arms-length negotiations between Mr. Kornstein, and our legal and financial advisors, on the one hand, and Leonard Green & Partners, and its advisors, on the other;

the exploratory committee undertook a process, with the assistance of its professional advisors, in which 19 potential purchasers were included, eight of which submitted indications of interest and four of which remained after three rounds of bidding, with all four notifying us that their third-round bid would be their final bid and highest offer;

the affirmative vote of a majority of the outstanding Varsity shares entitled to vote thereon is required under Delaware law to approve and adopt the merger agreement; and

holders of Varsity common stock who do not vote in favor of the merger will have the right to demand judicial appraisal of their shares if they take the actions necessary to perfect their rights.

In light of the foregoing factors, our board of directors determined that the merger is procedurally fair despite the fact that the terms of the merger agreement do not require the approval of at least a majority of our unaffiliated stockholders and that the board of directors did not retain an unaffiliated representative to act solely on behalf of our unaffiliated stockholders for purposes of negotiating the terms of the merger agreement.

The members of the board of directors evaluated the merger in light of their knowledge of the business, financial condition and prospects of Varsity, and with the assistance of legal and financial advisors. In view of the variety of factors that the board of directors considered in connection with their evaluation of the merger, the board of directors did not quantify, rank or otherwise assign relative weights to any of the foregoing factors.

Opinion of Rothschild Inc.

Varsity retained, on behalf of the exploratory committee, Rothschild to act as exclusive financial advisor in connection with the proposed merger. The exploratory committee selected Rothschild based on its reputation and experience. As part of its investment banking business, Rothschild regularly engages in the valuation of businesses and their securities in connection with mergers and acquisitions, restructurings, private placements and other purposes.

In connection with this engagement, the board of directors requested that Rothschild evaluate the fairness, from a financial point of view, of the merger consideration to be received by the holders of our common stock (other than VBR Holding Corporation, VB Merger Corporation, the members of management acquiring shares or options to acquire shares of VBR Holding Corporation, and their respective affiliates). On April 21, 2003, at a meeting of the board of directors held to evaluate the

proposed merger, Rothschild delivered to the board of directors an oral opinion, which opinion was confirmed by delivery of a written opinion dated the same date, to the effect that, as of that date and based on and subject to the matters described in its opinion, the merger consideration was fair, from a financial point of view, to the holders of Varsity common stock (other than VBR Holding Corporation, VB Merger Corporation, the members of management acquiring shares or options to acquire shares of VBR Holding Corporation, and their respective affiliates).

The type and amount of consideration payable in the merger was determined through negotiation between Varsity and Leonard Green & Partners and the decision to approve the merger and related transactions was solely that of Varsity and its board of directors. Except as otherwise described below, no other instructions or limitations were imposed by the board of directors on Rothschild with respect to the investigations made or procedures followed by Rothschild in rendering its opinion.

The full text of Rothschild's written opinion dated April 21, 2003, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is attached to this proxy statement as Annex B and is incorporated into this proxy statement by reference. We encourage you to read this opinion in its entirety. Rothschild's opinion was provided for the information of the board of directors in connection with its evaluation of the merger, is limited to the fairness, from a financial point of view, of the merger consideration and does not address any other aspect of the merger or any related transaction, including arrangements with Varsity's management. Rothschild's opinion is not intended to and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to any matters relating to the merger or any related transactions. Rothschild's opinion does not address the relative merits of the merger and alternative business strategies that might exist for Varsity, nor does it address any other transaction which Varsity has considered or may consider or the decision of Varsity or the board of directors to proceed with the merger and related transactions.

In arriving at its opinion, Rothschild:

reviewed the merger agreement and related documents;

discussed the proposed merger with Varsity's management, board of directors, advisors and other representatives;

reviewed publicly available business and financial information relating to Varsity;

reviewed audited and unaudited financial statements and other financial and operating data of Varsity;

reviewed financial forecasts relating to Varsity as well as sensitivities regarding the future financial performance of Varsity provided to or discussed with Rothschild by Varsity's management;

held discussions with Varsity's management regarding the past and current operations and financial condition and prospects of Varsity;

compared the financial performance of Varsity with those of publicly traded companies which Rothschild deemed to be generally relevant in evaluating Varsity;

reviewed, to the extent publicly available, the financial terms of public transactions which Rothschild deemed to be generally relevant in evaluating the merger;

reviewed, to the extent publicly available, information relating to premiums paid in public transactions with transaction values which Rothschild deemed to be generally relevant in evaluating the merger;

reviewed the estimated present value of the unlevered, after-tax free cash flows of Varsity for the fiscal years ending December 31, 2003 through December 31, 2007 based on financial forecasts and related sensitivities provided to or discussed with Rothschild by Varsity's management;

at the direction of the board of directors and the exploratory committee, contacted selected third parties to solicit indicative bids for Varsity; and

considered other factors and information as Rothschild deemed appropriate in arriving at its opinion.

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In rendering its opinion, Rothschild did not assume any obligation independently to verify any information utilized, reviewed or considered by Rothschild in formulating its opinion and relied on such information being accurate and complete in all material respects. With respect to financial forecasts and other information and operating data for Varsity and related sensitivities regarding the future financial performance of Varsity provided to or otherwise discussed with Rothschild by Varsity's management, Rothschild was advised, and assumed, that these forecasts were reasonably prepared on bases reflecting the best currently available estimates and judgments of Varsity's management as to the future financial performance of Varsity and the potential impact on these forecasts of sensitivities which may affect the financial performance of Varsity. Rothschild also assumed, at Varsity's direction, that there had not occurred any material change in the assets, financial condition, results of operations, business or prospects of Varsity since the dates on which the most recent financial statements or other financial and business information relating to Varsity were made available to Rothschild. Rothschild further assumed, with Varsity's consent, that the merger and related transactions would be consummated in all material respects in accordance with the terms and conditions described in the merger agreement and related documents without any waiver or modification and that all governmental, regulatory and other consents and approvals necessary for the consummation of the merger and related transactions would be obtained without any adverse effect on Varsity or the merger. Rothschild did not assume responsibility for making any independent evaluation, appraisal or physical inspection of any of the assets or liabilities, contingent or otherwise, of Varsity. Rothschild's opinion was necessarily based on information available, and financial, stock market and other conditions and circumstances existing and disclosed, to Rothschild as of the date of its opinion. Accordingly, although subsequent developments may affect Rothschild's opinion, Rothschild has not assumed any obligation to update, revise or reaffirm its opinion.

In preparing its opinion, Rothschild performed a variety of financial and comparative analyses, including those described below. The summary of these analyses is not a comprehensive description of all analyses and factors considered by Rothschild. The preparation of a fairness opinion is a complex analytical process that involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstances and, therefore, a fairness opinion is not readily susceptible to summary description. Rothschild believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

Rothschild employed several analytical methodologies and no one method of analysis should be regarded as critical to the overall conclusion reached by Rothschild. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the value of particular techniques. The conclusion reached by Rothschild is based on all analyses and factors taken as a whole and also on application of Rothschild's experience and judgment, which conclusion may involve significant elements of subjective judgment and qualitative analysis. Rothschild therefore gives no opinion as to the value or merit standing alone of any one or more parts of the analyses it performed. In its analyses, Rothschild considered industry performance, general business, economic, market and financial conditions and other matters existing as of the date of its opinion, many of which are beyond the control of Varsity. No company, transaction or business used in those analyses as a comparison is identical to Varsity or the proposed merger, and an evaluation of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions analyzed.

