

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10/A
(AMENDMENT NO. 3)

GENERAL REPORT FOR REGISTRATION OF SECURITIES
PURSUANT TO SECTION 12(B) OR 12(G) OF THE
SECURITIES EXCHANGE ACT OF 1934

L&C SPINCO, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE
(State or Other Jurisdiction
of Incorporation or Organization)

58-2632672
(I.R.S. Employer
Identification No.)

1420 PEACHTREE STREET, NE
ATLANTA, GEORGIA 30309-3002
(Address of Principal Executive Offices -- Zip code)

(404) 853-1000
(Registrant's Telephone Number, Including Area Code)

Securities to be registered pursuant to section 12(b) of the Act:

TITLE OF
EACH CLASS
NAME OF
EACH
EXCHANGE
ON WHICH
TO BE SO
REGISTERED
EACH CLASS
IS TO BE
REGISTERED

Common
Stock,
\$.01 par
value per
share New
York Stock
Exchange,
Inc.
Preferred
Stock
Purchase
Rights New
York Stock
Exchange,
Inc.

Securities registered pursuant to Section 12(g) of the Act:

NONE

EXPLANATORY NOTE

THIS REGISTRATION STATEMENT HAS BEEN PREPARED ON A PROSPECTIVE BASIS ON THE ASSUMPTION THAT, AMONG OTHER THINGS, THE DISTRIBUTION (AS DEFINED IN THE INFORMATION STATEMENT WHICH IS A PART OF THIS REGISTRATION STATEMENT) AND THE

RELATED TRANSACTIONS CONTEMPLATED TO OCCUR PRIOR TO OR CONTEMPORANEOUSLY WITH THE DISTRIBUTION WILL BE CONSUMMATED AS CONTEMPLATED BY THE INFORMATION STATEMENT. THERE CAN BE NO ASSURANCE, HOWEVER, THAT ANY OR ALL OF SUCH TRANSACTIONS WILL OCCUR OR WILL OCCUR AS SO CONTEMPLATED. ANY SIGNIFICANT MODIFICATIONS OR VARIATIONS IN THE TRANSACTIONS CONTEMPLATED WILL BE REFLECTED IN AN AMENDMENT OR SUPPLEMENT TO THIS REGISTRATION STATEMENT.

CROSS REFERENCE

L&C SPINCO, INC.

I. INFORMATION INCLUDED IN INFORMATION STATEMENT AND INCORPORATED IN FORM 10 BY REFERENCE

CROSS-REFERENCE SHEET BETWEEN INFORMATION STATEMENT AND ITEMS OF FORM 10

ITEM NO.	ITEM CAPTION	LOCATION IN INFORMATION STATEMENT

- 1

Business.....
 "SUMMARY;" "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS;" and "SPINCO'S BUSINESSES." 2 Financial Information.....
 "HISTORICAL AND PRO FORMA COMBINED CAPITALIZATION;" "PRO FORMA FINANCIAL INFORMATION;" "SELECTED FINANCIAL DATA;" "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS;" and "COMBINED FINANCIAL STATEMENTS OF NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT AND CHEMICALS BUSINESSES." 3
 Properties.....
 "SPINCO'S BUSINESSES -- Properties." 4 Security Ownership of Certain Beneficial Owners and Management..... "BENEFICIAL OWNERSHIP OF SPINCO SHARES." 5 Directors and Executive Officers..... "SPINCO'S MANAGEMENT." 6 Executive Compensation.....
 "SPINCO'S MANAGEMENT." 7 Certain Relationships and Related Transactions.....
 "SUMMARY;" "RELATIONSHIP BETWEEN NSI AND SPINCO FOLLOWING THE DISTRIBUTION;" and "SPINCO'S MANAGEMENT." 8 Legal Proceedings.....
 "SPINCO'S BUSINESSES -- Legal Proceedings." 9 Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters..... "SUMMARY;" "THE DISTRIBUTION -- Listing and Trading of the Spinco Shares;" and "DIVIDEND POLICIES."

ITEM NO. ITEM CAPTION LOCATION IN
INFORMATION STATEMENT ----

- 10 Description of Registrant's
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Registered..... "DESCRIPTION OF
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"LIABILITY AND INDEMNIFICATION OF
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Supplementary
Data..... "PRO FORMA
FINANCIAL INFORMATION;" "SELECTED
FINANCIAL DATA;" and "COMBINED
FINANCIAL STATEMENTS OF NATIONAL
SERVICE INDUSTRIES, INC. LIGHTING
EQUIPMENT AND CHEMICALS BUSINESSES."

II. INFORMATION NOT INCLUDED IN INFORMATION STATEMENT

Item 10. Recent Sales of Unregistered Securities.

On June 27, 2001, as part of its incorporation, the registrant issued 100 shares of its common stock, par value \$.01 per share, to NSI Enterprises, Inc., a California corporation and wholly owned subsidiary of National Service Industries, Inc., a Delaware corporation ("NSI"), for total consideration of \$100.00. The issuance was exempt from registration under Section 4(2) of the Securities Act of 1933, as amended, because it did not involve any public offering. NSI (or a subsidiary thereof) will be the registrant's sole stockholder until the consummation of the distribution described in the information statement. After such distribution, NSI and its subsidiaries will hold no capital stock of the registrant.

Item 14. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 15. Financial Statements and Exhibits.

(a) List of Financial Statements. The following financial statements are included in the information statement:

Report of Independent Public Accountants.

National Service Industries, Inc. Lighting Equipment and Chemicals Businesses Combined Balance Sheets as of May 31, 2001 (Unaudited), and August 31, 2000 and 1999.

National Service Industries, Inc. Lighting Equipment and Chemicals Businesses Combined Statements of Income for the Nine Month Periods Ended May 31, 2001 and 2000 (Unaudited) and for the Years Ended August 31, 2000, 1999 and 1998.

National Service Industries, Inc. Lighting Equipment and Chemicals
Businesses Combined Statements of Parent's Equity and Comprehensive
Income for the Years Ended August 31, 2000, 1999 and 1998.

National Service Industries, Inc. Lighting Equipment and Chemicals
Businesses Combined Statements of Cash Flows for the Nine Month Periods
Ended May 31, 2001 and 2000 (Unaudited) and for the Years Ended August
31, 2000, 1999 and 1998.

Report of Independent Public Accountants on Schedule.

National Service Industries, Inc. Lighting Equipment and Chemicals
Businesses Schedule II -- Valuation and Qualifying Accounts for the
Years Ended August 31, 2000, 1999 and 1998.

(b) Exhibits. The following documents are filed as exhibits hereto:

EXHIBIT NO. ---

---- 2.1** --

Form of
Agreement and
Plan of
Distribution.

3.1** -- Form

of Restated

Certificate of

Incorporation

of L&C Spinco,

Inc. 3.2** --

Amended and

Restated By-

Laws of L&C

Spinco, Inc.

4.1* -- Form of

certificate

representing

L&C Spinco,

Inc. common

stock. 4.2** --

Form of

Stockholder

Protection

Rights

Agreement

10.1** -- Form

of Tax

Disaffiliation

Agreement.

10.2** -- Form

of Transition

Services

Agreement.

10.3** -- Form

of Agreement

and Plan of

Distribution

(see Exhibit

2.1). 10.4 --

Form of

Employee

Benefits

Agreement. 10.5

-- L&C Spinco,

Inc. Long-Term

Incentive Plan.

10.6 -- L&C

Spinco, Inc.

2001

Nonemployee

Directors'

Stock Option

Plan. 10.7** --

Form of

Indemnification

Agreement. 10.8

-- Form of

Severance

Protection

Agreement.

10.9** -- Form

of Lease Agreement
10.10** -- Form of First Supplemental Indenture to Indenture dated as of January 26, 1999.
10.11** -- Indenture dated as of January 26, 1999.
10.12** -- Form of 6% Note due 2009. 10.13** -
- Form of 8.375% Note due August 1, 2010.
10.14 -- L&C Spinco, Inc. Supplemental Deferred Savings Plan.
10.15 -- L&C Spinco, Inc. Executives' Deferred Compensation Plan. 10.16 --
L&C Spinco, Inc. Senior Management Benefit Plan.
10.17 -- L&C Spinco, Inc. Nonemployee Director Deferred Stock Unit Plan.
10.18 -- L&C Spinco, Inc. Executive Benefits Trust.
10.19 -- L&C Spinco, Inc. Supplemental Retirement Plan for Executives.

EXHIBIT NO.

10.20 -- L&C
Spinco, Inc.
Management
Compensation
and

Incentive
Plan. 10.21

-- L&C

Spinco, Inc.
Benefits
Protection
Trust.

10.22(a) --

Form of
Employment
Letter

Agreement
between L&C
Spinco, Inc.
and James S.
Balloun

(incorporated
herein by
reference to

Exhibit
10(iii)A(2)
of the Form
10-Q of
National
Service
Industries,
Inc. for the
quarter
ended

November 30,
1997).

10.22(b) --

Form of
Employment
Letter

Agreement
between L&C
Spinco, Inc.
and Joseph
G. Parham,
Jr.

(incorporated
herein by
reference to

Exhibit
10(iii)A(2)
of the Form
10-Q of
National
Service
Industries,
Inc. for the

quarter
ended May
31, 2000).

10.22(c) --

Employment
Letter

Agreement
between L&C
Spinco, Inc.
and Brock A.
Hattox.

10.22(d) --

Assumption
Letter of
L&C Spinco,
Inc., with
respect to
Employment
Letter

Agreement
between
National
Service

Industries,
Inc. and
James H.
Heagle.
10.22(e) --
Employment
Letter
Agreement
between
National
Service
Industries,
Inc. and
James H.
Heagle,
dated March
28, 2000.
21.1 -- List
of
Subsidiaries.

* To be filed by amendment.
** Previously filed.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

L&C SPINCO, INC.

By: /s/ KENYON W. MURPHY

Kenyon W. Murphy
Senior Vice President and
General Counsel

Date: September 27, 2001

[NSI LOGO]

, 2001

Dear Fellow Stockholder:

I am pleased to inform you that the board of directors of National Service Industries, Inc. ("NSI") has approved a pro rata distribution to NSI stockholders of 100% of the outstanding shares of common stock of L&C Spinco, Inc. ("Spinco"), which is currently a wholly owned subsidiary of NSI. Spinco will own and operate the lighting equipment and chemicals businesses of NSI.

The distribution will take place on _____, 2001. Each NSI stockholder as of _____, 2001, the record date for the distribution, will receive one Spinco share for every NSI share held on that date. Spinco's shares will be listed on the New York Stock Exchange under the symbol " _____ " following completion of the distribution.

We believe that the distribution will meaningfully enhance value for NSI stockholders and will give Spinco the financial and operational flexibility to take advantage of significant growth opportunities in the lighting equipment and chemicals businesses. We believe that separating the two companies will enhance the ability of each of Spinco and NSI to focus on strategic initiatives and new business opportunities, as well as to improve cost structures and operating efficiencies and to design equity-based compensation programs targeted to its own performance. In addition, we expect that the transition to an independent company will heighten Spinco management's focus, provide Spinco with greater access to capital, and allow the investment community to better measure Spinco's performance relative to its peers.

The enclosed information statement describes the distribution and provides important financial and other information about Spinco. Please read it carefully.

You do not have to vote, or take any other action, to receive your Spinco shares. You will not be required to pay anything or to surrender your NSI shares. Account statements reflecting your ownership of Spinco shares will be mailed to record holders of NSI stock shortly after _____, 2001. If you are not a record holder of NSI stock, your Spinco shares should be credited to your account with your stockbroker or nominee on or about _____, 2001. Following the distribution, you may also request physical stock certificates if you wish. Information for making that request will be furnished with your account statement.

Sincerely,

James S. Balloun
Chairman and Chief Executive Officer

SUBJECT TO COMPLETION, DATED SEPTEMBER 27, 2001

INFORMATION STATEMENT RELATING TO THE SPINOFF OF

L&C SPINCO, INC.

FROM NATIONAL SERVICE INDUSTRIES, INC.

Common Stock

(Par Value \$.01 Per Share)

National Service Industries, Inc. ("NSI") is sending you this information statement to describe the pro rata distribution to NSI stockholders of 100% of the outstanding common stock of L&C Spinco, Inc. ("Spinco"). In this distribution, you will receive one share of Spinco common stock, together with an associated preferred stock purchase right, for every share of NSI common stock that you hold at the close of business on _____, 2001. Immediately following the distribution, NSI and its subsidiaries will not own any shares of Spinco and Spinco will be an independent public company. See "The Distribution" beginning on page 18.

Spinco is currently a wholly owned subsidiary of NSI and will own and operate the lighting equipment and chemicals businesses of NSI following the distribution. These businesses represented approximately 80% of NSI's consolidated assets and revenues as of and for the fiscal year ended August 31, 2000. Following the distribution, NSI's operations will consist of the textile rental and envelope businesses. See "Spinco's Businesses" beginning on page 45.

The distribution of Spinco shares will be effected at 11:59 p.m., New York City time, on _____, 2001. You do not have to vote or take any other action to receive your Spinco shares. You will not be required to pay anything or to surrender your NSI shares. The Spinco shares will be distributed by book entry. The number of NSI shares that you own will not change as a result of the distribution.

There is no current public trading market for the Spinco shares, although a "when-issued" trading market will likely develop prior to completion of the distribution. Spinco's shares will be listed on the New York Stock Exchange under the symbol " " following completion of the distribution. See "The Distribution -- Listing and Trading of the Spinco Shares" beginning on page 20.

 NO VOTE OF STOCKHOLDERS IS REQUIRED IN CONNECTION WITH THE DISTRIBUTION. NSI IS NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND A PROXY OR YOUR SHARE CERTIFICATES.

AS YOU REVIEW THIS INFORMATION STATEMENT, YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS BEGINNING ON PAGE 8 IN EVALUATING THE BENEFITS AND RISKS OF HOLDING OR DISPOSING OF THE SPINCO SHARES YOU WILL RECEIVE IN THE DISTRIBUTION.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES TO BE ISSUED UNDER THIS INFORMATION STATEMENT OR DETERMINED IF THIS INFORMATION STATEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS INFORMATION STATEMENT IS NOT AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES.

THE DATE OF THIS INFORMATION STATEMENT IS _____, 2001.

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QUESTIONS AND ANSWERS ABOUT THE DISTRIBUTION

The following section answers various questions that you may have with respect to the pro rata distribution to NSI stockholders of 100% of the outstanding shares of Spinco common stock. We refer to this distribution in this information statement as the "Distribution."

Q: WHEN WILL THE DISTRIBUTION OCCUR?

A: NSI currently anticipates completing the Distribution on _____, 2001.

Q: WHAT WILL I RECEIVE AS A RESULT OF THE DISTRIBUTION?

A: For every share of NSI common stock that you own of record on _____, 2001, you will receive one share of Spinco common stock. For example, if you own 100 shares of NSI common stock on _____, you will receive 100 shares of Spinco common stock.

NSI will distribute the Spinco shares by book entry. If you are a record holder of NSI stock, instead of physical stock certificates, you will receive from Spinco's transfer agent shortly after _____, 2001 a statement of your book entry account for the Spinco shares distributed to you. Following the Distribution, you may request physical stock certificates if you wish, and instructions for making that request will be furnished with your account statement. If you own a fractional share of NSI common stock, you will receive a corresponding fractional share of Spinco common stock. If you are not a record holder of NSI stock because your shares are held on your behalf by your stockbroker or other nominee, your Spinco shares should be credited to your account with your stockbroker or nominee on or about _____, 2001.

You will also receive one preferred stock purchase right for each share of Spinco common stock that you receive. These rights are similar to the rights associated with your existing shares of NSI common stock and may have certain anti-takeover effects similar to NSI's current preferred stock purchase rights. See "The Distribution -- Manner of Effecting the Distribution" beginning on page 19, "Risk Factors -- Certain Provisions of Spinco's Certificate of Incorporation, Bylaws and Rights Plan and the Tax Disaffiliation Agreement May Discourage Takeovers" beginning on page 16 and "Certain Anti-Takeover Provisions of Spinco's Certificate of Incorporation, Bylaws and Rights Agreement and Delaware Law" beginning on page 81.

Q: WHAT DO I HAVE TO DO TO RECEIVE MY SPINCO SHARES?

A: Nothing. Your Spinco shares will be either reflected in an account statement that Spinco's transfer agent will send to you shortly after _____, 2001 or credited to your account with your broker or nominee on or about _____, 2001.

Q: WHEN WILL I RECEIVE MY SPINCO SHARES?

A: If you hold your NSI shares in your own name, your account statement will be mailed to you on or about _____, 2001. You should allow several days for the mail to reach you.

If you hold your NSI shares through your stockbroker, bank or other nominee, you are probably not a stockholder of record and your receipt of Spinco shares depends on your arrangements with the nominee that holds your NSI shares for you. NSI anticipates that stockbrokers and banks generally will credit their customers' accounts with Spinco shares on or about _____, 2001, but you should check with your stockbroker, bank or other

nominee. See "The Distribution -- Manner of Effecting the Distribution" beginning on page 19.

Q: HOW WILL THE DISTRIBUTION AFFECT THE MARKET PRICE OF MY NSI SHARES?

A: Following the Distribution, NSI expects that its common stock will continue to be listed and traded on the New York Stock Exchange under the symbol "NSI." As a result of the Distribution, the trading price of NSI shares immediately following the Distribution will be substantially lower than immediately prior to the Distribution. The lighting equipment and chemicals businesses represented approximately 80% of NSI's consolidated assets and revenues as of and for the fiscal year ended August 31, 2000. Until the market has fully analyzed the operations of NSI without these businesses, the price of NSI shares may fluctuate significantly. See "The Distribution -- Listing and Trading of the Spinco Shares" beginning on page 20.

Q: WHERE WILL MY SPINCO SHARES BE TRADED?

A: Spinco's shares will be listed on the New York Stock Exchange under the symbol " " following completion of the Distribution. Trading of the Spinco shares will likely commence on a when-issued basis after the record date. See "The Distribution -- Listing and Trading of the Spinco Shares" beginning on page 20.

Q: WHAT IF I WANT TO SELL MY NSI SHARES OR MY SPINCO SHARES?

A: You should consult with your own financial advisors, such as your stockbroker, bank or tax advisor. NSI does not make recommendations on the purchase, retention or sale of shares of NSI common stock or Spinco common stock.

If you do decide to sell any shares, you should make sure your stockbroker, bank or other nominee understands whether you want to sell your NSI common stock or your Spinco common stock, or both. The following information may be helpful in discussions with your stockbroker, bank or other nominee.

There is not currently a public market for the Spinco common stock, although a when-issued market will likely develop prior to completion of the Distribution. When-issued trading refers to a transaction made conditionally because the security has been authorized but is not yet issued or available. Even though when-issued trading will likely develop, none of these trades would settle prior to the effective date of the Distribution, and if the Distribution does not occur, all when-issued trading will be null and void. On the first trading day following the date of the Distribution, when-issued trading in respect of Spinco's common stock will end and regular-way trading will begin. Regular-way trading refers to trading after a security has been issued and typically involves a transaction that settles on the third full business day following the date of a transaction. Spinco's shares will be listed on the New York Stock Exchange under the symbol " ."

NSI's common stock may also trade on a when-issued basis on the New York Stock Exchange, reflecting an assumed post-Distribution value for NSI common stock. When-issued trading in NSI common stock, if available, could last from on or about the record date through the effective date of the Distribution. If when-issued trading in NSI common stock is available, NSI stockholders may trade their existing NSI common stock prior to the effective date of the Distribution in either the when-issued market or in the regular market for NSI common stock. If a stockholder trades in the when-issued market, he will have no obligation to transfer to a purchaser of NSI common stock the Spinco common stock such stockholder receives in the Distribution. If a stockholder trades in the regular market, the shares of NSI common stock traded will be accompanied by due bills

representing the Spinco common stock to be distributed in the Distribution. If when-issued trading in NSI common stock is not available, neither the NSI common stock nor the due bills may be purchased or sold separately during the period from the record date through the effective date of the Distribution.

If a when-issued market for NSI common stock develops, an additional listing for NSI common stock will appear on the New York Stock Exchange. Differences will likely exist between the combined value of when-issued Spinco common stock plus when-issued NSI common stock and the price of NSI common stock during this period.

Sales of NSI common stock with the right to receive shares of Spinco common stock should generally settle in the customary three business day settlement period. Sales of NSI common stock without the right to receive shares of the Spinco common stock and sales of Spinco common stock without the right to receive NSI common stock are expected to settle four business days following the date account statements for the Spinco shares are mailed. You should check with your stockbroker, bank or other nominee for details. See "The Distribution -- Listing and Trading of the Spinco Shares" beginning on page 20.

Q: HOW WILL THE DISTRIBUTION AFFECT THE AMOUNT OF DIVIDENDS I CURRENTLY RECEIVE ON MY NSI SHARES?

A: It is anticipated that following the Distribution, Spinco initially will pay quarterly cash dividends which, on an annual basis, will equal \$.60 per share, and NSI initially will pay quarterly cash dividends which, on an annual basis, will equal \$.04 per share. Therefore, it is anticipated that the aggregate cash dividends payable by Spinco and NSI after the Distribution, taken together, in respect of (1) shares of NSI common stock held on the Distribution date and (2) shares of Spinco common stock received in the Distribution will be substantially less than the annual rate of the cash dividend previously paid on NSI common stock of \$1.32 per share. However, no formal action has been taken with respect to these dividends and the declaration and payment of dividends by Spinco and NSI will be at the sole discretion of their respective boards of directors. See "Dividend Policies" on page 34.

Q: WILL I HAVE TO PAY TAXES ON THE SPINCO SHARES THAT I RECEIVE?

A: NSI and Spinco intend for the Distribution to be tax-free for U.S. federal income tax purposes. The Distribution is conditioned upon the receipt by each of NSI and Spinco of opinions from each of King & Spalding, counsel to NSI, and Ernst & Young LLP, special tax advisor to NSI, that, for U.S. federal income tax purposes, the receipt of Spinco shares by NSI stockholders will be tax-free. Neither NSI nor Spinco has requested an advance ruling from the Internal Revenue Service as to the tax consequences of the Distribution. The opinions of King & Spalding and Ernst & Young LLP are subject to certain assumptions and the accuracy and completeness of certain factual representations and statements made by NSI and Spinco and certain other data, documentation and other materials that each of King & Spalding and Ernst & Young LLP deemed necessary for purposes of their respective opinions. These opinions represent the views of King & Spalding and Ernst & Young LLP as to the interpretation of existing tax law and, accordingly, such opinions are not binding on the Internal Revenue Service or the courts and no assurance can be given that the Internal Revenue Service or the courts will agree with their opinions. You may have to pay taxes if you sell your Spinco shares. You are advised to consult your own tax advisor as to the specific tax consequences of the Distribution. See "Risk Factors -- Failure to Qualify as a Tax-Free Transaction Could Result in Substantial Liability" beginning on page 10 and "The Distribution -- Federal Income Tax Consequences of the Distribution" beginning on page 22.

Q: WILL THERE BE ANY CHANGE IN THE UNITED STATES FEDERAL TAX BASIS OF MY NSI SHARES AS A RESULT OF THE DISTRIBUTION?

A: Yes, your tax basis in your NSI shares will be reduced. If you are the record holder of your NSI shares, you will receive information with your account statement that will help you calculate the adjusted tax basis for your NSI shares, as well as the tax basis for your Spinco shares. If you are not the record holder of your NSI shares because your shares are held on your behalf by your stockbroker or other nominee, you should contact your stockbroker or nominee for help in determining the tax basis for your NSI shares, as well as the tax basis for your Spinco shares. See "The Distribution -- Federal Income Tax Consequences of the Distribution" beginning on page 22.

Q: WHERE CAN I GET MORE INFORMATION?

A: If you have any questions relating to the mechanics of the Distribution and the delivery of account statements or the trading of NSI or Spinco shares prior to the Distribution, you can contact the Distribution Agent:

Wells Fargo Bank Minnesota, National Association
Shareowner Services
161 North Concord Exchange
South St. Paul, Minnesota 55075-1139
Phone:

For other questions related to the Distribution, NSI or Spinco, please contact:

After the Distribution, Spinco stockholders with inquiries relating to the Distribution or their investment in Spinco should contact:

L&C Spinco, Inc.
1420 Peachtree Street, NE
Atlanta, Georgia 30309
Attention: Corporate Secretary
(404) 853-1000

After the Distribution, NSI stockholders with inquiries relating to the Distribution or their investment in NSI should contact:

National Service Industries, Inc.
1420 Peachtree Street, NE
Atlanta, Georgia 30309
Attention: Investor Relations
(404)853-1000

SUMMARY

This summary highlights selected information contained elsewhere in this information statement. It is not complete and may not contain all of the information that is important to you. To better understand the Distribution and Spinco, you should read this entire information statement carefully, including the risks described beginning on page 8 and the financial statements and the notes thereto beginning on page F-1.

WHY NSI SENT THIS DOCUMENT TO YOU

National Service Industries, Inc. ("NSI") sent you this document because you were an owner of NSI common stock on _____, 2001. This entitles you to receive a pro rata distribution of one share of common stock of L&C Spinco, Inc. ("Spinco"), which is currently a wholly owned subsidiary of NSI, for every NSI share you owned on that date. This distribution is referred to in this information statement as the "Distribution." No action is required on your part to participate in the Distribution and you do not have to pay cash or other consideration to receive your Spinco shares.

This document describes Spinco's businesses, the relationship between NSI and Spinco, and how this transaction benefits NSI and its stockholders, and provides other information to assist you in evaluating the benefits and risks of holding or disposing of the Spinco shares that you will receive in the Distribution. You should be aware of certain risks relating to the Distribution and Spinco's businesses, which are described in this document beginning on page 8.

SPINCO'S BUSINESSES

Spinco will own and operate the lighting equipment and chemicals businesses of NSI. These businesses represented approximately 80% of NSI's consolidated assets and revenues as of and for the fiscal year ended August 31, 2000. Following the Distribution, NSI's operations will consist of the textile rental and envelope businesses.

LIGHTING EQUIPMENT

Spinco's lighting equipment business includes Lithonia Lighting and Holophane. Management of Spinco believes that the lighting equipment business is the world's largest manufacturer of lighting fixtures for both new construction and renovation. Products include a full range of indoor and outdoor lighting for commercial and institutional, industrial and residential applications. Lighting products are manufactured in the United States, Canada, Mexico, and Europe and are marketed under numerous brand names, including Lithonia, Holophane(R), Home-Vue(R), Light Concepts(R), Gotham(R), Hydrel(R), Peerless(R), Antique Street Lamps, and Reloc(R).

Principal customers include wholesale electrical distributors, retail home centers, and lighting showrooms located in North America and select international markets. In North America, the lighting equipment business's products are sold through independent sales agents and factory sales representatives who cover specific geographic areas and market segments. Products are delivered through a network of distribution centers, regional warehouses, and commercial warehouses using both common carriers and a company-owned truck fleet. For international customers, the lighting equipment business employs a

sales force that adopts distribution methods to meet individual customer or country requirements. In fiscal 2000, North American sales accounted for more than 97% of the lighting equipment business's gross sales.

CHEMICALS

Spinco's chemicals business, The Zep Group, includes Zep Manufacturing Company, Enforcer Products, and Selig Industries. The Zep Group is a leading provider of specialty chemical products in the institutional and industrial (I&I) and retail markets. Products include cleaners, sanitizers, disinfectants, polishes, floor finishes, degreasers, deodorizers, pesticides, insecticides, and herbicides. Zep Manufacturing manufactures products in four North American plants and two European plants. Enforcer operates a manufacturing facility in Georgia.

The Zep Group provides products to customers primarily in North America and Western Europe. In fiscal 2000, North American sales accounted for approximately 90% of the business's gross sales. Zep Manufacturing and Selig Industries serve a range of institutional and industrial customers, from small sole proprietorships to Fortune 1000 corporations. Individual markets in the non-retail channel include automotive, vehicle wash, food, aviation, industrial manufacturing, and contract cleaners and are serviced through a direct commissioned sales force. Enforcer provides Enforcer-branded products and Zep-branded products to retail channels such as home centers, hardware stores, mass merchandisers, and drug stores.

THE DISTRIBUTION

Distributing Company.....	National Service Industries, Inc., a Delaware corporation.
Distributed Company.....	L&C Spinco, Inc., a Delaware corporation.
Primary Purposes of Distribution.....	NSI's board of directors and management believe that separating the lighting equipment and chemicals businesses from the rest of NSI's operations will allow both Spinco and NSI to focus on their respective businesses and provide them with the flexibility to pursue different strategies and react quickly to changing market environments. NSI's board of directors and management believe that the Distribution will enhance the ability of each of Spinco and NSI to focus on strategic initiatives and new business opportunities, improve cost structures and operating efficiencies and design equity-based compensation programs targeted to its own performance. In addition, NSI's board of directors believes that Spinco will have greater access to capital as an independent company and that the investment community will be better able to measure Spinco's performance relative to its peers. The lighting equipment and chemicals businesses also have some important traits in common that

make these businesses distinct from NSI's other operations with respect to markets, products, capital needs and plans for growth. For a more detailed discussion of the reasons for the Distribution, see "The Distribution -- Reasons for the Distribution" beginning on page 18.

Spinco Shares to be Distributed.....	NSI will distribute to NSI stockholders approximately _____ shares of common stock, par value \$.01 per share, of Spinco (together with the associated preferred stock purchase rights, the "Spinco Shares"), based on approximately _____ NSI shares outstanding on _____, 2001. The Spinco Shares to be distributed will constitute 100% of the Spinco Shares outstanding after the Distribution. Immediately following the Distribution, NSI and its subsidiaries will not own any Spinco Shares and Spinco will be an independent public company.
Trading Market and Symbol.....	There is no current trading market for the Spinco Shares, although a when-issued market will likely develop prior to completion of the Distribution. The Spinco Shares will be listed on the New York Stock Exchange under the symbol "_____" following completion of the Distribution. See "The Distribution -- Listing and Trading of the Spinco Shares" beginning on page 20.
Record Date.....	If you owned NSI shares at the close of business on _____, 2001 (the "Record Date"), then you will receive Spinco Shares in the Distribution.
Distribution Date.....	The Distribution will occur at 11:59 p.m., New York City time, on _____, 2001 (the "Distribution Date"). If you are a record holder of NSI stock, instead of physical stock certificates you will receive from Spinco's transfer agent shortly after _____, 2001 a statement of your book entry account for the Spinco Shares distributed to you. Following the Distribution, you may request physical stock certificates if you wish, and instructions for making that request will be furnished with your account statement. If you are not a record holder of NSI stock because such shares are held on your behalf by your stockbroker or other nominee, your Spinco Shares should be credited to your account with your stockbroker or other nominee on or about _____, 2001.
Distribution Ratio.....	You will receive one Spinco Share for every NSI share you held on the Record Date.

Distribution Agent.....	Wells Fargo Bank Minnesota, National Association
Transfer Agent and Registrar for the Spinco Shares.....	Wells Fargo Bank Minnesota, National Association
Fractional Share Interests.....	Fractional Spinco Shares will be issued in the Distribution. You will be entitled to receive a fractional Spinco Share only if you own a fractional share of NSI common stock as of the Record Date. See "The Distribution -- Manner of Effecting the Distribution" beginning on page 19.
Tax Consequences.....	NSI and Spinco intend for the Distribution to be tax-free for U.S. federal income tax purposes. The Distribution is conditioned upon the receipt by each of NSI and Spinco of opinions from each of King & Spalding, counsel to NSI, and Ernst & Young LLP, special tax advisor to NSI, that, for U.S. federal income tax purposes, the receipt of Spinco shares by NSI stockholders will be tax-free. See "Risk Factors -- Failure to Qualify as a Tax-Free Transaction Could Result in Substantial Liability" beginning on page 10 and "The Distribution -- Federal Income Tax Consequences of the Distribution" beginning on page 22.
Relationship with NSI After the Distribution.....	Prior to the Distribution, NSI and Spinco have entered or will enter into agreements to transfer to Spinco selected assets and liabilities of NSI related to Spinco's business, to arrange for the continued provision of certain services by each company to the other, to make arrangements for the Distribution and to define the ongoing relationships between NSI and Spinco. In addition, NSI and Spinco will enter into an agreement providing for the sharing of taxes incurred by them prior to the Distribution and providing certain indemnification rights with respect to tax matters. After the Distribution, NSI and Spinco will not have any other material contracts or other arrangements between them other than arrangements made on an arm's length basis. See "Relationship Between NSI and Spinco Following the Distribution" beginning on page 26.
Board of Directors of Spinco....	After the Distribution, Spinco is expected to have an initial board of nine directors, classified into three classes. After their initial term, directors of each class will serve three-year terms. Each person expected to serve on Spinco's initial board of directors is currently a director of NSI and is

expected to resign from NSI's board as of the Distribution Date. See "Spinco's Management" beginning on page 56.

Management of Spinco.....	Certain of NSI's current executive officers, including the current senior management of the lighting equipment and chemicals businesses, will serve as executive officers of Spinco after the Distribution. Each Spinco executive officer is expected to resign his position with NSI as of the Distribution Date. See "Spinco's Management" beginning on page 56.
Debt.....	Prior to the Distribution, Spinco is expected to assume or refinance all but approximately \$5 million of NSI's total outstanding debt including all of the indebtedness under (1) NSI's indenture relating to the \$200 million principal amount 8.375% Notes due August 1, 2010, and the \$160 million principal amount 6% Notes due February 1, 2009, and (2) NSI's \$150 million receivables facility. Spinco will also enter into an unsecured credit facility and may establish a commercial paper program that will be supported by the credit facility. The credit facility is expected to contain, among other terms, conditions precedent, covenants, representations and warranties, mandatory and voluntary prepayment provisions and events of default customary for similar facilities. See "Financing Arrangements for Spinco" on page 31.
Post-Distribution Dividend Policies.....	It is anticipated that following the Distribution, Spinco initially will pay quarterly cash dividends which, on an annual basis, will equal \$.60 per share, and NSI initially will pay quarterly cash dividends which, on an annual basis, will equal \$.04 per share. Therefore, the aggregate cash dividends payable by Spinco and NSI after the Distribution, taken together, in respect of (1) shares of NSI common stock held on the Distribution Date and (2) Spinco Shares received in the Distribution will be substantially less than the annual rate of the cash dividend previously paid on NSI common stock of \$1.32 per share. However, no formal action has been taken with respect to these dividends and the declaration and payment of dividends by Spinco and NSI will be at the sole discretion of their respective boards of directors. See "Dividend Policies" on page 34.

Certain Anti-takeover

Effects.....

Certain provisions of Spinco's certificate of incorporation and bylaws may have the effect of making the acquisition of control of Spinco in a transaction not approved by Spinco's board of directors more difficult. The stockholder protection rights agreement that Spinco will enter into in connection with the Distribution also would make such a transaction more difficult. Moreover, certain provisions of the agreement providing for certain tax disaffiliation and other tax-related matters that Spinco will enter into in connection with the Distribution could discourage potential acquisition proposals. See "Risk Factors -- Certain Provisions of Spinco's Certificate of Incorporation, Bylaws and Rights Plan and the Tax Disaffiliation Agreement May Discourage Takeovers" beginning on page 16 and "Certain Anti-Takeover Provisions of Spinco's Certificate of Incorporation, Bylaws and Rights Agreement and Delaware Law" beginning on page 81.

Risk Factors.....

You should review the risks relating to the Distribution and Spinco's businesses described in "Risk Factors" beginning on page 8.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This information statement contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Spinco and NSI base these forward-looking statements on their respective expectations and projections about future events, which Spinco and NSI have derived from the information currently available to them. In addition, from time to time, Spinco or NSI or their representatives may make forward-looking statements orally or in writing. Furthermore, forward-looking statements may be included in Spinco's and NSI's filings with the Securities and Exchange Commission or press releases or oral statements made by or with the approval of one of their executive officers. For each of these forward-looking statements, Spinco and NSI claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to future events or Spinco's or NSI's future performance, including but not limited to:

- benefits resulting from the spin-off;
- possible or assumed future results of operations;
- growth in revenue and earnings; and
- business and growth strategies.

You can identify forward-looking statements by those that are not historical in nature, particularly those that use terminology such as "may," "could," "will," "should," "likely," "expects," "anticipates," "contemplates," "estimates," "believes," "plans," "projected," "predicts," "potential" or "continue" or the negative of these or similar terms. In evaluating these forward-looking statements, you should consider various factors, including those described under "Risk Factors" beginning on page 8.

Forward-looking statements are only predictions. The forward-looking events discussed in this information statement and other statements made from time to time by Spinco or NSI or their representatives may not occur, and actual events and results may differ materially and are subject to risks, uncertainties and assumptions about Spinco and NSI. Except for their ongoing obligations to disclose material information as required by the federal securities laws, Spinco and NSI are not obligated to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this information statement and in other statements made from time to time by Spinco or NSI or their representatives might not occur.

RISK FACTORS

You should carefully consider each of the following risk factors and all of the other information in this information statement. The following risks relate principally to the Distribution and Spinco's businesses. The risks and uncertainties described below are not the only ones Spinco will face. Additional risks and uncertainties not presently known to Spinco or that it currently believes to be immaterial may also adversely affect Spinco's businesses.

If any of the following risks and uncertainties develops into actual events, the business, financial condition or results of operations of Spinco could be materially adversely affected. If that happens, the trading prices of Spinco Shares could decline significantly.

The risk factors below contain forward-looking statements regarding the Distribution and Spinco. Actual results could differ materially from those set forth in the forward-looking statements. See "Cautionary Statements Regarding Forward-Looking Statements" on page 7.

RISKS RELATING TO THE DISTRIBUTION

THE DISTRIBUTION WILL CAUSE THE TRADING PRICE OF NSI COMMON STOCK TO DECLINE SIGNIFICANTLY

Following the Distribution, NSI expects that its common stock will continue to be listed and traded on the New York Stock Exchange under the symbol "NSI." As a result of the Distribution, the trading price of NSI common stock immediately following the Distribution will be substantially lower than the trading price of NSI common stock immediately prior to the Distribution. Following the Distribution, NSI's operations will consist of the textile rental and envelope businesses. These businesses represented approximately 20% of NSI's consolidated assets and revenues as of and for the fiscal year ended August 31, 2000. Further, the combined trading prices of NSI common stock and the Spinco Shares after the Distribution may be less than the trading prices of NSI common stock immediately prior to the Distribution.

SUBSTANTIAL SALES OF NSI COMMON STOCK MAY HAVE AN ADVERSE IMPACT ON THE TRADING PRICE OF THE NSI COMMON STOCK

After the Distribution, some NSI stockholders may decide that they do not want shares in a company consisting of textile rental and envelope businesses, and may sell their NSI common stock following the Distribution. Additionally, it is expected that NSI will no longer comprise part of the S&P 500 Index. It is expected that some stockholders, including certain mutual funds, will sell their NSI common stock on this basis alone. If NSI stockholders sell large numbers of shares of NSI common stock over a short period of time, or if investors anticipate large sales of NSI common stock over a short period of time, this could adversely affect the trading price of the NSI common stock.

SUBSTANTIAL SALES OF SPINCO SHARES MAY HAVE AN ADVERSE IMPACT ON THE TRADING PRICE OF THE SPINCO SHARES

Based on the number of shares of NSI common stock outstanding on , 2001, NSI will distribute to NSI's stockholders a total of approximately Spinco Shares.

Under the United States federal securities laws, all of these shares may be resold immediately in the public market, except for Spinco Shares held by affiliates of Spinco. Some of the NSI stockholders who receive Spinco Shares may decide that they do not want shares in a company consisting of lighting equipment and chemicals businesses, and may sell their Spinco Shares following the Distribution. Spinco cannot predict whether stockholders will resell large numbers of Spinco Shares in the public market following the Distribution or how quickly they may resell these Spinco Shares. If Spinco stockholders sell large numbers of Spinco Shares over a short period of time, or if investors anticipate large sales of Spinco Shares over a short period of time, this could adversely affect the trading price of the Spinco Shares.

THERE CAN BE NO ASSURANCE THAT AN ACTIVE TRADING MARKET FOR NSI COMMON STOCK WILL RETURN

Even though NSI is currently a publicly held company, there can be no assurance as to whether an active trading market for NSI common stock will be maintained after the Distribution or as to the prices at which the NSI common stock will trade. Some NSI stockholders may decide that they do not want shares in a company consisting of textile rental and envelope businesses, and may sell their NSI common stock following the Distribution. Additionally, it is expected that NSI will no longer comprise part of the S&P 500 Index. It is expected that some stockholders, including certain mutual funds, will sell their NSI common stock on this basis alone. These and other factors may delay or hinder the return to an orderly trading market in the NSI common stock following the Distribution. Whether an active trading market for NSI common stock will be maintained after the Distribution and the prices for NSI common stock will be determined in the marketplace and may be influenced by many factors, including the depth and liquidity of the market for the shares, NSI's results of operations, what investors think of NSI and the textile rental and envelope industries, the amount of dividends that NSI pays, changes in economic conditions in the textile rental and envelope industries and general economic and market conditions. Market fluctuations could have a material adverse impact on the trading price of the NSI common stock.