The estimates contained in Rothschild's analyses and the valuation ranges resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by its analyses. In addition,

analyses relating to the value of businesses or securities do not necessarily purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, Rothschild's analyses and estimates are inherently subject to substantial uncertainty.

Rothschild's opinion and analyses were only one of many factors considered by the board of directors in its evaluation of the merger and should not be viewed as determinative of the views of Varsity's board of directors or management with respect to the proposed merger or the merger consideration.

A copy of Rothschild's written presentation to the board of directors has been filed as an exhibit to the Rule 13e-3 Transaction Statement on Schedule 13E-3 filed by Varsity with the Securities and Exchange Commission and also will be available for inspection and copying at Varsity's principal executive offices during regular business hours by any interested stockholder of Varsity or any representative of such stockholder who has been so designated in writing and also may be inspected and copied at the office of, and obtained by mail from, the Securities and Exchange Commission.

The following is a summary of the material financial analyses, each of which is a standard valuation methodology customarily undertaken in transactions of this type, performed by Rothschild in connection with the rendering of its opinion dated April 21, 2003 to the board of

directors. **The financial analyses summarized below include information presented in tabular format. In order to fully understand Rothschild's financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Rothschild's financial analyses.**

Market Price Analysis

Rothschild performed a market price analysis in order to compare historical trading prices of Varsity common stock with the merger consideration provided for in the merger agreement. In this analysis, Rothschild reviewed historical trading prices for Varsity common stock from April 17, 2002 through April 17, 2003 (the last trading day prior to Varsity's board of directors' meeting held to evaluate the proposed merger). This analysis reflected the following low and high trading prices for Varsity common stock during such period, as compared to the per share merger consideration:

Low and High Trading Prices of Varsity Common Stock from April 17, 2002 to April 17, 2003	Per Share Merger Consideration
\$2.40 - \$5.00	\$6.57

Selected Public Companies Analysis

Rothschild performed a selected public companies analysis in order to derive an implied per share equity reference range for Varsity from the market value and trading multiples of other publicly traded companies and then compared this implied per share equity reference range with the merger consideration provided for in the merger agreement. Given the mix of Varsity's business operations and the limited number of publicly traded companies with business operations directly comparable to those of Varsity, Rothschild analyzed the market values and trading multiples of Varsity and selected publicly traded companies with lines of business, or operating and financial characteristics, generally similar to those of Varsity. Using publicly available information, Rothschild analyzed the market values and trading multiples of Varsity and the following six publicly traded companies in the sports apparel and athletic footwear businesses, referred to below as the "Apparel/Footwear Companies," and the following

two publicly traded companies in the teen/sporting goods retail businesses, referred to below as the "Teen/Sporting Goods Retail Companies:"

Apparel/Footwear Companies

Ashworth, Inc.
NIKE, Inc.
Reebok International Ltd.
Russell Corporation
Vans, Inc.
V.F. Corporation

Teen/Sporting Goods Retail Companies

Alloy, Inc.
Foot Locker, Inc.

All multiples were based on closing stock prices on April 17, 2003. Estimated financial data for the selected companies were based on publicly available research analysts' estimates and estimated financial data for Varsity were based on internal estimates of Varsity's management. Rothschild reviewed enterprise values of the selected companies as multiples of, among other things, calendar year 2002 and estimated calendar year 2003 revenue, earnings before interest, taxes, depreciation and amortization, commonly referred to as EBITDA, and earnings before interest and taxes, commonly referred to as EBIT. Rothschild calculated enterprise values as equity value, plus total debt and minority interest, less cash. Rothschild also reviewed equity values of the selected companies as a multiple of, among other things, calendar year 2002 and estimated calendar year 2003 net income. After taking into account, among other things, the selected companies' market capitalization, brand recognition attributable to its name and products, and lines of businesses in which it operated, Rothschild then applied ranges of selected multiples derived from the selected companies of calendar year 2002 EBITDA and calendar year 2003 estimated EBITDA of 4.5x to 7.0x and 4.0x to 6.0x, respectively, calendar year 2002 EBIT and calendar year 2003 estimated EBIT of 6.5x to 9.5x and 5.5x to 7.5x, respectively, and calendar year 2002 net income and calendar year 2003 estimated net income of 10.5x to 14.5x and 9.0x to 12.5x, respectively, to corresponding financial data of Varsity. Based on the average of the low and the average of the high implied equity reference ranges derived from these multiples, this analysis indicated the following approximate implied per share equity reference range for Varsity, as compared to the per share merger

consideration:

Implied Per Share Equity Reference Range for Varsity	Per Share Merger Consideration
\$4.15 - \$7.25	\$6.57

Selected Precedent Transactions Analysis

Rothschild performed a selected precedent transactions analysis in order to derive an implied per share equity reference range for Varsity from transaction value multiples in merger and acquisition transactions involving other publicly traded companies and then compared this implied per share equity reference range with the merger consideration provided for in the merger agreement. Given the mix of Varsity's business operations and the limited number of precedent transactions involving companies in the school spirit industry, using publicly available information Rothschild analyzed the transaction value multiples paid or proposed to be paid in the following five selected transactions involving companies with business operations which generally reflected similar characteristics to those of Varsity's business operations:

Acquiror	Target
Gart Sports Company K2 Inc. Gart Sports Company Investcorp The Warnaco Group, Inc.	The Sports Authority, Inc. Rawlings Sporting Goods Company, Inc. Oshman's Sporting Goods, Inc. Jostens, Inc. Authentic Fitness Corporation

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Rothschild compared transaction values in the selected transactions as multiples of latest 12 months revenue, EBITDA and EBIT. Rothschild then applied ranges of selected multiples (other than a high outlier) derived from the selected transactions of latest 12 months EBITDA and EBIT of 5.0x to 8.0x and 8.0x to 12.0x, respectively, to Varsity's calendar year 2002 EBITDA and EBIT. Based on the average of the low and the average of the high implied equity reference ranges derived from these multiples, this analysis indicated the following approximate implied per share equity reference range for Varsity, as compared to the per share merger consideration:

Implied Per Share Equity Reference Range for Varsity	Per Share Merger Consideration
\$5.25 - \$10.00	\$6.57

Discounted Cash Flow Analysis

Rothschild performed a discounted cash flow analysis of Varsity in order to derive an implied per share equity reference range for Varsity if it were to remain an independent public company and then compared this implied per share equity reference range with the merger consideration provided for in the merger agreement. In this analysis, Rothschild calculated the estimated present value of the stand-alone, unlevered, after-tax free cash flows that Varsity could generate over fiscal years 2003 through 2007 utilizing financial forecasts provided to Rothschild by Varsity's management. For purposes of this analysis, Rothschild utilized an average compounded annual revenue growth rate for Varsity's uniforms and accessories and camps and events divisions during the five-year period analyzed of 7.4% based on internal estimates of Varsity's management. These forecasts also were sensitized, based on discussions with Varsity's management, by applying compounded annual revenue growth rates for Varsity's uniforms and accessories and camps and events divisions over such five-year period of 4.5% to 6.5% to reflect the potential for lower revenue growth in Varsity's business divisions as a result of various economic, market and other conditions existing at the time Rothschild rendered its opinion, which Varsity's management indicated may affect the future financial performance of Varsity notwithstanding management's expectations as to Varsity's financial results for the first quarter of 2003. These conditions included, among other things, a continuing downturn in the U.S. economy and increased uncertainty in economic and market conditions given the then imminent war with Iraq. Rothschild then calculated a range of estimated terminal values for Varsity by applying to Varsity's calendar year 2007 estimated EBITDA terminal EBITDA multiples ranging from 4.5x to 5.5x. In selecting this terminal EBITDA multiples range, Rothschild considered the trading multiples of the Apparel/Footwear Companies and Teen/Sporting Goods Retail Companies referred to above under "Selected Public Companies

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Analysis" (other than Nike, Inc. given its larger market capitalization relative to the other selected companies). The present value of the cash flows and terminal values were calculated using discount rates ranging from 11.0% to 13.0%, based generally on the weighted average cost of capital for the Apparel/Footwear Companies and Teen/Sporting Goods Retail Companies referred to above under "Selected Public Companies Analysis" (other than Vans, Inc. given its higher cost of capital relative to the other selected companies). Utilizing the midpoint of the terminal EBITDA multiple and discount rate ranges, this analysis indicated the following approximate implied per share equity reference range for Varsity (the low end of which was derived from internal estimates of Varsity's management assuming a compounded annual revenue growth rate of 4.5% and the high end of which was derived from internal estimates of Varsity's management assuming an average compounded annual revenue growth rate of 7.4%), as compared to the per share merger consideration:

Implied Per Share Equity Reference Range for Varsity	Per Share Merger Consideration
\$4.75 - \$8.85	\$6.57

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Selected Premiums Paid Analysis

Rothschild performed a selected premiums paid analysis in order to derive an implied per share equity reference range for Varsity from premiums implied in selected public merger and acquisition transactions and then compared this implied per share equity reference range with the merger consideration provided for in the merger agreement. In this analysis, Rothschild reviewed the premiums paid in 107 selected public transactions and 45 selected public cash transactions completed between January 1, 2000 and April 17, 2003 with transaction values between \$100 million and \$200 million, excluding transactions involving technology and telecom companies and financial institutions. Rothschild reviewed the purchase prices paid in the selected transactions relative to the target company's average closing stock prices one week and four weeks prior to public announcement of the transaction. Rothschild then applied the premiums implied by the purchase prices paid in the selected transactions over these specified periods to the closing prices of Varsity common stock one week and four weeks prior to April 17, 2003 in order to derive an implied equity reference range for Varsity. This analysis indicated the following approximate implied per share equity reference range for Varsity, as compared to the per share merger consideration:

Implied Per Share Equity Reference Range for Varsity	Per Share Merger Consideration
\$5.80 - \$6.60	\$6.57

Other Factors

In rendering its opinion, Rothschild also reviewed and considered other factors, including the historical trading prices for Varsity common stock from June 1, 2001 (the month in which Varsity completed the sale of its Riddell Group Division) through April 17, 2003 and the premiums implied in the merger based on the merger consideration, the closing price of Varsity common stock on April 17, 2003 and the average closing prices of Varsity common stock over the three-month, six-month and one-year periods prior to April 17, 2003.

Miscellaneous

Under the terms of its engagement, Varsity has agreed to pay Rothschild for its financial advisory services a transaction fee based on a percentage of the total consideration, including outstanding indebtedness assumed, payable in the merger. The aggregate fee payable to Rothschild currently is estimated to be approximately \$1.4 million, \$700,000 of which is contingent upon completion of the merger. Varsity also has agreed to reimburse Rothschild for reasonable expenses incurred by Rothschild in performing its services, including reasonable fees and expenses of its legal counsel, and to indemnify Rothschild and related persons against liabilities, including liabilities under the federal securities laws, arising out of its engagement. The terms of Rothschild's fee arrangements were negotiated at arm's length between the exploratory committee and Rothschild, and the board of directors was aware of such fee arrangements. In the ordinary course of business, Rothschild and its affiliates may actively trade or hold the securities of Varsity and affiliates of Green Equity Investors for their own account or for the account of customers and, accordingly, may at any time hold a long or short position in those securities.

Our Projections

We do not as a matter of policy make public forecasts or projections of future performance or earnings. However, in connection with exploring our strategic alternatives to enhance stockholder value, we prepared projections of our anticipated future operating performance for the five fiscal years ended December 31, 2003 through December 31, 2007. These projections were provided to Rothschild, and each of the eleven potential purchasers who entered into confidentiality agreements with us, as described in " Background of the Merger." The projections were not prepared with a view towards public disclosure or compliance with published guidelines of the SEC, the guidelines established by the

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American Institute of Certified Public Accountants for Prospective Financial Information or generally accepted accounting principles. Our certified public accountants have not examined or compiled any of the projections or expressed any conclusion or provided any form of assurance with respect to the projections and, accordingly, assume no responsibility for them. They are included below to give our stockholders access to information that was not publicly available and that we provided to Leonard Green & Partners.

The projections are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those statements and should be read with caution. They are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and recent developments. While presented with numerical specificity, the projections were not prepared by us in the ordinary course and are based upon a variety of estimates and hypothetical assumptions made by our management with respect to, among other things, industry performance, general economic, market, interest rate and financial conditions, operating and other revenues and expenses, capital expenditures and working capital and other matters. None of the assumptions may be realized, and they are inherently subject to significant business, economic and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control. Accordingly, there can be no assurance that the assumptions made in preparing the projections will prove accurate, and actual results may materially differ. In addition, the projections do not take into account any of the transactions contemplated by the merger agreement, including the merger and related financing, which may also cause actual results to materially differ.

For these reasons, as well as the bases and assumptions on which the projections were compiled, the inclusion of the projections in this proxy statement should not be regarded as an indication that the projections will be an accurate prediction of future events, and they should not be relied on as such. No one has made, or makes, any representation to any stockholder regarding the information contained in the projections and, except as required by applicable securities laws, we do not intend to update or otherwise revise the projections to reflect circumstances existing after the date when made or to reflect the occurrences of future events even in the event that any or all of the assumptions are shown to be in error.

Varsity Spirit Corporation
Financial Projections Summary
2003 - 2007

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
	(\$ in thousands)				
	Rounded				
Total Revenues	170,549	183,789	199,032	216,761	234,048
Gross Profit	71,058	77,109	84,266	92,678	100,216
EBITDA	22,446	25,766	29,438	34,056	37,612
Pre-Tax Income	12,998	16,078	19,750	24,368	31,174
Net Income	9,629	9,807	12,048	14,864	19,016

The projections that we provided Leonard Green & Partners set forth above are based on, among other things, the assumption that we will become a private company during 2003 and remain private through 2007. Consequently, these projections do not take into account certain public company expenses including, but not limited to, legal, accounting and audit fees and assume we will achieve savings as a result of the retirement of our public notes. The EBITDA, pre-tax income and net income projections, which our management provided to Rothschild in connection with its opinion, assumed that we would continue as a public company. Therefore, those projections reflect lower estimates with respect to EBITDA, pre-tax income and net income. In addition to the above total revenues and gross profit

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projections, set forth below are the EBITDA, pre-tax income and net income projections our management provided to Rothschild:

	2003	2004	2005	2006	2007
	(\$ in thousands)				
	Rounded				
EBITDA	21,610	24,376	27,968	32,500	35,966
Pre-Tax Income	11,546	14,647	18,239	22,771	29,487
Net Income	7,043	8,934	11,126	13,890	17,987

The Position of Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation as to the Fairness of the Merger

Under a potential interpretation of the rules governing "going private" transactions, Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation may be deemed affiliates of Varsity and required to express their beliefs as to the fairness of the merger to our unaffiliated stockholders. Each of Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation believes that the merger is fair to Varsity's unaffiliated stockholders on the basis of the factors described below.

Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation did not participate in the deliberations of the Varsity board of directors regarding, or receive advice from Varsity's legal or financial advisors as to, the fairness of the merger to Varsity's unaffiliated stockholders. However, based upon their own knowledge and analysis of available information regarding Varsity, as well as discussions with members of Varsity's senior management regarding the factors considered by, and findings of, the Varsity board of directors discussed in this proxy statement in the section entitled " Recommendation of Our Board of Directors; Fairness of the Merger," they believe that the merger is substantively fair to Varsity's unaffiliated stockholders. In particular, they considered the following:

Varsity's board of directors, which includes a majority of members with no interest in the completion of the merger different from the interests of Varsity's unaffiliated stockholders generally, concluded that the merger is fair to, and in the best interests of, Varsity's unaffiliated stockholders.

Varsity's board of directors received an opinion from Rothschild as to the fairness, from a financial point of view and as of the date of the opinion, of the \$6.57 per share merger consideration to be received by the holders of Varsity common stock (other than VBR Holding Corporation, VB Merger Corporation, the members of management acquiring shares or options to acquire shares of VBR Holding Corporation, and their respective affiliates).

The merger consideration represents a premium to the current (that is, at the time of announcement of the merger agreement) and historical market prices for Varsity common stock. In particular, the merger consideration of \$6.57 per share represents a 39.8% premium to the closing price of Varsity's common stock on April 21, 2003 (the day the merger agreement was executed and the last trading day prior to the public announcement of the merger agreement), a 43.8% premium over the average closing price of Varsity's common stock for the last twenty days prior to the day the merger agreement was executed and the last trading prior to the public announcement of the merger agreement, and a 174% premium over the 52-week low trading price of Varsity's common stock of \$2.40.

The merger will provide consideration to Varsity's stockholders entirely in cash.

The price to be paid in the merger compared with the range of prices proposed in other offers received by Varsity in connection with the solicitation process conducted by Varsity's board of directors and described above under " Background of the Merger" combined with the fact that the proposal by Leonard Green & Partners, unlike those of the other potential purchasers in the solicitation process, did not contain a financing condition.

Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation believe that the merger is procedurally fair to the unaffiliated stockholders of Varsity is based upon the following factors:

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Varsity's exploratory committee, comprised of four non-employee, independent directors appointed to represent the interests of Varsity's unaffiliated stockholders recommended that the board of directors explore strategic alternatives to enhance stockholder value, including a potential sale transaction;

Varsity's board of directors consists of a majority of directors with no direct or indirect interest in the completion of the merger, other than the interests shared by all of Varsity's stockholders generally;

one of Varsity's independent directors was designated lead director and delegated with the authority to work with Varsity's legal and financial advisors in exploring a potential change in control transaction and negotiating the merger agreement;

the \$6.57 per share cash consideration and the other terms and conditions of the merger agreement resulted from active and extensive arms-length negotiations between Leonard Green & Partners, on the one hand, and the independent lead director and Varsity's legal and financial advisors, on the other;

the merger was unanimously approved by all members of Varsity's board of directors voting on the matter with Jeff Webb abstaining from the vote on the merger agreement; and

holders of Varsity common stock who do not vote in favor of the merger will have the right to demand a judicial appraisal of their shares if they take the actions necessary to perfect their rights.

Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation believe that the merger is procedurally fair despite the fact that the terms of the merger agreement do not require the approval of at least a majority of the unaffiliated Varsity stockholders and that the board of directors did not retain an unaffiliated representative to act solely on behalf of the unaffiliated Varsity stockholders for purposes of negotiating the terms of the merger agreement.

Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation did not consider net book value in determining the fairness of the merger to the unaffiliated stockholders because they believe that net book value, which is an accounting concept, does not reflect, or have any meaningful impact on, the market trading prices for the Varsity common stock. They note, however, that the merger consideration of \$6.57 per share of Varsity common stock is higher than the book value of the Varsity common stock. Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation did not consider liquidation value in determining the fairness of the merger to the unaffiliated stockholders because Varsity will continue to operate its businesses following completion of the merger. Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation did not establish a pre-merger going concern value for the Varsity common stock as a public company to determine the fairness of the merger consideration to Varsity's unaffiliated stockholders. Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation do not believe there is a single method of determining going concern value. In this regard, however, they noted that Varsity's board of directors' exploration of a possible sale of Varsity contemplated the sale of Varsity as a going concern. Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation did not consider the going concern value of Varsity in determining the fairness of the merger because, following the merger, Varsity will have a significantly different capital structure, which will result in different opportunities and risks for the business as a highly-leveraged private company.

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Since none of Green Equity Investors, GEI Capital, VBR Holding Corporation, VB Merger Corporation, Jeff Webb or John Nichols has purchased shares of Varsity common stock in the last two years, Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation did not have any purchase prices for shares of Varsity common stock with which to compare the merger consideration. Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation did not rely on any report, opinion or appraisal from an outside party in determining the fairness of the merger to Varsity's unaffiliated stockholders.

Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation believe that these factors provide a reasonable basis for their belief that the merger is fair to Varsity's unaffiliated stockholders. This belief should not, however, be construed as a recommendation to any Varsity stockholder to adopt the merger agreement. Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation do not make any recommendation as to how stockholders of Varsity should vote their shares. Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation have not undertaken any formal evaluation of the fairness of the merger to Varsity's unaffiliated stockholders, nor have they assigned specific relative weights to the factors considered by them.

The Position of the Management Investors as to the Fairness of the Merger

Each of the management investors has considered the factors considered by, and findings of the board of directors, with respect to the fairness of the merger to the unaffiliated stockholders of Varsity and believes that the merger is substantively fair to Varsity's unaffiliated stockholders on the basis of the factors described below.

Varsity's board of directors, which includes a majority of members with no interest in the completion of the merger different from the interests of Varsity's unaffiliated stockholders generally, concluded that the merger is fair to, and in the best interests of, Varsity's unaffiliated stockholders. The management investors have expressly adopted the conclusion of Varsity's board of directors.

Varsity's board of directors considered other analyses and factors in reaching its conclusion that the merger was substantively fair, which are described in detail in the section entitled " Recommendation of Our Board of Directors; Fairness of the Merger." The management investors have expressly adopted the analyses of Varsity's board of directors.

Varsity's board of directors received an opinion from Rothschild as to the fairness, from a financial point of view and as of the date of the opinion, of the \$6.57 per share merger consideration to be received by the holders of Varsity common stock (other than VBR Holding Corporation, VB Merger Corporation, the members of management acquiring shares or options to acquire shares of VBR Holding Corporation, and their respective affiliates).