THERE HAS NOT BEEN ANY PRIOR TRADING MARKET FOR THE SPINCO SHARES

There is no current trading market for the Spinco Shares, although a when-issued trading market will likely develop prior to completion of the Distribution. The Spinco Shares will be listed on the New York Stock Exchange under the symbol " " following completion of the Distribution.

There can be no assurance as to whether the Spinco Shares will be actively traded or as to the prices at which the Spinco Shares will trade. Although NSI has been a part of the S&P 500 Index, there can be no assurance that Spinco will become a part of the S&P 500 Index. Some of the NSI stockholders who receive Spinco Shares may decide that they do not want shares in a company consisting of lighting equipment and chemicals businesses, and may sell their Spinco Shares following the Distribution. This may delay the development of an orderly trading market in the Spinco Shares for a period of time following the Distribution. Until the Spinco Shares are fully distributed and an orderly market develops, the prices at which the Spinco Shares trade may fluctuate significantly and may be lower than the price that would be expected for a fully distributed issue. Prices for Spinco Shares will be determined in the marketplace and may be influenced by many factors, including the depth and liquidity of the market for the shares, Spinco's

results of operations, what investors think of Spinco and the lighting equipment and chemicals industries, the amount of dividends that Spinco pays, changes in economic conditions in the lighting equipment and chemicals industries and general economic and market conditions. Market fluctuations could have a material adverse impact on the trading price of the Spinco Shares.

FAILURE TO QUALIFY AS A TAX-FREE TRANSACTION COULD RESULT IN SUBSTANTIAL LIABILITY

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

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

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

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

financial position of Spinco. NSI stockholders would not recognize gain or loss under Section 355(e) of the Code solely because either NSI or Spinco undergoes a change in control after the Distribution.

CREDITORS OF NSI MAY CHALLENGE THE DISTRIBUTION AS A FRAUDULENT CONVEYANCE

On , 2001, the NSI board of directors made a determination that the Distribution is permissible under applicable dividend and solvency laws. There is no certainty, however, that a court would find the decision of the NSI board to be binding on creditors of NSI and Spinco or that a court would reach the same conclusions as the NSI board in determining whether NSI or Spinco was insolvent at the time of, or after giving effect to, the Distribution. If a court in a lawsuit by an unpaid creditor or representative of creditors, such as a trustee in bankruptcy, were to find that at the time NSI effected the Distribution, NSI or Spinco (1) was insolvent; (2) was rendered insolvent by reason of the Distribution; (3) was engaged in a business or transaction for which their respective remaining assets constituted unreasonably small capital; or (4) intended to incur, or believed it would incur, debts beyond its ability to pay as such debts matured, such court may be asked to void the Distribution (in whole or in part) as a fraudulent conveyance and require that the stockholders return the Spinco Shares (in whole or in part) to NSI or require Spinco to fund certain liabilities for the benefit of creditors. The measure of insolvency for purposes of the foregoing will vary depending upon the jurisdiction whose law is being applied. Generally, however, NSI or Spinco would be considered insolvent if the fair value of their respective assets were less than the amount of their respective liabilities or if they incurred debt beyond their ability to repay such debt as it matures.

RISKS RELATING TO SPINCO

SPINCO'S BUSINESSES ARE DEPENDENT ON CYCLICAL INDUSTRIES

A significant portion of the lighting equipment business's sales are made to customers in the new construction and renovation industries. These industries are cyclical in nature and subject to changes in general economic conditions. In addition, sales of the chemicals business are dependent on the needs of the retail, wholesale and industrial markets for its product line. Economic downturns and the potential declines in construction and demand for specialty chemicals may have a material adverse effect on Spinco's results of operations.

AN INCREASE IN THE PRICE OF RAW MATERIALS OR FINISHED GOODS COULD ADVERSELY AFFECT SPINCO'S OPERATIONS

Spinco's businesses require certain raw materials for their products, including aluminum, plastics, electrical components, solvents, surfactants, certain grades of steel and glass. Spinco will purchase most of these raw materials on the open market and rely on third parties for the sourcing of finished goods. As such, the cost of products sold may be affected by changes in the market price of the above-mentioned raw materials or sourcing services and finished goods. Spinco does not expect to engage in commodity hedging transactions for raw materials. Significant increases in the prices of Spinco's products due to increases in the cost of raw materials or sourcing could have a negative effect on demand for products and on profitability, as well as a material adverse effect on Spinco's results of operations.

SPINCO'S BUSINESSES COULD SUFFER IN THE EVENT OF A WORK STOPPAGE OR INCREASED ORGANIZED LABOR ACTIVITY

While Spinco management considers relations with employees to be generally good, there can be no assurance that Spinco will not experience work stoppages, strikes or slowdowns in the future. A prolonged work stoppage, strike or slowdown could have a material adverse effect on Spinco's results of operations. In addition, there can be no assurance that, upon expiration of any of existing collective bargaining agreements, new agreements will be reached without union action or that any new agreement will be on terms satisfactory to Spinco. Moreover, there can be no assurance that Spinco's non-union facilities will not become subject to labor union organizing efforts. If any current non-union facilities were to unionize, Spinco would incur increased risk of work stoppages, and possibly higher labor costs.

THE INDUSTRIES IN WHICH SPINCO WILL OPERATE ARE HIGHLY COMPETITIVE

The industries in which Spinco will operate are highly competitive. Spinco will compete primarily on the basis of price, brand name recognition, product quality, and customer responsiveness. Main competitors in the lighting equipment industry include Cooper Industries, U.S. Industries and Genlyte Group. Competitors in the chemicals industry include Ecolab, Unilever/Diversey, NCH and SC Johnson.

Many of these competitors offer products which are substantially identical to those to be offered by Spinco. As a result of competitive pressures, there can be no assurance that Spinco will be able to compete effectively or increase prices in the future. Price increases by Spinco, price reductions by competitors, decisions by Spinco with regard to maintaining profit margins rather than market share, or other competitive or market factors or strategies could adversely affect market share or results of operations. Competition could prevent the institution of price increases or could require price reductions or increased spending on research and development and marketing and sales which could adversely affect results of operations.

ADVERSE ECONOMIC CONDITIONS COULD AFFECT SPINCO'S ABILITY TO SERVICE DEBT

Spinco's ability to service its indebtedness will depend on its future operating performance, which will be affected by prevailing economic conditions and financial and other factors, certain of which Spinco cannot control. While Spinco believes that future operating cash flow, together with financing arrangements, will be sufficient to finance current operating requirements, Spinco's leverage and debt service requirements may make Spinco more vulnerable to economic downturns. If Spinco could not service its indebtedness, it would be forced to pursue one or more alternative strategies such as reducing its capital expenditures, selling assets, restructuring or refinancing its indebtedness or seeking additional equity capital (which may substantially dilute the ownership interest of holders of Spinco Shares). There can be no assurance that Spinco can effect any of these strategies on satisfactory terms, if at all.

SPINCO STOCKHOLDERS MAY EXPERIENCE SIGNIFICANT DILUTION IF FUTURE EQUITY OFFERINGS ARE USED TO FUND OPERATIONS OR ACQUIRE COMPLEMENTARY BUSINESSES OR AS A RESULT OF OPTION EXERCISES

If future acquisitions are financed through the issuance of equity securities, Spinco stockholders could experience significant dilution. In addition, securities issued in connection with future financing activities or potential acquisitions may have rights and preferences senior to the rights and preferences of the Spinco Shares.

In connection with the Distribution, Spinco will replace options held by NSI employees who become Spinco employees with options to purchase Spinco Shares. The actual number of shares subject to these options will be determined based on the relative trading prices of the NSI common stock and the Spinco Shares on the Distribution Date. Currently, Spinco anticipates that options to purchase approximately Spinco Shares will be outstanding immediately following the Distribution. The issuance of Spinco Shares upon the exercise of these options will result in dilution to the Spinco stockholders.

SPINCO IS DEPENDENT ON CERTAIN KEY PERSONNEL

Spinco's success depends to a significant extent on the continued service of certain key management personnel. The loss or interruption of the services of Spinco's senior management personnel or the inability to attract and retain other qualified management, sales, marketing and technical employees could also have an adverse effect on Spinco.

SPINCO HAS NO OPERATING HISTORY AS AN INDEPENDENT PUBLIC COMPANY AND MAY BE UNABLE TO OPERATE PROFITABLY AS A STAND-ALONE COMPANY

Spinco does not have an operating history as an independent public company. Historically, since the businesses that comprise each of Spinco and NSI have been under one ultimate parent, they have been able to rely, to some degree, on the earnings, assets, and cash flow of each other and former businesses owned by NSI for capital requirements. After the Distribution, Spinco will be able to rely only on the lighting equipment and chemicals businesses for such requirements. While the lighting equipment and chemicals businesses have been profitable segments of NSI, there can be no assurance that, as an independent company, profits will continue at the same level, if at all. Additionally, Spinco's businesses have relied on NSI for various financial, administrative and managerial expertise in conducting their operations. Following the Distribution, Spinco will maintain its own credit and banking relationships and perform its own financial and investor relations functions. While a significant number of key employees of NSI will be employed by Spinco following the Distribution, there can be no assurance that Spinco will be able to put in place successfully the financial, administrative and managerial structure necessary to operate as an independent public company, or that the development of such structure will not require a significant amount of management's time and other resources.

HISTORICAL FINANCIAL INFORMATION MAY BE OF LIMITED RELEVANCE

The historical financial information included in this information statement does not reflect the results of operations, financial position and cash flows of Spinco in the future and only estimates the results of operations, financial position and cash flows of Spinco had it operated as a separate stand-alone entity during the periods presented. The financial

information included herein does not reflect any changes that may occur in the funding and operations of Spinco as a result of the Distribution.

MEMBERS OF SPINCO'S BOARD OF DIRECTORS AND MANAGEMENT MAY HAVE CONFLICTS OF INTEREST AFTER THE DISTRIBUTION BECAUSE OF THEIR OWNERSHIP OF BOTH SPINCO AND NSI COMMON STOCK

Members of the board of directors and management of Spinco will likely own shares of both Spinco and NSI common stock after the Distribution because of their prior relationship with NSI. This ownership could create, or appear to create, potential conflicts of interest when Spinco's directors and management are faced with decisions that could have different implications for Spinco and NSI. Examples of these types of decisions might include the resolution of disputes arising out of the agreements governing the relationship between NSI and Spinco following the Distribution. Also, the appearance of conflicts, even if such conflicts do not materialize, might adversely affect the public's perception of Spinco following the Distribution.

SPINCO WILL CONDUCT OPERATIONS INTERNATIONALLY, WHICH ENTAILS CERTAIN RISKS AND UNCERTAINTIES

Spinco will manufacture and assemble products at numerous facilities, some of which are located outside the United States. Spinco will also obtain components and finished goods from suppliers located outside the United States. Changes in local economic or political conditions could affect Spinco's manufacturing, assembly and distribution capabilities and have a material adverse effect on Spinco's business, financial condition and results of operations. Additional risks inherent in Spinco's international business activities generally include unexpected changes in regulatory requirements, tariffs and other trade barriers, changes in local economic or political conditions, longer customer payment cycles, potentially adverse tax consequences, restrictions on repatriation of earnings and the burdens of complying with a wide variety of foreign laws.

As a specific example of the foregoing, approximately 28% of Spinco's lighting equipment products are produced in facilities operated in Mexico. Mexico has enacted legislation to promote the use of such manufacturing operations, known as "Maquiladoras," by foreign companies. These operations are authorized to operate as Maquiladoras by the Ministry of Commerce and Industrial Development of Mexico. Maquiladora status allows Spinco to import certain items from the United States into Mexico duty-free, provided that such items, after processing, are re-exported from Mexico within six months. Maquiladora status, which must be renewed every two years, is subject to various restrictions and requirements, including compliance with the terms of the Maquiladora program and other local regulations. Although manufacturing operations in Mexico continue to be less expensive than comparable operations in the United States, in recent years many companies have established Maquiladora operations to take advantage of lower labor costs. Increasing demand for labor, particularly skilled labor and professionals, from new and existing Maquiladora operations has in the past and could in the future result in increased labor costs. Spinco may be required to make additional investments in automating equipment to partially offset increased labor costs. The loss of Maquiladora status, the inability to recruit, hire and retain qualified employees, a significant increase in labor costs, or interruptions in the trade relations between the United States and Mexico could have a material adverse effect on Spinco's results of operations.

SPINCO WILL BE SUBJECT TO FOREIGN CURRENCY RISKS

Changes in the value of foreign currencies, specifically the Mexican peso and Canadian dollar, relative to the U.S. dollar could result in losses from foreign currency conversion. Spinco does not expect to use derivative products to hedge against foreign currency exchange risk.

THE PAYMENT OF DIVIDENDS BY SPINCO'S BOARD OF DIRECTORS MAY LIMIT GROWTH

While the payment of dividends is at the discretion of Spinco's board of directors and will be subject to Spinco's financial results, the availability of surplus funds to pay dividends and other restrictions, it is expected that Spinco will initially pay quarterly cash dividends which, on an annual basis, will equal \$.60 per share. While no assurance can be given that Spinco will pay dividends at this rate or at all, payment of dividends at this rate may limit Spinco's ability to grow its businesses internally or by acquisitions that may be in its best interest.

COMPLIANCE WITH ENVIRONMENTAL RULES AND REGULATIONS MAY MAKE IT COSTLY TO OPERATE SPINCO'S BUSINESSES, WHICH MAY HARM ITS OPERATING RESULTS

Spinco's operations will be subject to federal, state, local and foreign laws and regulations relating to the generation, storage, handling, transportation, and disposal of hazardous substances and solid and hazardous wastes and to the remediation of contaminated sites. Permits and environmental controls are required for certain of Spinco's operations to limit air and water pollution, and these permits are subject to modification, renewal, and revocation by issuing authorities. Spinco will incur capital and operating costs relating to environmental compliance on an ongoing basis. Environmental laws and regulations have generally become stricter in recent years, and the cost of responding to future changes may be substantial. There can be no assurance that Spinco will not incur significant costs to remediate violations of such laws and regulations, particularly in connection with acquisitions of existing operating facilities, or to comply with changes in, or stricter or different interpretations of, existing laws and regulations. Such costs could have a material adverse effect on Spinco's results of operations.

Spinco will assume certain environmental liabilities in the Distribution relating to ongoing legal proceedings in connection with state and federal Superfund sites. While Spinco does not believe these claims will result in material liability, there can be no assurance that Spinco will not be required pay a substantial amount of money relating to these claims. Such payment could have a material adverse effect on Spinco's results of operations.

SPINCO MAY INCUR INCREASED EXPENSES IF THE TRANSITION SERVICES AGREEMENT WITH NSI IS TERMINATED

In connection with the Distribution, Spinco will enter into a transition services agreement with NSI. This agreement will provide that NSI and Spinco will provide each other services in such areas as information management and technology, employee benefits administration, payroll, financial accounting and reporting, claims administration and reporting, legal, and other areas where NSI and Spinco may need transitional assistance and support following the Distribution. The agreement will extend for one year after the Distribution, but may be terminated earlier under certain circumstances, including a

default, bankruptcy event, or change in control. If the agreement is terminated, Spinco may be required to obtain such services from a third party. This could be more expensive than the fees which Spinco will be required to pay under the transition services agreement.

CERTAIN PROVISIONS OF SPINCO'S CERTIFICATE OF INCORPORATION, BYLAWS AND RIGHTS PLAN AND THE TAX DISAFFILIATION AGREEMENT MAY DISCOURAGE TAKEOVERS

Spinco's certificate of incorporation and bylaws contain certain anti-takeover provisions that may make more difficult or expensive or that may discourage a tender offer, change in control or takeover attempt that is opposed by Spinco's board of directors. In particular, Spinco's certificate of incorporation and bylaws:

- (1) classify Spinco's board of directors into three groups, so that stockholders elect only one-third of the board each year;
- (2) permit stockholders to remove directors only for cause and only by the affirmative vote of at least 80% of Spinco's voting shares;
- (3) permit a special stockholders' meeting to be called only by a majority of the board of directors;
- (4) do not permit stockholders to take action except at an annual or special meeting of stockholders;
- (5) require stockholders to give Spinco advance notice to nominate candidates for election to Spinco's board of directors or to make stockholder proposals at a stockholders' meeting;
- (6) permit Spinco's board of directors to issue, without stockholder approval, preferred stock with such terms as the board may determine;
- (7) require the vote of the holders of at least 80% of Spinco's voting shares for stockholder amendments to Spinco's bylaws; and
- (8) require, for the approval of a business combination with stockholders owning 5% or more of Spinco's voting shares, the vote of at least 50% of Spinco's voting shares not owned by such stockholder, unless certain "fair price" requirements are met or the business combination is approved by the continuing directors of Spinco.

The preferred stock purchase rights attached to the Spinco Shares would, in effect, prevent a person or group from acquiring more than 15% of the total number of Spinco Shares outstanding at any time after the Distribution without approval from Spinco's board of directors. In addition, Delaware law generally restricts mergers and other business combinations between Spinco and any holder of 15% or more of the Spinco Shares, unless the transaction or the 15% acquisition is approved in advance by Spinco's board of directors.

These provisions of Spinco's certificate of incorporation and bylaws, Delaware law and the preferred stock purchase rights could discourage potential acquisition proposals and could delay or prevent a change in control of Spinco, even though a majority of Spinco's stockholders may consider such proposals, if effected, desirable. Such provisions could also make it more difficult for third parties to remove and replace the members of Spinco's board of directors. Moreover, these provisions could diminish the opportunities for stockholders to participate in certain tender offers, including tender offers at prices above

the then-current market value of the Spinco Shares, and may also inhibit increases in the trading price of the Spinco Shares that could result from takeover attempts or speculation.

In connection with the Distribution, Spinco has agreed to indemnify NSI for all taxes and liabilities incurred as a result of (1) a breach of a representation or covenant given to King & Spalding or Ernst & Young LLP in connection with rendering their tax opinions, which contributes to an Internal Revenue Service determination that the Distribution was not tax-free or (2) Spinco or an affiliate's post-Distribution action or omission contributes to an Internal Revenue Service determination that the Distribution was not tax-free. Unless NSI effectively rebuts the presumption that a change in control transaction involving Spinco or disposition of Spinco occurring within the four-year period beginning two years prior to the Distribution Date is pursuant to the same plan or series of related transactions as the Distribution, the Internal Revenue Service might determine that the Distribution was not tax-free, giving rise to Spinco's indemnification obligation. These provisions of the tax disaffiliation agreement may have the effect of discouraging or preventing an acquisition of Spinco or a disposition of Spinco's businesses, which may in turn depress the market price for the Spinco Shares.

THE DISTRIBUTION

INTRODUCTION

On _____, 2001, NSI's board of directors declared a pro rata distribution payable to the holders of record of outstanding NSI common stock at the close of business on _____, 2001 (the "Record Date") of one share of common stock (the "Spinco Common Stock") of Spinco, together with an associated preferred stock purchase right (the shares of Spinco Common Stock and the associated preferred stock purchase rights, collectively, the "Spinco Shares"), for every share of NSI common stock outstanding on the Record Date. The Distribution will be effected at 11:59 p.m., New York City time, on _____, 2001 (the "Distribution Date"). As a result of the Distribution, 100% of the outstanding Spinco Shares will be distributed to NSI stockholders. Immediately following the Distribution, NSI and its subsidiaries will not own any Spinco Shares and Spinco will be an independent public company. The Spinco Shares will be distributed by book entry. Instead of stock certificates, each NSI stockholder that is a record holder of NSI shares will receive a statement of such stockholder's book entry account for the Spinco Shares distributed to such stockholder. Account statements reflecting ownership of the Spinco Shares will be mailed shortly after the Distribution Date. Spinco Shares should be credited to accounts with stockbrokers, banks or nominees of NSI stockholders that are not record holders on or about _____, 2001.

Spinco was incorporated on June 27, 2001. Spinco's principal executive offices are located at 1420 Peachtree Street, NE, Atlanta, Georgia 30309, and its telephone number is (404) 853-1000.

Spinco will own and operate the lighting equipment and chemicals businesses of NSI. These businesses represented approximately 80% of NSI's consolidated assets and revenues as of and for the fiscal year ended August 31, 2000. Following the Distribution, NSI's operations will consist of the textile rental and envelope businesses.

REASONS FOR THE DISTRIBUTION

The board of directors and management of NSI believe that the Distribution is in the best interests of NSI, Spinco and NSI stockholders. NSI believes that the Distribution will enhance value for NSI stockholders and give Spinco the financial and operational flexibility to take advantage of significant growth opportunities in the lighting equipment and chemicals businesses. NSI's board of directors and management believe that the Distribution will enhance the ability of each of Spinco and NSI to focus on strategic initiatives and new business opportunities, improve cost structures and operating efficiencies and design equity-based compensation programs targeted to its own performance. In addition, NSI's board of directors expects that the transition to an independent company will heighten Spinco management's focus, provide Spinco with greater access to capital, and allow the investment community to measure Spinco's performance relative to its peers. The lighting equipment and chemicals businesses also have some important traits in common that make these businesses distinct from NSI's other operations with respect to markets, products, capital needs and plans for growth. For instance, both businesses sell primarily to commercial and industrial customers through commissioned agents and both have a small but growing portion of retail sales.

The Distribution will give Spinco direct access to capital markets. As part of NSI, the lighting equipment and chemicals businesses competed with NSI's other core business groups for capital to finance expansion and growth opportunities. As a separate entity, Spinco will be free of NSI's capital structure restrictions and should be in a better position to fund the implementation of its business strategy. The Distribution will also enable Spinco to provide its management and employees incentive compensation in the form of equity ownership in Spinco, enhancing Spinco's ability to attract, retain and motivate key employees.

The separation will also enable new NSI management to concentrate attention on the remaining NSI businesses. NSI's board strongly believes that these businesses may be managed more effectively and positioned for future growth if new management is able to focus on the textile rental and envelope businesses. In addition to focusing on existing businesses, new NSI management may also consider further diversification into other businesses.

MANNER OF EFFECTING THE DISTRIBUTION

The general terms and conditions relating to the Distribution will be set forth in an Agreement and Plan of Distribution (the "distribution agreement") between NSI and Spinco. See "Relationship between NSI and Spinco Following the Distribution -- Distribution Agreement" on page 26.

The Distribution will be made on the basis of one Spinco Share for every share of NSI common stock outstanding on the Record Date. The actual total number of Spinco Shares to be distributed will depend on the number of NSI shares outstanding on the Record Date. Based upon the number of NSI shares outstanding on _____, 2001, approximately _____ Spinco Shares will be distributed to NSI stockholders. The Spinco Shares to be distributed will constitute 100% of the outstanding Spinco Shares. Immediately following the Distribution, NSI and its subsidiaries will not own any Spinco Shares and Spinco will be an independent public company. The employee benefits agreement provides that at the time of the Distribution NSI stock options held by Spinco employees will generally be converted to, and replaced by, Spinco stock options in accordance with a conversion ratio. Each employee holding NSI restricted stock (all of which is unvested) will receive a dividend of one Spinco Share (subject to the same restrictions as the NSI restricted stock) for each NSI share held. See "Relationship Between NSI and Spinco Following the Distribution -- Employee Benefits Agreement" beginning on page 27. The Spinco Shares will be fully paid and non-assessable and the holders thereof will not be entitled to preemptive rights. See "Description of Spinco's Capital Stock" beginning on page 76.

NSI will use a book entry system to distribute the Spinco Shares in the Distribution. Following the Distribution, each record holder of NSI stock on the Record Date will receive from the Distribution Agent a statement of the Spinco Shares credited to the stockholder's account. If you are not a record holder of NSI stock because your shares are held on your behalf by your stockbroker or other nominee, your Spinco shares should be credited to your account with your stockbroker or nominee on or about _____, 2001. After the Distribution, stockholders may request stock certificates from Spinco's transfer agent instead of participating in the book entry system.

Fractional Spinco Shares will be issued. If you own a fractional share of NSI common stock as of the Record Date, you will receive a corresponding fractional Spinco Share in the Distribution.

No NSI stockholder will be required to pay any cash or other consideration for the Spinco Shares received in the Distribution, or to surrender or exchange NSI shares in order to receive Spinco Shares. The Distribution will not affect the number of, or the rights attaching to, outstanding NSI shares. No vote of NSI stockholders is required or sought in connection with the Distribution, and NSI stockholders will have no appraisal rights in connection with the Distribution.

In order to receive Spinco Shares in the Distribution, NSI stockholders must be stockholders at the close of business on the Record Date.

RESULTS OF THE DISTRIBUTION

After the Distribution, Spinco will be a separate public company operating the lighting equipment and chemicals businesses. Immediately after the Distribution, Spinco expects to have approximately _____ holders of record of Spinco Shares and approximately _____ Spinco Shares outstanding, based on the number of stockholders of record and outstanding NSI shares on _____, 2001 and the distribution ratio of one Spinco Share for every NSI share. The employee benefits agreement provides that at the time of the Distribution NSI stock options held by Spinco employees will generally be converted to, and replaced by, Spinco stock options in accordance with a conversion ratio. Each employee holding NSI restricted stock (all of which is unvested) will receive a dividend of one Spinco Share (subject to the same restrictions as the NSI restricted stock) for each NSI share held. See "Relationship Between NSI and Spinco Following the Distribution -- Employee Benefits Agreement" beginning on page 27. The actual number of Spinco Shares to be distributed will be determined as of the Record Date. The Distribution will not affect the number of outstanding NSI shares or any rights of NSI stockholders.

LISTING AND TRADING OF THE SPINCO SHARES

You should consult with your own financial advisors, such as your stockbroker, bank or tax advisor. NSI does not make recommendations on the purchase, retention or sale of shares of NSI common stock or Spinco Shares.

If you do decide to sell any shares, you should make sure your stockbroker, bank or other nominee understands whether you want to sell your NSI common stock or your Spinco Shares, or both. The following information may be helpful in discussions with your stockbroker, bank or other nominee.

There is not currently a public market for the Spinco Shares, although a when-issued market will likely develop prior to completion of the Distribution. When-issued trading refers to a transaction made conditionally because the security has been authorized but is not yet issued or available. Even though when-issued trading will likely develop, none of these trades would settle prior to the effective date of the Distribution, and if the Distribution does not occur, all when-issued trading will be null and void. On the first trading day following the date of the Distribution, when-issued trading in respect of Spinco Shares will end and regular-way trading will begin. Regular-way trading refers to trading after a security has been issued and typically involves a transaction that settles on the third

full business day following the date of a transaction. The Spinco Shares will be listed on the New York Stock Exchange under the symbol " ."

NSI's common stock may also trade on a when-issued basis on the New York Stock Exchange, reflecting an assumed post-Distribution value for NSI common stock. When-issued trading in NSI common stock, if available, could last from on or about the record date through the effective date of the Distribution. If when-issued trading in NSI common stock is available, NSI stockholders may trade their existing NSI common stock prior to the effective date of the Distribution in either the when-issued market or in the regular market for NSI common stock. If a stockholder trades in the when-issued market, he will have no obligation to transfer to a purchaser of NSI common stock the Spinco Shares such stockholder receives in the Distribution. If a stockholder trades in the regular market, the shares of NSI common stock traded will be accompanied by due bills representing the Spinco Shares to be distributed in the Distribution. If when-issued trading in NSI common stock is not available, neither the NSI common stock nor the due bills may be purchased or sold separately during the period from the record date through the effective date of the distribution.

If a when-issued market for NSI common stock develops, an additional listing for NSI common stock will appear on the New York Stock Exchange. Differences will likely exist between the combined value of when-issued Spinco Shares plus when-issued NSI common stock and the price of NSI common stock during this period.

Sales of NSI common stock with the right to receive Spinco Shares should generally settle in the customary three business day settlement period. Sales of NSI common stock without the right to receive the Spinco Shares and sales of Spinco Shares without the right to receive NSI common stock are expected to settle four business days following the date account statements for the Spinco Shares are mailed. You should check with your stockbroker, bank or other nominee for details.

The Spinco Shares distributed to NSI stockholders will be freely transferable, except for Spinco Shares received by persons who may be deemed to be "affiliates" of Spinco under the Securities Act of 1933, as amended (the "Securities Act"). Persons who may be deemed to be affiliates of Spinco after the Distribution generally include individuals or entities that control, are controlled by, or are under common control with, Spinco and may include certain directors, officers and significant stockholders of Spinco. Persons who are affiliates of Spinco will be permitted to sell their Spinco Shares only pursuant to an effective registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act, such as the exemptions afforded by Section 4(1) of the Securities Act and the provisions of Rule 144 thereunder. It is believed that persons who may be deemed to be affiliates of Spinco after the Distribution will beneficially own approximately Spinco Shares, or approximately % of the outstanding Spinco Shares.

There can be no assurance as to whether the Spinco Shares will be actively traded or as to the prices at which the Spinco Shares will trade. Although NSI has been a part of the S&P 500 Index, there can be no assurance that Spinco will become a part of the S&P 500 Index. Some of the NSI stockholders who receive Spinco Shares may decide that they do not want shares in a company consisting of lighting equipment and chemicals businesses, and may sell their Spinco Shares following the Distribution. This may delay the development of an orderly trading market in the Spinco Shares for a period of time following the Distribution. Until the Spinco Shares are fully distributed and an orderly

market develops, the prices at which the Spinco Shares trade may fluctuate significantly and may be lower than the price that would be expected for a fully distributed issue. Prices for Spinco Shares will be determined in the marketplace and may be influenced by many factors, including the depth and liquidity of the market for the shares, Spinco's results of operations, what investors think of Spinco and the lighting equipment and chemicals industries, the amount of dividends that Spinco pays, changes in economic conditions in the lighting equipment and chemicals industries and general economic and market conditions.

Following the Distribution, NSI expects that its common stock will continue to be listed and traded on the New York Stock Exchange under the symbol "NSI." As a result of the Distribution, the trading price of NSI common stock immediately following the Distribution will be substantially lower than the trading price of NSI common stock immediately prior to the Distribution. Following the Distribution, NSI's operations will consist of the textile rental and envelope businesses. These businesses represented approximately 20% of NSI's consolidated assets and revenues as of and for the fiscal year ended August 31, 2000. Further, the combined trading prices of NSI common stock and the Spinco Shares after the Distribution may be less than the trading prices of NSI common stock immediately prior to the Distribution.

Even though NSI is currently a publicly held company, there can be no assurance as to whether an active trading market for NSI common stock will be maintained after the Distribution or as to the prices at which the NSI common stock will trade. Some NSI stockholders may decide that they do not want shares in a company consisting of textile rental and envelope businesses, and may sell their NSI common stock following the Distribution. Additionally, it is expected that NSI will no longer comprise part of the S&P 500 Index. It is expected that some stockholders, including certain mutual funds, will sell their NSI common stock on this basis alone. These and other factors may delay or hinder the return to an orderly trading market in the NSI common stock following the Distribution. Whether an active trading market for NSI common stock will be maintained after the Distribution and the prices for NSI common stock will be determined in the marketplace and may be influenced by many factors, including the depth and liquidity of the market for the shares, NSI's results of operations, what investors think of NSI and the textile rental and envelope industries, the amount of dividends that NSI pays, changes in economic conditions in the textile rental and envelope industries and general economic and market conditions.

In addition, the stock market often experiences significant price fluctuations that are unrelated to the operating performance of the specific companies whose stock is traded. Market fluctuations could have a material adverse impact on the trading price of the Spinco Shares and/or NSI common stock.

FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION

The following discussion summarizes the material U.S. federal income tax consequences resulting from the Distribution. This discussion is based upon the U.S. federal income tax laws and regulations now in effect and as currently interpreted and does not take into account possible changes in such tax laws or such interpretations, any of which may be applied retroactively.

The following summary is for general information only and may not be applicable to stockholders who received their shares of NSI stock pursuant to an employee benefit plan

or who are not citizens or residents of the United States or who are otherwise subject to special treatment under the Code. Each stockholder's individual circumstances may affect the tax consequences of the Distribution to such stockholder. In addition, no information is provided with respect to tax consequences under any applicable foreign, state or local laws. Consequently, each NSI stockholder is advised to consult his own tax advisor as to the specific tax consequences of the Distribution and the effect of possible changes in tax laws.

Neither NSI nor Spinco has requested an advance ruling from the Internal Revenue Service as to the tax consequences of the Distribution.

GENERAL

NSI and Spinco intend for the Distribution to be tax-free for U.S. federal income tax purposes. The Distribution is conditioned upon the receipt by each of NSI and Spinco of opinions from each of King & Spalding, counsel to NSI, and Ernst & Young LLP, special tax advisor to NSI, that for U.S. federal income tax purposes (assuming that NSI common stock is a capital asset in the hands of an NSI stockholder):

- Neither NSI nor Spinco will recognize any gain or loss on the distribution of Spinco Shares to NSI stockholders.
- An NSI stockholder will not recognize any income, gain or loss as a result of the receipt of Spinco Shares in the Distribution.
- An NSI stockholder's holding period for the Spinco Shares received in the Distribution will include the holding period for which that stockholder's NSI shares were held.
- An NSI stockholder's aggregate tax basis for his NSI shares and Spinco Shares immediately after the Distribution will equal the aggregate tax basis of that stockholder's NSI shares immediately before the Distribution, with such aggregate basis being allocated between the NSI shares and Spinco Shares in proportion to their respective fair market values at the time of the Distribution.
- An NSI stockholder will not recognize any income, gain or loss as a result of the receipt of the preferred stock purchase rights which are attached to Spinco Common Stock in the Distribution, and the receipt of such rights will have no effect on a stockholder's basis or holding period in the Spinco Shares or the NSI shares.

The opinions of King & Spalding and Ernst & Young LLP are subject to certain assumptions and the accuracy and completeness of certain factual representations and statements made by NSI and Spinco and certain other data, documentation and other materials that each of King & Spalding and Ernst & Young LLP deemed necessary for purposes of their respective opinions. These opinions represent the views of King & Spalding and Ernst & Young LLP as to the interpretation of existing tax law and, accordingly, such opinions are not binding on the Internal Revenue Service or the courts and no assurance can be given that the Internal Revenue Service or the courts will agree with their opinions.

If the Distribution does not qualify as a tax-free distribution under Section 355 of the Code, (i) the corporate-level tax would be based upon the excess of the fair market value of the Spinco Shares on the Distribution Date, over NSI's adjusted tax basis for such

shares on such date, and (ii) each NSI stockholder who receives Spinco Shares in the Distribution would generally be treated as receiving a taxable distribution in an amount equal to the fair market value of such shares on the Distribution Date, taxed first as a dividend to the extent of such holder's pro rata share of NSI's current and accumulated earnings and profits (as increased to reflect any NSI gain on a taxable distribution as discussed above), and then as a nontaxable return of capital to the extent of such holder's tax basis in the shares of NSI stock, with any remaining amount being taxed as capital gain (provided that the NSI shares were held by the stockholder as a capital asset on the Distribution Date). Stockholders which are corporations may be subject to additional special provisions dealing with taxable distributions, such as the dividends received deduction and the extraordinary dividend rules.

In addition, under Section 355(e) of the Code, even if the Distribution qualifies as tax-free, the Distribution could nevertheless become taxable to NSI (but not NSI stockholders) if NSI or Spinco were to undergo a change in control pursuant to a plan or a series of related transactions which include the Distribution. Any transaction which occurs within the four-year period beginning two years prior to the Distribution is presumed to be part of a plan or a series of related transactions which include the Distribution unless NSI establishes otherwise. In this context, a change in control generally means a shift in 50% or more of the ownership of either NSI or Spinco. Examples of such a change in control could include an acquisition (including acquisitions which are neither planned nor accepted by the board of the company being acquired), the issuance of a significant amount of additional shares, and certain redemptions.

INDEMNIFICATION

Spinco would be obligated to indemnify NSI under the tax disaffiliation agreement for the full amount of any liability of NSI incurred as a result of (1) a breach of a representation made to King & Spalding or Ernst & Young LLP in connection with rendering their respective tax opinions, which breach contributes to an Internal Revenue Service determination that the Distribution was not tax-free, or (2) Spinco or an affiliate's post-Distribution action or omission contributes to an Internal Revenue Service determination that the Distribution was not tax-free. NSI will indemnify Spinco for all taxes and liabilities incurred solely because NSI or an affiliate's post-Distribution action or omission contributes to an Internal Revenue Service determination that the Distribution was not tax-free. If the Internal Revenue Service determines that the Distribution was not tax-free for any other reason, NSI and Spinco will indemnify each other against all taxes and liabilities pro rata based on relative post-closing market capitalization values. If triggered, Spinco's indemnification obligation would have a material adverse effect on the results of operations and financial position of Spinco.

Spinco will indemnify NSI against any taxes resulting from any internal realignment undertaken to facilitate the Distribution on or before the Distribution Date.

For a description of the agreement pursuant to which NSI and Spinco have provided for certain tax disaffiliation and other tax-related matters, see "Relationship Between NSI and Spinco Following the Distribution -- Tax Disaffiliation Agreement" on page 27.

INFORMATION REPORTING

Current Treasury regulations require each NSI stockholder who receives Spinco Shares pursuant to the Distribution to attach to his federal income tax return for the year

in which the Distribution occurs a detailed statement setting forth such data as may be appropriate in order to show the applicability of Section 355 of the Code to the Distribution. NSI will provide appropriate information to each holder of record of NSI common stock as of the Record Date.

REASONS FOR FURNISHING THIS DOCUMENT

This document is being furnished solely to provide information to NSI stockholders who will receive Spinco Shares in the Distribution. It is not, and is not to be construed as, an inducement or encouragement to buy or sell any securities of NSI or Spinco. Neither NSI nor Spinco will update the information contained in this document except in the normal course of their respective public disclosure practices. However, this document will be amended if there is any material change in the terms of the Distribution.

RELATIONSHIP BETWEEN NSI AND SPINCO
FOLLOWING THE DISTRIBUTION

For purposes of governing certain of the ongoing relationships between NSI and Spinco after the Distribution and to provide for an orderly transition to the status of two independent companies, NSI and Spinco have entered or will enter into the agreements described in this section. The forms of agreements summarized in this section are, or will be, included as exhibits to the Registration Statement on Form 10 (including any amendments thereto, the "Registration Statement") that Spinco has filed with the Securities and Exchange Commission (the "Commission") which relates to this information statement, and the following summaries are qualified in their entirety by reference to the agreements as filed. See "Additional Information" on page 89.

DISTRIBUTION AGREEMENT

On the Distribution Date, NSI and Spinco will enter into the distribution agreement, which will provide for, among other things, the principal corporate transactions required to effect the Distribution and certain other agreements relating to the continuing relationship between Spinco and NSI after the Distribution.

The distribution agreement will provide that on or prior to the Distribution Date, Spinco will have issued to NSI a number of Spinco Shares equal to the total number of shares of NSI common stock outstanding on the Distribution Date. NSI will effect the Distribution by delivering a certificate representing 100% of the Spinco Shares to the Distribution Agent.

NSI currently indirectly owns through its subsidiaries the assets which will comprise Spinco's businesses. Under the distribution agreement, NSI's subsidiaries will transfer ownership of these subsidiaries and assets to Spinco, and Spinco will assume certain obligations related to these subsidiaries and assets so that the assets, liabilities and operations associated with the lighting equipment and chemicals businesses will be owned by Spinco and its subsidiaries.

Under the distribution agreement and effective as of the Distribution Date, Spinco will assume, and will agree to indemnify NSI against, all liabilities, litigation and claims, including related insurance costs, arising out of Spinco's businesses (including discontinued or sold lighting equipment and chemicals businesses), and NSI will retain, and will agree to indemnify Spinco against, all other liabilities, litigation and claims, including related insurance costs. The foregoing obligations will not entitle an indemnified party to recovery to the extent any such liability is covered by proceeds received by such party from any third party insurance policy.

Under the distribution agreement for a two-year period beginning on the Distribution Date, except in limited circumstances, Spinco will not solicit or recruit any NSI employee without NSI's prior written consent, and, likewise, NSI will not solicit or recruit any Spinco employee without Spinco's prior written consent.

The distribution agreement will also provide that each of NSI and Spinco shall be granted access to certain records and information in the possession of the other, and will require the retention by each of NSI and Spinco for a period of six years following the Distribution Date of all such information in its possession.