The merger consideration represents a premium to the current (that is, at the time of announcement of the merger agreement) and historical market prices for Varsity common stock. In particular, the merger consideration of \$6.57 per share merger consideration represents a 39.8% premium to the closing price of Varsity's common stock on April 21, 2003 (the day the merger agreement was executed and the last trading day prior to the public announcement of the merger agreement), a 43.8% premium over the average closing price of Varsity's common stock for the last twenty days prior to the day the merger agreement was executed and the last trading prior to the public announcement of the merger agreement and a 174% premium over the 52-week low trading price of Varsity's common stock of \$2.40.

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The merger will provide consideration to Varsity's stockholders entirely in cash.

The price to be paid in the merger compared with the range of prices proposed in other offers received by Varsity in connection with the solicitation process conducted by Varsity's board of directors and described above under " Background of the Merger" combined with the fact that the proposal by Leonard Green & Partners, unlike those of the other potential purchasers in the solicitation process, did not contain a financing condition.

The management investors believe that the merger is procedurally fair to the unaffiliated stockholders of Varsity based upon the following factors:

Varsity's exploratory committee, comprised of four non-employee, independent directors appointed to represent the interests of Varsity's unaffiliated stockholders recommended that the board of directors pursue a sale of Varsity;

Varsity's board of directors consists of a majority of directors with no direct or indirect interest in the completion of the merger, other than the interests shared by all of Varsity's stockholders generally;

One of Varsity's independent directors was designated lead director and delegated with the authority to work with Varsity's professional advisors in exploring a potential change in control transaction and negotiating the merger agreement;

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The \$6.57 per share cash consideration and the other terms and conditions of the merger agreement resulted from active and extensive negotiations between Green Equity Investors, on the one hand, and the independent lead director and Varsity's legal and financial advisors, on the other;

The merger was unanimously approved by all members of Varsity's board of directors voting on the matter with Jeff Webb abstaining from the vote on the merger agreement; and

Holders of Varsity common stock who do not vote in favor of the merger will have the right to demand a judicial appraisal of their shares if they take the actions necessary to perfect their rights.

The management investors determined that the merger is procedurally fair despite the fact that the terms of the merger agreement do not require the approval of at least a majority of the unaffiliated Varsity stockholders and that the board of directors did not retain an unaffiliated representative to act solely on behalf of the unaffiliated Varsity stockholders for purposes of negotiating the terms of the merger agreement.

While the management investors did not independently consider the going concern value of Varsity, they considered and adopted the discounted cash flow analysis performed by Rothschild. With respect to liquidation value, the management investors considered that, as a member of the school spirit industry, with significant value in its employees and goodwill, liquidation value would likely be significantly lower than the valuation of Varsity as a going concern and, as such, would not provide a useful comparison for assessing the fairness of the \$6.57 per share consideration. In addition, the management investors considered that book value (\$3.11 per share as of June 30, 2003), which is based on the historical cost value of Varsity's assets (but does not take into account any shares of common stock issuable upon the exercise of options at the conversion of Varsity's convertible debt), also would not provide a fair value for the business as compared to current period measurements of Varsity's operational performance, such as EBITDA and earnings per share. Since none of Green Equity Investors, GEI Capital, VBR Holding Corporation, VB Merger Corporation, Jeff Webb or John

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Nichols had purchased shares of Varsity's common stock in the last two years, the management investors were not able to compare the merger consideration with a related range of purchase prices.

The management investors believe that these factors provide a reasonable basis for their belief that the merger is fair to Varsity's unaffiliated stockholders. This belief should not, however, be construed as a recommendation to any Varsity stockholder to adopt the merger agreement. The management investors do not make any recommendation as to how stockholders of Varsity should vote their shares. The management investors have not undertaken any formal evaluation of the fairness of the merger to Varsity's unaffiliated stockholders, nor have they assigned specific relative weights to the factors considered by them. The management investors, other than Jeff Webb, in his capacity as a director of Varsity, have not received any report, opinion or appraisal from an outside party that is materially related to the merger.

Purpose and Reasons for the Merger; Structure of the Merger

Varsity

Our purpose for engaging in the merger is to enable our unaffiliated stockholders to receive \$6.57 in cash per share, representing a substantial premium to the market price of our common stock prior to announcement of the merger agreement. As discussed above under " Recommendation of Our Board of Directors; Fairness of the Merger," our board of directors concluded that the opportunity to achieve \$6.57 per share in the merger at this time was a superior alternative to remaining a publicly traded company. We also believe that our common stock has been undervalued in the public market, despite the efforts of the board to implement various business initiatives over the years to improve our prospects. As a result of the relatively small size of our Company and the niche industry in which we operate, we believe that we have not been able to realize fully the benefits of public company status. At the same time, our public company status imposes a number of limitations on us and our management in conducting our operations. Accordingly, another of the purposes of the merger is to create greater operating flexibility, allowing management to concentrate on long-term growth. Similarly, management will no longer be required to continue to devote the significant time required to comply with our public reporting obligations. Furthermore, as a private company, we will not continue to incur significant audit, legal and other costs and fees associated with remaining a public company. We intend to use in our operations those funds that would otherwise be expended in complying with requirements applicable to public companies. We also determined to undertake the merger at this time based on the conclusions of the exploratory committee and the reasons of the board of directors described in detail above under " Background of the Merger" and " Recommendation of Our Board of Directors; Fairness of the Merger."

Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation

The purpose of Green Equity Investors, GEI Capital and their affiliates VBR Holding Corporation and VB Merger Corporation for engaging in the merger are to enable Green Equity Investors to make an investment in, and to obtain a controlling interest in, Varsity, and to enable existing Varsity stockholders (other than the management investors) to realize a premium on their shares of Varsity common stock. Because Green Equity Investors contemplated that existing management, including the management investors, would continue to operate Varsity's business following completion of the merger, it was important to Green Equity Investors that the management investors have an ownership interest in VBR Holding Corporation following completion of the merger. The parties structured the transaction with the intent that the management investors should generally have a tax-free exchange of a portion of their Varsity common stock and options for stock and options in VBR Holding Corporation. VBR Holding Corporation and VB Merger Corporation were formed for the purpose of

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engaging in the merger and the other transactions contemplated by the merger agreement. VBR Holding Corporation and VB Merger Corporation elected to proceed with the merger and the other transactions contemplated by the merger agreement for the same purposes that motivated Green Equity Investors. Green Equity Investors, GEI Capital, VBR Holding Corporation and VB Merger Corporation undertook the transaction at this time because of the solicitation process initiated by Varsity described under "Special Factors Background of the Merger."

Management Investors

The management investors' purpose for engaging in the merger is to retain an investment in Varsity as a private company. The management investors believe that as a private company Varsity will have greater operating flexibility to focus on enhancing value by emphasizing growth and operating cash flow without the constraint of the public market's emphasis on quarterly earnings. While the management investors believe that there will be significant opportunities associated with their continued ownership, there are also substantial risks that these opportunities may not be realized. These risks include, among others, risks associated with holding equity of a privately held company as opposed to public companies. These risks include:

lack of liquidity in the investment,

risks associated with Varsity's increased debt level following the merger,

risks associated with the operations of the business, and

risk of loss of all or some of their investment.