TRANSITION SERVICES AGREEMENT

On the Distribution Date, Spinco will have entered into a transition services agreement with NSI. This agreement will provide that NSI and Spinco will provide each other services in such areas as information management and technology, employee benefits administration, payroll, financial accounting and reporting, claims administration and reporting, legal, and other areas where NSI and Spinco may need transitional assistance and support. The transition services agreement will provide generally that each of Spinco and NSI will undertake to provide substantially the same level of service and use substantially the same degree of care as their respective personnel provided and used in providing such services prior to the execution of the agreement. The agreement will extend for a one year term, but may be terminated earlier under certain circumstances, including a default, bankruptcy event, or change in control. Spinco believes that the terms and conditions of the transition services agreement are as favorable to Spinco as those available from unrelated parties for a comparable arrangement.

LEASE AGREEMENT

On the Distribution Date, Spinco and NSI will have entered into a lease agreement pursuant to which NSI will lease to Spinco a portion of NSI's corporate headquarters, which will be owned by NSI. The term of the lease is 12 months, and the monthly rent is \$.

TAX DISAFFILIATION AGREEMENT

NSI and Spinco will enter into a tax disaffiliation agreement on the Distribution Date which sets out each party's rights and obligations with respect to deficiencies and refunds, if any, of federal, state, local or foreign taxes for periods before and after the Distribution and related matters such as the filing of tax returns and the conduct of Internal Revenue Service and other audits. Under the tax disaffiliation agreement, Spinco will indemnify NSI for all taxes and liabilities incurred as a result of (1) a breach of a representation made to King & Spalding or Ernst & Young LLP in connection with rendering their respective tax opinions, which breach contributes to an Internal Revenue Service determination that the Distribution was not tax-free or (2) Spinco or an affiliate's post-Distribution action or omission contributes to an Internal Revenue Service determination that the Distribution was not tax-free. NSI will indemnify Spinco for all taxes and liabilities incurred solely because NSI or an affiliate's post-Distribution action or omission contributes to an Internal Revenue Service determination that the Distribution was not tax-free. If the Internal Revenue Service determines that the Distribution was not tax-free for any other reason, NSI and Spinco will indemnify each other against all taxes and liabilities pro rata based on relative post-closing market capitalization values.

Spinco will indemnify NSI against any taxes resulting from any internal realignment undertaken to facilitate the Distribution on or before the Distribution Date.

EMPLOYEE BENEFITS AGREEMENT

GENERAL. Spinco will enter into an employee benefits agreement with NSI on the Distribution Date that will provide for the transition of employee plans and programs sponsored by NSI for employees of the lighting equipment and chemicals businesses and the employees of the corporate office hired by Spinco. This agreement will allocate

responsibility for certain employee benefits matters and liabilities after the Distribution Date. Spinco will also generally assume the liabilities for benefits for retirees and other former employees of the lighting equipment and chemicals businesses and the corporate office. Under the employee benefits agreement, Spinco will become liable for providing specified welfare and retirement benefits to its employees after the Distribution Date, which will generally be similar to the benefits currently provided to such employees by NSI and its subsidiaries. In some cases, Spinco will adopt and assume the separate plans currently maintained by NSI for employees of the lighting equipment and chemicals businesses and the corporate office, and in others, Spinco will adopt new plans that will be similar to the plans maintained by NSI. Except as specifically provided in the employee benefits agreement, nothing in that agreement will restrict Spinco's or NSI's ability to amend or terminate any of their respective employee benefit plans.

STOCK OPTIONS AND RESTRICTED STOCK. The employee benefits agreement provides that, at the time of the Distribution, NSI stock options held by Spinco employees will generally be converted to, and replaced by, Spinco stock options in accordance with a conversion ratio. This conversion ratio will be determined at the time of the Distribution and will generally equal (a) the closing price of NSI's common stock on the New York Stock Exchange on the Distribution Date (without giving effect to the Distribution), divided by (b) the closing price of a Spinco Share on the Distribution Date (trading on a when-issued basis). As part of the conversion, Spinco will multiply the number of shares purchasable under each converted stock option by this conversion ratio and divide the exercise price per share of each option by the ratio. Fractional shares will be rounded down to the nearest whole number of shares. The other terms of the converted stock options will generally remain the same as those in effect immediately prior to the Distribution. With respect to options held by Spinco employees in some foreign countries, if the above conversion method is not permitted or desirable under the foreign tax, securities or other laws, a different approach may be used. Each employee holding outstanding shares of NSI restricted stock (all of which is unvested) will receive a dividend of one Spinco Share for each NSI share held. Any Spinco Shares received as a dividend on NSI restricted stock will be subject to the same restrictions and terms, including the vesting schedule, as the NSI restricted stock and will be registered in the name of such employee on the books of Spinco's transfer agent. Each Spinco employee who has a performance-based restricted stock award of NSI that has not reached a vesting start date will not receive the dividend, and will receive a replacement performance-based restricted stock award of Spinco, adjusted to reflect the Distribution.

LONG-TERM INCENTIVE AWARDS. Under NSI's long-term incentive plan, with respect to awards for the long-term incentive performance period that began September 1, 1999, and will end August 31, 2002, the performance period was terminated for corporate office employees on August 31, 2001 and NSI will be responsible for determining the extent to which the established performance criteria have been met at such date. NSI will be obligated to make any payments under the plan to all qualifying participants, including Spinco employees. For awards held by Spinco employees other than corporate office employees, such awards will be assumed by Spinco and will be paid, to the extent earned, at the end of the performance period (with such adjustments to the performance measures as Spinco deems appropriate).

DEFERRED COMPENSATION PLANS. The employee benefits agreement provides that at the time of the Distribution, Spinco will establish deferred compensation plans for its employees which will be substantially similar to NSI's deferred compensation plans as in effect at such time. The accounts and benefits of current and former employees of the lighting equipment and chemicals businesses and the corporate office (other than corporate office employees employed by NSI after the Distribution Date) will be transferred to the new plans. In some cases, assets that were held by NSI to help fund its obligations under the deferred compensation plans will be transferred to Spinco to help fund the obligations it is assuming.

PENSION PLANS. Effective as of the Distribution Date, Spinco will adopt and assume all liabilities with respect to NSI's current separate defined benefit pension plans that cover employees and former employees of the lighting equipment and chemicals businesses and NSI's plan that covers employees and former employees of the corporate office (other than corporate office employees employed by NSI after the Distribution Date) ("Transferred Pension Plans"). As soon as practical after the Distribution Date, all of the assets associated with the Transferred Pension Plans will be transferred from the NSI's Defined Benefit Plans Master Trust to the Spinco Defined Benefit Plans Master Trust in accordance with the employee benefits agreement.

401(K) PLANS. Effective as of the Distribution Date, Spinco will adopt and assume all liabilities with respect to NSI's separate 401(k) plans that cover employees and former employees of the lighting equipment and chemicals businesses and NSI's plan that covers employees and former employees of the corporate office (other than corporate office employees employed by NSI after the Distribution Date) ("Transferred 401(k) Plans"). During a transition period, an NSI stock account and a Spinco stock account will be maintained under the 401(k) plans remaining with NSI and under the Transferred 401(k) Plans to hold shares of NSI common stock and Spinco Shares distributed with respect to such NSI common stock. Employees of one company will not be allowed to add to their stock accounts of the other company through new contributions or balance transfers. At the time of the Distribution, all of the assets associated with the Transferred 401(k) Plans will be transferred from the NSI's Defined Contribution Plans Master Trust to the Spinco Defined Contribution Plans Master Trust.

HEALTH AND WELFARE PLANS. Spinco will assume all liabilities and responsibilities for providing health and welfare benefits to its active employees. As of the Distribution Date, Spinco intends to establish health and welfare plans that are substantially similar to NSI's plans as in effect at such time. During a transition period after the Distribution, Spinco will administer some of its plans in conjunction with the respective NSI plans and provide reimbursement to NSI for any costs or expenses it incurs in connection with such administration. For those benefits that are provided through insurance, NSI will take steps to have each insurance carrier agree to allow Spinco's employees to continue to be covered by NSI policies or through separate contracts on substantially the same basis during the transition period.

EMPLOYEE STOCK PURCHASE PLAN. On or shortly after the Distribution Date, Spinco expects to adopt an employee stock purchase plan that is substantially similar to NSI's current employee stock purchase plan. The plan will generally permit eligible employees of Spinco to periodically purchase Spinco Shares at a discount and will be structured to satisfy the requirements of Section 423 of the Internal Revenue Code.

LITIGATION AGAINST NSI

Various legal claims, including product liability claims, are pending or may be instituted against NSI or its various operating subsidiaries. Because Spinco and its subsidiaries are separate corporations, Spinco's management believes the risk that Spinco's assets could be subject to these claims and liabilities (except for those claims and liabilities expressly assumed in the distribution agreement) is remote.

FINANCING ARRANGEMENTS FOR SPINCO

Based upon the relative financial conditions, results of operations, historical transactions and prospects of Spinco and NSI, NSI determined that all but approximately \$5 million of NSI's total outstanding debt would be assumed by Spinco or refinanced by new borrowings of Spinco as part of the Distribution.

NSI and Spinco expect that Spinco and its lighting equipment subsidiary will assume all of NSI's rights and obligations under the Indenture, dated as of January 26, 1999, relating to the \$200 million principal amount 8.375% Notes due August 1, 2010, and the \$160 million principal amount 6% Notes due February 1, 2009, through the execution of a supplemental indenture prior to the effective date of the Distribution. Upon the execution of the supplemental indenture, Spinco and its lighting equipment subsidiary will become the obligors of the Notes, and NSI, effective upon the completion of the Distribution, will be relieved of all obligations and covenants with respect to the Notes and the Indenture.

In May 2001, NSI entered into a \$150 million credit facility under which borrowings are secured by certain accounts receivable of the lighting equipment and chemicals businesses (the "Receivables Facility"). The Receivables Facility permits NSI to borrow amounts from time to time against its then outstanding accounts receivable. As of May 31, 2001, NSI had \$118.9 million in outstanding borrowings under the Receivables Facility. Effective on the Distribution Date, Spinco will assume all of NSI's borrowings and other obligations under the Receivables Facility. Spinco expects to maintain the Receivables Facility and to continue to finance its receivables with borrowings under the facility.

Prior to the Distribution, Spinco expects to enter into an unsecured credit facility with a syndicate of banks. The credit facility is expected to contain, among other terms, conditions precedent, covenants, representations and warranties, mandatory and voluntary prepayment provisions and events of default customary for facilities of this type. Spinco may also establish a commercial paper program that will be supported by the credit facility. Spinco will obtain funds for working capital and other general corporate purposes through borrowings under the credit facility, the issuance of commercial paper or a combination thereof.

HISTORICAL AND PRO FORMA COMBINED CAPITALIZATION

The following table sets forth Spinco's combined capitalization as of May 31, 2001, on a historical and pro forma basis, to give effect to the Distribution as if it had occurred on May 31, 2001. This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the "Combined Financial Statements" and the notes thereto, and the "Pro Forma Financial Information" and discussion thereof, included elsewhere in this information statement. The pro forma information may not necessarily reflect the debt and capitalization of Spinco in the future or as it would have been had Spinco been a separate, independent company at May 31, 2001, or had the Distribution actually been effected on that date.

Based upon the relative financial conditions, results of operations, historical transactions and prospects of Spinco and NSI, NSI determined that all but approximately \$5 million of NSI's total outstanding debt would be assumed by Spinco or refinanced by new borrowings of Spinco as part of the Distribution. Spinco intends to take the necessary actions to effect the transfer of these obligations to Spinco under the same terms existing with NSI; however, Spinco does not have the ability to unilaterally effect the transfer in all cases. In the event that any of NSI's creditors do not accept this transfer, Spinco would be required to refinance the related borrowings. In addition, Spinco expects to enter into a new unsecured credit facility, as NSI's existing credit facilities will expire upon the completion of the Distribution. Spinco believes that the terms of the debt which will ultimately be outstanding at Spinco will not differ materially from the terms of NSI's debt currently outstanding.

(UNAUDITED) HISTORICAL ADJUSTMENTS PRO
FORMA -----
- (IN THOUSANDS) DEBT: Commercial
paper..... \$
115,665 \$ -- \$ 115,665 6% notes due
February 2009.....
159,680 -- 159,680 8.375% notes due
August 2010..... 199,775 -
- 199,775 Short-term secured
borrowings..... 118,900 --
118,900 Other
notes.....
43,537 -- 43,537 -----
----- Total
debt.....
637,557 -- 637,557 -----
- ----- EQUITY: NSI equity
investment.....
432,496 (432,496) -- Common stock,
\$.01 par value, 500,000,000 shares
authorized, none issued and
outstanding (historical) and
41,188,504 issued and outstanding (pro
forma), and paid-in
capital(1)..... --
432,496 432,496 Preferred stock, \$.01
par value, 50,000,000 shares
authorized, none issued and
outstanding (historical) and none
issued and outstanding (pro
forma)..... -- -- --
Accumulated other comprehensive
income..... (13,628) -- (13,628) ---
----- Total
equity.....
418,868 -- 418,868 -----
- ----- Total
capitalization.....
\$1,056,425 \$ -- \$1,056,425 =====
=====

(1) The NSI equity investment will be classified as common stock and paid-in
capital at the time of the Distribution.

DIVIDEND POLICIES

After the Distribution, Spinco intends to pay quarterly dividends on its common stock at an initial annual rate of \$.60 per share. The declaration and payment of dividends will be at the discretion of Spinco's board of directors and will be subject to Spinco's financial results and the availability of surplus funds to pay dividends. Delaware law prohibits Spinco from paying dividends or otherwise distributing funds to its stockholders, except out of legally available surplus. The amount of Spinco's future dividends will depend on Spinco's ongoing financial condition, capital requirements, results of operations, future business prospects and other factors the Spinco board of directors may deem relevant. Spinco also may be restricted in the payment of dividends by the terms of its credit facilities. There can be no assurance that Spinco will continue to pay dividends on its common stock at the expected initial annual rate of \$.60 per share. See "Risk Factors -- The Payment of Dividends by Spinco's Board of Directors May Limit Growth" on page 15.

After the Distribution, NSI intends to pay quarterly dividends on its common stock at an initial annual rate of \$.04 per share. The declaration and payment of dividends are at the discretion of NSI's board of directors and are subject to NSI's financial results and the availability of surplus funds to pay dividends. Delaware law prohibits NSI from paying dividends or otherwise distributing funds to its stockholders, except out of legally available surplus. The amount of NSI's future dividends will depend on NSI's ongoing financial condition, capital requirements, results of operations, future business prospects and other factors the NSI board of directors may deem relevant. NSI also may be restricted in the payment of dividends by the terms of its credit facilities. There can be no assurance that NSI will continue to pay dividends on its common stock at the expected initial annual rate of \$.04 per share.

Although no formal action has been taken with respect to dividend policy of NSI or Spinco after the Distribution, it is anticipated that the aggregate cash dividends payable by Spinco and NSI after the Distribution, taken together, in respect of (1) shares of NSI common stock held on the distribution date and (2) shares of Spinco common stock received in the Distribution will be substantially less than the annual rate of the cash dividend previously paid on NSI common stock of \$1.32 per share.

PRO FORMA FINANCIAL INFORMATION

On June 28, 2001, the board of directors of NSI authorized management to evaluate and pursue the spin-off of its lighting equipment and chemicals businesses, subject to certain conditions, into a separate publicly traded company with its own management and board of directors. The Distribution is expected to occur during the first fiscal quarter of 2002 and will be accomplished by transferring the assets and liabilities of NSI's lighting equipment and chemicals businesses to Spinco and then distributing all of the shares of common stock of Spinco to NSI's stockholders. NSI's stockholders will receive one share of Spinco common stock for each share of NSI common stock held as of the Record Date. After the Distribution, Spinco and NSI will be two separate public companies. Spinco was incorporated on June 27, 2001, as an indirect wholly owned subsidiary of NSI and will have no material assets or activities until the contribution of the lighting and chemical businesses described in this information statement.

Operating expenses in the historical income statements of Spinco reflect direct expenses of the Spinco businesses together with allocations of certain NSI corporate expenses that have been charged to Spinco based on usage or other methodologies appropriate for such expenses. In the opinion of Spinco management, these allocations have been made on a reasonable basis. As there are no known material incremental costs to be incurred by Spinco as a direct result of the Distribution, pro forma income statement information has not been presented herein. In addition, the only pro forma adjustment that would be applicable to the historical balance sheet of Spinco as of May 31, 2001 would be the recording of common stock and additional paid-in-capital to reflect the capitalization of NSI's equity investment in Spinco. Accordingly, no pro forma financial statements for Spinco have been included in this information statement.

SELECTED FINANCIAL DATA

The following table sets forth certain selected combined financial data of Spinco, which have been derived from the combined financial statements of Spinco for the nine months ended May 31, 2001 and 2000, and for each of the five years in the period ended August 31, 2000. The historical information may not be indicative of Spinco's future performance as an independent company. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the "Combined Financial Statements" and the notes thereto, and the "Pro Forma Financial Information" and the discussion thereof, included elsewhere in this information statement. Operating expenses in the historical income statements reflect direct expenses of the Spinco businesses together with allocations of certain NSI corporate expenses that have been charged to Spinco based on usage or other methodologies appropriate for such expenses. In the opinion of Spinco management, these allocations have been made on a reasonable basis. Actual per share data has not been presented since the businesses that comprise Spinco were wholly owned subsidiaries of NSI during the periods presented.

(UNAUDITED) NINE
MONTHS ENDED MAY 31,
YEARS ENDED AUGUST 31,

2001 2000 2000 1999
1998 1997 1996 -----

--- (IN THOUSANDS,
EXCEPT PER-SHARE DATA)
Net
sales.....
\$1,482,957 \$1,466,622
\$2,022,711 \$1,708,385
\$1,559,787 \$1,354,595
\$1,235,453 Net
income.....
34,104 52,785 83,691
89,116 81,811 64,019
67,832 Total assets at
period
end.....
1,370,605 1,371,145
1,422,880 1,337,038
700,112 638,636
568,593 Long-term debt
(including current
portion) at period
end.....
384,302 434,040
384,443 435,567 73,190
21,313 19,966 Pro
forma basic earnings
per
share.....
0.83 n/a 2.06 n/a n/a
n/a n/a

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

You should read the following discussion in conjunction with "Selected Financial Data," the "Combined Financial Statements" including the notes thereto, the "Pro Forma Financial Information" and discussion thereof and the other financial information included elsewhere in this information statement. This discussion contains forward-looking statements. Please see "Cautionary Statement Regarding Forward-Looking Statements" on page 7 for a discussion of the uncertainties, risks and assumptions associated with these statements.

SEPARATION FROM NATIONAL SERVICE INDUSTRIES, INC. (NSI)

Spinco was incorporated under the laws of the State of Delaware on June 27, 2001, as an indirect wholly owned subsidiary of NSI. Spinco will have no material assets or activities until the contribution of the lighting equipment and chemicals businesses described in this information statement. After the Distribution, Spinco will be an independent public company, with NSI having no continuing ownership interest in Spinco.

Spinco's combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States, and reflect the historical financial position, results of operations, and cash flows of the businesses to be transferred to Spinco from NSI as part of the Distribution. The financial information included in this information statement, however, is not necessarily indicative of what Spinco's results of operations or financial position would have been had it operated as an independent company during the periods presented, nor is it necessarily indicative of its future performance as an independent company.

All material intercompany transactions between entities included in Spinco's combined financial statements have been eliminated. Spinco has been allocated certain NSI corporate assets, liabilities and expenses based on an estimate of the proportion of such amounts allocable to Spinco, utilizing such factors as total revenues, employee headcount and other relevant factors. Spinco believes that these allocations have been made on a reasonable basis. Spinco believes that all costs allocated to Spinco are a reasonable representation of the costs that Spinco would have incurred if Spinco had performed these functions as a stand-alone company.

In conjunction with the separation of the lighting equipment and chemicals businesses from NSI, Spinco will enter into various agreements with NSI that address the allocation of assets and liabilities, and that define Spinco's relationship with NSI after the Distribution, including a distribution agreement, a tax disaffiliation agreement, an employee benefits agreement, and a transition services agreement.

RESULTS OF OPERATIONS

FISCAL YEAR 2000 COMPARED WITH FISCAL YEAR 1999 AND FISCAL YEAR 1999 COMPARED WITH FISCAL YEAR 1998

Spinco's businesses had revenues of \$2.0 billion for the fiscal year ended August 31, 2000. The revenue increase in comparison to the prior year resulted from 1999 acquisitions, primarily Holophane, as well as core growth in both business segments. Revenues in 1999

were \$1.7 billion, representing a 9.5% increase in comparison to 1998 primarily due to growth in the core business and acquisitions.

Net income in fiscal 2000 decreased \$5.4 million to \$83.7 million, primarily as increased profit in the lighting equipment and chemicals businesses was offset by increased interest expense related to higher debt levels for financing capital expenditures, prior-year acquisitions, and increased inventory and receivables. Net income for 1999 increased \$7.3 million over 1998, or 8.9%, to \$89.1 million.

Lighting equipment segment sales grew \$291.0 million, or 23.8%, to \$1.5 billion in 2000. The growth in sales primarily related to the acquisitions of Holophane Corporation ("Holophane") and Peerless Corporation ("Peerless"). These acquisitions contributed \$240.8 million of revenue that was not included in the prior year results. Excluding revenue related to these acquisitions, lighting equipment sales increased approximately \$50.2 million during fiscal 2000. This increase in revenue primarily related to continued strength in the non-residential construction market. Operating profit increased primarily as a result of the acquisitions of Holophane and Peerless, growth in the segment's core business, and containment of fixed costs, offset somewhat by a \$1.0 million pretax charge during the first quarter of fiscal 2000 for closing a manufacturing facility in California. Although the non-residential construction market remained strong throughout fiscal 2000, Spinco forecasts a 5% decline in the next calendar year's non-residential construction market. Spinco expects to partially offset the impact of the anticipated slowing market with cost-saving initiatives and the achievement of synergies related to the Holophane acquisition. Sales grew \$115.3 million, or 10.4%, to \$1.2 billion in fiscal 1999. Continued strength in the non-residential construction market and the acquisitions of GTY Industries (d/b/a "Hydrel"), Peerless, and Holophane contributed to the growth in sales. As a result of the increased sales and manufacturing cost savings, operating profit increased 11.4% in 1999.

Chemicals segment revenues for fiscal 2000 increased \$23.3 million, or 4.8%, to \$511.1 million. Increased revenues related primarily to growth in the retail channel and higher revenue in the institutional and industrial channels. Retail channel revenue increased \$8.9 million, or 11.8%, as a result of additional home center openings and increased volume through existing stores. The institutional and industrial channel revenue increase of \$14.4 million, or 3.5%, was driven by higher United States core sales resulting from 40 additional sales representatives in addition to higher volume from the specialty segments. Operating profit increased \$3.5 million, or 7.7%, to \$48.7 million. The increase in operating profit resulted from the increased revenue, offset somewhat by a \$2.0 million pretax charge for the disposal of obsolete retail chemical inventories in the fourth quarter of fiscal 2000, which is included in "Cost of products sold" in the accompanying "Combined Statements of Income," and lower operating profit from the segment's international operations. The chemicals segment's international operations were negatively impacted by severance costs and weakening currencies. During fiscal 2000, NSI reorganized its three chemical companies. Under the new structure, Spinco expects to benefit from shared resources but will continue to maintain separate sales forces and product brand identities. Revenues in 1999 increased \$33.3 million, or 7.3%, to \$487.8 million. The increase in fiscal 1999 revenue was a result of continued growth in the retail channel, higher revenue in the industrial and institutional distribution channels, inclusion of a full year of Calman Australia Pty Ltd. ("Calman"), and other international revenue. Operating profit increased \$8.7 million, or 24.0%, to \$45.2 million as a result of the

increased revenues, lower operating costs, and severance costs included in 1998 that were not repeated in 1999.

Allocated corporate expenses in fiscal 2000 increased \$2.6 million, primarily due to higher costs related to strategic initiatives, partially offset by lower compensation expense. Corporate expenses in fiscal 1999 approximated those in fiscal 1998. Net interest expense increased \$30.6 million in fiscal 2000 as a result of higher debt levels required for financing acquisitions as well as higher capital expenditures and working capital. Net interest expense increased \$8.3 million in 1999 as a result of higher average debt levels.

Combined income before taxes in 2000 decreased \$7.3 million, or 5.1%, to \$135.3 million primarily due to increased interest expense partially offset by increased operating profits in both the lighting equipment and chemicals segments. Income before taxes increased \$12.7 million, or 9.8%, to \$142.6 million in fiscal 1999 primarily due to increased income from both the lighting equipment and chemicals segments. The provision for income taxes was 38.1%, 37.5%, and 37.0% in fiscal years 2000, 1999, and 1998, respectively. The increase in the provision for income taxes primarily relates to goodwill recorded in the Holophane acquisition, which is not deductible for tax purposes.

ACQUISITIONS

Management periodically implements strategic transactions that, it believes, afford it the opportunity to redeploy resources to create value and position the business for future growth. During the three-year period ending August 31, 2000, the following transactions occurred:

Acquisition spending in 2000 totaled \$16.2 million and related to the cash-out of remaining Holophane shares. NSI purchased Holophane, a manufacturer of premium quality, highly engineered lighting fixtures and systems, in July 1999 for approximately \$470.8 million, including approximately \$20.0 million for the payoff of Holophane's existing debt. Of the total purchase price, \$454.6 million was paid during fiscal 1999 and \$16.2 million was paid during fiscal 2000.

In 1999, acquisition spending totaled approximately \$514.4 million and was primarily related to the Holophane acquisition. Other acquisitions in the lighting equipment segment included the September 1998 purchase of certain assets of Hydrel, a manufacturer of architectural-grade light fixtures for landscape, in-grade, and underwater applications; the April 1999 purchase of certain assets of Peerless, a manufacturer of high performance indirect/direct suspended lighting products; and the July 1999 purchase of C&G Carandini SA, a manufacturer of exterior lighting fixtures.

In 1998, acquisition spending totaled \$11.4 million and was primarily related to the chemicals segment. In November 1997, NSI purchased Pure Corporation, a specialty chemical company with its core businesses in Indiana, Pennsylvania, and New York. In July 1998, NSI purchased Calman. Calman, located in Victoria, Australia, is a manufacturer of cleaning, maintenance, sanitation and industrial products, chemicals, supplies, and accessories. Additionally, NSI paid certain performance payments associated with a prior-year chemicals acquisition.

LIQUIDITY AND CAPITAL RESOURCES

FISCAL YEAR 2000 COMPARED WITH FISCAL YEAR 1999 AND FISCAL YEAR 1999 COMPARED WITH FISCAL YEAR 1998

Operating Activities

Operations provided cash of \$64.0 million in 2000, compared with cash provided of \$148.1 million in 1999 and \$36.4 million in 1998. The decrease in 2000 related to the increase in receivables and inventory, a decrease in current liabilities, and an increase in income tax payments. The increase in 1999 primarily resulted from increased payables and accrued liabilities, lower inventories, an increase in net income, and lower tax payments.

Investing Activities

Investing activities used cash of \$87.0 million in 2000, \$554.4 million in 1999 and \$60.1 million in 1998. The change in fiscal 2000 primarily related to a decrease in acquisition spending, offset somewhat by an increase in capital expenditures. The change during 1999 was a result of the significant increase in acquisition spending.

Acquisition spending during fiscal 2000 was \$16.2 million and related primarily to the cash-out of remaining Holophane shares. Prior-year acquisition spending of \$514.4 million related to the lighting equipment segment's purchase of Holophane, certain assets of Hydrel, certain assets of Peerless, and C&G Carandini SA. In 1998, acquisition spending totaled \$11.4 million and was primarily related to the chemicals segment.

Capital expenditures were \$62.9 million in 2000, compared with \$38.6 million in 1999 and \$46.7 million in 1998 and primarily related to the lighting equipment segment. In 2000, the lighting equipment segment invested in land, buildings, and equipment for a new plant and in an office facility. The lighting equipment segment's capital expenditures in 1999 related to the purchase of land and buildings for a new plant, manufacturing improvements and upgrades for capacity expansion, and implementation of new technology. During 1998, the lighting equipment segment invested in facility expansions and manufacturing process improvements. In 2001, capital expenditures are expected to approximate \$50.7 million as the company continues to invest capital in technology and facilities. Contractual commitments for capital and acquisition spending for fiscal year 2001 approximate \$14.1 million.

Financing Activities

Financing activities provided cash of \$22.6 million and \$390.2 million during 2000 and 1999, respectively, and used cash of \$13.6 million in 1998. The decrease in cash provided by financing activities in 2000 primarily related to the decrease in net borrowings from \$463.1 million to \$91.9 million. Fiscal 2000 borrowings were used for general operating purposes, including working capital requirements and capital expenditures. Fiscal 1999 borrowings were used primarily to finance acquisitions.

Management believes current cash balances, anticipated cash flows from operations, and available funds from its commercial paper program or committed credit facilities, and the complimentary uncommitted lines of credit are sufficient to meet Spinco's planned level of capital spending and general operating cash requirements for at least the next twelve months.

RESULTS OF OPERATIONS

NINE MONTHS ENDED MAY 31, 2001 COMPARED WITH NINE MONTHS ENDED MAY 31, 2000

Spinco's businesses generated revenue of \$1.5 billion in the nine months ended May 31, 2001 representing a \$16.3 million increase over the same period in the prior year. The increase in revenue was primarily due to the chemicals segment, although modest growth was noted in the lighting equipment segment.

Net income in the nine months ended May 31, 2001 decreased \$18.7 million to \$34.1 million as the increase in revenue was offset by losses on the sale of the French and Australian chemical businesses, weakened economic conditions, higher interest expense and energy costs, and expenses associated with repositioning Spinco's businesses for an economic slowdown. Spinco anticipates that its operations will continue to be impacted by a softer economy. Although Spinco expects to offset the effects of the economic slowdown with operational initiatives such as the consolidation of the chemicals businesses, a major sourcing initiative, other cost reduction projects, and aggressive sales efforts, further deterioration in economic conditions could negatively impact future earnings.

Compared with the same period in the prior year, revenue in the lighting equipment segment for the nine months ended May 31, 2001 increased \$3.0 million to \$1.1 billion, or less than 1%. Spinco expects the non-residential construction market to remain flat or slightly down from current levels over the remainder of calendar 2001. Excluding a \$1.0 million pretax charge during the first quarter of fiscal 2000 for closing a manufacturing facility in California, year-to-date operating profit remained relatively flat as profit improvements during the third quarter were offset by increased spending for sales, marketing and technology initiatives and costs to establish a Texas distribution center.

Revenue in the chemicals segment of \$386.5 million for the nine months ended May 31, 2001, increased \$13.3 million compared to the same prior-year period. The increase was due to sales volume growth in North America in the retail, industrial, and institutional channels, offset somewhat by a decrease in revenue in Europe and Australia. The decrease in international revenue was attributable, in part, to unfavorable foreign currency fluctuations. The profit contribution from the increase in revenue was more than offset by a loss on the sale of the segment's French and Australian operations. In addition to these factors, operating profit for the nine months ended May 31, 2001 decreased compared to a year ago as a result of costs incurred to integrate the chemical operations, increased energy costs, and up-front costs associated with developing new sales representatives.

As part of an initiative to refocus the overseas operations of the chemicals segment, NSI sold its Australian subsidiary, NSI International Pty, Ltd., resulting in a pretax loss of \$5.6 million. In addition, NSI entered into a contract to sell its French operations, as well as certain trademarks and formulas. Spinco recorded an estimated pretax loss on this transaction of \$9.0 million and finalized the sale on June 29, 2001. The combined pretax loss of \$14.6 million is included in "Loss on sale of businesses" in the "Combined Statements of Income."

For the nine months ended May 31, 2001, allocated corporate expenses increased \$3.2 million to \$13.7 million. Higher year-to-date corporate expenses were primarily caused by lower-than-normal long-term incentive compensation expense in the prior-year first quarter and higher costs related to strategic and operational initiatives. Year-to-date net interest

expense increased as a result of higher outstanding debt balances and higher interest rates. On a year-to-date basis, the provision for income taxes increased to 41.7% of pretax income primarily as a result of nondeductible losses associated with the chemicals segment's divestiture of its French operations.

LIQUIDITY AND CAPITAL RESOURCES

NINE MONTHS ENDED MAY 31, 2001 COMPARED WITH NINE MONTHS ENDED MAY 31, 2000

Operating Activities

Operations provided cash of \$100.8 million during the nine months ended May 31, 2001 compared with \$25.3 million during the respective period of the prior year. The improvement in operating cash flows was largely due to an increase in net cash provided by receivables and inventory, primarily as a result of the implementation of working capital initiatives. Improvements in cash flow from these items were partially offset by the decrease in net income.

Investing Activities

Investing activities used cash of \$31.1 million during the nine months ended May 31, 2001 versus \$59.5 million in the prior year. The change in investing cash flows related primarily to lower capital expenditures and acquisition spending and an increase in cash provided from the sale of businesses. Higher acquisition spending in fiscal 2000 was primarily due to remaining payments associated with the 1999 acquisition of Holophane.

Capital expenditures totaled \$38.3 million for the nine months ended May 31, 2001 compared to \$48.3 million in the prior period. In the lighting equipment segment, investments were made primarily in manufacturing cost improvements, new product tooling, and the completion of a new corporate headquarters. In the chemicals segment, capital expenditures were associated with manufacturing equipment and facilities improvements. In the same period last year, capital spending was primarily attributable to the lighting equipment segment. The lighting equipment segment invested in land, buildings, and equipment for a new plant in Mexico, manufacturing cost improvements, and new product tooling.

Management believes current cash balances, anticipated cash flows from operations, available funds from the commercial paper program, short-term secured borrowings and a committed credit facility, as well as the complimentary lines of credit, are sufficient to meet Spinco's planned level of capital spending and general operating cash requirements for at least the next twelve months.

Financing Activities

Cash used for financing activities totaled \$56.7 million during the nine months ended May 31, 2001 compared to cash provided of \$34.3 million one year ago, primarily as a result of a reduction in cash provided by net borrowings. The decrease in cash provided by net borrowings was primarily due to improved operating cash flows and a decrease in capital expenditures and acquisition spending.

In May 2001, NSI entered into a three-year agreement (the "Receivables Facility") to borrow, on an ongoing basis, up to \$150.0 million secured by undivided interests in a

defined pool of trade accounts receivable of the lighting equipment and chemicals segments. At May 31, 2001, net trade accounts receivable pledged as security for borrowings under the Receivables Facility totaled \$220.4 million. Borrowings outstanding at May 31, 2001 of \$118.9 million were used to reduce borrowings under NSI's commercial paper program. Interest rates under the Receivables Facility are based on the LIBOR rate.

In June 2001, NSI renewed the \$250.0 million, 364-day committed credit facility (the "Revolving Credit Facility") with six domestic banks. The Revolving Credit Facility supports NSI's \$250.0 million commercial paper program. Interest rates under the Revolving Credit Facility are based on the LIBOR rate or other rates, at NSI's option. NSI pays an annual fee on the commitment based on NSI's debt rating.

As part of the distribution agreement between NSI and Spinco, all but approximately \$5 million of NSI's total outstanding debt will be assumed by Spinco or refinanced with new borrowings by Spinco. Accordingly, for purposes of the historical presentation of Spinco's financial position as of May 31, 2001, August 31, 2000 and August 31, 1999 included in this information statement, all but \$5 million of NSI's total outstanding debt has been presented as obligations of Spinco. For purposes of the historical presentation of Spinco's results of operations, Spinco has reflected all of NSI's interest expense related to the debt allocated to it. Management intends to take the necessary actions to effect the transfer of these obligations to Spinco under the same terms existing with NSI; however, management does not have the ability to unilaterally effect the transfer in all cases. In the event that any of NSI's creditors do not accept this transfer, Spinco will be required to refinance the related borrowings. In addition, Spinco expects to enter into a new credit facility to borrow under, or if desired, support its commercial paper program, as the Credit Facility and the Revolving Credit Facility described above will expire upon the completion of the Distribution. Management believes that the terms of the debt which will ultimately be outstanding at Spinco will not differ materially from the terms of NSI's debt currently outstanding.

ACCOUNTING STANDARDS YET TO BE ADOPTED

In September 2000, the Emerging Issues Task Force ("EITF") reached a final consensus on EITF Issue 00-10, "Accounting for Shipping and Handling Fees and Costs." Specifically, Issue 00-10 addresses how the seller of goods should classify amounts billed to a customer for shipping and handling. The EITF concluded that all amounts billed to a customer in a sale transaction related to shipping and handling represent revenues earned for the goods provided and should be classified as revenue. Spinco is required to and will adopt EITF 00-10 in the fourth quarter of fiscal year 2001. NSI has historically netted certain shipping and handling revenues charged to customers in costs and expenses. The adoption of EITF 00-10 will result in an increase in sales and costs and expenses, with no impact on net income. Spinco has not yet calculated the effect of this reclassification on its reported revenues and costs.

ENVIRONMENTAL MATTERS AND LITIGATION

See "Note 6: Commitments and Contingencies" in the "Notes to the Combined Financial Statements" beginning on page F-19 for a discussion of environmental and litigation matters.

OUTLOOK

Management continues to execute its strategic plan to grow internally. With both segments anticipating higher material, labor, and fuel costs, an economic slowdown may intensify pricing pressures and limit Spinco's ability to pass along these additional costs in the form of price increases. Additionally, Spinco will incur costs to improve the flexibility of its cost structure to better position it for the slowdown. However, Spinco expects to deliver improved earnings results as it benefits from initiatives taken to improve the cost structure.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

GENERAL. Spinco is exposed to market risks that may impact the "Combined Balance Sheets," "Combined Statements of Income," and "Combined Statements of Cash Flows" due to changing interest rates and foreign exchange rates. Spinco does not currently participate in any significant hedging activities, nor does it currently utilize any significant derivative financial instruments. The following discussion provides additional information regarding Spinco's market risks.

INTEREST RATES. Interest rate fluctuations expose Spinco's variable-rate debt to changes in interest expense and cash flows. Spinco's variable-rate debt, primarily commercial paper and short-term secured borrowings, amounted to \$264.4 million at May 31, 2001. Based on outstanding borrowings at quarter-end, a 10% adverse change in market interest rates at May 31, 2001 would result in additional annual after-tax interest expense of approximately \$0.8 million. Although a fluctuation in interest rates would not affect interest expense or cash flows related to the \$360 million publicly traded notes, Spinco's primary fixed-rate debt, a 10% increase in market interest rates at May 31, 2001 would decrease the fair value of these notes to approximately \$345.7 million.

FOREIGN EXCHANGE RATES. The majority of Spinco's revenue, expense, and capital purchases are transacted in U.S. dollars. Spinco does not believe a 10% fluctuation in average foreign currency rates would have a material effect on its combined financial position or results of operations. Spinco does not engage in speculative transactions, nor does Spinco hold or issue financial instruments for trading purposes. To the extent possible, Spinco mitigates its exposure to unfavorable foreign currency translation adjustments through the use of foreign-currency denominated debt agreements.

SPINCO'S BUSINESSES

GENERAL

Spinco will own and operate the lighting equipment and chemicals businesses of NSI. These businesses represented approximately 80% of NSI's consolidated assets and revenues as of and for the fiscal year ended August 31, 2000. Following the Distribution, NSI's operations will consist of the textile rental and envelope businesses.

LIGHTING EQUIPMENT

Spinco's lighting equipment business includes Lithonia Lighting and Holophane. Management of Spinco believes that the lighting equipment business is the world's largest manufacturer of lighting fixtures for both new construction and renovation. Products include a full range of indoor and outdoor lighting for commercial and institutional, industrial and residential applications. Lighting products are manufactured in the United States, Canada, Mexico, and Europe and are marketed under numerous brand names, including Lithonia, Holophane(R), Home-Vue(R), Light Concepts(R), Gotham(R), Hydrel(R), Peerless(R), Antique Street Lamps, and Reloc(R).

Principal customers include wholesale electrical distributors, retail home centers, and lighting showrooms located in North America and select international markets. In North America, the lighting equipment business's products are sold through independent sales agents and factory sales representatives who cover specific geographic areas and market segments. Products are delivered through a network of distribution centers, regional warehouses, and commercial warehouses using both common carriers and a company-owned truck fleet. For international customers, the lighting equipment business employs a sales force that adopts distribution methods to meet individual customer or country requirements. In fiscal 2000, North American sales accounted for more than 97% of the lighting equipment business's gross sales.

CHEMICALS

Spinco's chemicals business, The Zep Group, includes Zep Manufacturing Company, Enforcer Products, and Selig Industries. The Zep Group is a leading provider of specialty chemical products in the institutional and industrial (I&I) and retail markets. Products include cleaners, sanitizers, disinfectants, polishes, floor finishes, degreasers, deodorizers, pesticides, insecticides, and herbicides. Zep Manufacturing manufactures products in four North American plants and two European plants. Enforcer operates a single manufacturing facility in Georgia.

The Zep Group provides products to customers primarily in North America and Western Europe. In fiscal 2000, North American sales accounted for approximately 90% of the business's gross sales. Zep Manufacturing and Selig Industries serve a range of institutional and industrial customers, from small sole proprietorships to Fortune 1000 corporations. Individual markets in the non-retail channel include automotive, vehicle wash, food, aviation, industrial manufacturing, and contract cleaners and are serviced through a direct commissioned sales force. Enforcer provides Enforcer-branded products and Zep-branded products to retail channels such as home centers, hardware stores, mass merchandisers, and drug stores.

INDUSTRY OVERVIEW

LIGHTING EQUIPMENT

The size of the world lighting fixture market in 2000 was estimated at \$19.0 billion. North America represents the largest market with a size of \$8.5 billion, followed by Europe at \$6.5 billion, and Asia/Pacific at \$3.3 billion. The U.S. market is relatively fragmented with the top four manufacturers (including Spinco's lighting equipment business) representing approximately 50% of the total lighting market.

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

There has been a significant increase in the size and relative presence of the retail home center segment. In addition, imports of foreign-sourced lighting products continue to grow, including both the foreign production of U.S. manufacturers, as well as low-cost fixtures from Asian manufacturers. European-based electrical distributors have increased their presence in the U.S. with the acquisition of U.S.-based local and regional distributor chains, and smaller U.S. distributors continue to seek leverage through alignment with buying groups.

CHEMICALS

The \$7.6 billion U.S. industrial & institutional (I&I) janitorial cleaning and sanitation market is highly fragmented with five major players (including The Zep Group) possessing 50% of the total market and the remainder divided between hundreds of regional players. In general, the market grows at a rate approximating GDP. To some extent, consumption of janitorial cleaning and sanitation products is discretionary, but in a health-driven, sophisticated market such as the U.S., health and safety regulations and customer expectations buffer demand downturns. Increasing legislation in the areas of food and occupational health that require increased application ranges and frequency of use is fueling demand increases. Demand decreases are being pushed by more efficient product use and an increased awareness of the potential negative impacts of occupational chemical exposure and residuals. In addition to the I&I market, there is a U.S. retail chemical market of \$5.4 billion, including a \$3.4 billion market for cleaners and a \$2.0 billion market for pest control.

Two major trends are reshaping the industry. First, health and safety regulations are shrinking the pool of available chemicals, while at the same time increasing the total use rates. This has pushed development of improved physical product forms and application methods. Second, consolidation and communication are forcing increased corporate buying and disintermediation of the supply chain, threatening the reselling distributors and requiring increased base manufacture logistics skills.

PRODUCTS

LIGHTING EQUIPMENT

The lighting equipment business produces a wide variety of lighting fixtures, used in the following applications:

- COMMERCIAL & INSTITUTIONAL -- Applications are represented by stores, hotels, offices, schools, hospitals, as well as other government and public buildings. Products that serve these applications include recessed, surface and suspended fluorescent lighting products, recessed downlighting and track-lighting, as well as "high-abuse" lighting products. The outdoor areas associated with these application segments are addressed by the lighting equipment business's outdoor lighting products, such as area and floodlighting, decorative site lighting, as well as landscape lighting.
- INDUSTRIAL -- Applications include primarily warehouses and manufacturing facilities. The lighting equipment business serves these applications with a variety of glass and acrylic high intensity discharge (HID) and fluorescent lighting products.
- INFRASTRUCTURE -- Applications include highways, tunnels, airports, railway yards and ports. Products that serve these applications include high-mast lighting, off-set roadway and sign lighting.
- RESIDENTIAL -- Applications are addressed with a combination of decorative fluorescent and downlighting products, as well as utilitarian fluorescent products.
- OTHER APPLICATIONS & PRODUCTS -- Other applications and products include emergency lighting products which are used in all non-residential buildings, and lighting control and flexible wiring systems.

Recessed fluorescent lighting products accounted for approximately 19.8%, 18.0% and 15.0% of total consolidated revenue during fiscal years 2000, 1999 and 1998, respectively. No other product category accounted for more than 10% of total consolidated revenue for these periods.

CHEMICALS

The Zep Group produces and supplies various specialty chemicals products, such as:

- CLEANERS -- One of the largest ranges, with liquid, emulsion, aerosol, acids, solvent and powdered products. New products (45 in the past 24 months) have been based on "micro emulsion technology" and are targeted to maintain a competitive advantage in this fast changing area.
- SANITIZERS/DISINFECTANTS -- This area has seen increased regulatory pressure on the choice of available chemistry. Application technology and the use of non-residual products such as chlorine dioxide have supplemented the broad existing range of oxidizing and non-oxidizing range.
- POLISHES -- Historically a strong area for The Zep Group, decreasing customer interest has limited additional products in this range.
- FLOOR FINISHES -- This continues to be a strong product segment. Products covering stripping, burnishing, cleaning, polishing, and broadloom and spot carpet care

provides customers with extensive choice. Little new technology has been seen in this area recently.

- DEGREASERS -- Health and safety regulations have had a major impact in this area. The Zep Group has introduced over 25 new products in this area recently. These new introductions have coped with the requirement for solvent elimination and/or reductions in the percentage of volatile solvents.
- DEODORIZERS -- This market segment has seen significant growth, primarily due to consumer demand. Driven more by application method, packaging and physical form, this trend-based segment has required numerous new introductions to strengthen the range, including metered dispensing system and refillable delivery packages.
- PESTICIDES/INSECTICIDES/HERBICIDES -- There are few new molecules available for The Zep Group to bring to market. As with solvents, this segment has seen a decreasing pool of available chemistries and new developments have targeted delivery systems and application methods.

STRATEGY

LIGHTING EQUIPMENT

Spinco's lighting equipment business intends to focus on the North American market. Spinco believes that it must execute on a combination of rapid product development and customer/channel focus in order to respond quickly and effectively to specific opportunities. The lighting equipment business will continue improving logistics, especially through Internet-based solutions, in order to deliver timely and accurate information to customers. Management believes the key challenge for the lighting equipment business is being able to respond quickly to changing economic and market trends.

CHEMICALS

Spinco management believes the key objective for the chemicals business will be the integration of all chemicals R&D, manufacturing, logistics and support functions under The Zep Group. Management views the central challenge ahead of the chemicals business as leveraging the strength and efficiencies gained through the consolidation of support functions to grow revenues faster than the overall market, and return the chemicals business to historical profit margins.

CUSTOMERS

No single customer accounted for 10% or more of the lighting equipment and chemicals businesses total revenues in fiscal year 2000. However, 11% of the 2000 fiscal year revenues of the chemicals business was related to a single customer, the loss of which would adversely affect the chemicals business.

LIGHTING EQUIPMENT

The lighting equipment business's primary customer groups include electrical distributors, retail home centers, national accounts, lighting showrooms, and electric utilities. In addition, there are a variety of other buying influences which, for any given

project, could represent a significant influence in the product specification process. These generally include engineers, architects and lighting designers. For the nine months ended May 31, 2001, the main customer base for NSI's lighting equipment segment was electrical distributors, representing approximately 75% of revenue. For the nine months ended May 31, 2001, retail home centers and national accounts represented a combined 12% of revenue.

CHEMICALS

The Zep Group features both institutional and industrial (I&I) and retail customers. I&I customers include automotive, vehicle wash, aviation, restaurateurs, industrial manufacturing and contract cleaners. Customers range from small sole proprietorships to Fortune 1000 corporations. The retail market includes customers such as Lowe's, Ace Hardware, TruServ Hardware and HWI, together marketing a wide variety of the Enforcer line of products. Additionally, The Home Depot is the exclusive marketing arm for Enforcer's industrial strength line of cleaner products sold under the Zep Commercial brand name. For the nine months ended May 31, 2001, the main customer base for NSI's chemicals segment was the I&I market, representing approximately 82% of revenue.

MANUFACTURING

Spinco will operate 31 manufacturing facilities and sites in seven countries, including 19 facilities in the United States, five facilities in Canada, three facilities in Mexico, and four facilities in Europe.

LIGHTING EQUIPMENT

In the lighting equipment business, key processes are evaluated on an ongoing basis to promote an appropriate balance of vertical integration versus outsourced capabilities to produce the most profitable outcomes for the business. Investment is focused at offsetting rising labor costs through increased labor efficiency. Local supplier factories and warehouses also provide an opportunity to minimize these locations' inventory carrying costs through frequent just-in-time deliveries.

Contract manufacturing for residential, commercial and industrial product occurs via established supplier/partner relationships. Also, OEM purchases of finished goods are outsourced from both pole manufacturers for the outdoor product line, as well as from Asian and European sources for a variety of residential and commercial lighting equipment.

U.S. operations represent approximately 56% of production; Mexico accounts for approximately 28% of production; Canada accounts for approximately 6% of production; and Europe accounts for approximately 2% of production. The remaining 8% of production is outsourced using contract manufacturing and OEM finished good suppliers.

CHEMICALS

The Zep Group manufactures products that comprise approximately 75% of the chemicals segment's sales volume, with facilities located in the United States, Canada, Holland and Italy. The remaining 25% of the chemicals segment's sales volume is derived

from finished goods that supplement the manufactured product line. Approximately 4% of the inhouse manufactured goods are produced outside of the U.S.

Core manufacturing and distribution processes are being integrated to provide the lowest possible costs. The Zep Group is focused on efforts to maximize return on employed capital through Six Sigma to lead productivity improvement programs. In addition, efforts are underway to optimize inventories through a Stock Keeping Unit (SKU) reduction program.

The Zep Group controls a proprietary distribution network designed to ensure continuation of customer service levels at the top end of the industrial and retail markets. Given the freight systems and technology available in today's marketplace, The Zep Group will continue to explore options for reductions in distribution network assets while improving historically higher service levels.

DISTRIBUTION

LIGHTING EQUIPMENT

Products are delivered through a network of strategically located distribution centers, regional warehouses, and commercial warehouses using both common carriers and a company-owned truck fleet. For international customers, the lighting equipment business employs an inside sales force that adapts distribution methods to meet individual customer or country requirements.

CHEMICALS

The Zep Group employs a direct sales force. The Zep and Selig brands utilize numerous strategically located distribution centers, while the Enforcer products are shipped via common carrier from the Cartersville, Georgia, plant and warehouse.

RESEARCH AND DEVELOPMENT

In recent years, research and development for the lighting equipment and chemicals segments of NSI has been focused on the development of new products and improved delivery systems. NSI spent approximately \$14.2 million on research and development for the lighting equipment and chemicals segments in the nine months ended May 31, 2001. NSI spent \$18.6 million, \$8.1 million and \$12.9 million on research and development activities for the lighting equipment and chemicals segments for the fiscal years ended August 31, 2000, 1999 and 1998, respectively.

SALES AND MARKETING

LIGHTING EQUIPMENT

SALES. The lighting equipment business will sell its lighting products through independent sales agents and factory sales representatives. Following the Distribution, Spinco will employ approximately 500 people in sales and marketing of lighting products, with 331 in the United States, 33 in Canada, 60 in Mexico, and 76 in other countries, including Europe and Asia.

MARKETING. The lighting equipment business will market its products through a broad spectrum of marketing and promotion vehicles, including direct customer contact,

on-site training at a training facility, print advertising in industry publications, product brochures and other literature, as well as electronic media. Direct customer contact will be performed by market development managers, whose primary role is the promotion of select products to the many buying influences involved in the specification/bid process common in the industry. On-site training is conducted at a dedicated product training facility at the lighting equipment business's headquarters in Conyers, Georgia.

CHEMICALS

SALES. Spinco will sell its chemicals products primarily through a direct sales force. Following the Distribution, Spinco will employ approximately 2,100 people in sales and marketing of chemicals products, with 1,650 in the United States, 190 in Canada, and 260 in Europe. In the United States, sales representatives will be distributed in proportion to the relative size of the economic centers.

MARKETING. Marketing efforts are focused on solving customer needs through attention to solution-based programs that combine industry knowledge with chemical products and delivery systems.

COMPETITION

LIGHTING EQUIPMENT

The lighting equipment industry in which Spinco will operate is highly competitive, with the largest suppliers serving many of the same markets. Competition is based on brand name recognition, price, product quality and customer responsiveness. Main competitors in the lighting industry include Cooper Industries, Genlyte Group and U.S. Industries. Spinco management believes that, together with Spinco's lighting equipment business, the four largest lighting manufacturers (including Spinco's lighting equipment business) possess approximately a 50% share of the total lighting market.

CHEMICALS

The chemicals industry in which Spinco will operate is highly competitive. Overall, competition is very fragmented, with numerous local and regional operators and a few companies with national presences. Most competitors offer products in some but not all of the markets served by Spinco. Competition is based primarily on brand name recognition, price, product quality, and customer responsiveness. Competitors in the chemicals industry include Ecolab, Unilever/Diversey, NCH and SC Johnson. Management believes that the five major players (including The Zep Group) have 50% of the total market and the remainder is divided between hundreds of regional players.

ENVIRONMENTAL REGULATION

Spinco's operations will be subject to federal, state, local and foreign laws and regulations relating to the generation, storage, handling, transportation, and disposal of hazardous substances and solid and hazardous wastes and to the remediation of contaminated sites. Permits and environmental controls are required for certain of Spinco's operations to limit air and water pollution, and these permits are subject to modification, renewal, and revocation by issuing authorities. Spinco will incur capital and operating costs relating to environmental compliance on an ongoing basis. Environmental laws and regulations have generally become stricter in recent years, and the cost of responding to

future changes may be substantial. While Spinco believes that it is currently in substantial compliance with all material environmental laws and regulations, there can be no assurance that Spinco will not incur significant costs to remediate violations of such laws and regulations, particularly in connection with acquisitions of existing operating facilities, or to comply with changes in, or stricter or different interpretations of, existing laws and regulations. Such costs could have a material adverse effect on Spinco's results of operations.

Spinco will assume certain environmental liabilities in the Distribution relating to ongoing legal proceedings in connection with state and federal Superfund sites. While Spinco does not believe these claims will result in material liability, there can be no assurance that Spinco will not be required pay a substantial amount of money relating to these claims. Such payment could have a material adverse effect on Spinco's results of operations. See "Note 6: Commitments and Contingencies" in the "Notes to the Combined Financial Statements" beginning on page F-19 for a discussion of environmental matters.

RAW MATERIALS

Spinco's businesses require certain raw materials for their products, including aluminum, plastics, electrical components, solvents, surfactants, certain grades of steel and glass. Spinco will purchase most of these raw materials on the open market and rely on third parties for the sourcing of finished goods. As such, the cost of products sold may be affected by changes in the market price of the above-mentioned raw materials or sourcing services and finished goods. Spinco does not expect to engage in commodity hedging transactions for raw materials. Significant increases in the prices of Spinco's products due to increases in the cost of raw materials or sourcing could have a negative effect on demand for products and on profitability as well as a material adverse effect on Spinco's results of operations.

Each business utilizes multiple suppliers, with no single supplier comprising more than 10% of purchased raw materials of either business. Each business constantly monitors and investigates alternative suppliers and alternative materials. Additionally, each business has participated in internet auctions as a new method of competitive bidding.

BACKLOG ORDERS

Sales order backlogs of the lighting equipment business believed to be firm as of May 31, 2001 and May 31, 2000 were \$134 million and \$145 million, respectively. The May 31, 2000 backlog for lighting equipment reflects increased orders after a price increase was announced in April 2000. Sales order backlogs for the chemicals business are not material.

PATENTS, LICENSES AND TRADEMARKS

Spinco will own and have obtained licenses to various domestic and foreign patents, patent applications and trademarks related to its products, processes and businesses. These intellectual property rights, particularly the trademarks relating to the brands of Spinco products, are important factors for Spinco's business. To protect these proprietary rights, Spinco relies on copyright, trade secret and trademark laws. Despite these protections, unauthorized parties may attempt to infringe on Spinco's intellectual property. Manage-

ment of Spinco is not aware of any such material unauthorized use or of any claims that Spinco does not have the right to use any intellectual property material to Spinco's businesses. While patents and patent applications in the aggregate are important to Spinco's competitive position, no single patent or patent application is material to Spinco.

SEASONALITY AND CYCLICALITY

Spinco's businesses are seasonal in nature, with revenues being affected by the impact of weather and seasonal demand on construction and installation programs, in addition to the annual budget cycles of major customers. Because of these seasonal factors, Spinco expects to experience its highest sales in the last two quarters of its fiscal year ended August 31.

A significant portion of the lighting equipment business's revenues are made to customers in the new construction and renovation industries. These industries are cyclical in nature and subject to changes in general economic conditions. In addition, sales of the chemicals business are dependent on the retail, wholesale and industrial markets for its product line. Economic downturns and the potential declines in construction and demand for specialty chemicals may have a material adverse effect on Spinco's net sales and operating income.

INTERNATIONAL OPERATIONS

Spinco will manufacture and assemble products at numerous facilities, some of which are located outside the United States. Approximately 39% and 4% of the lighting equipment and chemicals segments' products, respectively, are manufactured outside the United States. Spinco will also obtain components and finished goods from suppliers located outside the United States. Approximately 28% of Spinco's lighting equipment products are produced in facilities operated in Mexico. Mexico has enacted legislation to promote the use of such manufacturing operations, known as "Maquiladoras," by foreign companies. These operations are authorized to operate as Maquiladoras by the Ministry of Commerce and Industrial Development of Mexico. Maquiladora status allows Spinco to import certain items from the United States into Mexico duty-free, provided that such items, after processing, are re-exported from Mexico within six months. Maquiladora status, which must be renewed every two years, is subject to various restrictions and requirements, including compliance with the terms of the Maquiladora program and other local regulations. Although manufacturing operations in Mexico continue to be less expensive than comparable operations in the United States, in recent years many companies have established Maquiladora operations to take advantage of lower labor costs. Increasing demand for labor, particularly skilled labor and professionals, from new and existing Maquiladora operations has in the past and could in the future result in increased labor costs. Spinco may be required to make additional investments in automating equipment to partially offset increased labor costs.

For the fiscal year ended August 31, 2000, international sales represented approximately 10% and 17% of the total sales of the lighting equipment and chemicals businesses, respectively.

EMPLOYEES

Following the Distribution, Spinco will employ approximately 11,800 employees, of whom approximately 8,050 will be employed in the United States, 2,400 in Mexico, 720 in Canada, and 630 in other international locations, including Europe and Asia/Pacific. Union recognition and collective bargaining arrangements will be in place in six countries (including the United States), covering a total of approximately 5,500 persons (including approximately 2,950 in the United States). Management believes that it generally has a good relationship with both its unionized and non-unionized employees.

PROPERTIES

The general corporate offices of Spinco are located in Atlanta, Georgia. Because of the diverse nature of operations and the large number of individual locations, it is neither practical nor meaningful to describe each of the operating facilities owned or leased by Spinco. The following listing summarizes the significant facility categories by business:

DIVISION OWNED LEASED NATURE OF FACILITIES -----	-----
----- Lighting Equipment.....	18 6
Manufacturing Facilities	1 9
Warehouses 1 1 Distribution Centers	9 11
Offices	
Chemicals.....	
4 3 Manufacturing Plants	16 40
Warehouses -- 10 Offices --	1
Training Center	

The following table provides additional information related to Spinco's manufacturing facilities:

UNITED STATES CANADA MEXICO EUROPE TOTAL -----	-----
Lighting Equipment	
Owned.....	12 1 3 2 18
Leased.....	4 2 -- -- 6
Chemicals	
Owned.....	3 -- -- 1 4
Leased.....	-- 2 -- 1 3 -- -- --
Total.....	19 5 3
	4 31 == == == == ==

None of Spinco's individual properties is considered to have a value that is significant in relation to Spinco's assets as a whole. Spinco believes that its properties are well maintained and are in good operating condition. Spinco's properties are deemed to be suitable and adequate for its present needs. Spinco believes that it has additional capacity available at most of Spinco's production facilities and that it could significantly increase production without substantial capital expenditures.

LEGAL PROCEEDINGS

From time to time, as a normal incident of the nature and kind of businesses in which Spinco is engaged, various claims or charges may be asserted and litigation commenced against Spinco. In the opinion of Spinco's management, no current claim or litigation would result in a material adverse effect on Spinco's results of operations or financial condition. See "Note 6: Commitments and Contingencies" in the "Notes to the Combined Financial Statements" on page F-19 for a discussion of litigation matters.

SPINCO'S MANAGEMENT

BOARD OF DIRECTORS

As provided in Spinco's certificate of incorporation, Spinco's board of directors will be divided into three classes. Directors in each class initially will serve until the annual meeting of stockholders held in the year in which the term for such class expires and will serve thereafter for three-year terms. Spinco initially intends to have a board of directors that will consist of nine directors. Listed below is certain information concerning individuals who are expected to serve as directors of Spinco following the Distribution. Each person named below is currently a director of NSI and is expected to resign from NSI's board as of the Distribution Date. Following the Distribution, there will be no overlap between the respective boards of directors of NSI and Spinco.

POSITION WITH NSI
AND PRINCIPAL TERM
BUSINESS
AFFILIATIONS
DURING PAST NAME
AGE EXPIRES
POSITION WITH
SPINCO FIVE YEARS

James S.
Balloun..... 63
Chairman,
President and Mr.
Balloun has served
as Chief Executive
Officer Chairman
of the Board of
Directors and
Chief Executive
Officer of NSI
since February
1996 and President
of NSI since
October 1996. He
was previously
affiliated with
the management
consulting firm
McKinsey &
Company, Inc.,
where he served as
Director from June
1976 until January
1996. Mr. Balloun
is a director of
Georgia-Pacific
Corporation,
Radiant Systems,
Inc., and Wachovia
Corporation.
Leslie M. Baker,
59 Director Mr.
Baker has served
as a

Jr.....
director of NSI
since January
2000. He has
served since April
1998 as Chairman
of the Board of
Wachovia
Corporation and
Wachovia Bank. Mr.
Baker served as
President and
Chief Executive
Officer of
Wachovia
Corporation from
1994 until
September 2001;
President and
Chief Executive

Officer of
Wachovia Bank
since June 1997
and from 1990 to
1993; and
President and
Chief Operating
Officer of
Wachovia
Corporation from
February 1993 to
December 1993.

POSITION
 WITH NSI AND
 PRINCIPAL
 TERM
 BUSINESS
 AFFILIATIONS
 DURING PAST
 NAME AGE
 EXPIRES
 POSITION
 WITH SPINCO
 FIVE YEARS -

 Peter C.
 Browning....
 60 Director
 Mr. Browing
 has served
 as a
 director of
 NSI since
 January
 2001. He has
 served as
 Non-
 Executive
 Chairman of
 Nucor
 Corporation
 since
 September
 2000. He
 previously
 served as
 President
 and Chief
 Executive
 Officer
 (from 1998
 to 2000) and
 President
 and Chief
 Operating
 Officer
 (from 1995
 to 1998) of
 Sonoco
 Products
 Company. He
 is a
 director of
 Wachovia
 Corporation,
 Lowe's
 Companies,
 Inc.,
 Phoenix
 Companies,
 Inc., and
 Phoenix Home
 Life Mutual
 Insurance
 Company.

John L.
 Clendenin....
 67 Director
 Mr.
 Clendenin
 has served
 as a
 director of
 NSI since
 November
 1996. He is
 Chairman
 Emeritus of
 BellSouth
 Corporation,

which he served as Chairman from December 1996 to December 1997 and as Chairman, President and Chief Executive Officer from 1983 until December 1996. Mr. Clendenin is a director of Coca-Cola Enterprises Inc., Equifax Inc., The Home Depot, Inc., The Kroger Company, Powerwave Technologies, and Springs Industries, Inc. He previously served as a director of NSI from 1984 until 1995. Roy Richards, Jr..... 42 Director Mr. Richards has served as a director of NSI since April 2000. He has served as Chairman and Chief Executive Officer of Southwire Company, a producer of electrical power cables, since 1989. Mr. Richards served as Co-President of Southwire from 1985 to 1989. He joined Southwire in 1980 and prior to 1985 held key positions in various of the company's operations. Mr. Richards is a director of Printpack, Inc.

POSITION WITH NSI
AND PRINCIPAL TERM
BUSINESS
AFFILIATIONS
DURING PAST NAME
AGE EXPIRES
POSITION WITH
SPINCO FIVE YEARS

Ray M.
Robinson..... 53
Director Mr.
Robinson has
served as a
director of NSI
since January
2000. He has
served as

President of the
Southern Region of
AT&T Corporation
since 1996. Mr.
Robinson served as
Vice President --
Corporate
Relations of AT&T
from 1994 to 1996.
He joined AT&T in
1968 and has held
numerous senior
management
positions in
marketing,
corporate
relations,
engineering and
regulatory
affairs. Mr.

Robinson is a
director of Avnet,
Inc., Citizens
Bancshares
Corporation, and
Mirant

Corporation. Kathy
Brittain 52

Director Ms. White
has served as a
White.....

director of NSI
since October
1999. She is
Executive Vice
President, e-
business and Chief
Information
Officer of
Cardinal Health,
Inc., a company
that provides
healthcare
products and
services, since
April 1999. Ms.

White was Senior
Vice President and
Chief Information
Officer of
Allegiance
Healthcare, Inc.
from 1996 to April
1999, Corporate
Vice President and
Chief Information
Officer of Baxter
International,
Inc. from 1995 to
1996, and Vice
President,
Information

Systems of
AlliedSignal
Corporation from
1993 to 1995. Ms.

White is a
director of
Certegey, Inc.
Barrie A.

Wigmore... 60
Director Mr.

Wigmore has served
as a director of
NSI since June
1997. He is a
Retired Partner of
Goldman Sachs
Group, Inc., an
investment banking
firm. Mr. Wigmore
joined Goldman
Sachs in 1970,
became a General
Partner in 1978,
and retired in
1988 as a Limited
Partner. He is a
director of Potash
Corporation of
Saskatchewan.

POSITION WITH
 NSI AND
 PRINCIPAL TERM
 BUSINESS
 AFFILIATIONS
 DURING PAST
 NAME AGE
 EXPIRES
 POSITION WITH
 SPINCO FIVE
 YEARS ---- ---

-- Neil

Williams.....

65 Director Mr.
 Williams has
 served as a
 director of NSI
 since January
 2000. He has
 served as
 General Counsel
 and Global
 Partner of
 AMVESCAP PLC
 since October
 1999. AMVESCAP
 PLC offers
 investment
 management and
 mutual fund
 services
 primarily under
 the names
 INVESCO and
 AIM. He was a
 partner with
 the law firm
 Alston & Bird
 LLP from 1965
 to October 1999
 and served as
 managing
 partner from
 1984 to 1996.
 Mr. Williams
 began his
 career with
 Alston & Bird
 in 1961. He is
 a director of
 National Data
 Corporation and
 Printpack, Inc.

COMMITTEES OF THE BOARD OF DIRECTORS

Spinco's board of directors will establish several standing committees to assist in the discharge of its responsibilities. These committees will include an audit committee, a governance committee, a compensation committee and an executive committee. Spinco's board of directors will also establish such other committees as it deems appropriate, in accordance with applicable Delaware law and Spinco's bylaws.

DIRECTORS' COMPENSATION

Directors who are salaried employees of Spinco will receive no additional compensation for services as a director or as a member of a committee of Spinco's board. Following the Distribution Date, all non-employee directors are expected to receive an annual retainer of \$40,000. The chair of each standing committee of the board is expected to receive an additional annual fee of \$5,000. Spinco will also reimburse each non-employee director for out-of-pocket expenses incurred in connection with attendance at board and committee meetings.

Spinco intends to adopt a deferred stock unit plan for the benefit of the non-employee directors. Under this plan, each director will be paid one-half of his annual fee and may elect to receive additional portions of his annual fee and chairman fee in deferred stock units. Non-employee directors will receive a one-time grant of deferred stock units upon their election and an annual grant

of deferred stock units. The value and return on the deferred stock units will be equivalent to the value and return on Spinco Shares. The director's account will generally be payable on or after retirement from the board.

The deferred stock units currently held by non-employee directors of NSI who will become directors of Spinco (and certain former directors of NSI) will be transferred and assumed by Spinco. As of the Distribution Date, the value of such units will be converted into deferred stock units representing Spinco Shares based upon the relative values of NSI's common stock and the Spinco Shares.

Spinco expects its board will adopt, with the approval of NSI in its capacity as sole stockholder, the Spinco 2001 Non-Employee Director Stock Option Plan (the "Director Plan"). The full text of the Director Plan is filed as an exhibit to the Registration Statement that Spinco has filed with the Commission which relates to this information statement. Spinco will establish the plan to encourage ownership of Spinco Shares by directors, which gives directors an increased incentive to devote their efforts to Spinco's success on behalf of stockholders.

Grants of awards under the Director Plan will be automatic. On the day following the Distribution Date, each non-employee director will be granted an option to purchase _____ Spinco Shares. Each person who later becomes a non-employee director will also be granted an option to purchase _____ Spinco Shares on the date that the person becomes a non-employee director. In addition, as of the day following the first annual meeting of Spinco's stockholders after the Distribution, and on the day following each subsequent annual meeting of Spinco's stockholders, each non-employee director serving on that date will be granted an option to purchase _____ Spinco Shares. The exercise price of each option granted under the Director Plan will be the fair market value of the shares of common stock on the date of grant. Each option granted under the Director Plan will become fully exercisable one year after the date of grant and will remain exercisable for ten years from the grant date.

Spinco Shares subject to the Director Plan may be authorized but unissued shares or shares that were once issued and subsequently reacquired by Spinco. The total number of Spinco Shares for which options may be granted under the director plan will be _____, subject to adjustment. The Director Plan will terminate automatically on the second day following Spinco's 2010 annual meeting of stockholders, but the board of directors may terminate the Director Plan at any time before that date.

With respect to outstanding options held by non-employee directors of NSI who will become directors of Spinco (and certain former directors of NSI), at the time of the Distribution the NSI options will be converted to, and replaced by, Spinco stock options in accordance with the option conversion ratio provided for in the employee benefits agreement. See "Relationship Between NSI and Spinco Following the Distribution -- Employee Benefits Agreement" beginning on page 27.

EXECUTIVE OFFICERS

Listed below is certain information concerning individuals who are expected to serve as executive officers of Spinco following the Distribution. Each person named below is currently an executive officer of NSI and is expected to resign his position with NSI as of the Distribution Date.

POSITION WITH
NSI AND
PRINCIPAL
BUSINESS
AFFILIATIONS
DURING NAME
AGE POSITION
WITH SPINCO
PAST FIVE
YEARS ----- --

James S.
Balloun.....
63 Chairman,
President and
Mr. Balloun
has served as
Chief
Executive
Officer
Chairman of
the Board of
Directors and
Chief
Executive
Officer of
NSI since
February 1996
and President
of NSI since
October 1996.

He was
previously
affiliated
with the
management
consulting
firm McKinsey
& Company,
Inc., where
he served as
a Director
from June
1976 until
January 1996.
Mr. Balloun
is a director
of Georgia-
Pacific
Corporation,
Radiant
Systems,
Inc., and
Wachovia
Corporation.
Brock A.

Hattox.....
53 Executive
Vice
President Mr.
Hattox has
served as and
Chief
Financial
Executive
Vice
President and
Officer Chief
Financial
Officer of
NSI since
September
1996.

Previously
with
McDermott
International,
Inc., he had
been Chief
Financial
Officer since
1991 and
President of
the
engineering
and
construction
group since
1995.

POSITION WITH
NSI AND
PRINCIPAL
BUSINESS
AFFILIATIONS
DURING NAME AGE
POSITION WITH
SPINCO PAST
FIVE YEARS -----

Kenneth W.
Honeycutt... 50
President of
Lithonia Mr.
Honeycutt has
served as
Lighting
President of
Lithonia
Lighting under
NSI since June
2000. He has
been with
Lithonia since
1972 in a
variety of
positions
covering a
broad range of
processes and
products. John
K.

Morgan.....
47 President of
Holophane Mr.
Morgan has
served as
President of
Holophane since
June 2000 and
Executive Vice
President of
Lithonia
Lighting Group
since 1999. He
joined Lithonia
Lighting in
1977 and held a
variety of
senior
management
positions prior
to 1999. James
H.

Heagle.....
56 President of
The Zep Mr.
Heagle has
served as Group
President of
The Zep Group
(formerly known
as NSI
Chemicals
Group) since
May 2000. He
previously
served as
President and
Chief Operating
Officer of
Calgon
Corporation
from 1996 until
2000. Prior to
Calgon, Mr.
Heagle spent 24
years in
various
management

positions with
Mobil Chemical.

POSITION WITH NSI
AND PRINCIPAL
BUSINESS
AFFILIATIONS DURING
NAME AGE POSITION
WITH SPINCO PAST
FIVE YEARS ---- ---

----- Kenyon W.
Murphy..... 44
Senior Vice
President Mr. Murphy
has served as and
General Counsel
Senior Vice
President and
General Counsel of
NSI since April
2000. Prior to that
role, he served NSI
as Vice President
and Associate
Counsel from 1996
until April 2000 and
as Secretary from
1992 until 1998. Mr.
Murphy joined NSI in
1985. Joseph G.
Parham, 51 Senior
Vice President, Mr.
Parham has served as
Jr.....
Human Resources
Senior Vice
President of Human
Resources of NSI
since May 2000. He
had been President
and Chief Operating
Officer of Polaroid
Eyeware since 1999
and Senior Vice
President of
Worldwide Human
Resources of
Polaroid Corporation
since 1994.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There is no family relationship between any of Spinco's executive officers or directors, and there are no arrangements or understandings between any of Spinco's executive officers or directors and any other person pursuant to which any of them was elected an officer or director, other than arrangements or understandings with directors or officers of Spinco acting solely in their capacities as such. Generally, following the Distribution, Spinco's executive officers will be elected annually and will serve at the pleasure of Spinco's board of directors.

HISTORICAL COMPENSATION OF SPINCO EXECUTIVE OFFICERS

Spinco has never paid any compensation or granted any form of stock options, stock units or stock appreciation rights to its executive officers. During the fiscal years ended August 31, 2000, August 31, 1999, and August 31, 1998, Spinco's executive officers were compensated in accordance with NSI's plans and policies. The following table sets forth certain information with respect to the annual and long-term compensation for services to NSI for Spinco's chief executive officer and the other individuals expected to be the four most highly compensated executives of Spinco following the Distribution. All references in the following tables to stock and stock options relate to awards of stock and stock options granted by NSI. Such amounts do not reflect the compensation such persons will receive following the Distribution. The employee benefits agreement provides that at the time of

the Distribution NSI stock options held by Spinco employees will generally be converted to, and replaced by, Spinco stock options in accordance with a conversion ratio. Each employee holding NSI restricted stock (all of which is unvested) will receive a dividend of one Spinco Share (subject to the same restrictions as the NSI restricted stock) for each NSI share held. See "Relationship Between NSI and Spinco Following the Distribution -- Employee Benefits Agreement" beginning on page 27.

SUMMARY COMPENSATION TABLE

LONG-TERM
 COMPENSATION ---

 --- AWARDS
 PAYOUT -----
 - -----
 ANNUAL
 COMPENSATION
 UNDERLYING -----

 ----- OPTIONS/
 LTIP ALL OTHER
 NAME AND
 PRINCIPAL FISCAL
 OTHER ANNUAL
 SARS PAYOUT
 COMPENSATION
 POSITION YEAR
 SALARY (\$) BONUS
 (\$) COMPENSATION
 (\$) (1) (#) (2)
 (\$) (3) (\$) (4) --

- James S.
 Balloun.....
 2000 850,000 0
 4,800 312,489 0
 0 Chairman,
 President 1999
 850,000 985,000
 4,800 100,000
 1,045,657 0 and
 Chief 1998
 750,000 513,750
 4,800 65,000 0
 2,500 Executive
 Officer Brock A.
 Hattox.....
 2000 395,000 0
 4,800 105,001 0
 5,250 Executive
 Vice 1999
 385,000 311,850
 4,800 40,000
 574,483 9,177
 President and
 Chief 1998
 370,000 114,071
 4,800 40,000 0
 5,447 Financial
 Officer Kenneth
 W.
 Honeycutt.....
 2000 283,750
 123,425 0 6,000
 560,000 21,008
 President of
 Lithonia 1999
 229,167 108,113
 0 4,500 490,000
 20,160 Lighting
 1998 208,333
 100,000 0 4,000
 0 25,441 John K.
 Morgan.....
 2000 283,750
 123,425 0 6,000

518,000 22,931
 President of
 1999 222,500
 98,503 0 4,000
 415,000 22,882
 Holophane 1998
 191,667 92,500 0
 3,500 0 26,241
 James H.
 Heagle(5).....
 2000 100,000
 59,940 1,600
 10,000 0 0
 President of
 1999 -- -- -- --
 -- -- The Zep
 Group 1998 -- --
 -- -- -- --

- (1) Each amount shown includes an automobile allowance of \$400 per month.
- (2) The amounts shown for fiscal year 2000 include options granted in exchange for a portion of the 1999 LTIP award payout, as discussed in note 3 below, as follows: 162,489 shares for Mr. Balloun and 65,001 shares for Mr. Hattox. The options were valued for purposes of the exchange at \$7.99, the approximate Black-Scholes value at the time of the exchange election as determined by an independent compensation consultant. No stock appreciation rights were granted during this period.
- (3) Each amount shown excludes that portion of the payout exchanged for options in fiscal years 2000 and 1999, respectively, as follows: \$978,297 and \$1,298,287 for Mr. Balloun; \$469,583 and \$519,358 for Mr. Hattox.
- (4) The amounts shown for 2000 include a matching contribution on 401(k) deferrals in the amount of \$5,250 for Mr. Hattox, \$8,090 for Mr. Honeycutt, and \$7,098 for Mr. Morgan.
- (5) Mr. Heagle commenced employment with NSI effective as of May 1, 2000.

OPTION GRANTS IN LAST FISCAL YEAR

The following table contains information concerning NSI stock options that were granted to the executive officers of Spinco during the fiscal year ended August 31, 2000, as disclosed in the Summary Compensation Table above. NSI did not award any stock appreciation rights or reprice any stock options during its most recent fiscal year.

NUMBER OF TOTAL GRANT SECURITIES	% OF	OPTIONS/SARS DATE UNDERLYING GRANTED TO EXERCISE OR PRESENT
EMPLOYEES IN BASE PRICE EXPIRATION VALUE NAME	GRANTED(1) FISCAL YEAR (\$/SHARE)	DATE(2) (\$)(3) ---
----- James S. Balloun.....	312,489 27.7%	27.6875 1/4/10
3,159,264 Brock A. Hattox.....	105,001 9.3%	27.6875 1/4/10
1,061,560 Kenneth W. Honeycutt.....	6,000 0.5%	27.6875 1/4/10
60,660 John K. Morgan.....	6,000 0.5%	27.6875 1/4/10
James H. Heagle.....	10,000 0.9%	22.1875 4/30/10
101,100		

-
- (1) Includes options granted in fiscal year 2000 in exchange for a portion of the 1999 LTIP payout, as described in note 2 to the Summary Compensation Table above.
 - (2) Options have a ten-year term, subject to earlier termination upon certain events related to termination of employment, and generally vest in four equal annual installments beginning on the first anniversary of the grant date. Options granted in exchange for LTIP payments, as described in note 2 to the Summary Compensation Table above, are immediately exercisable. The Executive Resource and Compensation Committee of NSI's board of directors has discretion, subject to limitations contained in NSI's Long-Term Incentive Program and the Long-Term Achievement Incentive Plan, to modify the terms of outstanding options, but not to reprice these options or others granted on or after January 5, 2000.
 - (3) The amounts shown were calculated using a Black-Scholes option pricing model. The estimated values assume a risk-free rate of return of 6.85%, a dividend yield of 2.54%, an option term of ten years, and stock price volatility having a standard deviation of .3080. The option values were not discounted to reflect the vesting period of the options or to reflect any exercise or lapse of the options prior to the end of the ten-year option period. The actual value, if any, that an executive may realize will depend upon the excess of the stock price over the exercise price on the date the option is exercised, so that there is no assurance the value realized by an executive will be at or near the value estimated by the Black-Scholes model.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

The following table contains information concerning the exercise of NSI stock options by those executive officers of Spinco named in the Summary Compensation Table during the 2000 fiscal year and the aggregate value of unexercised stock options held by the Spinco executive officers as of August 31, 2000. No stock appreciation rights are held by any Spinco executive officer.