Because Green Equity Investors contemplated that existing management, including the management investors, would continue to operate Varsity's business following completion of the merger, it was important to Green Equity Investors that the management investors have an ownership interest in VBR Holding Corporation following completion of the merger. The parties structured the transaction with the intent that the management investors should generally have a tax-free exchange of a portion of their Varsity common stock and options for stock and options in VBR Holding Corporation.

Structure of the Merger

The transaction was structured as a merger because, in the opinion of each of Varsity, Green Equity Investors, GEI Capital, VBR Holding Corporation, VB Merger Corporation and the management investors, it was the most efficient structure to accomplish the transaction. In addition, the parties structured the transaction with the intent that the management investors should generally have a tax-free exchange of a portion of their Varsity common stock and options for stock and options in VBR Holding Corporation.

Effects of the Merger; Plans or Proposals After the Merger

After the effective time of the merger, holders of Varsity common stock will cease to have ownership interests in Varsity or rights as stockholders and will therefore not have the opportunity to share in any of Varsity's future earnings and growth and similarly, will not bear the risk of any losses generated by Varsity's operations and any decrease in its value after the merger. As a result of the merger, VBR Holding Corporation will own all of the surviving corporation's outstanding common stock and will be the sole beneficiary of Varsity's future earnings

and growth, if any. Similarly, VBR Holding Corporation will also bear the risk of any losses generated by the surviving corporation's

operations and any decrease in value after the merger. All of the securities of VBR Holding Corporation will be owned by Green Equity Investors, the management investors and the purchasers of senior subordinated notes expected to be issued by the surviving corporation as described under "The Merger Financing of the Merger" below.

Following the merger, our common stock will no longer be traded on the American Stock Exchange. In addition, the registration of our common stock under the Securities Exchange Act of 1934 will be terminated under section 12(g)(4) of the Exchange Act. Due to this termination, certain provisions of Section 16(b) of the Exchange Act, and requirements that we furnish a proxy or information statement in connection with stockholders' meetings will no longer apply to Varsity. After the effective time of the merger, there will be no publicly traded Varsity common stock outstanding and Varsity will no longer be required to file periodic reports under Section 15(d) of the Exchange Act with the Securities and Exchange Commission.

From and after the effective time of the merger, all of Varsity's current officers, other than Mr. Nederlander and Mr. Toboroff, will remain the officers of the surviving corporation, and the directors of VBR Holding Corporation will be the directors of the surviving corporation, until, in each case, their successors are duly elected or appointed and qualified. From and after the effective time, Varsity's certificate of incorporation will be as set forth in Exhibit F to the merger agreement, and Varsity's by-laws will be the by-laws of the surviving corporation, each until amended afterwards.

Green Equity Investors, VBR Holding Corporation, VB Merger Corporation and the management investors expect that following completion of the merger, Varsity's operations will be conducted substantially as they are currently being conducted. Green Equity Investors, VBR Holding Corporation, VB Merger Corporation and the management investors have informed Varsity that they have no current plans or proposals or negotiations which relate to or would result in an extraordinary corporate transaction involving Varsity's corporate structure, business or management, such as a merger, reorganization, liquidation, relocation of any operations, or sale or transfer of a material amount of assets except as described in this proxy statement. Nevertheless, Green Equity Investors, VBR Holding Corporation and the management investors may initiate from time to time reviews of Varsity and its assets, corporate structure, capitalization, operations, properties, management and personnel to determine what changes, if any, would be desirable following the merger. They expressly reserve the right to make any changes that they deem necessary or appropriate in light of their review or in light of future developments. Green Equity Investors is continuously engaged in the process of identifying, receiving and reviewing potential investment opportunities in companies for itself and on behalf of companies in which it has an ownership interest. In that regard, Green Equity Investors and VBR Holding Corporation have preliminarily explored and discussed with the management investors and, subsequent to the signing of the merger agreement, with third parties, potential investment, acquisition and other opportunities involving companies in the same and related lines of business as Varsity, including without limitation school spirit apparel and athletic camps, athletic apparel, athletic equipment and other products and services relating to the school spirit and sports industries and the markets served by those industries, and expect to do so in the future. However, Green Equity Investors, VBR Holding Corporation and the management investors are not presently engaged in any such exploration or discussion.

Among the benefits of the merger to us is the elimination of the expenses related to our being a publicly-traded company and filing periodic reports under the Exchange Act. A benefit to Green Equity Investors, VBR Holding Corporation, VB Merger Corporation and the management investors is that our future earnings and growth will be solely for their benefit and not for the benefit of our current unaffiliated stockholders. In addition, the parties structured the transaction with the intent that the management investors should generally have a tax-free exchange of a portion of their Varsity common stock and options for stock and options in VBR Holding Corporation. Additionally, as of December 31,

2002 Varsity had net operating loss carry forwards of approximately \$4.6 million. As a result of the merger, VBR Holding Corporation and VB Merger Corporation will be the beneficiaries of these net operating loss carry forwards. The detriments to us and Green Equity Investors, VBR Holding Corporation, VB Merger Corporation and the management investors are the lack of liquidity for our common stock following the merger; the payment of approximately \$165 million to fund the merger and the payment of approximately \$19 million in estimated fees and expenses. The anticipated tax consequences of the transaction to the management investors is discussed under "Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders." There will not be any tax consequences to Varsity as a result of the merger.

The benefit to our unaffiliated stockholders is the right to receive \$6.57 per share for their shares of our common stock. The detriments are that such stockholders will cease to participate in our future earnings and growth, if any, and that the receipt of the payment for their shares will

be a taxable transaction for federal income tax purposes. See "Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders."

The following table sets forth a pro forma analysis of the number of shares and book value per share of each person participating in the going private transaction as compared to the unaffiliated stockholders.

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VARSITY BRANDS, INC.
EFFECTS OF GOING PRIVATE TRANSACTION
(IN THOUSANDS, EXCEPT FOR PER SHARE,
NET BOOK VALUE AND NET EARNINGS DATA)
AS OF AND FOR THE PERIOD ENDED MARCH 31, 2003

	<u>Old Common Stock</u>	<u>Adjustment</u>	<u>New Common Stock</u>
GEI Capital IV			
Green Equity Investors IV			
VBR Holding Corp			
VB Merger Corp			
Shares of Common Stock	0	1,379,573	1,379,573
Net Book Value Dollar	0	22,741,696	22,741,696
Net Book Value Percentage	0.00%	90.46%	90.46%
Net Earnings Dollar	0	(2,395,482)	(2,395,482)
Net Earnings Percentage	0.00%	90.46%	90.46%
Jeffrey G. Webb			
Shares of Common Stock	866,127	(751,972)	114,155
Net Book Value Dollar	2,269,912	(388,114)	1,881,798
Net Book Value Percentage	9.03%	(1.54%)	7.49%
Net Earnings Dollar	(239,100)	40,882	(198,218)
Net Earnings Percentage	9.03%	(1.54%)	7.49%
John M. Nichols*			
Shares of Common Stock	0	8,441	8,441
Net Book Value Dollar	0	139,146	139,146
Net Book Value Percentage	0.00%	0.55%	0.55%
Net Earnings Dollar	0	(14,657)	(14,657)
Net Earnings Percentage	0.00%	0.55%	0.55%
Total Affiliated Security Holders			
Shares of Common Stock	866,127	636,042	1,502,169
Net Book Value Dollar	2,269,912	22,492,728	24,762,640
Net Book Value Percentage	9.03%	89.47%	98.50%
Net Earnings Dollar	(239,100)	(2,369,257)	(2,608,357)
Net Earnings Percentage	9.03%	89.47%	98.50%
Unaffiliated Security Holders			
Shares of Common Stock	8,726,123	(8,703,292)	22,831
Net Book Value Dollar	22,869,088	(22,492,728)	376,360
Net Book Value Percentage	90.97%	(89.47%)	1.50%
Net Earnings Dollar	(2,408,900)	2,369,257	(39,643)
Net Earnings Percentage	90.97%	(89.47%)	1.50%

*

The figures for John Nichols do not reflect any of the options of VBR Holding Corporation that he will acquire pursuant to his Contribution and Option Exchange Agreement with VBR Holding Corporation.