NUMBER OF SECURITIES VALUE OF UNEXERCISED UNDERLYING UNEXERCISED IN-THE-MONEY SHARES OPTIONS/SARS AT ACQUIRED ON VALUE FISCAL YEAR-END (#)	FISCAL YEAR-END (\$)(1) EXERCISE REALIZED
-----	-----
-----	-----
NAME (#)	
(\$)	
EXERCISABLE UNEXERCISABLE EXERCISABLE UNEXERCISABLE	
-----	-----
-----	-----
-----	-----
-----	-----
James S. Balloun.....	
0 0 503,739	
268,750 0 0	
Brock A. Hattox.....	
0 0 125,001	
100,000 0 0	
Kenneth W. Honeycutt...	
584 2,300	
22,060 12,000	
185 0 John K. Morgan.....	
772 3,040	
12,085 11,375	
173 0 James H. Heagle.....	
0 0 0 10,000 0	
0	

(1) The amounts shown represent the aggregate excess of market value of NSI common stock under option as of August 31, 2000 (using the \$19.9375 closing price on August 31, 2000) over the exercise price of the options.

LONG-TERM INCENTIVE PLANS -- AWARDS IN LAST FISCAL YEAR

The following table contains information concerning the grant of aspiration awards to those executive officers of Spinco named in the Summary Compensation Table during the 2000 fiscal year.

PERFORMANCE OR ESTIMATED FUTURE PAYOUT UNDER NUMBER OF OTHER PERIOD NON-STOCK PRICE-BASED PLANS SHARES, UNITS UNTIL	OR OTHER MATURATION
-----	-----
-----	-----
-----	-----

THRESHOLD TARGET
MAXIMUM NAME
RIGHTS (#) OR
PAYOUT(1) (\$)
(\$)(S) -----

----- James S.
Balloun.....
400,000 3 years
100,000 400,000
2,000,000 Brock
A.
Hattox.....
187,200 3 years
46,800 187,200
936,000 Kenneth
W.
Honeycutt.....
200,000 3 years
50,000 200,000
1,000,000 John
K.
Morgan.....
200,000 3 years
50,000 200,000
1,000,000 James
H.
Heagle(2).....
410,666 3 years
102,666 410,666
2,053,330

(1) Aspiration awards are payable based on the performance of NSI, as measured by cumulative economic profit (adjusted after-tax profit less a capital charge) over a three-year performance cycle ending August 31, 2002. Award payments up to and including twice commitment level performance will be paid one-half in shares of NSI stock and one-half in cash. For award payments in excess of twice commitment level performance, that portion of the award will be paid one-half in restricted stock of NSI, which will vest in equal annual installments over a two-year period, and one-half in cash, to be paid out in equal annual installments on the vesting dates of the

restricted stock. The final determination of the form of payment of the award is at the discretion of NSI's Executive Resource and Compensation Committee.

- (2) The numbers shown reflect the combined pro rata awards granted to Mr. Heagle for certain performance cycles in progress as of May 1, 2000 (the date of his employment), based on the cumulative economic profit of the business units for which he is responsible. The respective threshold, target, and maximum payout amounts are as follows: for the performance cycle ending August 31, 2001, \$37,333, \$149,333, and \$746,665; and for the performance cycle ending August 31, 2002, \$65,333, \$261,333, and \$1,306,665.

SPINCO LONG-TERM INCENTIVE PLAN

GENERAL

Spinco expects its board will adopt, with the approval of NSI (or a subsidiary thereof) in its capacity as Spinco's sole stockholder, the Spinco Long-Term Incentive Plan (referred to in this section as the "Plan"). The full text of the Plan is filed as an exhibit to the Registration Statement that Spinco has filed with the Commission which relates to this information statement. Spinco will establish the Plan to provide long-term incentive compensation to officers and other key management personnel who make substantial contributions to Spinco's success, and to assist in attracting and retaining the highest quality individuals in key executive positions.

Spinco's compensation committee (referred to in this section as the "Committee") will administer the Plan and has the authority to amend, suspend, or terminate the Plan as long as such action does not adversely affect any award that is already outstanding under the Plan. No awards may be granted under the Plan after the tenth anniversary of the date the board approves the Plan.

In connection with the Distribution, stock options granted to Spinco employees under the NSI long-term incentive plans will be replaced by Spinco options. The employee benefits agreement provides that at the time of the Distribution NSI stock options held by Spinco employees will generally be converted to, and replaced by, Spinco stock options in accordance with a conversion ratio. Each employee holding NSI restricted stock (all of which is unvested) will receive a dividend of one Spinco Share (subject to the same restrictions as the NSI restricted stock) for each NSI share held. Each Spinco employee who has a performance-based restricted stock award of NSI that has not reached a vesting start date will not receive the dividend, and will receive a replacement performance-based restricted stock award of Spinco, adjusted to reflect the Distribution. See "Relationship Between NSI and Spinco Following the Distribution -- Employee Benefits Agreement" beginning on page 27.

DESCRIPTION OF THE PLAN

The Plan is a flexible plan that will provide the Committee broad discretion to fashion the terms of several types of awards (described below), including: stock options (both incentive stock options and nonqualified stock options), aspiration achievement incentive awards, restricted stock, performance units, and performance shares (individually and collectively, "Awards"). Not more than % of the maximum number of shares that may be issued or transferred pursuant to Awards under the Plan may be in the form of Awards

of restricted stock, aspiration achievement incentive awards, performance shares, and performance units.

The Committee will (a) select those participants to whom Awards will be granted and (b) determine the type, size and terms and conditions of Awards, including the exercise price per share for each stock option and the restrictions or performance criteria relating to aspiration achievement incentive awards, restricted stock, performance units and performance shares. The Committee will administer, construe, and interpret the Plan. Members of the Committee will be ineligible to participate in the Plan.

An aggregate of Spinco Shares may be issued or transferred pursuant to the Plan. In the event of any "Change in Capitalization" (as defined in the Plan), the Committee may adjust the maximum number and class of shares with respect to which Awards may be granted, the number and class of shares which are subject to outstanding Awards (subject to limitations imposed under Section 422 of the Code in the case of incentive stock options), and the purchase price therefor, if applicable.

AWARDS ISSUABLE UNDER THE PLAN

STOCK OPTIONS. Both incentive stock options and nonqualified stock options may be granted pursuant to the Plan. The maximum number of Spinco Shares subject to stock options which can be granted under the Plan to any participant during a fiscal year of Spinco is . All stock options granted under the Plan will have an exercise price per share equal to at least the fair market value of a Spinco Share on the date the stock option is granted. The maximum term for all stock options granted under the Plan is ten years. Unless the Committee provides otherwise in the agreement evidencing the stock options granted, stock options are nontransferable other than by will or the laws of descent and distribution and during an optionee's lifetime may be exercised only by the optionee or his guardian or legal representative. Stock options are exercisable at such time and in such installments as the Committee may provide at the time the stock option is granted. The Committee may accelerate the exercisability of any stock option at any time, subject to any limitations required by Section 162(m) of the Code. The purchase price for Spinco Shares acquired pursuant to the exercise of an option must be paid, as determined by the Committee, in cash, by check, or by transferring shares to Spinco or attesting to ownership of shares upon such terms and conditions as may be determined by the Committee. The terms and conditions of the stock options relating to their treatment upon termination of the optionee's employment will be determined by the Committee at the time the stock options are granted.

Upon a Change in Control (as defined in the Plan) all outstanding stock options on the date of a Change in Control may become immediately and fully exercisable.

ASPIRATION ACHIEVEMENT INCENTIVE AWARDS. Aspiration achievement incentive awards granted by the Committee will be payable based on the level of achievement of the performance measure or measures specified by the Committee, over the performance period specified by the Committee. The performance measure may relate to the performance of Spinco or its subsidiaries or business units, or any combination of the foregoing. Performance measures and the length of the performance period will be determined by the Committee at or near the beginning of the performance period when the aspiration Award is granted. Performance levels may be absolute or relative and may be expressed in terms of a progression within a specified range. The agreement setting forth the grant of an aspiration Award may provide for such adjustments to performance as

the Committee deems appropriate and are not inconsistent with Section 162(m) of the Code. Aspiration Awards may also include performance levels that relate to individual achievements or goals. No participant may receive an aspiration Award in excess of \$ million with respect to a single performance period.

After the applicable performance period has ended, the Committee may adjust the achieved performance levels to exclude the effects of unusual charges or income items or other events, such as acquisitions or divestitures, which are distortive of financial results for the performance period; provided that with respect to executive officers named in the Executive Compensation Table, the Committee must, and can only, exclude items with the effect of increasing the Aspiration Award payable if such items constitute "extraordinary" or "unusual" events or items under generally accepted accounting principles. The Committee will also adjust performance calculations to exclude the unanticipated effect on financial results of changes in tax laws or regulations. The Committee is allowed to decrease the aspiration Award otherwise payable if the performance during the performance period justifies such adjustment, regardless of the extent to which the applicable performance measure was achieved. Payment of an earned aspiration Award will be made in cash, in shares, or in some combination of cash and shares, as determined by the Committee. The agreement evidencing the grant will also set forth the terms and conditions of the aspiration Award applicable in the event of termination of the Participant's employment and in the event of a Change in Control.

RESTRICTED STOCK. The aggregate maximum number of Spinco Shares that may be awarded under a restricted stock Award and an Award of performance shares and units to a participant during any fiscal year of Spinco is . The terms of a restricted stock award, including the restrictions placed on such shares and the time or terms at which such restrictions will lapse, shall be determined by the Committee at the time the Award is made. The Committee may determine at the time an Award of restricted stock is granted that dividends paid on shares may be paid to the grantee or deferred. Deferred dividends (together with any interest accrued thereon) will be paid upon the lapsing of restrictions on shares of restricted stock or forfeited upon the forfeiture of shares of restricted stock. The agreements evidencing Awards of restricted stock shall set forth the terms and conditions of such Awards upon a grantee's termination of employment. Unless the Committee provides otherwise in the agreements, all restrictions on outstanding shares of restricted stock will lapse upon a Change in Control.

PERFORMANCE UNITS AND PERFORMANCE SHARES. Each performance unit will represent one share and payments in respect of vested performance units will be made in cash, shares, or shares of restricted stock or any combination of the foregoing, as determined by the Committee. Performance shares are awarded in the form of shares of restricted stock. The vesting of performance units and performance shares is based upon the level of achievement of the performance measure or performance measures specified by the Committee, over the performance period specified by the Committee. The performance measure may relate to the performance of Spinco or its subsidiaries or business units, or any combination of the foregoing. Performance measures and the length of the performance cycle for performance units and performance shares will be determined by the Committee at the time the Award is made. The Committee may make adjustments to achieved performance levels and changes to performance measures to the same extent described under aspiration achievement incentive awards above. The agreements evidencing Awards of performance units and performance shares will set forth the terms and conditions of such Awards, including those applicable in the event of the grantee's

termination of employment. The aggregate maximum number of performance units, performance shares, and restricted stock a participant may be awarded for any fiscal year is .

Upon a Change in Control, the Committee may provide that a percentage of performance units will become vested and the grantee will be entitled to receive a cash payment equal to the per share adjusted fair market value multiplied by the number of performance units which become vested, and with respect to performance shares, all restrictions shall lapse on a percentage of the performance shares.

FEDERAL INCOME TAX CONSEQUENCES OF CERTAIN AWARDS

An optionee will not recognize taxable income upon grant or exercise of an incentive stock option. However, upon the exercise of an incentive stock option, the excess of the fair market value of the shares received over the exercise price of the shares subject to such stock option will be treated as an adjustment to alternative minimum taxable income. Any dividends paid on shares will be taxable as ordinary income in the taxable year in which the dividend is received. Spinco and its subsidiaries will not be entitled to any business expense deduction with respect to the grant or exercise of an incentive stock option, except as discussed below.

In order for the exercise of an incentive stock option to qualify for favorable tax treatment, the optionee generally must be an employee of the corporation, or a subsidiary (within the meaning of Section 422 of the Code) from the date the incentive stock option is granted through a date within three months before the date of exercise. In the case of an optionee who is disabled, the three-month period for exercise following termination of employment may be extended to one year. In the case of an optionee's death, the time for exercising incentive stock options after termination of employment and the holding period for stock received pursuant to the exercise of the incentive stock options are waived.

If all of the requirements for incentive stock option treatment are met and the optionee has held the shares for at least two years after the date of grant and for at least one year after the date of exercise, upon disposition of the shares by the optionee, the difference, if any, between the sales price of the shares and the exercise price of the stock option will be treated as long-term capital gain or loss. If the optionee does not hold the shares in accordance with the holding period rules set forth above, the optionee will recognize ordinary income at the time of the disposition of the shares, generally in an amount equal to the excess of the fair market value of the shares at the time the stock option was exercised over the exercise price of the stock option. The ordinary income recognized by an optionee upon the disposition of the shares has been determined by the IRS not to constitute wages for purposes of applicable withholding tax requirements. The balance of the gain realized, if any, will be long-term or short-term capital gain, depending upon whether or not the shares were sold more than one year after the stock option was exercised. If the optionee sells the shares prior to the satisfaction of the holding period rules but at a price below the fair market value of the share at the time the stock option was exercised, the amount of ordinary income will be limited to the amount realized on the sale over the exercise price of the stock option. Spinco and its subsidiaries will be allowed a business expense deduction to the extent the optionee recognizes ordinary income.

An optionee to whom a nonqualified stock option is granted will recognize no income at the time of the grant of the stock option. Upon exercise of a nonqualified stock option,

an optionee will recognize ordinary income in an amount equal to the excess of the fair market value of the shares on the date of exercise over the exercise price of the stock option. If it complies with applicable withholding requirements, Spinco and its subsidiaries will be entitled to a business expense deduction in the same amount and at the same time as the optionee recognizes ordinary income. Upon a subsequent sale or exchange of shares acquired pursuant to the exercise of a nonqualified stock option, the optionee will have taxable gain or loss, measured by the difference between the amount realized on the disposition and the tax basis of the shares (generally, the amount paid for the shares plus the amount treated as ordinary income at the time the stock option was exercised).

PENSION PLANS

The employee benefits agreement provides for Spinco to adopt and assume the obligations under NSI's qualified defined benefit retirement plan covering corporate office employees who will become employees of Spinco and the nonqualified supplemental executive retirement plan that covers certain executives of Spinco. The combined benefit under the qualified retirement plan and nonqualified retirement plan is 45% of average base salary and bonus (using the highest three consecutive years of remuneration out of the ten years preceding the individual's retirement), less 50% of the individual's primary social security benefit, and less the actuarial equivalent of the participant's account in the 401(k) plan, assuming an annual contribution of 4% of the individual's annual compensation over \$15,000 (subject to applicable limitations on eligible compensation), any applicable matching contribution, and earnings on those amounts at 8% per annum.

The following table shows the estimated aggregate annual benefits payable to a covered participant at normal retirement age under the pension plan and supplemental plan, without the reduction under the supplemental plan for the actuarial equivalent of the 401(k) plan benefits (approximately \$9,576 for Mr. Balloun, \$34,790 for Mr. Hattox, and \$16,749 for Mr. Heagle).

YEARS OF SERVICE -----			

----- REMUNERATION 15			
20 25 30 35 -----			

----- \$			
400,000.....	\$128,100	\$170,800	\$170,800
	\$170,800	\$170,800	
500,000.....	161,800	215,800	215,800
	215,800	215,800	
600,000.....	195,600	260,800	260,800
	260,800	260,800	
700,000.....	229,300	305,800	305,800
	305,800	305,800	
800,000.....	263,100	350,800	350,800
	350,800	350,800	
900,000.....	296,800	395,800	395,800
	395,800	395,800	
1,000,000.....	330,600	440,800	440,800
	440,800	440,800	
1,200,000.....	398,100	530,800	530,800
	530,800	530,800	

The remuneration specified in the table above consists of salary and annual incentive bonus. Benefits shown above are based on payment of a single life annuity with 10 years certain. Equivalent payment options are offered.

The salary and bonus expected to be covered by the pension plan and the supplemental plan for the named executive officers who are participants substantially correspond to the amounts disclosed in the Summary Compensation Table. The years of credited service for each of the following executive officers as of August 31, 2000 were: Mr. Balloun, four years (eight years under the supplemental plan); Mr. Hattox, three years; and Mr. Heagle, zero years.

Messrs. Honeycutt and Morgan are not currently participants in any pension plans or supplemental retirement plans of NSI.

401(K) PLAN

The employee benefits agreement provides for Spinco to adopt and assume the defined contribution 401(k) plan covering corporate office employees of NSI who will become employees of Spinco. The 401(k) plan will provide for employee pre-tax contributions and employer matching contributions, which may be in the form of Spinco Shares. The account balances of Spinco employees in the 401(k) plan as of the Distribution Date will continue to be held under the Spinco plan. During a transition period, an NSI stock account and a Spinco stock account will be maintained under the plan. Spinco employees will be able to transfer amounts out of their NSI stock account, but they will not be able to add to their NSI stock account.

EMPLOYMENT LETTER AGREEMENTS

Spinco will assume NSI's obligations under the employment letter agreements with Messrs. Balloun and Heagle and will enter into an employment letter agreement with Mr. Hattox.

The employment agreement with Mr. Balloun provides for a lump sum severance payment of \$1.5 million in the event his employment is terminated after August 31, 1998. This provision does not apply in the event of voluntary termination, termination upon death or disability, or termination for cause (as each such term is defined in the agreement). In the event of termination in connection with a change in control which would entitle Mr. Balloun to benefits under his Severance Protection Agreement (described below), he would receive the greater of the benefits under the Severance Protection Agreement or the severance benefits set forth in his employment agreement.

The employment agreement with Mr. Hattox provides that the Supplemental Retirement Plan for Executives ("SERP") covering him will be amended to provide that if he terminates employment after attaining age 55, he will be eligible for early retirement under the SERP and his benefits will be determined as if he had completed an additional five years of service (not to exceed 20 years), and he will be treated under the SERP as if he were five years older. The agreement also provides that certain stock options granted to Mr. Hattox in 1996 and 2000 will be amended to provide for continuing vesting and exercisability if he terminates employment after age 55 and to amend the 2000 options to provide that they will be exercisable until the earlier of five years from the date of termination or the end of the remaining exercise term.

The employment agreement with Mr. Heagle provides for an annual base salary of \$300,000, subject to review for increases, and a target bonus equal to 45% of base salary. The agreement also provides for annual grants of stock options and aspiration awards through fiscal 2003 equal to 160% of salary at target level, based on the performance of the chemicals group. Mr. Heagle's employment is at will and may be terminated for any reason. If Mr. Heagle's employment is terminated for any reason other than voluntary termination, upon death or disability, or for cause (each as such term is defined in the agreement), he will be entitled to receive a severance payment, in semi-monthly installments, equal to his then current salary for a period of 12 months. In the event of a termination in connection with a change in control which would entitle Mr. Heagle to benefits under his Severance Protection Agreement (described below), he would receive

the greater of the benefits under the Severance Protection Agreement or the severance benefits set forth in his employment agreement.

SEVERANCE PROTECTION AGREEMENTS

Effective as of the Distribution, Spinco intends to enter into severance protection agreements with its executive officers which will be substantially similar to the agreements such executives now have with NSI. Spinco intends for the agreements to provide the executives some measure of security against the possibility of employment loss that may result following a Change in Control (as defined below) so that they may devote their energies to meeting the business objectives and needs of Spinco and its stockholders.

The agreement for Mr. Balloun is effective until his 65th birthday. The agreements for the other executive officers are effective for a term of two years, which is automatically extended for one year at the end of each year unless terminated by either party. However, the term of the agreements will not expire during a "Threatened Change in Control Period" (as defined in the agreements) or prior to the expiration of 24 months following a Change in Control. If the employment of the officer is terminated within 24 months following a Change in Control or in certain other instances in connection with a Change in Control (1) by Spinco other than for "Cause" or "Disability" or (2) by the officer for "Good Reason" (as each term is defined in the agreements), the officer will be entitled to receive (a) a pro rata bonus for the year of termination, (b) a lump sum cash payment equal to two times the sum of his base salary and bonus (in each case at least equal to his base salary and bonus prior to a Change in Control), subject to certain adjustments, (c) continuation of life insurance, disability, medical, dental and hospitalization benefits for a period of up to 24 months, and (d) a lump sum cash payment reflecting certain retirement benefits he would have been entitled to receive had he remained employed by Spinco for an additional two years and a reduced requirement for early retirement benefits. Additionally, all restrictions of any outstanding incentive awards will lapse and become fully vested, all outstanding stock options will become fully vested and immediately exercisable, and Spinco will be required to purchase for cash, on demand, at the then per-share fair market value, any shares of unrestricted stock and shares purchased upon exercise of options.

The agreements provide that Spinco shall make an additional "gross-up payment" to each officer to offset fully the effect of any excise tax imposed under Section 4999 of the Internal Revenue Code, on any payment made to him arising out of or in connection with his employment. In addition, Spinco will pay all legal fees and related expenses incurred by the officer arising out of his employment or termination of employment if, in general, the circumstances for which he has retained legal counsel occurred on or after a Change in Control.

A "Change in Control" means (1) the acquisition (other than from Spinco) by any "person" (as that term is used for purposes of Sections 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) other than a trustee of an employee benefit plan maintained by Spinco or certain related entities, of beneficial ownership of 20% or more of the combined voting power of Spinco's then outstanding voting securities, (2) a change in more than one-third of the members of the Spinco board who were either members as of the Distribution Date, or were nominated or elected by a vote of two-thirds of those members or members so approved, (3) a merger, consolidation or reorganization involving Spinco unless the stockholders of Spinco immediately before

such merger, consolidation or reorganization, as a result of such merger or consolidation, own, directly or indirectly, at least 70% of the combined voting power of the outstanding voting securities of the corporation resulting from or surviving such merger, consolidation or reorganization, and (4) a complete liquidation or dissolution of Spinco or an agreement for the sale or other disposition of all or substantially all of the assets of Spinco.

DEFERRED COMPENSATION PLANS

The employee benefits agreement provides for Spinco to establish deferred compensation plans covering its executives that are substantially similar to the plans currently maintained by NSI covering such executives. The accounts and benefits of Spinco employees (including former employees who were employed by the lighting equipment and chemicals businesses and the corporate office) will be transferred to the new plans (along with any assets intended to support such obligations).

SPINCO MANAGEMENT COMPENSATION AND INCENTIVE PLAN

Spinco expects its board will adopt the Spinco Management Compensation and Incentive Plan (referred to in this section as the "Plan"). The full text of the Plan will be filed as an exhibit to the Registration Statement that Spinco has filed with the Commission which relates to this information statement. Spinco will establish the Plan to provide annual bonuses to officers and other key management personnel who make substantial contributions to Spinco's success, and to assist in attracting and retaining the highest quality individuals in key executive positions.

Spinco's compensation committee or another committee designated by the board (referred to in this section as the "Committee") will administer the Plan and has the authority to amend, suspend, or terminate the Plan. The Committee may delegate to senior management its authority under the Plan with respect to participants other than certain officers of Spinco.

Prior to, or as soon as practical after, the commencement of each fiscal year, the Committee will establish plan rules for that year with respect to the following matters: (a) employees who are eligible to participate; (b) performance targets and the measurement criteria for determining the level of achievement of the performance targets; (c) the percentage of a participant's base salary which may be paid as an incentive award at specified levels of achievement of the performance targets; and (d) the times and conditions subject to which any incentive award may become payable. The maximum amount that may be paid to any participant for any plan year is \$1.5 million.

After the end of each fiscal year, incentive awards shall be approved by the Committee based on the plan rules then in effect and the achievement of performance criteria as certified by the Committee. Any award may be decreased, at the Committee's discretion, based on such factors as the Committee may determine, including the failure of Spinco or a business unit to meet additional performance goals or the failure of the participant to meet personal performance goals. The Committee may in its discretion grant awards to deserving participants, except those who are Named Executive Officers, notwithstanding levels of achievement of performance criteria.

Awards will generally be made in lump sum cash payments, unless the Committee specifies otherwise at the beginning of the year. Payment will be made as soon as

practicable after determination of awards, subject to deferral as provided by other plans of Spinco.

A partial incentive award may be authorized by the Committee for a participant who is terminated without cause or who retires, dies, or becomes permanently and totally disabled. Otherwise, no award will be paid to a participant who is not an active employee of Spinco, a business unit, or an affiliate at the end of the fiscal year to which the award relates.

BENEFICIAL OWNERSHIP OF SPINCO SHARES

All of the outstanding Spinco Shares are, and prior to the Distribution will be, held beneficially and of record by NSI and no director or executive of Spinco owns any Spinco Shares. The following table sets forth information concerning the Spinco Shares that are projected to be beneficially owned after the Distribution by each of the directors and each of the executive officers named in the Summary Compensation Table and by all directors and executive officers as a group. Unless otherwise indicated, the projections are based on the number of NSI shares held by such persons as of June 30, 2001 and reflect the Distribution ratio of one Spinco Share for every share of common stock of NSI held on the Record Date. No person or entity is expected to own beneficially more than 5% of the Spinco Shares outstanding immediately following the Distribution, based on the ownership of NSI common stock as known to Spinco.

NUMBER OF SHARES BENEFICIALLY OWNED	PERCENT
NAME OF BENEFICIAL OWNER (1)(2)(3) OF CLASS(4)	
----- James S.	
Balloun.....	
982,101	2.3
Jr.....	4,000 *
John L.	
Clendenin.....	
9,300	* Brock A.
Hattox.....	
270,188	* James H.
Heagle.....	
17,680	* Kenneth W.
Honeycutt.....	
67,817	* John K.
Morgan.....	
51,952	* Roy Richards,
Jr.....	4,980 *
Ray M.	
Robinson.....	
4,000	* Kathy Brittain
White.....	3,600 *
Barrie A.	
Wigmore.....	
15,000	* Neil
Williams.....	
4,000	* All executive officers and
directors as a group (16	
persons).....	
1,516,458	3.6%

* Less than 1%.

- (1) Subject to applicable community property laws, each beneficial owner has sole voting and investment power with respect to all shares shown, except as otherwise indicated and except that 18,174 shares shown for Mr. Morgan are jointly held with his spouse.
- (2) Includes shares that may be acquired within 60 days after the ownership date reflected, upon exercise of employee stock options. Such shares are deemed to be outstanding and to be beneficially owned by the person or group holding the options for the purpose of computing the percentage ownership of such person or group, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group. Options are included for the following individuals: Mr. Balloun, 854,390 shares; Mr. Hattox, 270,188 shares; Mr. Honeycutt, 43,694 shares; Mr. Morgan, 31,350 shares; Mr. Heagle, 15,900 shares; Mr. Richards, 1,500 shares; Ms. White and Messrs. Baker, Robinson and Williams, 3,000 shares each; Mr. Wigmore, 5,000 shares; Mr. Clendenin, 6,000 shares; and all current executive officers as a group, 1,296,847 shares. The employee benefits agreement provides that,

at the time of the Distribution, NSI stock options held by Spinco employees will generally be converted to, and replaced by, Spinco stock options in accordance with a conversion ratio. See "Relationship Between NSI and Spinco Following the Distribution -- Employee Benefits Agreement" beginning on page 27.

- (3) Includes performance-based restricted shares granted under NSI's Long-Term Incentive Achievement Plan, which vests in equal installments through January 2005 and to which the executives have sole voting power. Restricted shares are included for the following individuals: Mr. Balloun, 9,000 shares; Mr. Hattox, 2,380 shares; Mr. Honeycutt, 1,840 shares; Mr. Morgan, 1,840 shares; Mr. Heagle, 1,780 shares; and all current executive officers as a group, 20,300 shares. The employee benefits agreement provides that each employee holding NSI restricted stock (all of which is unvested) will receive a dividend of one Spinco Share (subject to the same restrictions as the NSI restricted stock) for each NSI share held. See "Relationship Between NSI and Spinco Following the Distribution -- Employee Benefits Agreement" beginning on page 27.
- (4) Based on an aggregate of 41,188,504 shares of NSI common stock issued and outstanding as of May 31, 2001 and the Distribution ratio of one Spinco Share for every share of common stock of NSI.
- (5) Includes 72 shares held by Mr. Morgan's son and 106 shares held by his spouse.

DESCRIPTION OF SPINCO'S CAPITAL STOCK

AUTHORIZED CAPITAL STOCK

Under Spinco's certificate of incorporation, the total number of shares of all classes of stock that Spinco has authority to issue is 550,000,000, of which 500,000,000 are shares of common stock, par value \$.01 per share, and 50,000,000 are shares of preferred stock, par value \$.01 per share. Based on the number of NSI shares outstanding on _____, 2001, approximately _____ Spinco Shares will be issued to stockholders of NSI on the Distribution Date, though the actual number of Spinco Shares to be issued will be determined as of the Record Date. All of the Spinco Shares to be distributed to NSI stockholders in the Distribution will be fully paid and non-assessable. _____ million Spinco Shares have been reserved for issuance under Spinco's Long-Term Incentive Plan and _____ million Spinco Shares have been reserved for issuance under the Spinco 2001 Non-Employee Director Stock Option Plan. No shares of preferred stock have been issued, although shares of preferred stock have been reserved for issuance under the Rights Agreement (as defined below).

The following summary of certain terms of Spinco's capital stock describes material provisions of, but does not purport to be complete and is subject to, and qualified in its entirety by, Spinco's certificate of incorporation and Spinco's bylaws, the forms of which are included as exhibits to the Registration Statement, and by applicable provisions of law.

COMMON STOCK

The holders of the Spinco Shares will be entitled to one vote for each share on all matters voted on by stockholders, and the holders of such shares will possess all voting power, except as otherwise required by law or provided in any resolution adopted by Spinco's board of directors with respect to any series of preferred stock of Spinco. There are no cumulative voting rights. Accordingly, the holders of a plurality of the Spinco Shares voting for the election of directors can elect all of the directors, if they choose to do so, subject to any rights of the holders of preferred stock to elect directors. Subject to any preferential or other rights of any outstanding series of preferred stock of Spinco that may be designated by Spinco's board of directors, the holders of the Spinco Shares will be entitled to such dividends as may be declared from time to time by Spinco's board of directors from funds available therefor, and upon liquidation will be entitled to receive pro rata all assets of Spinco available for distribution to such holders. See "Dividend Policies" on page 34.

PREFERRED STOCK

Spinco's board of directors is authorized without further stockholder approval (except as may be required by applicable law or New York Stock Exchange regulations) to provide for the issuance of shares of preferred stock, in one or more series, and to fix for each such series such voting powers, designations, preferences and relative, participating, optional and other special rights, and such qualifications, limitations or restrictions, as are stated in the resolution adopted by Spinco's board of directors providing for the issuance of

such series and as are permitted by the Delaware General Corporation Law. The terms and rights of any such series may include:

- the designation of the series,
- the number of shares of the series, which number the board of directors may thereafter, except where otherwise provided in the applicable certificate of designation, increase or decrease, but not below the number of shares thereof then outstanding,
- whether dividends, if any, will be cumulative or noncumulative, and, in the case of shares of any series having cumulative dividend rights, the date or dates or method of determining the date or dates from which dividends on the shares of such series shall be cumulative,
- the rate of any dividends or method of determining such dividends payable to the holders of the shares of such series, any conditions upon which such dividends will be paid and the date or dates or the method for determining the date or dates upon which such dividends will be payable,
- the redemption rights and prices, if any, for shares of the series,
- the terms and amounts of any sinking fund provided for the purchase or redemption of shares of the series,
- the amounts payable on and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of Spinco,
- whether the shares of the series will be convertible or exchangeable into shares of any other class or series, or any other security, of Spinco or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion or exchange price or prices or rate or rates, any adjustments thereof, the date or dates as of which such shares will be convertible or exchangeable and all other terms and conditions upon which such conversion or exchange may be made,
- restrictions on the issuance of shares of the same series or of any other class or series,
- the voting rights, if any, of the holders of the shares of the series, and
- any other relative rights, preferences and limitations of such series.

Should Spinco's board of directors elect to exercise this authority, the rights and privileges of holders of the Spinco Shares could be made subject to the rights and privileges of any such series of preferred stock. Presently, Spinco has no plans to issue any preferred stock, except that Spinco's Stockholder Protection Rights Agreement (the "Rights Agreement") provides for the issuance of shares of participating preferred stock under the circumstances specified in the Rights Agreement, upon exercise or exchange of rights (the "Rights") issued thereunder. See "Certain Anti-Takeover Provisions of Spinco's Certificate of Incorporation, Bylaws and Rights Agreement and Delaware Law -- Stockholder Protection Rights Agreement" beginning on page 83.

NO PREEMPTIVE RIGHTS

No holder of any stock of Spinco of any class authorized at the Distribution Date will have any preemptive right to subscribe to any securities of Spinco of any kind or class.

TRANSFER AGENT AND REGISTRAR

The Distribution Agent will be the Transfer Agent and Registrar for Spinco immediately following the Distribution.

CERTAIN ANTI-TAKEOVER PROVISIONS
OF SPINCO'S CERTIFICATE OF INCORPORATION, BYLAWS AND
RIGHTS AGREEMENT AND DELAWARE LAW

GENERAL

Spinco's certificate of incorporation, Spinco's bylaws, the Rights Agreement and the Delaware General Corporation Law contain certain provisions that could delay or make more difficult an acquisition of control of Spinco not approved by Spinco's board of directors, whether by means of a tender offer, open market purchases, a proxy contest or otherwise. These provisions have been implemented to enable Spinco, particularly (but not exclusively) in the initial years of its existence as an independent, publicly owned company, to develop its business in a manner which will foster its long-term growth without disruption caused by the threat of a takeover not deemed by Spinco's board of directors to be in the best interests of Spinco and its stockholders. These provisions could have the effect of discouraging third parties from making proposals involving an acquisition or change of control of Spinco, although such a proposal, if made, might be considered desirable by a majority of Spinco's stockholders. These provisions may also have the effect of making it more difficult for third parties to cause the replacement of the current management of Spinco without the concurrence of Spinco's board of directors. In addition, certain provisions of the tax disaffiliation agreement to be entered into by NSI and Spinco may also have the effect of discouraging third parties from making proposals involving an acquisition or change of control of Spinco prior to the second anniversary of the Distribution Date. See "Relationship Between NSI and Spinco Following the Distribution -- Tax Disaffiliation Agreement" on page 27. Set forth below is a description of the provisions contained in Spinco's certificate of incorporation and bylaws, the Rights Agreement and the Delaware General Corporation Law that could impede or delay an acquisition of control of Spinco that Spinco's board of directors has not approved. This description is intended as a summary only and is qualified in its entirety by reference to Spinco's certificate of incorporation, Spinco's bylaws and the Rights Agreement, the forms of which are, or will be, included as exhibits to the Registration Statement, as well as the Delaware General Corporation Law.

CLASSIFIED BOARD OF DIRECTORS

Spinco's certificate of incorporation provides for Spinco's board of directors to be divided into three classes of directors serving staggered three-year terms. As a result, approximately one-third of Spinco's board of directors will be elected each year. The first class of directors will initially serve a one-year term, and the second class of directors will initially serve a two-year term. Thereafter, each class of directors will be elected for a three-year term. See "Spinco's Management -- Board of Directors" beginning on page 56.

This provision could prevent a party who acquires control of a majority of the outstanding voting stock from obtaining control of Spinco's board of directors until the second annual stockholders meeting following the date on which the acquiror obtains the controlling stock interest and could have the effect of discouraging a potential acquiror from making a tender offer or otherwise attempting to obtain control of Spinco and could thus increase the likelihood that incumbent directors will retain their positions.

NUMBER OF DIRECTORS; REMOVAL; FILLING VACANCIES

Spinco's certificate of incorporation and bylaws provide that the number of directors shall be fixed only by resolution of Spinco's board of directors from time to time. Spinco's certificate of incorporation provides that the directors may be removed by stockholders only both for cause and by the affirmative vote of at least 80% of the shares entitled to vote.

Spinco's certificate of incorporation and bylaws provide that vacancies on the board of directors may be filled only by a majority vote of the remaining directors or by the sole remaining director.

STOCKHOLDER ACTION

Spinco's certificate of incorporation provides that stockholder action may be taken only at an annual or special meeting of stockholders and that stockholders may not act by written consent. Spinco's certificate of incorporation and bylaws provide that special meetings of stockholders may be called only by Spinco's board of directors. Stockholders are not permitted to call a special meeting or to require Spinco's board of directors to call a special meeting of stockholders.

ADVANCE NOTICE FOR STOCKHOLDER PROPOSALS OR NOMINATIONS AT MEETINGS

Spinco's bylaws establish an advance notice procedure for stockholder proposals to be brought before any annual or special meeting of stockholders and for nominations by stockholders of candidates for election as directors at an annual meeting or a special meeting at which directors are to be elected. Subject to any other applicable requirements, including, without limitation, Rule 14a-8 under the Exchange Act, nominations of persons for election to the board of directors and the proposal of business to be transacted by the stockholders may be made at an annual meeting of stockholders (i) pursuant to Spinco's notice with respect to such meeting, (ii) by or at the direction of the board of directors or (iii) by any stockholder of record of Spinco who was a stockholder of record at the time of the giving of notice for the annual meeting, who is entitled to vote at the meeting and who has complied with Spinco's notice procedures. Additionally, only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to Spinco's notice of meeting. Nominations of persons for election to the board of directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to Spinco's notice of meeting (a) by or at the direction of the board of directors or (b) by any stockholder of record of Spinco who is a stockholder of record at the time of the giving of notice for the special meeting, who is entitled to vote at the meeting and who has complied with Spinco's notice procedures.

For nominations or other business to be properly brought before an annual or special meeting by a stockholder, (i) the stockholder must have given timely notice in writing to the Spinco's secretary, (ii) such business must be a proper matter for stockholder action under the Delaware General Corporation Law, (iii) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided Spinco with a Solicitation Notice (as defined below), such stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to holders of at least the percentage of Spinco's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of Spinco's voting shares

reasonably believed by such stockholder or beneficial holder to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice and (iv) if no Solicitation Notice relating to the proposal has been timely provided, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice.

For an annual meeting, to be timely, a stockholder's notice must be delivered to Spinco's secretary at the principal executive offices of Spinco not less than 45 or more than 75 days prior to the first anniversary (the "Anniversary") of the date on which Spinco first mailed its proxy materials for the preceding year's annual meeting of stockholders. However, if the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not later than the close of business on the later of (i) the 90th day prior to such annual meeting or (ii) the 10th day following the day on which public announcement of the date of such meeting is first made.

For a special meeting, to be timely, a stockholder's notice must be delivered to Spinco's secretary at the principal executive offices of Spinco not later than the close of business on the later of (i) the 90th day prior to such special meeting or (ii) the 10th day following the day on which public announcement of the date of such meeting is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting.

A stockholder's notice must set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person as would be required to be disclosed in solicitations of proxies for the election of such nominees as directors pursuant to Regulation 14A under the Exchange Act and such person's written consent to serve as a director if elected; (ii) as to any other business that the stockholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (A) the name and address of such stockholder, as they appear on Spinco's books, and of such beneficial owner, (B) the class and number of shares of Spinco that are owned beneficially and of record by such stockholder and such beneficial owner, and (C) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of Spinco's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of Spinco's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

In the event that the number of directors to be elected to the board of directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased board of directors made by Spinco at least 55 days prior to the Anniversary, a stockholder's notice required by Spinco's bylaws also will be considered timely, but only with respect to nominees for any new positions created by such increase, if it is delivered to the secretary at the principal executive offices of Spinco not later than the close of business on the 10th day following the day on which such public announcement is first made by Spinco.

Only persons nominated in accordance with the procedures set forth in Spinco's bylaws are eligible to serve as directors and only such business may be conducted at an annual or special meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in Spinco's bylaws. The chairman of an annual or special meeting shall have the power and the duty to determine whether a nomination or any business proposed to be brought before the meeting has been made in accordance with the procedures set forth in Spinco's bylaws and, if any proposed nomination or business is not in compliance with the bylaws, to declare that such defectively proposed business or nomination may not be presented for stockholder action at the meeting and shall be disregarded.

AMENDMENTS TO BYLAWS

Spinco's certificate of incorporation provides that only Spinco's board of directors or the holders of 80% of the shares of Spinco's capital stock entitled to vote at an annual or special meeting of stockholders have the power to amend or repeal Spinco's bylaws.

AMENDMENT OF THE CERTIFICATE OF INCORPORATION

Any proposal to amend, alter, change or repeal any provision of Spinco's certificate of incorporation requires approval by the affirmative vote of a majority of the voting power of all of the shares of Spinco's capital stock entitled to vote on such matters, with the exception of certain provisions of Spinco's certificate of incorporation which require a vote of 80% or more of such voting power.

FAIR PRICE PROVISION

Spinco's certificate of incorporation contains certain requirements for business combinations between Spinco and Spinco stockholders owning 5% or more of Spinco's voting shares (an "Interested Person"). A majority of the shares of Spinco's voting stock, other than those shares owned by the Interested Person, are required to approve such a transaction unless (i) Spinco's board of directors approved the business combination prior to the time the Interested Person became an owner of 5% or more of Spinco's voting shares, or approved it later if a majority of the directors voting to approve such transaction were members of the board of directors prior to the time the Interested Person became an owner of 5% or more of Spinco's voting shares; or (ii) (A) the consideration paid by the Interested Person in exchange for the shares held by Spinco's stockholders has a fair market value per share of Spinco's stock of not less than either (1) the highest price per share paid by the Interested Person in acquiring any of Spinco's stock, or (2) a price per share equal to (x) the aggregate earnings per share of Spinco for the four full consecutive fiscal quarters immediately preceding the record date for solicitation of votes or consents on the business combination, multiplied by (y) the figure obtained by dividing the highest price per share paid by the Interested Person in acquiring any of Spinco's stock by the earnings per share of Spinco for the four full consecutive fiscal quarters immediately preceding the time when the Interested Person became an owner of 5% or more of Spinco's voting shares, and (B) there has been no significant reduction in Spinco's dividend rate subsequent to the time the Interested Person acquired 5% or more of Spinco's voting shares, unless such reduction was approved by the board of directors and a majority of the directors approving such reduction were members of the board prior to the time the Interested Person acquired a 5% position. Spinco's fair price provision may be

amended only by the affirmative vote or consent of the holders of a majority of the shares of Spinco's voting stock, excluding those shares owned by an Interested Person.

PREFERRED STOCK

Spinco's certificate of incorporation authorizes Spinco's board of directors by resolution to issue one or more series of Preferred Stock and to determine, with respect to any series of preferred stock, the terms and rights of such series.

Spinco believes that the availability of the preferred stock will provide Spinco with increased flexibility in structuring possible future financings and acquisitions and in meeting other corporate needs which might arise. Having such authorized shares available for issuance will allow Spinco to issue shares of preferred stock without the expense and delay of a special stockholders' meeting. The authorized shares of preferred stock, as well as Spinco Shares, will be available for issuance without further action by Spinco's stockholders, unless such action is required by applicable law or the rules of the New York Stock Exchange or any other stock exchange on which Spinco's securities may be listed. Although Spinco's board of directors has no intention at the present time of doing so, it would have the power (subject to applicable law) to issue a series of preferred stock that could, depending on the terms of such series, impede the completion of a merger, tender offer or other takeover attempt. For instance, subject to applicable law, such series of preferred stock might impede a business combination by including class voting rights which would enable the holder to block such a transaction. See "-- Stockholder Protection Rights Agreement" below.

STOCKHOLDER PROTECTION RIGHTS AGREEMENT

Each share of Spinco Common Stock has attached to it one right (a "Right"). Each Right entitles its registered holder to purchase from Spinco, on or after the Separation Time (as hereinafter defined), one one-hundredth of a share of Participating Preferred Stock, par value \$.01 per share (the "Participating Preferred"), for an exercise price which will be established by Spinco's board of directors prior to the Distribution (the "Exercise Price"), which price will be subject to future adjustment. The Rights will not trade separately from the Spinco Common Stock until the Separation Time.

The Rights will be evidenced by common stock certificates until the Separation Time. The Separation Time shall mean the earlier of (i) the close of business on the tenth business day (or such later date as Spinco's board of directors may from time to time fix by resolution adopted prior to the Separation Time that would otherwise have occurred) after the date on which any Person (as defined in the Rights Agreement) commences a tender or exchange offer which, if consummated, would result in such Person's becoming an Acquiring Person (as defined below) and (ii) the first date (the "Stock Acquisition Date") of public announcement by Spinco (by any means) that a Person has become an Acquiring Person; provided that if a tender or exchange offer referred to in clause (i) is canceled, terminated or otherwise withdrawn prior to the Separation Time without the purchase of any shares of stock pursuant thereto, such offer shall be deemed never to have been made. An Acquiring Person is any Person who is or becomes the Beneficial Owner (as defined in the Rights Agreement) of 15% or more of the outstanding Spinco Shares after the Distribution Date, excluding (i) Spinco, any majority-owned subsidiary of Spinco or any employee stock ownership or other employee benefit plan of Spinco or a subsidiary of Spinco (or any entity or trustee holding shares of Spinco Common Stock pursuant to

the terms of any such plan or for the purpose of funding any such plan or funding other employee benefits for employees of Spinco or any subsidiary of Spinco), (ii) any Person who is the beneficial owner of 15% or more of the outstanding shares of Spinco Common Stock on the date of the Rights Agreement or any Person who became the Beneficial Owner of 15% or more of the outstanding Spinco Shares solely as a result of an acquisition of Spinco Shares by Spinco, until such time as such Person acquires additional Spinco Shares other than through a dividend or stock split, (iii) any Person who becomes an Acquiring Person without any plan or intent to seek or affect control of Spinco if such Person, upon notice by Spinco, promptly divests sufficient securities to reduce its Beneficial Ownership below 15% or (iv) any Person who Beneficially Owns Spinco Shares that were solely (A) acquired upon exercise of an option granted by Spinco in connection with an agreement to merge with, or acquire, Spinco entered into prior to a Stock Acquisition Date, (B) owned by such Person and its Affiliates and Associates (as defined in the Rights Agreement) at the time of such grant or (C) amounting to less than 1% of the outstanding Spinco Shares, acquired by Affiliates and Associates of such Person after the time of such grant.

The Rights Agreement provides that, until the Separation Time, the Rights will be transferred with and only with the Spinco common stock. Spinco Share certificates issued after the Record Time but prior to the Separation Time shall evidence one Right for each share of Spinco common stock represented thereby and shall contain a legend incorporating by reference the terms of the Rights Agreement (as it may be amended from time to time). Promptly following the Separation Time, separate certificates evidencing the Rights ("Rights Certificates") will be mailed to holders of record of Spinco Shares at the Separation Time.

The Rights will not be exercisable until the Separation Time. The Rights will expire on the earliest of (i) the Exchange Time (as defined below), (ii) the close of business on the tenth anniversary of the Record Time, unless extended by action of Spinco's board of directors, (iii) the date on which the Rights are redeemed as described below and (iv) immediately prior to the effective time of a consolidation, merger or share exchange of Spinco (A) into another corporation or (B) with another corporation where Spinco is the surviving corporation but Spinco Shares are converted into cash or securities of another corporation, in either case pursuant to an agreement that Spinco entered into prior to a Stock Acquisition Date (in any such case, the "Expiration Time").

The Exercise Price and the number of Rights outstanding, or in certain circumstances the securities purchasable upon exercise of the Rights, may be adjusted from time to time to prevent dilution in the event of a common stock dividend on, or a subdivision or a combination into a smaller number of shares of, Spinco Common Stock, or the issuance or distribution of any securities or assets in respect of, in lieu of or in exchange for Spinco Common Stock.

In the event that prior to the Expiration Time a Flip-in Date (as defined below) occurs, each Right (other than Rights Beneficially Owned by the Acquiring Person or any affiliate or associate thereof, which Rights shall become void) shall constitute the right to purchase from Spinco, upon the exercise thereof in accordance with the terms of the Rights Agreement, that number of shares of Spinco Common Stock having an aggregate market price (as defined in the Rights Agreement), on the Stock Acquisition Date equal to twice the Exercise Price for an amount in cash equal to the then current Exercise Price. In addition, Spinco's board of directors may, at its option, at any time after a Flip-in Date and prior to the time that an Acquiring Person becomes the Beneficial Owner of more

than 50% of the outstanding shares of Spinco Common Stock, elect to exchange all (but not less than all) the then outstanding Rights (other than Rights Beneficially Owned by the Acquiring Person or its Affiliates or Associates, which Rights become void) for shares of Spinco Common Stock at an exchange ratio of one share of Spinco Common Stock per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date of the Separation Time (the "Exchange Ratio"). Immediately upon such action by Spinco's board of directors (the "Exchange Time"), the right to exercise the Rights will terminate and each Right will thereafter represent only the right to receive a number of shares of Spinco Common Stock equal to the Exchange Ratio. A "Flip-In Date" is defined in the Rights Agreement as any Stock Acquisition Date or such later date as Spinco's board of directors may from time to time fix by resolution adopted prior to the Flip-In Date that would otherwise have occurred.

Whenever Spinco becomes obligated under the preceding paragraph to issue shares of Spinco Common Stock upon exercise of or in exchange for Rights, Spinco, at its option, may substitute shares of participating preferred stock for shares of Spinco Common Stock, at a ratio of one one-hundredth of a share of the Participating Preferred for each share of Spinco Common Stock.

In the event that prior to the Expiration Time Spinco enters into, consummates or permits to occur a transaction or series of transactions after the time an Acquiring Person has become such in which, directly or indirectly, (i) Spinco shall consolidate, merge or participate in a statutory share exchange with any other Person if, at the time of the consolidation, merger or statutory share exchange or at the time Spinco enters into any agreement with respect to a consolidation, merger or share exchange, the Acquiring Person is the Beneficial Owner of 90% or more of the outstanding shares of Spinco Common Stock or controls Spinco's board of directors and either (A) any term of or arrangement concerning the treatment of shares of Spinco Common Stock in such consolidation, merger or statutory share exchange relating to the Acquiring Person is not identical to the terms and arrangements relating to other holders of Spinco Common Stock or (B) the person with whom the transaction or transactions occur is the Acquiring Person or an affiliate or associate of the Acquiring Person or (ii) Spinco or one or more of its subsidiaries sells or otherwise transfers assets (A) aggregating more than 50% of the assets (measured by either book value or fair market value) or (B) generating more than 50% of the operating income or cash flow of Spinco and its subsidiaries taken as a whole to any other Person (other than Spinco or one or more of its wholly owned subsidiaries) or to two or more such Persons which are affiliated or otherwise acting in concert, if, at the time of such sale or transfer of assets or at the time Spinco (or any such subsidiary) enters into an agreement with respect to such sale or transfer, the Acquiring Person controls Spinco's board of directors (a "Flip-over Transaction or Event"), Spinco shall take such action as shall be necessary to ensure, and shall not enter into, consummate or permit to occur such Flip-over Transaction or Event until it shall have entered into a supplemental agreement with the Person engaging in such Flip-over Transaction or Event or the parent corporation thereof (the "Flip-over Entity"), for the benefit of the holders of the Rights, provided that upon consummation or occurrence of the Flip-over Transaction or Event (i) each Right shall thereafter constitute the right to purchase from the Flip-over Entity, upon exercise thereof in accordance with the terms of the Rights Agreement, that number of shares of common stock of the Flip-over Entity having an aggregate market price on the date of consummation or occurrence of such Flip-over Transaction or Event equal to twice the Exercise Price for an amount in cash equal to the then current Exercise Price and (ii) the Flip-over Entity shall thereafter be liable for, and shall assume, by virtue of such Flip-over

Transaction or Event and such supplemental agreement, all the obligations and duties of Spinco pursuant to the Rights Agreement.

Spinco's board of directors may, at its option, at any time prior to the Flip-in Date, redeem all (but not less than all) the then outstanding Rights at a redemption price of \$.01 per Right. Immediately upon the action of Spinco's board of directors to redeem the Rights, without any further action and without any notice, the right to exercise the Rights will terminate and each Right will thereafter represent only the right to receive the redemption price in cash or securities.

The holders of Rights will, solely by reason of their ownership of Rights, have no rights as stockholders of Spinco, including the right to vote or to receive dividends.

Spinco and the Rights Agent may from time to time supplement or amend the Rights Agreement without the approval of any holders of Rights (i) prior to the Flip-In Date, in any respect and (ii) on or after the Flip-In Date, to make any changes that Spinco may deem necessary or desirable and which shall not materially adversely affect the interests of the holders of Rights generally or in order to cure any ambiguity or correct or supplement any inconsistent or defective provision contained therein.

The Rights will not prevent a takeover of Spinco. However, the Rights may cause substantial dilution to a person or group that acquires 15% or more of the Spinco Shares unless the Rights are first redeemed by Spinco's board of directors. Nevertheless, the rights should not interfere with a transaction that is in the best interests of Spinco and its stockholders because the Rights can be terminated on or prior to the Flip-in Date and before the transaction is consummated.

As long as the rights are attached to Spinco Common Stock, Spinco will issue one Right with each new share of Spinco Common Stock so that all shares will have Rights attached. Prior to the Distribution, Spinco's board of directors will reserve an appropriate number of shares of participating preferred stock for issuance upon exercise of the Rights.

The Rights Agreement (which includes as Exhibit A the forms of Rights Certificate and Election to Exercise) will be filed as an exhibit to the Registration Statement which relates to this information statement. The foregoing description of the Rights is qualified in its entirety by reference to the Rights Agreement and such exhibit.

DELAWARE LAW

Under Section 203 of the Delaware General Corporation Law ("Section 203"), which will be applicable to Spinco after the Distribution, certain "business combinations" (defined generally to include mergers or consolidations between the Delaware corporation and an interested stockholder and transactions with an interested stockholder involving the assets or stock of the corporation or its majority-owned subsidiaries and transactions which increase the interested stockholder's percentage ownership of stock) between a publicly held Delaware corporation and an "interested stockholder" (defined generally as those stockholders who become beneficial owners of 15% or more of a Delaware corporation's voting stock or their affiliates) are prohibited for a three-year period following the date that such stockholder became an interested stockholder, unless (i) the corporation has elected in its certificate of incorporation not to be so governed, (ii) either the business combination or the proposed acquisition of stock resulting in the person becoming an interested stockholder was approved by the board of directors of the corporation before the other party to the business combination became an interested stockholder, (iii) upon

consummation of the transaction that made it an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the commencement of the transaction (excluding voting stock owned by officers who are also directors or held in employee benefit plans in which the employees do not have a confidential right to tender or vote stock held by the plan) or (iv) the business combination was approved by the board of directors of the corporation and also ratified by two-thirds of the voting stock which the interested stockholder did not own.

Under certain circumstances, Section 203 makes it more difficult for a person who would be an interested stockholder to effect various business combinations with a corporation for a three-year period, although the stockholders may elect to exclude a corporation from the restrictions imposed thereunder. Spinco's certificate of incorporation does not exclude Spinco from restrictions imposed under Section 203. The provisions of Section 203 may encourage companies interested in acquiring Spinco to negotiate in advance with Spinco's board of directors, since the stockholder approval requirement would be avoided if a majority of the directors then in office approved either the business combination or the transaction which results in the stockholder becoming an interested stockholder. Such provisions also may have the effect of preventing changes in the management of Spinco. It is possible that such provisions could make it more difficult to accomplish transactions which stockholders may otherwise deem to be in their best interests.

LIABILITY AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

LIMITATION ON LIABILITY OF DIRECTORS

Pursuant to authority conferred by Section 102 of the Delaware General Corporation Law, Article X of Spinco's certificate of incorporation ("Article X") eliminates the personal liability of Spinco's directors to Spinco or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Law as currently in effect or as it may hereafter be amended. Under the Delaware General Corporation Law as in effect on the date hereof, Spinco's directors remain liable for (i) any breach of the duty of loyalty to Spinco or its stockholders, (ii) any act or omission not in good faith or which involves intentional misconduct or a knowing violation of law, (iii) any violation of Section 174 of the Delaware General Corporation Law, which proscribes the payment of dividends and stock purchases or redemptions under certain circumstances and (iv) any transaction from which directors derive an improper personal benefit.

Article X provides that any future repeal or amendment of its terms (including any amendment or repeal of Article X made by virtue of any change in the Delaware General Corporation Law) will not adversely affect any rights of directors existing thereunder with respect to acts or omissions occurring prior to such repeal or amendment.

INDEMNIFICATION

Spinco's bylaws and Section 145 of the Delaware General Corporation Law, which allows, and in some cases requires, the indemnification of directors and officers under certain circumstances, grant Spinco's directors and officers a right to indemnification to the

fullest extent permitted by law for all expenses relating to civil, criminal, administrative or investigative procedures to which they are a party (i) by reason of the fact that they are or were directors or officers of Spinco or (ii) by reason of the fact that, while they are or were directors or officers of Spinco, they are or were serving at the request of Spinco as a director, officer or employee of another enterprise. Spinco's bylaws further provide that an advancement for any such expenses shall only be made upon delivery to Spinco by the indemnitee of an undertaking to repay all amounts so advanced if it is ultimately determined that such indemnitee is not entitled to be indemnified by Spinco.

INDEMNIFICATION AGREEMENTS

In connection with the Distribution, Spinco will enter into indemnification agreements with certain of its directors and officers. These agreements will require Spinco to indemnify these directors and officers with respect to their activities as directors or officers of Spinco or when serving at Spinco's request as a director, officer or trustee of another corporation, trust or other enterprise against expenses (including attorneys' fees, judgments, fines and amounts paid in settlement) actually and reasonably incurred by them in any threatened, pending or completed suit or proceeding (civil, criminal administrative or investigative) to which they are, or are threatened to be made, parties as a result of their service to Spinco. Spinco will agree to indemnify each indemnitee for any one or a combination of the following, whichever is most advantageous to the indemnitee, as determined by the indemnitee (i) the benefits provided by Spinco's certificate of incorporation and bylaws in effect on the date of the indemnification agreement; (ii) the benefits provided by Spinco's certificate of incorporation and bylaws at the time expenses are incurred by the indemnitee; (iii) the benefits allowable under Delaware law in effect on the date of the indemnification agreement; (iv) the benefits allowable under the law of the jurisdiction under which Spinco exists at the time expenses are incurred by the indemnitee; (v) the benefits available under liability insurance obtained by Spinco; and (vi) such other benefits as may be otherwise available to indemnitee under Spinco's existing practices. Under the indemnification agreements, each indemnitee will continue to be indemnified even after ceasing to occupy a position as an officer, director, employee or agent of Spinco with respect to suits or proceedings arising out of acts or omissions during his service to Spinco.

Each indemnitee will agree to notify Spinco promptly of any proceeding brought or threatened and not to make any admission or settlement without Spinco's consent, unless the indemnitee determines to undertake his own defense and waives the benefits of the indemnification agreement.

INDEPENDENT PUBLIC ACCOUNTANTS

The combined financial statements and schedule of the National Service Industries, Inc. lighting equipment and chemicals businesses (to be reorganized as L&C Spinco, Inc.) as of August 31, 2000 and August 31, 1999, and for each of the three years in the period ended August 31, 2000, appearing in this information statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

ADDITIONAL INFORMATION

Spinco has filed with the Commission the Registration Statement under the Exchange Act, with respect to the Spinco Common Stock and the preferred stock purchase rights associated with each share of Spinco Common Stock. This document does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto, to which reference is hereby made. Statements made in this document as to the contents of any contract, agreement or other document referred to herein are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to such exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference.

The Registration Statement and the exhibits thereto filed by Spinco with the Commission may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as at the Regional Office of the Securities and Exchange Commission at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such information can be obtained by mail from the Public Reference Branch of the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The Commission maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. The address of the Commission's website is <http://www.sec.gov>.

After the Distribution, Spinco will be required to comply with the reporting requirements of the Exchange Act and to file with the Commission reports, proxy statements and other information as required by the Exchange Act. Additionally, Spinco will be required to provide annual reports containing audited financial statements to its stockholders in connection with its annual meetings of stockholders. After the Distribution, these reports, proxy statements and other information will be available to be inspected and copied at the public reference facilities of the Commission or obtained by mail or over the Internet from the Commission, as described above. The Spinco Shares will be listed on the New York Stock Exchange under the symbol " " following completion of the Distribution. When the Spinco Shares commence trading on the New York Stock Exchange, such reports, proxy statements and other information will be available for inspection at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To National Service Industries, Inc.:

We have audited the accompanying combined balance sheets of the National Service Industries, Inc. lighting equipment and chemicals businesses (to be reorganized as L&C Spinco, Inc. -- Note 1) as of August 31, 2000 and 1999 and the related combined statements of income, parent's equity and comprehensive income, and cash flows for each of the three years in the period ended August 31, 2000. These combined financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the National Service Industries, Inc. lighting equipment and chemicals businesses as of August 31, 2000 and 1999 and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2000 in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Atlanta, Georgia
June 22, 2001

COMBINED BALANCE SHEETS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1)
(IN THOUSANDS)

AUGUST 31, 1999	MAY 31, -----	2001	2000	
				(UNAUDITED)
ASSETS CURRENT ASSETS: Cash and cash				
equivalents.....		\$ 13,779	\$	
1,510	\$ 2,254	Receivables, less reserves for doubtful	accounts of \$7,607 in 2001, \$6,570 in 2000, and \$5,470	in 1999.....
312,140	344,451	310,729	Inventories, at the	lower of cost (on a first-in, first-out basis) or
			market.....	232,274 236,856
	197,453	Deferred income		
taxes.....		6,222	15,631	
	15,739	Prepayments and other current		
assets.....	26,342	22,531	18,026	-----
				Total Current
Assets.....		590,757		
620,979	544,201			-----
PROPERTY, PLANT, AND EQUIPMENT, AT COST:				
Land.....				
	14,954	15,090	13,719	Buildings and leasehold
				improvements.....
			156,748	148,100
		129,273	Machinery and	
equipment.....				323,916
300,946	328,830			----- Total
				Property, Plant, and Equipment.....
495,618	464,136	471,822	Less -- Accumulated depreciation	and amortization.....
	249,353	219,108	247,338	-----
				Property, Plant, and Equipment
-- net.....	246,265	245,028	224,484	-----
				OTHER ASSETS: Goodwill and
other intangibles.....				478,257
	497,324	517,970		
Other.....				
55,326	59,549	50,383		-----
Total Other Assets.....				
533,583	556,873	568,353		-----
Total Assets.....				
\$1,370,605	\$1,422,880	\$1,337,038	=====	=====
			=====	=====
LIABILITIES AND PARENT'S EQUITY CURRENT				
LIABILITIES: Current maturities of long-term				
debt.....	\$ 1,089	\$ 201	\$ 368	Commercial
paper, short-term.....				115,665
	231,706	97,539	Short-term secured	
borrowings.....				118,900 -- --
				Notes
payable.....				
	18,690	20,285	11,471	Accounts
payable.....				102,953
103,672	104,981	Accrued salaries, commissions, and		
bonuses.....	37,420	54,928	62,148	Current
portion of self-insurance reserves.....				2,598
	2,679	3,321	Accrued taxes	
payable.....				-- 1,700
	8,954	Other accrued		
liabilities.....				53,675
46,699	55,491			----- Total
				Current Liabilities.....
450,990	461,870	344,273		-----
				Long-Term Debt, less current
maturities.....	383,213	384,242	435,199	---
				Deferred Income
Taxes.....		25,108	36,902	
34,963				Self-Insurance
Reserves, less current portion.....	8,852	10,942		
11,837				Other Long-Term
Liabilities.....				83,574 86,122
78,911				-----
				Commitments and
Contingencies (Note 6) PARENT'S EQUITY: NSI equity				
investment.....				432,496
455,568	441,173	Accumulated other comprehensive		
income.....	(13,628)	(12,766)	(9,318)	----
				Total Parent's
Equity.....				418,868 442,802
	431,855			----- Total
				Liabilities and Parent's Equity.....
\$1,370,605	\$1,422,880	\$1,337,038	=====	=====
			=====	=====

The accompanying notes are an integral part of these combined balance sheets.

COMBINED STATEMENTS OF INCOME
 NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
 AND CHEMICALS BUSINESSES
 (TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1)
 (IN THOUSANDS, EXCEPT PER-SHARE DATA)

NINE MONTHS ENDED MAY 31,
 YEARS ENDED AUGUST 31, -----

 2001 2000 2000 1999 1998 ----

(UNAUDITED)

SALES.....				
	\$1,482,957	\$1,466,622		
	\$2,022,711	\$1,708,385		
	\$1,559,787			
EXPENSES: Cost of products sold.....	845,063	847,480		
	1,168,221	978,274	902,851	
Selling and administrative expenses.....	512,793	489,366	656,112	
	570,792	517,851		
Interest expense, net.....	37,710			
	31,016	43,299	12,697	4,412
Amortization expense.....	13,521			
	13,899	18,441	5,802	3,102
Loss on sale of businesses....	14,557	--	--	--
- - Other (income) expense, net... 825 (469) 1,347				
(1,765) 1,712 -----				
----- Total costs and expenses....	1,424,469			
1,381,292 1,887,420 1,565,800				
1,429,928 -----				

----- Income before provision for income taxes.....	58,488			
	85,330	135,291	142,585	
129,859 Provision for income taxes....	24,384	32,545		
51,600 53,469 48,048 -----				

----- Net income.....	\$ 34,104	\$ 52,785	\$ 83,691	\$ 89,116
	\$ 89,116	\$ 81,811	=====	=====
	=====	=====	=====	=====
===== Pro forma basic earnings per share (Note 2).....	\$ 0.83	n/a	\$ 2.06	n/a n/a
	=====	=====	=====	=====
===== Pro forma basic weighted average number of shares outstanding (Note 2).....	41,039	n/a	40,708	
n/a n/a =====	=====	=====	=====	=====
	=====	=====	=====	=====

The accompanying notes are an integral part of these combined statements.

COMBINED STATEMENTS OF PARENT'S EQUITY AND COMPREHENSIVE INCOME

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1)
(IN THOUSANDS)

<p>ACCUMULATED OTHER NSI'S COMPREHENSIVE TOTAL COMPREHENSIVE EQUITY INCOME EQUITY INCOME ----- -----</p> <p>BALANCE AUGUST 31, 1997..... \$409,219 \$ (6,812) \$402,407 Net income..... 81,811 -- 81,811 \$81,811 Foreign currency translation adjustment..... -- (4,528) (4,528) (4,528) --- ---- Comprehensive income..... -- \$77,283 ===== Net transactions with NSI..... (66,003) -- (66,003) ----- ---- BALANCE AUGUST 31, 1998..... 425,027 (11,340) 413,687 Net income..... 89,116 -- 89,116 \$89,116 Foreign currency translation adjustment..... -- 2,022 2,022 2,022 ----- Comprehensive income..... -- -- -- \$91,138 ===== Net transactions with NSI..... (72,970) -- (72,970) ----- ----- BALANCE AUGUST 31, 1999..... 441,173 (9,318) 431,855 Net income..... 83,691 -- 83,691 \$83,691 Foreign currency translation adjustment..... -- (3,448) (3,448) (3,448) --- ---- Comprehensive income..... -- -- -- \$80,243 ===== Net transactions with NSI..... (69,296) -- (69,296) ----- ----- BALANCE AUGUST 31, 2000..... \$455,568 \$(12,766) \$442,802 =====</p>	
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The accompanying notes are an integral part of these combined statements.

COMBINED STATEMENTS OF CASH FLOWS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1)
(IN THOUSANDS)

NINE MONTHS YEARS ENDED	ENDED	MAY			
31, AUGUST 31,	-----				

- 2001 2000 2000 1999 1998	-----				

----- (UNAUDITED) CASH PROVIDED					
BY (USED FOR) OPERATING ACTIVITIES					
Net					
income.....	\$				
34,104	\$ 52,785	\$ 83,691	\$ 89,116	\$	
81,811	Adjustments to reconcile net				
	income to net cash provided by				
	operating activities: Depreciation				
	and amortization.....	48,584			
		45,322	58,485	33,297	28,669
	(Gain)/loss on sale of property,				
	plant & equipment.....				
	(237) (44) (156) 69 767	Loss on			
	sale of businesses.....	14,557			
-- -- -- --	Provision for losses on				
	accounts				
receivable.....					
	2,471 1,999 2,667 2,744 2,580				
	Change in assets and liabilities				
	net of effect of acquisitions -				
Receivables.....					
	27,899 2,442 (37,464) (16,047)				
	(44,037)				
Inventories.....					
	3,007 (45,469) (40,054) 10,920				
	(20,906) Deferred income				
taxes.....	(2,385) 8,333				
321 (14,697) (4,281)	Prepayments				
	and other current				
assets.....					
	(4,812) (4,698) (3,335) (3,940)				
(455) Accounts payable and accrued					
liabilities.....					
	(17,971) (33,819) (12,202) 43,383				
(12,392) Self-insurance reserves					
and other long-term					
liabilities.....	(4,400)				
(1,512) 12,038 3,225 4,605	-----				

-----	Net Cash Provided by				
	Operating				
Activities.....					
	100,817 25,339 63,991 148,070				
36,361	-----				
-----	CASH				
-----	PROVIDED BY (USED FOR) INVESTING				
	ACTIVITIES Purchases of property,				
	plant, and				
equipment.....					
	(38,326) (48,270) (62,913) (38,555)				
(46,708) Proceeds from the sale of					
property, plant and					
equipment.....	1,361				
1,378 1,866 378 450	Proceeds from				
	the sale of				
businesses.....					
	1,799 -- -- --				
Acquisitions.....					
-- (14,477) (16,214) (514,370)					
(11,398) Change in other					
assets.....	4,052 1,827				
(9,764) (1,898) (2,394)	-----				

-----	Net Cash Used for Investing				
	Activities.....				
	(31,114) (59,542) (87,025)				
(554,445) (60,050)	-----				

-----	CASH PROVIDED BY (USED FOR)				
	FINANCING ACTIVITIES Net				
	(repayments) borrowings of notes				

payable.....				
	(1,595)	(229)	8,814	3,588 805
Issuances (repayments) of				
commercial paper, net (less than 90				
days)....	(107,188)	93,699	(87,762)	
352,265 -- Issuances of commercial				
paper (greater than 90				
days).....	1,347	186,024		
194,953 -- -- Repayments of				
commercial paper (greater than 90				
days).....	(10,200)			
(182,750) (222,750) -- -- Proceeds				
from short-term secured				
borrowings.....				
118,900 -- -- -- -- Proceeds from				
issuances of long-term				
debt.....				
-- -- 199,798 267,585 52,000				

COMBINED STATEMENTS OF CASH FLOWS -- (CONTINUED)

NINE MONTHS YEARS ENDED	ENDED MAY	ENDED	ENDED	MAY
31,	AUGUST 31,	-----	-----	-----
-	2001	2000	2000	1999 1998
-	-----	-----	-----	-----
----- (UNAUDITED) Repayments of				
				long-term debt..... (826) (861)
				(1,196) (160,304) (369) Net
				activity with NSI.....
				(57,176) (61,607) (69,296) (72,970)
				(66,003) -----
				----- Net Cash
				Provided by (Used for) Financing
				Activities..... (56,738) 34,276
				22,561 390,164 (13,567) -----

				---- Effect of Exchange Rate
				Changes on
				Cash.....
				(696) (838) (271) 9 (410) -----

				---- Net Change in Cash and Cash
				Equivalents.....
				12,269 (765) (744) (16,202)
				(37,666) Cash and Cash Equivalents
				at Beginning of
				Period.....
				1,510 2,254 2,254 18,456 56,122 ---

				-- ----- Cash and Cash
				Equivalents at End of
				Period.....
				\$ 13,779 \$ 1,489 \$ 1,510 \$ 2,254 \$
				18,456 =====
				=====
				=====
Supplemental Cash Flow Information:				
				Income taxes paid during the
				period.....
				\$ 27,661 \$ 42,932 \$ 55,302 \$ 29,333
				\$ 52,709 Interest paid during the
				period..... 33,922 27,134 42,399
				14,289 5,939 Noncash Investing and
				Financing Activities: Noncash
				aspects of acquisitions - Assets
				acquired..... \$ -- \$ --
				\$ -- \$ 633,023 \$ 14,401 Liabilities
				assumed or
				incurred..... -- --
				-- 118,653 3,055

The accompanying notes are an integral part of these combined statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1)

NOTE 1: SPIN-OFF AND BASIS OF PRESENTATION

In fiscal year 2001, management of National Service Industries, Inc. ("NSI" or "Parent") began to evaluate and pursue the spin-off of its lighting equipment and chemicals businesses, subject to certain conditions, into a separate publicly traded company with its own management and Board of Directors (the "Distribution" or the "Spinoff"). This distribution is expected to occur during the last quarter of fiscal 2001 or the first quarter of fiscal 2002 and will be accomplished by transferring the assets and liabilities of the businesses that comprise the lighting equipment and chemicals businesses to L&C Spinco, Inc., a soon-to-be formed holding company, and then distributing all of the shares of common stock of L&C Spinco, Inc. to NSI's stockholders. NSI's stockholders will receive one share of L&C Spinco, Inc. common stock for every one share of NSI common stock held as of the date of distribution (the "Distribution Date"). After the Distribution, L&C Spinco, Inc. and NSI will be two separate public companies. L&C Spinco, Inc. will be incorporated as an indirect wholly owned subsidiary of NSI and will not have any operations, assets, or liabilities until immediately prior to the Distribution.

These combined financial statements include the accounts of the NSI businesses that comprise its lighting equipment and chemicals businesses (collectively referred to herein as "Spinco"). The lighting equipment segment produces a variety of fluorescent and non-fluorescent fixtures for markets throughout the United States, Canada, Mexico, and overseas. The chemicals segment produces maintenance, sanitation, and water treatment products for customers throughout the United States, Canada, and Western Europe.

The combined financial statements have been prepared on the historical cost basis in accordance with accounting principles generally accepted in the United States and present Spinco's financial position, results of operations, and cash flows as derived from NSI's historical financial statements. Certain NSI corporate assets, liabilities and expenses have been allocated to Spinco based on an estimate of the proportion of corporate amounts allocable to Spinco, utilizing such factors as revenues, number of employees, and other relevant factors. In the opinion of management, the allocations have been made on a reasonable basis. Management believes that all amounts allocated to Spinco are a reasonable representation of the costs that would have been incurred if Spinco had performed these functions as a stand-alone company. The combined financial statements reflect an allocation of debt and related interest expense, as further described in Note 4.

In conjunction with the separation of their businesses, Spinco and NSI will enter into various agreements that address the allocation of assets and liabilities between them and that define their relationship after the separation, including the distribution agreement, the tax disaffiliation agreement, the employee benefits agreement, and the transition services agreement.

NOTES TO COMBINED FINANCIAL STATEMENTS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1) -- (CONTINUED)

NOTE 2: SUMMARY OF ACCOUNTING POLICIES

PRINCIPLES OF COMBINATION

The combined financial statements include the accounts of Spinco after elimination of significant intercompany transactions and accounts.

REVENUE RECOGNITION AND PRODUCT WARRANTY

Spinco records revenues as products are shipped. A provision for estimated returns, allowances, and warranty costs is recorded when products are shipped.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions, which include estimates of NSI costs allocated to Spinco, that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash in excess of daily requirements is invested in time deposits and marketable securities and is included in the accompanying balance sheets at market value. Spinco considers time deposits and marketable securities purchased with an original maturity of three months or less to be cash equivalents.

CONCENTRATIONS OF CREDIT RISK

Concentrations of credit risk with respect to receivables are limited due to the wide variety of customers and markets using Spinco's products, as well as their dispersion across many different geographic areas. As a result, as of August 31, 2000, Spinco does not consider itself to have any significant concentrations of credit risk.

NOTES TO COMBINED FINANCIAL STATEMENTS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1) -- (CONTINUED)

INVENTORIES

Inventories are valued at the lower of cost (on a first-in, first-out basis) or market and consisted of the following at August 31, 2000 and 1999:

2000	1999	(IN THOUSANDS)	
		Raw materials and	
supplies.....			\$ 99,089
		\$ 92,240 Work in	
progress.....		19,677 16,215 Finished	
goods.....			
118,090	88,998		\$236,856 \$197,453
		=====	=====

GOODWILL AND OTHER INTANGIBLES

Goodwill of \$3.5 million was recognized in connection with a 1969 acquisition and is not being amortized. Remaining amounts of goodwill (\$341.4 million in 2000 and \$354.4 million in 1999) and other intangible assets are being amortized on a straight-line basis over various periods ranging from 2 to 40 years.

The following table summarizes net goodwill and intangible assets including the useful lives associated with each as of August 31:

USEFUL LIFE	2000	1999	(IN YEARS)	-----	----
			(IN THOUSANDS)	Unamortizable	
Goodwill.....				\$	
	3,460	\$ 3,460	0	Amortizable	
Goodwill.....					
	341,434	354,360	15-40	Trade names and	
Trademarks.....				84,747	
	87,814	14-40	Distribution		
Network.....					
	51,086	52,867	30	Other	
Intangibles.....					
	16,597	19,469	2-12	-----	-----
Goodwill and Intangibles.....				Total	
	\$497,324	\$517,970	=====	=====	

Spinco reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the undiscounted future cash flows estimated to be generated by the asset are not sufficient to recover the unamortized balance of the asset. An impairment loss would be recognized based on the difference between the carrying value of the asset and estimated fair value, which would be determined based on either the discounted future cash flows or other appropriate fair value methods. If the asset being tested for recoverability was acquired in a business combination, intangible assets and goodwill resulting from the acquisition that are related to the asset are included in the assessment. Spinco also evaluates the amortization periods assigned to its intangible assets to determine whether events or changes in circumstances warrant revised estimates of useful lives.

NOTES TO COMBINED FINANCIAL STATEMENTS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1) -- (CONTINUED)

EARNINGS PER SHARE

Earnings per share data has not been presented since the businesses that comprise Spinco were wholly owned subsidiaries of NSI, or businesses thereof, during the periods presented and will be recapitalized as part of the Distribution.

PRO FORMA EARNINGS PER SHARE (UNAUDITED)

Pro forma basic earnings per share is calculated as net income divided by the pro forma weighted average number of common shares outstanding. Pro forma weighted average shares outstanding has been computed by applying the distribution ratio of one share of Spinco common stock to the historical NSI weighted average shares outstanding for the same periods presented. Pro forma earnings per share information is unaudited and has been presented for the nine month period ended May 31, 2001 and the year ended August 31, 2000 only.

DEPRECIATION

For financial reporting purposes, depreciation is determined principally on a straight-line basis using estimated useful lives of plant and equipment (25 to 40 years for buildings and 3 to 15 years for machinery and equipment) while accelerated depreciation methods are used for income tax purposes. Leasehold improvements are amortized over the life of the lease or the useful life of the improvement, whichever is shorter.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred. Research and development expenses amounted to \$18.6 million, \$8.1 million, and \$12.9 million during 2000, 1999, and 1998, respectively.

FOREIGN CURRENCY TRANSLATION

The functional currency for Spinco's foreign operations is the local currency in most cases. The translation of foreign currencies into U.S. dollars is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate during the period. The gains or losses, net of applicable income taxes, resulting from the translation are included in "Accumulated Other Comprehensive Income" in the Combined Statements of Parent's Equity and Comprehensive Income and are excluded from net income.

Gains or losses resulting from foreign currency transactions are included in "Other (income) expense, net" in the Combined Statements of Income and were insignificant in 2000, 1999, and 1998.

NOTES TO COMBINED FINANCIAL STATEMENTS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1) -- (CONTINUED)

POSTRETIREMENT HEALTHCARE AND LIFE INSURANCE BENEFITS

Spinco's retiree medical plans are financed entirely by retiree contributions; therefore, Spinco has no liability in connection with them. Several programs provide limited retiree life insurance benefits. The liability for these plans is not material.

POSTEMPLOYMENT BENEFITS

Statement of Financial Accounting Standards ("SFAS") No. 112, "Employers' Accounting for Postemployment Benefits," requires the accrual of the estimated cost of benefits provided by an employer to former or inactive employees after employment but before retirement. Spinco's accrual, which is not material, relates primarily to severance agreements and the liability for life insurance coverage for certain eligible employees.

INTEREST EXPENSE, NET

Interest expense, net, is comprised primarily of interest expense on long-term debt, credit facility borrowings, commercial paper, and line of credit borrowings offset by interest income on cash and cash equivalents.

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

NINE MONTHS ENDED MAY 31, YEARS ENDED AUGUST 31, -----				

----- 2001 2000 2000 1999				
1998 -----				
----- (IN THOUSANDS)				
Interest				
expense.....	\$37,952	\$31,299	\$43,638	
	\$15,526	\$ 6,177	Interest	
income.....	(242)	(283)	(339)	(2,829)
(1,765) -----				
- ----- Interest				
expense,				
net.....	\$31,016	\$43,299	\$12,697	\$
4,412 =====				
=====				

ACCOUNTING STANDARDS YET TO BE ADOPTED

In September 2000, the Emerging Issues Task Force ("EITF") reached a final consensus on EITF Issue 00-10, "Accounting for Shipping and Handling Fees and Costs." Specifically, Issue 00-10 addresses how the seller of goods should classify amounts billed to a customer for shipping and handling. The EITF concluded that all amounts billed to a customer in a sale transaction related to shipping and handling represent revenues earned for the goods provided and should be classified as revenue. Spinco is required to and will adopt EITF 00-10 in the fourth quarter of fiscal year 2001. NSI has historically netted certain shipping and handling revenues charged to customers in costs and expenses. The adoption of EITF 00-10 will result in an increase in sales and costs and expenses, with no impact on net income. Spinco has not yet calculated the effect of this reclassification on its reported revenues and costs.

NOTES TO COMBINED FINANCIAL STATEMENTS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1) -- (CONTINUED)

NOTE 3: PENSION AND PROFIT SHARING PLANS

Spinco has several pension plans covering hourly and salaried employees. Benefits paid under these plans are based generally on employees' years of service and/or compensation during the final years of employment. Spinco makes annual contributions to the plans to the extent indicated by actuarial valuations. Plan assets are invested primarily in equity and fixed income securities.