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VARSITY BRANDS, INC.
EFFECTS OF GOING PRIVATE TRANSACTION
(IN THOUSANDS, EXCEPT FOR PER SHARE,
NET BOOK VALUE AND NET EARNINGS DATA)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2002

	Old Common Stock	Adjustment	New Common Stock
GEI Capital IV			
Green Equity Investors IV			
VBR Holding Corp			
VB Merger Corp			
Shares of Common Stock	0	1,379,573	1,379,573
Net Book Value Dollar	0	25,137,177	25,137,177
Net Book Value Percentage	0.00%	90.46%	90.46%
Net Earnings Dollar	0	8,980,342	8,980,342
Net Earnings Percentage	0.00%	90.46%	90.46%
Jeffrey G. Webb			
Shares of Common Stock	866,127	(751,972)	114,155
Net Book Value Dollar	2,509,012	(428,996)	2,080,016
Net Book Value Percentage	9.03%	(1.54%)	7.49%
Net Earnings Dollar	896,353	(153,260)	743,093
Net Earnings Percentage	9.03%	(1.54%)	7.49%
John M. Nichols*			
Shares of Common Stock	0	8,441	8,441
Net Book Value Dollar	0	153,803	153,803
Net Book Value Percentage	0.00%	0.55%	0.55%
Net Earnings Dollar	0	54,947	54,947
Net Earnings Percentage	0.00%	0.55%	0.55%
Total Affiliated Security Holders			
Shares of Common Stock	866,127	636,042	1,502,169
Net Book Value Dollar	2,509,012	24,861,985	27,370,997
Net Book Value Percentage	9.03%	89.47%	98.50%
Net Earnings Dollar	896,353	8,882,028	9,778,381
Net Earnings Percentage	9.03%	89.47%	98.50%
Unaffiliated Security Holders			
Shares of Common Stock	8,726,123	(8,703,292)	22,831
Net Book Value Dollar	25,277,988	(24,861,985)	416,003
Net Book Value Percentage	90.97%	(89.47%)	1.50%

		Old Common Stock	Adjustment	New Common Stock
Net Earnings	Dollar	9,030,647	(8,882,028)	148,619
Net Earnings	Percentage	90.97%	(89.47%)	1.50%

*

The figures for John Nichols do not reflect any of the options of VBR Holding Corporation that he will acquire pursuant to his Contribution and Option Exchange Agreement with VBR Holding Corporation.

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Risk that the Merger Will Not Be Completed

Completion of the merger is subject to various conditions, including, but not limited to, the following:

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

any applicable waiting period (or extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or other similar law has expired or has been terminated;

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

we must complete a tender offer for at least a majority of our 10.5% senior notes due 2007;

there has not been any change, event, occurrence, development or circumstance which constitutes or could reasonably be expected to constitute a material adverse effect with respect to Varsity; and

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

As a result of the conditions to the completion of the merger, even if the requisite stockholder approval is obtained, there can be no assurance that the merger will be completed. In particular, as described under "Special Factors - Litigation," our directors and we are defendants in a lawsuit seeking to enjoin the merger. Our directors and we believe the allegations contained in the complaint are without merit and intend to contest the action vigorously. However, we cannot assure you as to the outcome of this litigation or, if the action is still pending at the time the merger would otherwise be consummated, whether VBR Holding Corporation and VB Merger Corporation would elect to complete the merger.

We expect that if the merger agreement is not approved and adopted by stockholders, or if the merger is not completed for any other reason, our current management, under the direction of our board of directors, will continue to manage Varsity as an on-going business. We are not currently considering any other transaction as an alternative to the merger.

Interests of Our Directors and Executive Officers in the Merger

In considering the recommendation of the board of directors, you should be aware that some members of our board of directors and some of our executive officers and employees have interests that are different from, or in addition to, your interests as a Varsity stockholder generally and that may create potential conflicts of interest. Our board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement. These interests are described below.

Equity Ownership in VBR Holding Corporation

Jeff Webb, a Varsity director and our chief executive officer and president, John Nichols, our chief financial officer and senior vice president, J. Kristyn Shepherd, our Senior Vice President, Special Events and Gregory Webb, our Senior Vice President, Camps and Events, have entered into agreements to exchange a combination of cash, Varsity shares and Varsity stock options for shares and options to acquire shares of VBR Holding Corporation, which will own Varsity following the merger.

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Jeff Webb has entered into a contribution and subscription agreement with VBR Holding Corporation. Under this agreement, Jeff Webb has agreed to contribute 114,155 shares of Varsity common stock to VBR Holding Corporation prior to the merger in exchange for 114,155 shares of VBR Holding Corporation common stock. Jeff Webb's shares will represent approximately 7.5% of VBR Holding Corporation's common stock (calculated prior to dilution for new options to be granted under an employee option program and equity to be issued to the purchasers of the senior subordinated notes described under "The Merger Financing of the Merger" below). The remainder of Jeff Webb's shares will be converted into the right to receive \$6.57 per share in the merger.

John Nichols has entered into a contribution and exchange agreement with VBR Holding Corporation. Under this agreement, John Nichols has agreed to contribute \$55,457 to VBR Holding Corporation prior to the merger in exchange for 8,441 shares of VBR Holding Corporation common stock. In addition, John Nichols will exchange all of his 68,500 Varsity stock options, with an average exercise price of \$4.99 per share, for 22,001 options to acquire shares of VBR Holding Corporation common stock with an average exercise price of \$1.6425 per share. As a result, he will own, or have the right to acquire, approximately 2.0% of VBR Holding Corporation's common stock (calculated prior to dilution for new options to be granted under an employee option program and equity to be issued to the purchasers of the senior subordinated notes described under "The Merger Financing of the Merger" below).

J. Kristyn Shepherd, Varsity's Senior Vice President, Special Events, has entered into a contribution and subscription agreement with VBR Holding Corporation. Under this agreement, she has agreed to contribute 15,221 shares of Varsity common stock to VBR Holding Corporation prior to the merger in exchange for 15,221 shares of VBR Holding Corporation common stock. Her shares will represent approximately 1% of VBR Holding Corporation's common stock (calculated prior to dilution for new options to be granted under the employee option program described below and equity to be issued to the purchasers of the senior subordinated notes described under "The Merger Financing of the Merger" below).

Gregory Webb, Varsity's Senior Vice President, Camps and Events, has entered into a contribution and subscription agreement with VBR Holding Corporation. Under this agreement, he has agreed to contribute 7,610 shares of Varsity common stock to VBR Holding Corporation prior to the merger in exchange for 7,610 share of VBR Holding Corporation common stock. His shares will represent approximately 0.5% of VBR Holding Corporation's common stock (calculated prior to dilution for new options to be granted under the employee option program described below and equity to be issued to the purchasers of the senior subordinated notes described under "The Merger Financing of the Merger" below).

The opportunity to obtain an equity interest in VBR Holding Corporation in connection with the merger may have presented the management investors with actual and potential conflicts of interest in connection with the merger. As a result of these arrangements, these individuals will own or have the right to acquire up to 11% of the common equity interests in VBR Holding Corporation following the merger (calculated prior to dilution for (i) new options to be granted under the employee option program described below and (ii) equity to be issued to the purchasers of the senior subordinated notes described under "The Merger Financing of the Merger" below). None of Varsity's other existing stockholders will have an ownership interest in VBR Holding Corporation. In addition, VBR Holding Corporation currently intends to adopt a stock option plan for our key employees after completion of the merger.

Employment with Surviving Corporation

The officers of Varsity, other than Robert E. Nederlander and Leonard Toboroff will continue in their current positions with the surviving corporation. Varsity has amended its employment agreement

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with Mr. Toboroff to provide that he will continue as a non-executive employee of Varsity for 18 months following the consummation of the merger at the rate of \$90,000 per annum, plus health and other benefits for 36 months following the merger. Jeff Webb and John Nichols have each entered into an employment agreement that will become effective upon the completion of the merger.

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Jeffrey Webb Employment Agreement

Jeff Webb has entered into an employment agreement with VB Merger Corporation that will become effective upon the completion of the merger (at which point VB Merger Corporation will cease to exist and the employment agreement will be assumed by the surviving corporation). Jeff Webb's employment agreement provides that he will serve as chairman of the board, chief executive officer and president of the surviving corporation. In addition, the agreement provides that Leonard Green & Partners or an affiliate will cause Jeff Webb to be appointed or elected as a member of the surviving corporation's board of directors. The agreement will expire on the fifth anniversary of the date of the completion of the merger; provided that beginning on the second anniversary of such date the employment agreement will automatically be extended each day by one additional day (so that the remaining term will always be three years) unless the employment agreement is terminated as described below.

Jeff Webb's employment agreement provides for the following base salary and bonus:

Base Salary. Annual base salary of not less than \$500,000 per year.

Bonus. Annual performance-based bonus at a target level of 50% of base salary. The bonus will be payable based upon the surviving corporation's attainment of pre-established EBITDA targets. With respect to each year:

if the surviving corporation's EBITDA is less than 90% of the applicable EBITDA target, then no bonus will be payable;

if the surviving corporation's EBITDA is at least 90% but not more than 100% of the applicable EBITDA target, then he will receive a bonus in an amount equal to between 0% and 100% of his target level bonus (determined by means of linear interpolation); and

if the surviving corporation's EBITDA is greater than 100% of the applicable EBITDA target, then he will receive a bonus in an amount equal to 100% of his target level bonus, plus an additional amount equal to 10% of his target level bonus for each whole percentage point by which the surviving corporation's EBITDA exceeds the applicable EBITDA target for such year.

Jeff Webb's employment may be terminated by the surviving corporation with or without "cause" (as defined in his employment agreement), by him with or without "good reason" (as defined in his employment agreement), due to his death or disability, or due to a "change in control" (as defined in his employment agreement). If his employment is terminated in connection with a change in control, by the surviving corporation without cause, by Jeff Webb for good reason, or by him without good reason during the thirty-day period beginning on the six-month anniversary of any change in control, then he will generally be eligible to continue to receive coverage under the surviving corporation's applicable welfare benefit plans and fringe benefit programs until the later of the fifth anniversary of the effective date of the employment agreement or the third anniversary of the date of termination. Any payment or benefit he receives in connection with any change in control will, if necessary, be reduced to the maximum amount, which would not result in any "excess parachute payment" (within the meaning of Section 280G of the Internal Revenue Code).

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Jeff Webb's employment agreement includes the following restrictive covenants:

Non-Competition. During his employment and for three years thereafter, Jeff Webb may not engage in any business which provides products and services to the soccer, dance or school spirit industry (including, but not limited to, the design, marketing or sales of cheerleader, dance team and booster club uniforms and accessories and the design, operation or marketing of cheerleader and dance team camps, clinics, competitions or tours). In consideration for such non-competition restrictions, the surviving corporation shall, during the three-year period immediately following Jeff Webb's termination of employment, pay to Jeff Webb a monthly amount equal to the sum of one-twelfth of his base salary and one-twelfth of his average bonus; provided that in no event shall the aggregate amount of such payments exceed \$62,500 per month. Notwithstanding the foregoing, unless Jeff Webb's employment is terminated by the surviving corporation without cause, by

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Jeff Webb for good reason, or during a thirty-day period beginning on the six-month anniversary of any change in control, the surviving corporation may, at any time during the three-year period following termination, elect not to make the remaining monthly payments to Jeff Webb (and in such case the restrictions on competition described above will cease to apply).

Non-Solicitation. During his employment and during the period the surviving corporation is in material compliance with its obligations with respect to the non-competition covenants described above, Jeff Webb may not solicit from any customer (or potential customer) of the surviving corporation business of the same or of a similar nature as the business conducted by the surviving corporation with such customer. In addition, during his employment and for three years thereafter, Jeff Webb may generally not hire any employee of, or consultant to, the surviving corporation or otherwise disparage or otherwise interfere with the business of the surviving corporation.

John M. Nichols Employment Agreement

John Nichols has entered into a new employment agreement with VB Merger Corporation that will become effective upon the completion of the merger (at which point, VB Merger Corporation will cease to exist and the employment agreement will be assumed by the surviving corporation). This new employment agreement will, subject to the completion of the merger, supersede John Nichols' existing employment agreement. If the merger is not consummated, John Nichols' existing employment agreement will remain in effect. John Nichols' new employment agreement provides that he will serve as senior vice president and chief financial officer of the surviving corporation. The agreement will expire on the second anniversary of the date that it becomes effective; provided that it will automatically extend for successive two-year periods unless either party gives the other advanced notice of non-extension or the agreement is otherwise terminated as described below.

John Nichols' new employment agreement provides for the following base salary and bonus:

Base Salary. Annual base salary of not less than \$218,400 per year.

Bonus. Annual performance-based bonus at a target level of 35% of base salary. The bonus will be payable based upon the surviving corporation's attainment of pre-established EBITDA targets. With respect to each year:

if the surviving corporation's EBITDA is less than 90% of the applicable EBITDA target, then no bonus will be payable;

if the surviving corporation's EBITDA is at least 90% but not more than 100% of the applicable EBITDA target, then he will receive a bonus in an amount equal to between 0% and 100% of his target level bonus (determined by means of linear interpolation); and

if the surviving corporation's EBITDA is greater than 100% of the applicable EBITDA target, then he will receive a bonus in an amount equal to 100% of his target level bonus, plus an additional amount equal to 10% of his target level bonus for each whole percentage point by which the surviving corporation's EBITDA exceeds the applicable EBITDA target for such year.

John Nichols' employment may be terminated by the surviving corporation with or without "cause" (as defined in his new employment agreement), by John Nichols with or without "good reason" (as defined in his new employment agreement), or due to his death or disability. If John Nichols' employment is terminated by the surviving corporation without cause, by John Nichols for good