The following tables reflect the status of Spinco's pension plans at August 31, 2000 and 1999:

2000	1999	-----	-----	(IN THOUSANDS)	CHANGE IN BENEFIT
OBLIGATION: Benefit obligation at beginning of					
year.....	\$70,137	\$60,189	Service		
cost.....			2,256		
	1,364	Interest			
cost.....			5,307		
	4,232				
Acquisition.....					
	-- 11,869	Actuarial			
gain.....			(5,392)		
	(5,263)	Benefits			
paid.....			(3,064)		
	(2,437)				
Other.....					
126	183	-----	-----	Benefit obligation at end of	
year.....					
	\$69,370	\$70,137	=====		
=====	CHANGE IN PLAN ASSETS: Fair value of plan assets at				
beginning of year.....	\$82,057	\$65,813	Actual		
return on plan assets.....			7,577		
	4,241	Employer			
contributions.....			1,532		
	564	Employee			
contributions.....			254	--	
		Benefits			
paid.....			(3,064)		
	(2,437)				
Acquisition.....					
	-- 13,663				
Other.....					
(1,439)	213	-----	-----	Fair value of plan assets at	
end of year.....					
	\$86,917	\$82,057	=====		
=====	FUNDED STATUS: Assets in excess of benefit				
obligation.....	\$17,546	\$11,919			
		Unrecognized actuarial (gain)			
loss.....	(2,135)	3,347	Unrecognized		
transition asset.....			(858)		
	(1,019)	Unrecognized prior service			
cost.....	1,635	1,155	-----		
		-- Prepaid pension			
expense.....			\$16,188		
	\$15,402	=====	=====		

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for defined benefit pension plans with accumulated benefit obligations in excess of plan assets were \$2.0 million, \$1.4 million, and \$1.1 million, respectively, as of August 31, 2000, and \$1.8 million, \$1.1 million, and \$1.0 million, respectively, as of August 31, 1999.

NOTES TO COMBINED FINANCIAL STATEMENTS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1) -- (CONTINUED)

Components of net periodic benefit cost for the fiscal years ended August 31, 2000, 1999, and 1998 included the following:

	2000	1999	1998	

				(IN THOUSANDS) Service
cost.....	\$ 2,256	\$ 1,364	\$ 1,268	Interest
cost.....	5,307	4,232	3,976	Expected return on
plan assets.....				(7,511)
	(6,063)	(5,183)		Amortization of prior
service cost.....	86	91	96	
				Amortization of transitional
asset.....	(161)	(161)	(161)	
				Recognized actuarial
loss.....	64	221	164	
				----- Net periodic
pension benefit.....				\$
41 \$ (316) \$ 160	=====	=====	=====	

Weighted average assumptions in 2000 and 1999 included the following:

	2000	1999	

rate.....	8.2%	7.5%	Expected return on plan
assets.....			9.4%
			9.2%
			Rate of compensation
increase.....	5.1%	5.1%	

It is Spinco's policy to adjust, on an annual basis, the discount rate used to determine the projected benefit obligation to approximate rates on high-quality, long-term obligations.

Spinco also has profit sharing and 401(k) plans to which both employees and the company contribute. Spinco's cost of these plans was \$4.7 million in 2000, \$4.3 million in 1999, and \$3.7 million in 1998.

In addition to the above employee benefit plans, certain employees of Spinco have participated in the NSI employee benefit plans, the assets, liabilities and expenses of which have been allocated in the Combined Financial Statements based on an estimate of the proportion of amounts related to Spinco. In the opinion of management, these amounts have been allocated on a reasonable basis. Upon the Distribution, Spinco will provide benefits to its employees, which will generally be similar to those benefits provided under NSI's plans.

NOTE 4: LONG-TERM DEBT AND LINES OF CREDIT

As part of the distribution agreement between NSI and Spinco, all but approximately \$5.0 million of NSI's total outstanding debt will be assumed by Spinco or refinanced with new borrowings by Spinco. Accordingly, for purposes of the historical presentation of Spinco's financial position as of August 31, 2000 and 1999, all but \$5.0 million of NSI's total outstanding debt has been presented as obligations of Spinco. For purposes of the historical presentation of Spinco's results of operations, Spinco has reflected all of NSI's interest expense related to the debt allocated to it. Management intends to take the necessary actions to effect the transfer of these obligations to Spinco under the same terms

NOTES TO COMBINED FINANCIAL STATEMENTS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1) -- (CONTINUED)

existing with NSI; however, management does not have the ability to unilaterally effect the transfer in all cases. In the event any of NSI's creditors do not accept this transfer, Spinco would be required to refinance the related borrowings. In addition, Spinco will be required to enter into a new credit facility to borrow under, or if desired, to support its commercial paper program, as the Credit Facility and the Revolving Credit Facility described below will expire upon completion of the Distribution. Management believes that the terms of the debt which will ultimately be outstanding at Spinco will not differ materially from the terms of NSI's debt currently outstanding.

2000	1999	-----	-----	(IN THOUSANDS)	Commercial
					paper..... \$ --
					\$249,726 6% notes due February 2009 with an effective
					rate of 6.04%, net of unamortized discount of \$351 in
					2000 and \$393 in
1999.....					
	159,649	159,607			8.375% notes due August 2010 with an
					effective rate of 8.398%, net of unamortized discount of
					\$244..... 199,756 -- 4.3% to 8.5% other notes,
					payable in installments to 2026 (secured in part by
					property, plant, and equipment having a net book value
					of \$148 at August 31, 2000)..... 25,038 26,234 -
					----- 384,443 435,567 Less -- Amounts payable
					within one year included in current
					liabilities.....
	201	368			\$384,242 \$435,199 =====
					=====

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

FISCAL YEAR	AMOUNT	-----	-----	(IN
				THOUSANDS)
2001.....				\$ 201
2002.....				2,045
2003.....				1,094
2004.....				3,578
2005.....				89 2006 and
beyond.....				377,436
				----- \$384,443 =====

In 1996, NSI negotiated a \$250.0 million multi-currency committed credit facility (the "Credit Facility") with ten domestic and international banks. The Credit Facility has a term of five years, expiring in July 2001, with no provision for a reduction in commitments. The Credit Facility contains restrictions on the incurrence of indebtedness by subsidiaries, as well as financial and other covenants, including the restriction that NSI's ratio of total debt to capitalization may not exceed 60%. In July 1999, NSI entered into an additional \$250.0 million, 364-day committed credit facility (the "Revolving Credit

NOTES TO COMBINED FINANCIAL STATEMENTS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1) -- (CONTINUED)

Facility"), which was renewed in July 2000 and expires in July 2001. Each credit facility permits certain subsidiaries of NSI to borrow under such facility, and NSI guarantees these borrowings. The combined \$500.0 million under the Credit Facility and the Revolving Credit Facility support NSI's commercial paper program, which was initiated in July 1999. Interest rates under the credit facilities are based on the LIBOR rate or other rates, at NSI's option. NSI pays an annual fee on the commitments based on NSI's debt rating and leverage ratio. No amounts were outstanding under either facility at August 31, 2000 and 1999.

Amounts outstanding under NSI's commercial paper program (\$231.7 million in 2000 and \$347.3 million in 1999) had weighted average interest rates of 6.8% and 5.6% at August 31, 2000 and 1999, respectively.

At August 31, 1999, \$249.7 million of commercial paper was classified as long-term as NSI intended to refinance this amount through long-term debt instruments. As discussed below, NSI refinanced \$200.0 million of long-term commercial paper in the fourth quarter of 2000. Additionally, the remaining portion of commercial paper which was classified as long-term at August 31, 1999 (approximately \$50.0 million) was reclassified to short-term debt in the fourth quarter of 2000.

At August 31, 2000, NSI had complimentary uncommitted lines of credit totaling \$128.9 million for general operating purposes, of which \$28.9 million is designated as multi-currency. At August 31, 2000, NSI had \$20.3 million of foreign currency short-term bank borrowings under the multi-currency lines of credit at a weighted-average interest rate of 5.35%. At August 31, 2000, \$74.4 million in letters of credit was outstanding, primarily under the domestic uncommitted line of credit.

In January 1999, NSI issued \$160.0 million in ten-year publicly traded notes bearing a coupon rate of 6.0%. Proceeds were used for the repayment of \$80.0 million in borrowings under the Credit Facility, of which \$52.0 million was outstanding under the domestic uncommitted line of credit at August 31, 1998. The remainder was used for general operating purposes including working capital requirements, capital expenditures, acquisitions, and share repurchases. In August 2000, NSI issued \$200.0 million in ten-year publicly traded notes bearing a coupon rate of 8.375%. Proceeds were used for the repayment of borrowings under the commercial paper program. The fair values of the \$160.0 million and \$200.0 million notes, based on quoted market prices, were approximately \$138.7 million and \$201.9 million, respectively, at August 31, 2000.

Excluding the \$160.0 million and \$200.0 million notes, long-term debt recorded in the accompanying balance sheets approximates fair value based on the borrowing rates currently available to NSI for bank loans with similar terms and maturities.

NOTE 5: PARENT'S EQUITY AND RELATED MATTERS

NSI'S EQUITY INVESTMENT. NSI's equity investment includes the original investments in Spinco, accumulated income of Spinco, and the net intercompany balances with NSI.

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1) -- (CONTINUED)

In connection with the Distribution, the net intercompany balances with NSI will be capitalized.

Historically, Spinco participated in NSI's long-term incentive programs which provided qualified and non-qualified stock options to officers and employees of NSI at exercise prices not less than market value on the date of grant. Generally, options vest proportionately over a four-year period and are exercisable for ten years from the grant date. Certain of the long-term incentive programs also provide for awards of restricted shares of NSI's common stock.

Spinco has recorded \$6.7 million, \$8.1 million and \$5.1 million of compensation expense related to long-term incentive programs in 2000, 1999 and 1998, respectively. Spinco intends to establish similar long-term incentive programs after the Distribution; however, the terms and benefits of these programs are yet to be determined.

Pursuant to the employee benefits agreement, NSI stock options held by Spinco's employees will be converted to Spinco stock options at the time of the Distribution. In accordance with the provisions of EITF 90-9 and FASB Interpretation No. 44, ("FIN 44"), Spinco will multiply the number of shares purchasable under each converted stock option by a ratio determined at the time of Distribution and divide the exercise price per share of each option by the same ratio. Fractional shares will be rounded down to the nearest whole number of shares. In accordance with the provisions of EITF 90-9, and FIN 44, all other terms of the converted stock options will remain the same as those in effect immediately prior to the Distribution. Accordingly, no compensation expense will result from the replacement of the options. At August 31, 2000, the number of shares of NSI common stock subject to options held by NSI employees was 3,353,299. The exercise prices of such options range from \$17.83 to \$59.44. The ultimate number of stock options to be held by Spinco employees and the number and exercise prices of Spinco stock options to be issued subject to the above calculation cannot yet be determined.

RIGHTS AGREEMENT. Spinco anticipates its Board of Directors will adopt a Rights Agreement (the "Rights Agreement") on or prior to the Distribution. If adopted, the Rights Agreement will contain provisions designed to deter bids and other business combinations that are not approved by the Spinco Board of Directors.

COMMON AND PREFERRED STOCK. Spinco expects to have 500 million shares of common stock, par value \$.01 per share, and 50 million shares of preferred stock, par value \$.01 per share (the "Preferred Stock"), authorized as of the Distribution Date. No shares of Preferred Stock are expected to be issued as of the Distribution Date.

EMPLOYEE STOCK PURCHASE PLAN. In 1998, NSI's stockholders approved the National Service Industries, Inc. Employee Stock Purchase Plan for the benefit of eligible employees. Under the plan, employees could purchase, through payroll deduction, NSI's common stock at a 15% discount. Shares are purchased quarterly at 85% of the lower of the fair market value of Spinco's common stock on the first business day of the quarterly plan period or on the last business day of the quarterly plan period. Spinco intends to

NOTES TO COMBINED FINANCIAL STATEMENTS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
 AND CHEMICALS BUSINESSES
 (TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1) -- (CONTINUED)

establish a similar Employee Stock Purchase Plan upon the Distribution; however, the exact terms of this plan are yet to be determined.

NOTE 6: COMMITMENTS AND CONTINGENCIES

SELF-INSURANCE

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

The activity in the self-insurance liability as allocated to Spinco for each of the years ended August 31 was as follows:

	2000	1999	1998	-----	-----	-----	(IN
period.....							THOUSANDS) Reserve, beginning of
				\$15,158	\$19,213		
			\$22,125				
Expense.....							
		5,055	2,618	736			
Payments.....							
	(6,592)	(6,673)	(3,648)	-----	-----		
							Reserve, end of
period.....					\$13,621		
	\$15,158	\$19,213	=====	=====	=====		

LEASES

Spinco leases certain of its buildings and equipment under noncancelable lease agreements. Minimum lease payments under noncancelable leases for years subsequent to August 31, 2000, are as follows: 2001 -- \$11.2 million; 2002 -- \$8.6 million; 2003 -- \$6.4 million; 2004 -- \$4.4 million; 2005 -- \$2.3 million; after 2005 -- \$16.0 million.

Total rent expense was \$14.5 million in 2000, \$12.3 million in 1999, and \$9.2 million in 1998.

COLLECTIVE BARGAINING AGREEMENTS

Approximately 40% of Spinco's total work force is covered by collective bargaining agreements. Collective bargaining agreements representing 16% of Spinco's total work force will expire within one year. Management believes that the renewal of the collective bargaining agreements will not have a material adverse effect on Spinco's financial condition or results of operations.

NOTES TO COMBINED FINANCIAL STATEMENTS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1) -- (CONTINUED)

LITIGATION

Spinco is subject to various legal claims arising in the normal course of business out of the conduct of its current and prior businesses, including patent infringement and product liability claims. Based on information currently available, it is the opinion of management that the ultimate resolution of pending and threatened legal proceedings will not have a material adverse effect on Spinco's financial condition or results of operations. However, in the event of unexpected future developments, it is possible that the ultimate resolution of such matters, if unfavorable, could have a material adverse effect on Spinco's results of operations in future periods. Spinco reserves for known legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. The actual costs of resolving legal claims may be substantially lower or higher than that reserved. Spinco does not believe that the amount of such costs below or in excess of that reserved is reasonably estimable.

ENVIRONMENTAL MATTERS

Spinco's operations, as well as similar operations of other companies, are subject to comprehensive laws and regulations relating to the generation, storage, handling, transportation, and disposal of hazardous substances and solid and hazardous wastes and to the remediation of contaminated sites. Permits and environmental controls are required for certain of Spinco's operations to limit air and water pollution, and these permits are subject to modification, renewal, and revocation by issuing authorities. Spinco believes that it is in substantial compliance with all material environmental laws, regulations, and permits. On an ongoing basis, Spinco incurs capital and operating costs relating to environmental compliance. Environmental laws and regulations have generally become stricter in recent years, and the cost of responding to future changes may be substantial.

Spinco reserves for known environmental claims when payments associated with the claims become probable and the costs can be reasonably estimated. Spinco's environmental reserves, for all periods presented, are immaterial. The actual cost of environmental issues may be substantially lower or higher than that reserved due to the difficulty in estimating such costs, potential changes in the status of government regulations, and the inability to determine the extent to which contributions will be available from other parties. Spinco does not believe that any amount of such costs below or in excess of that accrued is reasonably estimable.

Certain environmental laws, such as Superfund, can impose liability for the entire cost of site remediation upon each of the current or former owners or operators of a site or parties who sent waste to a site where a release of a hazardous substance has occurred regardless of fault or the lawfulness of the original disposal activity. Generally, where there are a number of potentially responsible parties ("PRPs") that are financially viable, liability has been apportioned based on the type and amount of waste disposed of by each party at such disposal site and the number of financially viable PRPs, although no assurance as to the method of apportioning the liability can be given as to any particular site.

NOTES TO COMBINED FINANCIAL STATEMENTS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1) -- (CONTINUED)

Spinco is currently a party to, or otherwise involved in, legal proceedings in connection with state and federal Superfund sites. Spinco believes its liability is de minimis at each of the currently active sites which it does not own where it has been named as a PRP due to its limited involvement at the site and/or the number of viable PRPs. Specifically, the preliminary allocation among 48 PRPs at the Crymes Landfill site in Georgia indicates that Spinco's liability is not significant, and there are more than 1,000 PRPs at the M&J Solvents site in Georgia. For property which Spinco owns on Seaboard Industrial Boulevard in Atlanta, Georgia, Spinco has conducted an investigation on its and adjoining properties and submitted a Compliance Status Report ("CSR") to the State of Georgia Environmental Protection Division ("EPD") pursuant to the Georgia Hazardous Site Response Act. The CSR is currently pending, subject to EPD's final approval. Until the CSR is finalized, Spinco will not be able to determine if remediation will be required, if Spinco will be solely responsible for the cost of such remediation, or whether such cost is likely to result in a material adverse effect on Spinco.

INDEMNIFICATIONS

As further discussed in Note 1, in connection with the Spinoff, Spinco and NSI will enter into various agreements that address the allocation of assets and liabilities between them and that define their relationship after the Spinoff. Included in these agreements will be certain general indemnifications granted by Spinco to NSI, and by NSI to Spinco as well as specific limited tax liability indemnifications in the event that the Spinoff is deemed to be taxable, or if any of the internal reorganization steps taken to effect the Spinoff are not deemed to be on a tax free basis.

NOTE 7: ACQUISITIONS AND DISPOSITIONS

Acquisition spending in 2000 totaled \$16.2 million and related to the cash-out of remaining Holophane Corporation ("Holophane") shares. NSI purchased Holophane in July 1999 for approximately \$470.8 million. Of the total purchase price, \$454.6 million was paid during fiscal 1999 and \$16.2 million was paid during fiscal 2000. Results of operations after the acquisition date are included in the Combined Statements of Income.

In first quarter of fiscal 2000, the lighting equipment segment recorded a \$1.0 million pretax charge for closing a manufacturing facility in California. This charge represented termination benefits for 341 hourly employees and was recorded in "Cost of products sold" in the 2000 Combined Statement of Income. All amounts accrued were paid during fiscal 2000 with no significant revisions to either the number of terminated employees or the amount of benefits initially accrued.

Acquisition spending in 1999 totaled \$514.4 million and was primarily related to the lighting equipment segment. The acquisitions were accounted for as purchases and, accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on estimated fair values.

NOTES TO COMBINED FINANCIAL STATEMENTS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
 AND CHEMICALS BUSINESSES
 (TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1) -- (CONTINUED)

The lighting equipment segment acquired four companies during 1999. The largest acquisition was Holophane, a manufacturer of premium quality, highly engineered lighting fixtures and systems, which was purchased in July 1999 for approximately \$470.8 million. The preliminary allocation of the purchase price resulted in goodwill of \$274.7 million, which is being amortized over 40 years, and identifiable intangibles of \$145.7 million, which are being amortized over periods ranging from 2 to 40 years. Identifiable intangibles include trade names, trademarks, patented technology, distribution network, trained workforce, and restrictive covenants. In 2000, certain adjustments were made to the purchase price allocation resulting in additional goodwill of approximately \$1.3 million. These adjustments primarily related to severance charges and costs associated with the termination of a joint venture in Australia.

At August 31, 1999, the preliminary allocation of the purchase price was as follows:

(IN THOUSANDS) Current	
assets.....	\$
67,504 Property, plant, and	
equipment.....	64,582
Intangibles.....	
145,725	
Goodwill.....	
274,708 Other long-term	
assets.....	33,890
Liabilities.....	
(115,598) -----	\$ 470,811 =====

Results of operations after the acquisition date of Holophane are included in the Combined Statements of Income. The following pro forma information has been prepared assuming the Holophane acquisition had taken place at the beginning of the respective fiscal year of Spinco. The pro forma information includes adjustments for interest expense incurred on debt to effect the acquisition, the interest income forgone on the cash portion paid for the acquisition, additional depreciation based on the fair market value of property, plant, and equipment, and amortization of goodwill and intangibles resulting from this transaction. The pro forma financial information does not purport to reflect the financial position or results of operations that actually would have resulted had the transaction occurred as of the date indicated or to project the results of operations for any future period.

1999	1998	(IN THOUSANDS)	
Pro Forma Information (Unaudited)			
Sales.....			
\$1,912,147	\$1,768,799	Net	
income.....			\$
84,969	\$ 77,575		

Other acquisitions in the lighting equipment segment included the September 1998 purchase of certain assets of GTY Industries (d/b/a "Hydrel"), a manufacturer of architectural-grade light fixtures for landscape, in-grade, and underwater applications; the April 1999 purchase of certain assets of Peerless Corporation, a manufacturer of high

NOTES TO COMBINED FINANCIAL STATEMENTS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1) -- (CONTINUED)

performance indirect/direct suspended lighting products; and the July 1999 purchase of C&G Carandini SA, a manufacturer of exterior lighting fixtures.

Acquisition spending in 1998 totaled \$11.4 million and was related to the chemicals segment. In November 1997, the chemicals segment purchased Pure Corporation, a specialty chemical company with its core businesses in Indiana, Pennsylvania, and New York. In July 1998, NSI purchased Calman Australia Pty Ltd. ("Calman"). Calman, located in Victoria, Australia is a manufacturer of cleaning, maintenance, sanitation and industrial products, chemicals, supplies, and accessories. Additionally, NSI paid certain performance payments associated with a prior year chemicals acquisition.

In May 2001, the chemicals segment sold the Calman operations for a pre-tax loss of \$5.6 million, and provided a \$9.0 million accrual for the loss on the sale of its French chemicals business which is expected to close in June 2001. Both losses are reflected as loss on sale of businesses in fiscal 2001.

NOTE 8: INCOME TAXES

Historically, Spinco has been included in the consolidated federal income tax return of NSI. Spinco's provision for income taxes in the accompanying statements of income reflects federal, state, and foreign income taxes calculated using the separate return basis. Spinco accounts for income taxes using the asset and liability approach as prescribed by SFAS No. 109, "Accounting for Income Taxes." This approach requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Using the enacted tax rates in effect for the year in which the differences are expected to reverse, deferred tax liabilities and assets are determined based on the differences between the financial reporting and the tax basis of an asset or liability.

The provision for income taxes consists of the following components:

2000	1999	1998	-----	-----
- (IN THOUSANDS)				
Provision for current Federal taxes.....				
\$40,527	\$34,958	\$40,344		
Provision for current state taxes.....				
2,134	2,132	2,426	Provision for current foreign taxes.....	4,657
2,373	1,952	Provision for deferred taxes.....		
4,282	14,006	3,326	-----	-----
----- Total provision for income taxes.....				
\$51,600	\$53,469	\$48,048	=====	=====

NOTES TO COMBINED FINANCIAL STATEMENTS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1) -- (CONTINUED)

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

	2000	1999	1998	
(IN THOUSANDS) Federal income tax computed at statutory rate.....	\$47,352	\$49,905	\$45,451	
State income tax, net of Federal income tax benefit.....				
3,518 3,638 3,456 Foreign and other, net.....				730 (74) (859)
----- Total provision for income taxes.....	\$51,600	\$53,469	\$48,048	
=====				

Components of the net deferred income tax liability at August 31, 2000 and 1999 include:

	2000	1999	
(IN THOUSANDS) DEFERRED TAX LIABILITIES:			
Depreciation.....	\$ 9,598	\$ 7,981	
Pension.....	4,160	3,571	
Intangibles.....	54,565	53,289	
Other.....	2,751	2,623	
----- Total deferred tax liabilities.....	71,074	67,464	
DEFERRED TAX ASSETS: Self-insurance.....	(9,607)	(10,119)	
compensation.....	(23,520)	(22,437)	
Bonuses.....	(5,765)	(5,130)	
Foreign tax losses.....	(643)		
(807) Restructuring and asset impairment.....	(4,425)	(4,312)	
Other assets.....	(5,843)	(5,435)	
----- Total deferred tax assets.....	(49,803)	(48,240)	
----- Net deferred tax liability.....	\$ 21,271	\$ 19,224	
=====			

At August 31, 2000, Spinco had foreign net operating loss carryforwards of \$1.8 million expiring in fiscal years 2001 through 2004.

NOTES TO COMBINED FINANCIAL STATEMENTS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
 AND CHEMICALS BUSINESSES
 (TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1) -- (CONTINUED)

NOTE 9: BUSINESS SEGMENT INFORMATION

CAPITAL OPERATING
 EXPENDITURES PROFIT
 TOTAL DEPRECIATION
 AMORTIZATION AND SALES
 (LOSS) ASSETS EXPENSE
 EXPENSE ACQUISITIONS -

----- (IN THOUSANDS)

2000 Lighting
 Equipment.....
 \$1,511,641 \$144,149
 \$1,142,227 \$31,792
 \$14,994 \$ 68,721
 Chemicals.....
 511,070 48,699 241,645
 7,705 3,447 9,946 ----

 ----- 2,022,711
 192,848 1,383,872
 39,497 18,441 78,667
 Corporate.....
 (14,258) 39,008 547
 460 Interest Expense,
 net.....
 (43,299) -----

 \$2,022,711 \$135,291
 \$1,422,880 \$40,044
 \$18,441 \$ 79,127
 =====
 =====

===== 1999
 Lighting
 Equipment.....
 \$1,220,602 \$121,755
 \$1,073,936 \$20,351 \$
 2,322 \$541,649
 Chemicals.....
 487,783 45,206 233,461
 6,681 3,480 10,980 ---

 ----- 1,708,385
 166,961 1,307,397
 27,032 5,802 552,629
 Corporate.....
 (11,679) 29,641 463
 296 Interest Expense,
 net.....
 (12,697) -----

 \$1,708,385 \$142,585
 \$1,337,038 \$27,495 \$
 5,802 \$552,925
 =====
 =====

===== 1998
 Lighting
 Equipment.....
 \$1,105,255 \$109,286 \$
 397,962 \$18,819 \$ 295
 \$ 37,541
 Chemicals.....
 454,532 36,460 235,269
 6,387 2,807 20,217 ---

 ----- 1,559,787
 145,746 633,231 25,206
 3,102 57,758
 Corporate.....

(11,475)	66,881	361
348	Interest Expense,	
net.....		
(4,412)	-----	----

\$1,559,787	\$129,859	\$
700,112	\$25,567	\$
3,102	\$ 58,106	
=====	=====	
=====	=====	
=====	=====	

NOTES TO COMBINED FINANCIAL STATEMENTS

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC. -- NOTE 1) -- (CONTINUED)

The geographic distribution of Spinco's sales and service revenues, operating profit (loss), and long-lived assets is summarized in the following table:

2000	1999	1998	-----	-----	-----
--- (IN THOUSANDS) SALES(1) United					
States.....					
	\$1,783,990	\$1,550,930	\$1,427,424		
Canada.....					
	104,335	85,829	79,435	European	
countries..... 81,246					
		46,723	39,936		
Other.....					
	53,140	24,903	12,992	-----	
	-----	\$2,022,711	\$1,708,385	\$1,559,787	
===== OPERATING					
PROFIT (LOSS) United					
States..... \$					
	127,783	\$ 139,733	\$ 131,185		
Canada.....					
	6,342	1,170	152	European	
countries..... (891)					
		934	(2,562)		
Other.....					
	2,057	748	1,084	-----	
	-----	\$ 135,291	\$ 142,585	\$ 129,859	
===== LONG-LIVED					
ASSETS(2) United					
States..... \$					
	746,548	\$ 731,420	\$ 185,544		
Canada.....					
	15,196	14,719	14,196	European	
countries..... 26,041					
		32,491	12,641		
Other.....					
	14,116	14,207	3,544	-----	
	-----	\$ 801,901	\$ 792,837	\$ 215,925	
=====					

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

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

To National Service Industries, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States, the combined financial statements of the NATIONAL SERVICE INDUSTRIES, INC. lighting equipment and chemicals businesses (to be reorganized as L&C Spinco, Inc.) as of August 31, 2000 and 1999 and for each of the three years in the period ended August 31, 2000, included in this information statement, and have issued our report thereon dated June 22, 2001. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The Schedule of Valuation and Qualifying Accounts for the years ended August 31, 2000, 1999 and 1998 included in this information statement is the responsibility of Spinco's management and is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic combined financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic combined financial statements taken as a whole.

/s/ Arthur Andersen LLP

Atlanta, Georgia
June 22, 2001

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SCHEDULE II

NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
AND CHEMICALS BUSINESSES
(TO BE REORGANIZED AS L&C SPINCO, INC.)

VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED AUGUST 31, 2000, 1999, AND 1998
(IN THOUSANDS)

ADDITIONS CHARGED TO BALANCE AT					
----- BALANCE					
AT BEGINNING COSTS AND OTHER					
END OF OF PERIOD EXPENSES					
ACCOUNTS(1) DEDUCTIONS PERIOD -					

----- YEAR					
ENDED AUGUST 31, 2000: Reserve					
for doubtful accounts.....					
\$5,470 2,667 1,927 3,494 \$6,570					
=====					
===== Reserve for estimated					
returns, allowances, and					
warranty					
costs.....					
\$4,416 22,780 -- 23,190 \$4,006					
=====					
===== YEAR ENDED AUGUST 31,					
1999: Reserve for doubtful					
accounts..... \$3,746 2,744					
1,595 2,615 \$5,470 =====					
=====					
Reserve for estimated returns,					
allowances, and warranty					
costs.....					
\$3,804 20,017 1,588 20,993					
\$4,416 =====					
===== YEAR ENDED AUGUST					
31, 1998: Reserve for doubtful					
accounts..... \$3,566 2,580 87					
2,487 \$3,746 =====					
=====					
Reserve for estimated returns,					
allowances,					
and warranty					
costs.....					
\$2,889 18,074 -- 17,159 \$3,804					
=====					
=====					

(1) Recoveries credited to the reserve, reserves recorded in acquisitions, and reserves removed in the sale of business.

EMPLOYEE BENEFITS AGREEMENT
BETWEEN
NATIONAL SERVICE INDUSTRIES, INC.
AND
L & C SPINCO, INC.

Dated as of the ____ day of _____, 2001

EMPLOYEE BENEFITS AGREEMENT

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EMPLOYEE BENEFITS AGREEMENT

THIS EMPLOYEE BENEFITS AGREEMENT, dated as of the ____ day of _____, 2001, is by and between National Service Industries, Inc., a Delaware corporation ("NSI" or the "Corporation"), and L & C Spinco, Inc., a Delaware corporation ("Spinco").

WHEREAS, NSI's Board of Directors has determined that separation from the Corporation of substantially all of the Corporation's lighting equipment and chemicals assets and businesses and public ownership of such assets and businesses is in the best interests of NSI and its stockholders; and

WHEREAS, NSI has consolidated the assets and operations of substantially all of the lighting equipment and chemicals businesses owned by it and its Subsidiaries into Spinco and its Subsidiaries; and

WHEREAS, NSI intends to accomplish the separation of Spinco through a distribution of the stock of Spinco to the stockholders of NSI that is intended to be tax free pursuant to section 355 of the Internal Revenue Code of 1986, as amended (the "Distribution"); and

WHEREAS, NSI and Spinco have entered into an Agreement and Plan of Distribution, dated as of _____, 2001 (the "Distribution Agreement"), and several other agreements that will govern certain matters relating to the Distribution and the relationship of NSI and Spinco and their respective Subsidiaries following the Distribution; and

WHEREAS, pursuant to the Distribution Agreement, NSI and Spinco have agreed to enter into this Agreement for the purpose of allocating assets, liabilities, and responsibilities with respect to certain employee compensation and benefit plans and programs between them.

NOW, THEREFORE, in consideration of the mutual promises contained herein and in the Distribution Agreement, the parties agree as follows:

EMPLOYEE BENEFITS AGREEMENT

ARTICLE I DEFINITIONS AND REFERENCES

1.1 DEFINITIONS

For purposes of this Agreement, capitalized terms used (other than the formal names of NSI Plans (as defined below)) and not otherwise defined shall have the respective meanings assigned to them below or as assigned to them in the Distribution Agreement (as defined above):

(A) ACTION

"Action" means any demand, action, cause of action, suit, countersuit, arbitration, inquiry, proceeding, or investigation by or before any Governmental Authority or any arbitration or mediation tribunal, pending or threatened, known or unknown.

(B) AGREEMENT

"Agreement" means this Employee Benefits Agreement, including all the attached Appendices.

(C) ANNUAL INCENTIVE PLAN

"Annual Incentive Plan," when immediately preceded by "NSI" means the National Service Industries, Inc. Management Compensation and Incentive Plan, and any other short-term compensation, bonus, or incentive compensation programs established or maintained by the NSI Group. When immediately preceded by "Spinco," "Annual Incentive Plan" means any short-term compensation, bonus, or incentive compensation programs to be established or maintained by Spinco pursuant to Section 2.3.

(D) ASO CONTRACT

"ASO Contract" means an administrative services contract, related prior practice, or related understanding with a third-party administrator that pertains to any NSI Health and Welfare Plan or any Spinco Health and Welfare Plan.

(E) AWARD

"Award" means a long-term or short-term award under a Long-Term Incentive Plan or a Short-Term Incentive Plan or, as the context or facts may require, any other award under another incentive or special bonus, incentive, or award program or arrangement.

(F) CLOSE OF THE DISTRIBUTION DATE

"Close of the Distribution Date" means 11:59 P.M., Eastern Time, on the Distribution Date.

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(G) CODE

"Code" means the Internal Revenue Code of 1986, as amended, or any successor federal income tax law. Reference to a specific Code provision also includes any proposed, temporary, or final regulation in force under that provision.

(H) CONVERSION FORMULA

"Conversion Formula" means the appropriate formula which shall be applied in adjusting the exercise price and award size of NSI options under the NSI Stock Incentive Plans and in determining the exercise price and number of Spinco options under the Spinco Stock Incentive Plans. The Conversion Formula shall be based on the closing per share prices of NSI Common Stock (with a due bill) and Spinco Common Stock (on a when-issued basis) as traded on the New York Stock Exchange on the Distribution Date or such other prices as jointly agreed upon by Spinco and NSI, and shall be determined and applied in such a manner as to maintain (1) the aggregate spread (or, if there is no such spread, the economic value) of such options, which is the difference between the exercise price per share of NSI Common Stock covered by the option and the price per share of NSI Common Stock (with a due bill) immediately preceding the Distribution, multiplied by the total number of shares covered by the option; and (2) the ratio of the exercise price per share covered by the option to the price per share of NSI Common Stock (with a due bill) immediately preceding the Distribution.

(I) CORPORATE OFFICE

"Corporate Office" means the corporate office of NSI, including certain individuals employed by National Service Industries, Inc., a California corporation and Spinco.

(J) DEFERRED COMPENSATION PLANS

"Deferred Compensation Plans," when immediately preceded by "NSI" means the National Service Industries, Inc. Supplemental Deferred Savings Plan, the National Service Industries, Inc. Senior Management Benefit Plan, National Service Industries, Inc. Executive Savings Plan and the National Service Industries, Inc. Executives' Deferred Compensation Plan. When immediately preceded by "Spinco," "Deferred Compensation Plans" means the executive deferred compensation plans to be assumed, established or maintained by Spinco pursuant to Section 2.3.

(K) DISTRIBUTION

"Distribution" has the meaning given that term under the Distribution Agreement.

(L) DISTRIBUTION AGREEMENT

"Distribution Agreement" is defined in the preamble of this Agreement.

EMPLOYEE BENEFITS AGREEMENT

(M) DISTRIBUTION DATE

"Distribution Date" has the meaning given that term under the Distribution Agreement.

(N) ERISA

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended. Reference to a specific provision of ERISA also includes any proposed, temporary, or final regulation in force under that provision.

(O) EXECUTIVE PROGRAMS

"Executive Programs," when immediately preceded by "NSI" means the executive benefit and nonqualified plans, programs, and arrangements established, maintained, agreed upon, or assumed by a member of the NSI Group for the benefit of employees and former employees of members of the NSI Group before the Close of the Distribution Date. When immediately preceded by "Spinco," "Executive Programs" means the executive benefit plans and programs to be established, assumed or maintained by Spinco or a member of the Spinco Group, including those plans and programs listed and designated as such in Appendix B.

(P) FOREIGN PLAN

"Foreign Plan," when immediately preceded by "NSI," means a Plan maintained by the NSI Group or when immediately preceded by "Spinco," a plan to be established or which is maintained by the Spinco Group, in either case for the benefit of employees who are compensated under a payroll which is administered outside the 50 United States, its territories and possessions, and the District of Columbia, including those Plans described in Appendix D.

(Q) GOVERNMENTAL AUTHORITY

"Governmental Authority" means any federal, state, local, foreign, or international court, government, department, commission, board, bureau, agency, official, or other regulatory, administrative, or governmental authority, including the Department of Labor, the Securities and Exchange Commission, the Internal Revenue Service, and the Pension Benefit Guaranty Corporation.

(R) GRANTED RESTRICTED STOCK

"Granted Restricted Stock" is defined in Section 6.3(c)(1).

(S) GROUP INSURANCE POLICY

"Group Insurance Policy" means a group insurance policy issued in connection with any NSI Health and Welfare Plan or any Spinco Health and Welfare Plan, as applicable.

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(T) HEALTH AND WELFARE PLANS

"Health and Welfare Plans," when immediately preceded by "NSI" means the health and welfare benefit plans, programs, and policies (including the Reimbursement Plans) which are sponsored by NSI. When immediately preceded by "Spinco," "Health and Welfare Plans" means the benefit plans, programs, and policies (including the Reimbursement Plans) corresponding to those plans, programs, and policies sponsored by NSI as of the Distribution Date, including those plans, programs, and policies listed in Appendix C to this Agreement which will be sponsored by a member of the Spinco Group Immediately after the Distribution Date.

(U) HMO

"HMO" means a health maintenance organization that provides benefits under the NSI Health and Welfare Plans or the Spinco Health and Welfare Plans, as applicable.

(V) HMO AGREEMENTS

"HMO Agreements" means contracts, letter agreements, practices, and understandings with HMOs that provide medical, dental, prescription drug, or vision services under the NSI Health and Welfare Plans and the Spinco Health and Welfare Plans, as applicable.

(W) IMMEDIATELY AFTER THE DISTRIBUTION DATE

"Immediately after the Distribution Date" means 12:00 A.M., Eastern Time, on the day after the Distribution Date.

(X) INDIVIDUAL AGREEMENT

"Individual Agreement" means an individual contract or agreement (whether written or unwritten) entered into between a member of the NSI Group or a member of the Spinco Group and any employee or individual who will be an employee of, or otherwise assigned to, the Spinco Group Immediately after the Distribution Date that establishes the right of such individual to special compensation or benefits, special bonuses, supplemental pension benefits, hiring bonuses, loans, guaranteed payments, special allowances, tax equalization payments, special expatriate compensation payments, disability benefits, or other forms of compensation and benefits.

(Y) LIABILITIES

"Liabilities" means any and all losses, claims, charges, debts, premiums, demands, actions, costs, and expenses (including any current or future benefit payments or other entitlements, and administrative and related costs and expenses of any Plan, program, service or consulting agreement, or arrangement), of any nature whatsoever, whether absolute or contingent, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whether or not imposed or determined by a court, whenever arising.

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(Z) LONG-TERM INCENTIVE PLAN

"Long-Term Incentive Plan," when immediately preceded by "NSI" means the National Service Industries, Inc. Long-Term Achievement Incentive Plan, the National Service Industries, Inc. Long-Term Incentive Program, and any other long-term incentive plans established or maintained by a member of the NSI Group. When immediately preceded by "Spinco," "Long-Term Incentive Plan" means the long-term incentive plan to be established or assumed by Spinco pursuant to Section 2.3.

(AA) MASTER PENSION TRUST

"Master Pension Trust," when immediately preceded by "NSI," means the trust evidenced by the National Service Industries, Inc. Defined Benefit Plans Master Trust Agreement, as amended from time to time, and currently associated with the defined benefit plans that are sponsored by NSI or one of its affiliates. When immediately preceded by "Spinco," "Master Pension Trust" means the trust to be established or maintained by Spinco pursuant to Section 3.2 that corresponds to the NSI Master Pension Trust and that will be associated with the Spinco Pension Plans.

(BB) MASTER SAVINGS TRUST

"Master Savings Trust," when immediately preceded by "NSI," means the trust evidenced by the National Service Industries, Inc. Defined Contribution Plans Master Trust Agreement, as amended from time to time, and currently associated with the defined contribution plans that are sponsored by NSI or one of its affiliates. When immediately preceded by "Spinco," "Master Savings Trust" means the trust to be established or maintained by Spinco pursuant to Section 4.1 that corresponds to the NSI Master Savings Trust and that will be associated with the Spinco Savings Plans.

(CC) MATERIAL FEATURE

"Material Feature" means any feature of a Plan that could reasonably be expected to be of material importance to the sponsoring employer or the participants and beneficiaries of the Plan, which could include, depending on the type and purpose of the particular Plan, the class or classes of employees eligible to participate in such Plan, the nature, type, form, source, and level of benefits provided by the employer under such Plan and the amount or level of contributions, if any, required or permitted to be made by participants (or their dependents or beneficiaries) to such Plan.

(DD) NSI COMMON STOCK

"NSI Common Stock" has the meaning given that term under the Distribution Agreement.

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(EE) NSI EXECUTIVE

"NSI Executive" means an employee or former employee of a member of the NSI Group or a member of the Spinco Group who, as of the Close of the Distribution Date, is or was eligible to participate in or receive a benefit under any NSI Executive Program.

(FF) NSI GROUP

"NSI Group" has the same meaning as the term "Parent Group" under the Distribution Agreement.

(GG) PARTICIPATING COMPANY

"Participating Company" means any Person (other than an individual) that is participating in a Plan sponsored by a member of the NSI Group or a member of the Spinco Group, as the context requires.

(HH) PERSON

"Person" means an individual, a general or limited partnership, a corporation, a trust, a joint venture, an unincorporated organization, a limited liability entity, any other entity, or any Governmental Authority.

(II) PLAN

"Plan," when immediately preceded by "NSI" or "Spinco," means any plan, policy, program, payroll practice, on-going arrangement, contract, trust, insurance policy, or other agreement or funding vehicle, whether written or unwritten, providing benefits to employees or former employees of the NSI Group or the Spinco Group, as applicable.

(JJ) REIMBURSEMENT PLANS

"Reimbursement Plans," when immediately preceded by "NSI," means the NSI Health Care Flexible Spending Account and the NSI Dependent Care Flexible Spending Account, as applicable. When immediately preceded by "Spinco," "Reimbursement Plans" means the health care flexible spending account plan and the dependent care flexible spending account plan to be established or maintained by Spinco pursuant to Section 2.3 that corresponds to the corresponding NSI Reimbursement Plans.

(KK) RETAINED CORPORATE EMPLOYEE

"Retained Corporate Employee" means an employee of the Corporate Office who, pursuant to an agreement between NSI and Spinco, is designated to remain an employee of NSI or a member of the NSI Group after the Distribution.

EMPLOYEE BENEFITS AGREEMENT

(LL) SAVINGS PLANS

"Savings Plans," when immediately preceded by "NSI," means the defined contribution plans that are sponsored by a member of the NSI Group other than the Spinco Savings Plans. When immediately preceded by "Spinco," "Savings Plans" means the defined contribution plans listed in Appendix A to this Agreement that will be sponsored by a member of the Spinco Group for periods immediately after the Distribution Date.

(MM) SPINCO BUSINESS

"Spinco Business" has the meaning given that term under the Distribution Agreement.

(NN) SPINCO COMMON STOCK

"Spinco Common Stock" has the meaning given that term under the Distribution Agreement.

(OO) SPINCO GROUP

"Spinco Group" has the meaning given that term under the Distribution Agreement.

(PP) SPINCO MIRROR PLAN

"Spinco Mirror Plan" means any of the Spinco Health and Welfare Plans, and any Spinco Executive Program that will be substantially similar to an NSI Executive Program, as set forth on Appendix B hereto.

(QQ) SPINCO PENSION PLANS

"Spinco Pension Plans," means the defined benefit pension plans listed and further defined in Appendix A to this Agreement that will be sponsored by a member of the Spinco Group for periods immediately after the Distribution Date.

(RR) SPINCO STAND-ALONE PLAN

"Spinco Stand-Alone Plan" means any Plan maintained by NSI or an affiliate of NSI, that, no later than the Close of the Distribution Date, will be assumed, sponsored and maintained by Spinco or a member of the Spinco Group for the exclusive benefit of Transferred Individuals, including but not limited to the Spinco Pension Plans set forth on Appendix A, the Spinco Savings Plans set forth on Appendix A, and those Executive Plans set forth and designated as Stand-Alone Plans on Appendix B hereto.

(SS) STOCK INCENTIVE PLAN

"Stock Incentive Plan," when immediately preceded by "NSI," means the National Service Industries, Inc. Long-Term Achievement Incentive Plan, the National Service Industries, Inc. Long-Term Incentive Plan, the National Service Industries, Inc. Non-Employee Directors

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Stock Option Plan and any other stock-based incentive plan established or maintained by a member of the NSI Group. When immediately preceded by "Spinco," "Stock Incentive Plan" means the stock incentive plans to be established or assumed by Spinco pursuant to Section 2.3.

(TT) SUBSIDIARY

"Subsidiary" of any Person means any corporation or other organization, whether incorporated or unincorporated, of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is, directly or indirectly, owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries; provided, however, that no Person that is not directly or indirectly wholly owned by any other Person shall be a Subsidiary of such other Person unless such other Person controls, or has the right, power, or ability to control, that Person.

(UU) TRANSFERRED INDIVIDUAL

"Transferred Individual" means any individual who, as of the Close of the Distribution Date:

(1) is actively employed by, or on a leave of absence (including those individuals receiving short-term disability benefits and those taking leave pursuant to the Family and Medical Leave Act of 1993, as amended) from, a member of the Spinco Group (or is deemed to be so employed or on leave in accordance with an agreement between NSI and Spinco);

(2) is actively employed by, or on a leave of absence (including those individuals receiving short-term disability benefits and those taking leave pursuant to the Family and Medical Leave Act of 1993, as amended) from, the Corporate Office, unless such individual is a Retained Corporate Employee; or

(3) is not actively employed by, nor on a leave of absence (including those individuals receiving short-term disability benefits and those taking leave pursuant to the Family and Medical Leave Act of 1993, as amended) from, NSI or a member of the NSI Group, or Spinco or a member of the Spinco Group, and:

(A) whose most recent (through the Close of the Distribution Date) active employment with NSI or a past or present affiliate of NSI was with a member of the Spinco Group or the Spinco Business, or the predecessors of such business, or was with the Corporate Office; or

(B) who otherwise is identified pursuant to a methodology approved by NSI and Spinco, which methodology shall be consistent with the intent of the parties that former employees of NSI or a past or present affiliate of NSI and such other individuals who performed services for NSI (including non-employees) will only be aligned with

EMPLOYEE BENEFITS AGREEMENT

Spinco if they provided services to the Spinco Group or Spinco Business, and, for such purposes, aligning former employees of the Corporate Office with Spinco.

An alternate payee under a qualified domestic relations order (within the meaning of Code ss. 414(p) and ERISA ss. 206(d)), alternate recipient under a qualified medical child support order (within the meaning of ERISA ss. 609(a)), beneficiary, or covered dependent, in each case, of an employee or former employee described in (1), (2) or (3) above shall also be a Transferred Individual with respect to the interest of such alternate payee, alternate recipient, beneficiary, or covered dependent in that employee's or former employee's benefit under the applicable Plans. Such an alternate payee, alternate recipient, beneficiary, or covered dependent shall not otherwise be considered a Transferred Individual with respect to his or her own benefits under any applicable Plans, unless he or she is a Transferred Individual by virtue of either of subparagraphs (1), (2) or (3) above. In addition, NSI and Spinco may agree to designate any other individuals, or group of individuals, as Transferred Individuals.

Subject to the other provisions of this definition, an individual may be a Transferred Individual pursuant to this definition regardless of whether such individual is, as of the Distribution Date, alive, actively employed, on a temporary leave of absence from active employment, on layoff, terminated from employment, retired or on any other type of employment, post-employment, or independent contractor status relative to NSI or Spinco or to an NSI or Spinco Plan. Transferred Individual includes any individual who is on an international assignment whether paid on a U.S. payroll or a payroll outside the U.S. if such individual otherwise falls within any of the above categories.

Notwithstanding anything to the contrary in this definition, the term Transferred Individual under this Agreement shall not include any individual who was otherwise directly transferred from former employment with a member of the NSI Group to employment with any other Person, whether by sale or transfer of the assets and liabilities or stock of a business or otherwise, unless such individual has been re-employed as an active employee of a member of the NSI Group subsequent to such event and prior to the Close of the Distribution Date.

Nothing contained in this Agreement shall permit, or be construed or interpreted to permit, any non-employee of NSI or Spinco to participate, at any time, in any Plan of NSI or Spinco.

(VV) TRANSITION SERVICES AGREEMENT

"Transition Services Agreement" means the Transition Services Agreement entered into by NSI and Spinco governing certain matters related to the relationship of the parties after the Distribution.

(WW) UNGRANTED RESTRICTED STOCK

"Ungranted Restricted Stock" is defined in Section 6.3(c)(1).

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1.2 REFERENCES

Unless the context clearly indicates otherwise, reference to a particular Article, Section, subsection or paragraph means the Article, Section, subsection or paragraph so delineated in this Agreement.

EMPLOYEE BENEFITS AGREEMENT

ARTICLE II GENERAL PRINCIPLES

2.1 ASSUMPTION OF LIABILITIES

Except for each Liability that is expressly retained in writing by NSI or excluded in writing by NSI from those being assumed by Spinco and unless otherwise provided for elsewhere in this Agreement, Spinco hereby assumes and agrees to pay, perform, fulfill, and discharge, in accordance with their respective terms and conditions, all of the following (regardless of when or where such Liabilities arose or arise or were or are incurred): (i) all Liabilities to or relating to Transferred Individuals arising out of or resulting from employment by, or the performance of services for, a member of the NSI Group before becoming Transferred Individuals and thereafter (including Liabilities under NSI Plans and Spinco Plans), (ii) all other Liabilities to or relating to Transferred Individuals, and their dependents and beneficiaries, to the extent relating to, arising out of or resulting from future, present, or former employment with, or the provision of services for, a member of the Spinco Group or the Spinco Business (including Liabilities under NSI Plans and Spinco Plans), (iii) all Liabilities under any Individual Agreements relating to Transferred Individuals, and (iv) all other Liabilities relating to, arising out of, or resulting from obligations, liabilities, and responsibilities expressly assumed or retained by a member of the Spinco Group or a Spinco Plan pursuant to this Agreement.

2.2 SPINCO GROUP PARTICIPATION IN NSI PLANS

(A) PARTICIPATION IN NSI PLANS

Subject to the terms and conditions of this Agreement, each member of the Spinco Group that is, as of the date of this Agreement, a Participating Company in any of the NSI Plans shall continue as such through the Close of the Distribution Date unless, for periods before the Distribution Date, the parties mutually agree otherwise. Effective as of any date before the Distribution Date, a member of the Spinco Group not described in the preceding sentence may, at its request and with the consent of NSI (which consent shall not be unreasonably withheld), become a Participating Company in any or all of the NSI Plans in which Transferred Individuals participate.

(B) NSI'S GENERAL OBLIGATIONS AS PLAN SPONSOR

NSI shall continue through the Close of the Distribution Date to administer, or cause to be administered, in accordance with their terms and applicable law, the NSI Plans and NSI (or its designee) shall have the sole discretion and authority to interpret the NSI Plans through such date and during any subsequent period.

(C) SPINCO'S GENERAL OBLIGATIONS AS PARTICIPATING COMPANY

Spinco shall perform with respect to its participation in the NSI Plans, and shall cause each other member of the Spinco Group that is a Participating Company in any NSI Plan to perform the duties of a Participating Company as set forth in such Plans, and any written or oral

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procedures adopted pursuant thereto, including: (i) assisting in the administration of claims, to the extent requested by the claims administrator or plan administrator of the applicable NSI Plan, (ii) cooperating fully with NSI Plan auditors, benefit personnel and benefit vendors, (iii) preserving the confidentiality of all financial and business arrangements NSI has or may have with any vendors, claims administrators, trustees or any other entity or individual with whom NSI has entered into an agreement relating to the NSI Plans, and (iv) preserving the confidentiality of participant health information (including health information in relation to leaves under the Family and Medical Leave Act of 1993, as amended).

(D) TERMINATION OF PARTICIPATING COMPANY STATUS

Unless otherwise provided in this Agreement, to the extent applicable, effective as of the Close of the Distribution Date, Spinco and each member of the Spinco Group shall cease to be a Participating Company in any of the NSI Plans remaining with NSI, and NSI and each member of the NSI Group shall cease to be a Participating Company in any Plan assumed by Spinco or a member of the Spinco Group.

2.3 ESTABLISHMENT OR ASSUMPTION OF THE SPINCO PLANS

(A) ASSUMPTION OF SPINCO STAND-ALONE PLANS

Unless otherwise provided in this Agreement, effective no later than the Close of the Distribution Date, Spinco or a member of the Spinco Group shall assume or cause to be assumed, the Spinco Stand-Alone Plans for the benefit of Transferred Individuals and other current, future and former employees of the Spinco Group. Spinco and NSI shall take all action necessary to provide for such assumption of the Spinco Stand-Alone Plans, including any necessary amendments, and the name of the Plans shall be changed as and where appropriate.

(B) ESTABLISHMENT OF SPINCO MIRROR PLANS

Unless otherwise provided in this Agreement, effective no later than the Close of the Distribution Date, Spinco or a member of the Spinco Group shall adopt or cause to be adopted, the Spinco Mirror Plans for the benefit of Transferred Individuals and other current, future, and former employees of the Spinco Group. The foregoing Spinco Mirror Plans as in effect Immediately after the Distribution Date shall be substantially identical in all Material Features to the corresponding NSI Plans as in effect as of the Close of the Distribution Date.

2.4 TERMS OF PARTICIPATION BY TRANSFERRED INDIVIDUALS

The Spinco Plans shall be, with respect to Transferred Individuals, in all respects the successors in interest to, shall recognize all rights and entitlements as of the Close of the Distribution Date under, and shall not provide benefits that duplicate benefits provided by, the corresponding NSI Plans for such Transferred Individuals. NSI and Spinco shall agree on methods and procedures, including amending the respective Plan documents, to prevent Transferred Individuals from receiving duplicative benefits from the NSI Plans and the Spinco Plans. Spinco shall not permit any Spinco Plan to commence benefit payments to Transferred

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Individuals until it receives written notice from NSI regarding the date on which payments under the corresponding NSI Plan shall cease. With respect to Transferred Individuals, each Spinco Plan shall provide that all benefit or other elections, all designations of beneficiaries, all service, all compensation, and all other benefit-affecting determinations that, as of the Close of the Distribution Date, were recognized under the corresponding NSI Plan (for periods immediately before the Close of the Distribution Date) shall, as of Immediately after the Distribution Date, receive full recognition, credit, and validity and be taken into account under such Spinco Plan to the same extent as if such items originally occurred under such Spinco Plan, except to the extent that duplication of benefits would result. The provisions of this Agreement for the transfer of assets, if any, from certain trusts relating to NSI Plans (including Foreign Plans) to the corresponding trusts relating to Spinco Plans (including Foreign Plans) are based upon the understanding and agreement of the parties that each such Spinco Plan will assume all Liabilities of the Transferred Individuals and corresponding NSI Plan to or relating to Transferred Individuals, as provided for herein. If there are any legal or other authoritative reasons that any such Liabilities are not effectively assumed by the appropriate Spinco Plan, then the amount of assets transferred to the trust relating to such Spinco Plan from the trust relating to the corresponding NSI Plan shall be recomputed, ab initio, as set forth in this Agreement but taking into account the retention of any such Liabilities by such NSI Plan, and assets shall be transferred by the trust relating to such Spinco Plan to the trust relating to such NSI Plan so as to place each such trust in the position it would have been in, had the initial asset transfer been made in accordance with such recomputed amount of transferred Liabilities and assets.

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ARTICLE III DEFINED BENEFIT PLANS

3.1 ASSUMPTION OF PENSION PLANS AND LIABILITIES

(A) ASSUMPTION OF SPINCO PENSION PLANS AND RELATED LIABILITIES

Effective no later than the Close of the Distribution Date, Spinco or a member of the Spinco Group shall take all actions necessary to become the plan sponsor of the Spinco Pension Plans and shall be responsible for all Liabilities relating to the Spinco Pension Plans, subject to the transfer of related assets as provided in Section 3.3 below.

(B) TRANSFER OF LIABILITIES UNDER NSI PENSION PLAN C

Effective no later than the Close of the Distribution Date: (i) all Liabilities to or relating to Retained Corporate Employees under the National Service Industries Pension Plan C ("Pension Plan C") shall cease to be Liabilities of Pension Plan C and shall be assumed in full and in all respects by one or more NSI Pension Plans; and (ii) to the extent legally required, there shall be transferred from the NSI Master Pension Trust account for Pension Plan C to one or more NSI Pension Plans, an amount of assets required to be transferred as a result of such transfer and assumption of Liabilities as reasonably determined by NSI, in accordance with the calculations of a party making actuarial or similar determinations pursuant to this Agreement, and subject to Section 414(l) of the Code, but not to include any portion of the surplus assets, if any, credited to the NSI Master Pension Trust account for Pension Plan C.

3.2 ESTABLISHMENT OF MIRROR PENSION TRUSTS

Effective no later than the Close of the Distribution Date, Spinco shall establish, or cause to be established, the Spinco Master Pension Trust which shall be qualified under Code ss. 401(a), be exempt from taxation under Code ss. 501(a)(1), and form part of the Spinco Pension Plans. Spinco shall, prior to the end of the remedial amendment period for the Spinco Pension Plans, apply for determination letters from the Internal Revenue Service that shall provide that the Spinco Pension Plans and the Spinco Master Pension Trust satisfy the requirements for qualification under Code sections 401(a) and 501(a), and Spinco shall take all actions necessary or appropriate to obtain such letters.

3.3 TRANSFER OF ASSETS FROM NSI MASTER PENSION TRUST

(A) PENSION PLAN ASSET TRANSFER

Subject to Section 3.1(b), it is expected that no later than the Close of the Distribution Date, all of the assets associated with and allocated to the accounts of each Spinco Pension Plan under the NSI Master Pension Trust shall be transferred from the NSI Master Pension Trust to the Spinco Master Pension Trust. If the transfer of assets does not occur prior to the Close of the Distribution Date, NSI and Spinco shall mutually reschedule the asset transfer date; provided, however, such rescheduled date must occur not later than December 31, 2001.

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(B) TRANSFER OF SPECIFIC ASSETS

The specific assets to be transferred from the NSI Master Pension Trust to the Spinco Master Pension Trust shall be made up of cash and marketable assets selected by NSI consistent with the objective of enabling Spinco to implement prospectively an investment program for the Spinco Master Pension Trust, but in no event shall NSI or the NSI Master Pension Trust be required to incur unreasonable transaction costs in the process of transferring assets and subsequently re-balancing the investment portfolio held by the NSI Master Pension Trust. Furthermore, NSI shall not be required to transfer any specific asset or any portion of any specific fund or investment manager account, and NSI shall not transfer any amount of Spinco Common Stock that would place the Spinco Pension Plans in violation of the employer stock acquisition limitations of ERISA section 407; provided, however, that NSI shall transfer interests in group annuity contracts held by the NSI Master Pension Trust to the extent such group annuity contracts (in whole or in part, as the case may be) specifically cover the accrued pension benefits of Transferred Individuals. In transferring specific assets, NSI makes no representation as to the appropriateness of the resulting asset allocation or investment performance resulting from the specific assets transferred. By accepting the assets transferred, Spinco acknowledges that it and not NSI is serving as the fiduciary for the Spinco Master Pension Trust with respect to the determination and actual transfer of assets from the NSI Master Pension Trust and that, acting as fiduciary for the Spinco Pension Plans, Spinco further acknowledges that it is able to change the asset allocation as it deems appropriate at any time. Once the assets have been transferred to and received by the Spinco Master Pension Trust, such event shall fully and finally foreclose any issue or matter of any nature whatsoever by Spinco, the Spinco Master Pension Trust, the Spinco Pension Plans, or any other trust(s) related to such Plans against NSI, the NSI Master Pension Trust, the NSI Pension Plans, or any other trust(s) related to such Plans with respect to the condition, identity, or value of such assets and Spinco shall fully indemnify NSI, its employees, officers, directors, and the NSI Pension Plans, the NSI Master Pension Trust, and any trustees or fiduciaries thereof regarding any Liability or legal or regulatory issue of any nature with respect thereto.

3.4 GOVERNMENTAL COMPLIANCE

Notwithstanding any provision of this Agreement to the contrary, in the event that at any time any Governmental Authority challenges or seeks to prevent the transfer of assets and Liabilities provided for in Sections 3.1 and 3.3, NSI and Spinco shall reach such other agreement as may be mutually satisfactory to NSI and Spinco respecting the matters covered by this Article III.

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ARTICLE IV DEFINED CONTRIBUTION PLANS

4.1 SAVINGS PLANS

(A) ASSUMPTION OF SPINCO SAVINGS PLANS AND RELATED LIABILITIES

Effective no later than the Close of the Distribution Date, Spinco or a member of the Spinco Group shall take all action necessary to assume and become the plan sponsor of the Spinco Savings Plans and shall be responsible for all Liabilities relating to the Spinco Savings Plans. The Spinco Savings Plans shall recognize and maintain all contribution and investment elections made by Transferred Individuals under the Spinco Savings Plans as such elections were last in effect during the period immediately prior to the Distribution Date and shall apply such elections under the Spinco Savings Plans for the remainder of the period or periods for which such elections are by their terms applicable (subject in all cases to applicable election change rights of the Transferred Individuals).

(B) TRANSFER OF LIABILITIES UNDER NSI CORPORATE 401(K) PLAN

Effective no later than the Close of the Distribution Date: (i) all Liabilities to or relating to Retained Corporate Employees under the National Service Industries Retirement and 401(k) Plan ("Corporate 401(k) Plan") shall cease to be Liabilities of the Corporate 401(k) Plan and shall be assumed in full and in all respects by one or more NSI Savings Plans; (ii) the appropriate NSI Savings Plan(s) shall assume and be solely responsible for all ongoing rights of or relating to these Retained Corporate Employees for future participation (including the right to make contributions through payroll deductions in the NSI Savings Plan(s); and (iii) the accounts of the Retained Corporate Employees under the Corporate 401(k) Plan which are held by its related trust shall be transferred to the account(s) of the appropriate NSI Savings Plan under the NSI Master Savings Trust.

(C) SAVINGS PLAN TRUST

Effective no later than the Close of the Distribution Date, Spinco shall establish, or cause to be established, the Spinco Master Savings Trust which shall be qualified under Code ss. 401(a), be exempt from taxation under Code ss. 501(a)(1), and form part of the Spinco Savings Plans. Spinco shall, prior to the end of the remedial amendment period for the Spinco Savings Plans, apply for determination letters from the Internal Revenue Service that shall provide that the Spinco Savings Plans and the Spinco Master Savings Trust satisfy the requirements for qualification under Code sections 401(a) and 501(a), and Spinco shall take all actions necessary or appropriate to obtain such letters.

(D) TRANSFER OF ASSETS

Effective on a date selected by NSI, which is expected to be no later than the Close of the Distribution Date (the "Savings Plans Transfer Date"), all of the assets associated with and allocated to the accounts of each Spinco Savings Plan under the NSI Master Savings Trust shall be transferred from the NSI Master Savings Trust to the Spinco Master Savings Trust. If the

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transfer of assets does not occur prior to the Close of the Distribution Date, NSI and Spinco shall mutually reschedule the asset transfer date; provided, however, such rescheduled date must occur not later than December 31, 2001.

(E) SPECIFIC STOCK FUNDS IN THE NSI AND SPINCO SAVINGS PLANS

Effective no later than Immediately after the Distribution Date, a Spinco Common Stock fund shall be added as an investment option to any NSI Savings Plan or Spinco Savings Plan that has an NSI Common Stock fund. The Spinco Common Stock fund in the NSI Savings Plans and the NSI Common Stock fund in the Spinco Savings Plans are each referred to as a "Non-Employer Stock Fund" with respect to the applicable Plan. Unless NSI and Spinco agree otherwise, each Non-Employer Stock Fund shall be maintained under the respective Plan through December 31, 2002. After such date, NSI and Spinco agree to cooperate with each other with respect to the disposition of the stock when either party decides to liquidate or otherwise terminate the Non-Employer Stock Fund in its Savings Plans. In the absence of any agreement regarding such liquidation, the liquidation of the Non-Employer Stock Fund shall be made in a ratable manner over a period of six months. Furthermore, at any time that NSI or Spinco decides to sell or otherwise dispose of any amount of shares in their Non-Employer Stock Fund (other than sales or dispositions required to satisfy the investment directions from participants, for liquidity reasons or other general operational purposes), the selling party shall follow the procedures of Section 4.2 (except to the extent waived in writing by an authorized representative of the other party). The NSI Savings Plans and the Spinco Savings Plans shall each provide that, after the Distribution Date, no new contributions may be invested in, and no amounts may be transferred from other investment options to the Non-Employer Stock Fund under the respective Plan; but, subject to the terms of the respective Plan, participants may direct that amounts be transferred out of the Non-Employer Stock Fund to other investment options. To the extent the parties determine it is necessary to preserve the tax status of the Distribution under the Code, the NSI Savings Plans shall provide that no earnings or dividends under its Non-Employer Stock Fund may be reinvested in Spinco Common Stock and the Spinco Savings Plans shall provide that no earnings or dividends under its Non-Employer Stock Fund may be reinvested in NSI Common Stock; provided, however, this requirement shall not prohibit such earnings and dividends from remaining in the applicable Non-Employer Stock Fund as cash or as an amount that is invested in any non-stock investment in such fund.

4.2 NON-EMPLOYER STOCK FUND PROCEDURES

(A) APPLICATION OF PROCEDURES

Whenever NSI or Spinco (the "Selling Party") desires to sell or otherwise dispose of any or all of the shares of stock of the other party (the "Notice Party") in their respective Non-Employer Stock Funds (other than sales or dispositions required to satisfy the investment directions from participants, for liquidity reasons or other general operational purposes), the Selling Party shall follow the procedures for selling or otherwise disposing of such stock set forth in this Section 4.2, and the Notice Party shall be entitled to advance notice and a right of first

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refusal to purchase such stock all as provided in this Section 4.2. The provisions of this Section 4.2 shall be subject to the provisions of Section 7.8.

(B) RIGHT OF FIRST REFUSAL AND NOTICE PROCEDURES

When the Selling Party desires to sell or otherwise dispose of any or all of the shares of stock in their Non-Employer Stock Fund (other than sales or dispositions required to satisfy the investment directions from participants, for liquidity reasons or other general operational purposes), the Selling Party shall first offer such stock for sale to the Notice Party by delivering to the Notice Party's Chief Financial Officer, or his or her designee, a written offer of such shares of stock for sale to the Notice Party. The offer for sale to the Notice Party shall designate the total number of shares of stock desired to be sold (the "Offered Shares") and any special terms of sale, if the Offered Shares will not be sold on the market.

(C) PROCEDURES AFTER NOTICE IS GIVEN

The Notice Party shall within 30 days after receipt of notice advise the Selling Party in writing whether it desires to purchase the Offered Shares (which notice must confirm that it agrees to purchase all of the Offered Shares), and the terms upon which such purchase would be consummated. Failure to so notify the Selling Party shall be deemed a rejection of the offer, and the Selling Party after the close of the 30-day period may sell or otherwise dispose of the Offered Shares in its sole discretion. In the event that the Notice Party advises the Selling Party of its acceptance of the offer for sale, such acceptance shall specify a purchase date (the "Purchase Date") that is not less than ten nor more than 30 days after the date of such acceptance, and on which the New York Stock Exchange is scheduled to be open for trading. The purchase price paid for the Offered Shares and the terms and conditions of the payment shall be negotiated and agreed upon between the Selling Party and the Notice Party before the Purchase Date. If the Selling Party and the Notice Party have not agreed upon the price and the terms and conditions for payment by the Purchase Date, the Notice Party shall have the right to purchase all of the Offered Shares for cash immediately following the close of the New York Stock Exchange on the Purchase Date, at a price per Offered Share equal to its closing price on the New York Stock Exchange (but with any adjustment for the size of the block that is necessary, in the judgment of the valuation expert designated by NSI and Spinco for this purpose, to accomplish the sale at fair market value). If the Notice Party does not purchase and pay for all of the Offered Shares on the Purchase Date, it shall be deemed to have completely rejected the offer and all of the Offered Shares may be sold or otherwise disposed of by the Selling Party in its sole discretion.

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ARTICLE V HEALTH AND WELFARE PLANS

5.1 ASSUMPTION OF HEALTH AND WELFARE PLAN LIABILITIES

(A) ASSUMPTION BY SPINCO

Effective no later than the Close of the Distribution Date, Spinco shall establish or cause to be established, the Spinco Health and Welfare Plans. Immediately after the Distribution Date, all Liabilities for or relating to Transferred Individuals under the NSI Health and Welfare Plans, shall cease to be Liabilities of NSI or the NSI Health and Welfare Plans and shall be assumed by Spinco and the corresponding Spinco Health and Welfare Plans. Thus, Spinco and the Spinco Health and Welfare Plans shall be responsible for all Liabilities that pertain to Transferred Individuals regardless of when incurred, including all reported claims that are unpaid, all incurred but not reported claims as of the Close of the Distribution Date, and all claims incurred after the Close of the Distribution Date that pertain to Transferred Individuals under the NSI Health and Welfare Plans and the Spinco Health and Welfare Plans. Spinco shall be required to make all payments due or payable to Transferred Individuals under the appropriate Spinco Health and Welfare Plans for the period beginning immediately after the Distribution Date, including all reported claims that are unpaid and all incurred but not reported claims as of the Close of the Distribution Date. All treatments which have been pre-certified for or are being provided on an on-going basis to a Transferred Individual under the NSI Health and Welfare Plans as of the Close of the Distribution Date shall continue to be provided without interruption under the appropriate Spinco Health and Welfare Plan until such treatment is concluded or discontinued pursuant to applicable plan rules and limitations, and Spinco and the Spinco Health and Welfare Plans shall be responsible for all Liabilities relating to, arising out of, or resulting from such pre-certified or on-going treatments as of the Close of the Distribution Date. Notwithstanding the preceding provisions of this Section 5.1, neither Spinco nor a Spinco Health and Welfare Plan shall assume any Liability with respect to: (i) a claim incurred on or prior to the Close of the Distribution Date for which NSI or an NSI Health and Welfare Plan has insurance coverage, and (ii) any benefit claim for which NSI is responsible under Section 5.4. Furthermore, NSI shall pay to Spinco a portion of any prescription drug rebates received by NSI under the NSI Major Medical Plan which relate to periods prior to the Distribution Date, which portion shall be determined by the number of Transferred Individuals compared to the total number of participants in the NSI Major Medical Plan as of the Distribution Date.

(B) CERTAIN AUDIT PROCEDURES WITH RESPECT TO HEALTH AND WELFARE PLANS

At periodic intervals beginning immediately after the Distribution Date, NSI and Spinco shall examine their respective payments and receipts for health and welfare coverages to ascertain whether NSI has mistakenly made or received payments for coverages with respect to Transferred Individuals and whether Spinco has mistakenly made or received payments for coverages with respect to participants and beneficiaries in the NSI Health and Welfare Plans (other than Transferred Individuals). If any such mistaken payments have been made or received by NSI or Spinco, such mistaken payments and receipts shall first be netted against each other by NSI and Spinco and thereafter such net payments or net receipts shall be further netted against

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the other party's net payments or net receipts. The party with the remaining amount of mistaken payments shall transfer such amount in cash to the other party at such time or times as agreed upon by NSI and Spinco, but not less than semi-annually. Furthermore, at periodic intervals beginning Immediately after the Distribution Date, NSI and Spinco shall examine the payment of benefits and claims, and reimbursements for expenses, by their respective Health and Welfare Plans to ascertain whether any NSI Health and Welfare Plan has mistakenly paid claims or benefits, or reimbursed expenses, with respect to Transferred Individuals and whether any Spinco Health and Welfare Plan has mistakenly paid claims or benefits, or reimbursed expenses, with respect to participants and beneficiaries in the NSI Health and Welfare Plans (other than Transferred Individuals). If any such mistaken payments or reimbursements have been made by any NSI or Spinco Health and Welfare Plan, such mistaken payments and reimbursements shall be netted against the other corresponding Health and Welfare Plan's mistaken payments and reimbursements. The Health and Welfare Plan with the remaining amount of mistaken payments and reimbursements shall transfer such amount in cash to the other party's corresponding Health and Welfare Plan at such time or times as agreed upon by NSI and Spinco, but not less than semi-annually.

5.2 VENDOR CONTRACTS

(A) ASO CONTRACTS, GROUP INSURANCE POLICIES, HMO AGREEMENTS, AND LETTERS OF UNDERSTANDING

(1) Before the Distribution Date, NSI shall, in its sole discretion, take such steps as are necessary under each ASO Contract, Group Insurance Policy, HMO Agreement, letter of understanding, and arrangement in existence as of the date of this Agreement to permit Spinco to participate in the terms and conditions of such ASO Contract, Group Insurance Policy, HMO Agreement, letter of understanding, or arrangement from Immediately after the Distribution Date through December 31, 2002. Alternatively, NSI shall take such steps as are necessary to arrange for an ASO Contract, Group Insurance Policy, HMO Agreement, letter of understanding, or arrangement covering Spinco that mirrors substantively that covering NSI. This mirror arrangement shall apply for all or a portion of such period, as necessary under the circumstances. NSI, in its sole discretion, may cause one or more of its ASO Contracts, Group Insurance Policies, HMO Agreements, letters of understanding, and arrangements into which NSI enters after the date of this Agreement to allow Spinco to participate in the terms and conditions thereof. Nothing contained in this Section 5.2(a) shall preclude NSI from choosing to enter into ASO Contracts, Group Insurance Policies, HMO Agreements, letters of understanding, or other arrangements with new or different vendors; provided, until December 31, 2002, NSI shall give Spinco advance notice of any decision to change or add vendors. Furthermore, nothing contained in this paragraph (1) shall require NSI to use more than its reasonable best efforts in complying with the provisions of the first and second sentence of this paragraph (1).

(2) NSI shall have the right to determine, and shall promptly notify Spinco of, the manner in which Spinco's participation in the terms and conditions of ASO Contracts, Group Insurance Policies, HMO Agreements, letters of understanding and arrangements as set forth above shall be effectuated; provided, however, NSI shall use its best efforts to accommodate any

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reasonable needs communicated to NSI by Spingo that relate thereto. Such terms and conditions shall include the financial and termination provisions, performance standards, methodologies, auditing policies, quality measures, reporting requirements, and target claims. Spingo hereby authorizes NSI to act on its behalf to extend to Spingo the terms and conditions of the ASO Contracts, Group Insurance Policies, HMO Agreements, and letters of understanding and arrangements. Spingo shall fully cooperate with NSI in such efforts, and, for periods through December 31, 2002, Spingo shall not perform any act or fail to take any action that would prejudice NSI's efforts and financial arrangements under the Health and Welfare Plans (other than taking reasonable steps to enter into replacement ASO Contracts, Group Insurance Policies, HMO Agreements, and letters of understanding and arrangements for periods after December 31, 2002, which steps shall not, unless the parties otherwise agree, commence publicly prior to January 1, 2002).

(B) PAYMENT AND EFFECT OF CHANGE IN RATES

NSI and Spingo shall use their reasonable best efforts to cause each of the insurance companies, HMOs, paid provider organizations and third-party administrators providing services and benefits under the NSI Health and Welfare Plans and the Spingo Health and Welfare Plans to maintain the premium and/or administrative rates based on the aggregate number of participants in the NSI Health and Welfare Plans and the Spingo Health and Welfare Plans, from the Close of the Distribution Date through December 31, 2001, separately rated or adjusted for the demographics, experience or other relevant factors related to the covered participants of NSI and Spingo, respectively. To the extent they are not successful in such efforts, NSI and Spingo shall each bear the revised premium or administrative rates for health and welfare benefits attributable to the individuals covered by their respective Health and Welfare Plans. The assistance that NSI shall provide Spingo pursuant to this subsection (b) shall be provided subject to the terms and conditions of the Transition Services Agreement.

5.3 NSI SHORT-TERM DISABILITY ARRANGEMENTS

Any final determinations made by NSI with respect to short-term disability claims by Transferred Individuals prior to the Distribution Date shall be final and binding. NSI shall transfer to Spingo, effective Immediately after the Distribution Date, and Spingo shall assume responsibility for (i) administering all short-term disability claims incurred by Transferred Individuals before the Close of the Distribution Date that are administered by NSI as of the Close of the Distribution Date, and (ii) all Liabilities under any NSI short-term disability arrangements to Transferred Individuals as of the Close of the Distribution Date, in the same manner, and using the same methods and procedures, as NSI used in determining and paying such claims. Effective Immediately after the Distribution Date, Spingo shall have sole discretionary authority to make any necessary determinations with respect to such claims, including entering into settlements with respect to such claims, and shall be solely responsible for any costs, Liabilities or related expenses of any nature whatsoever related to such claims, payments or obligations.

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5.4 RETIREE HEALTH AND LIFE INSURANCE BENEFITS

Effective immediately after the Distribution Date, Spinco shall adopt a Spinco Plan or Plans to provide any retiree medical or life insurance benefits that are required to be provided to Transferred Individuals. Any retiree medical or life insurance benefits provided shall be substantially identical to the retiree medical or life insurance benefits that would have been provided under an NSI Plan for such individuals, subject to the right of Spinco to amend or terminate any such retiree benefits. In the case of any individual who is not a Transferred Individual, NSI will retain the liability for providing any retiree medical or life insurance benefits required to be provided to such individual, subject to the right of NSI to amend or terminate any such retiree benefits.

5.5 COBRA AND HIPAA

Effectively Immediately after the Distribution Date, Spinco or a member of the Spinco Group shall be responsible for administering compliance and providing coverage in accordance with the health care continuation coverage requirements for "group health plans" under Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), and the portability requirements (including the requirements for issuance of certificates of creditable coverage) under the Health Insurance Portability and Accountability Act of 1996 with respect to all Transferred Individuals and other employees and former employees of Spinco or a member of the Spinco Group and any beneficiaries and dependents thereof who experience a COBRA qualifying event or loss of coverage under the Spinco Health and Welfare Plans after the Close of the Distribution Date. Effective Immediately after the Distribution Date, Spinco or a member of the Spinco Group shall be responsible for filing all necessary employee change notices with respect to these persons identified in the previous sentence in accordance with applicable law.

5.6 LEAVE OF ABSENCE PROGRAMS

Effective Immediately after the Distribution Date, Spinco or a member of the Spinco Group shall assume sole responsibility for the administration and compliance of all leaves of absences and related programs (including compliance with the Family and Medical Leave Act of 1993, as amended) affecting Transferred Individuals.

5.7 POST-DISTRIBUTION TRANSITIONAL ARRANGEMENTS

(A) CONTINUANCE OF ELECTIONS, CO-PAYMENTS, AND MAXIMUM BENEFITS

(1) Spinco shall cause the Spinco Health and Welfare Plans to recognize and maintain all coverage and contribution elections made by Transferred Individuals under the NSI Health and Welfare Plans, as such elections were last in effect during the period immediately prior to the Distribution Date, and shall apply such elections under the Spinco Health and Welfare Plans for the remainder of the period or periods for which such elections are by their terms applicable (subject to applicable election change rights). NSI shall cause the claims administrator for the NSI Health and Welfare Plans to transfer to the claims administrator for the Spinco Health and Welfare Plan all data necessary to maintain such coverage and elections.

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(2) Spinco shall cause the Spinco Health and Welfare Plans to recognize and give credit for (A) all amounts applied to deductibles, out-of-pocket maximums, and other applicable benefit coverage limits with respect to such expenses which have been incurred by Transferred Individuals under the NSI Health and Welfare Plans for the remainder of the benefit limit year in which the Distribution occurs, and (B) all benefits paid to Transferred Individuals under the NSI Health and Welfare Plans, during and prior to the benefit limit year in which the Distribution occurs, for purposes of determining when such persons have reached their maximum benefits under the Spinco Health and Welfare Plans.

(3) Spinco shall recognize and cover under the Spinco Health and Welfare Plans all eligible employee groups covered by the NSI Health and Welfare Plans (pertaining to Transferred Individuals) as of the Close of the Distribution Date (determined under the applicable Plan documents).

(4) Spinco shall (A) provide coverage to Transferred Individuals under the Spinco Health and Welfare Plans without the need to undergo a physical examination or otherwise provide evidence of insurability, and (B) recognize and maintain all irrevocable assignments, elections and beneficiary designations made by Transferred Individuals in connection with their life insurance coverage under the NSI Health and Welfare Plans and any predecessor plans.

(B) ADMINISTRATION

(1) Coordination of Benefits for Spouses and Dependents

Effective as of the earlier of the first January 1 or the first applicable change in status (as defined under the Spinco Health and Welfare Plans) that occurs after the Distribution Date, Spinco shall cause the Spinco Health and Welfare Plans to permit eligible Transferred Individuals to cover their lawful spouses as dependents if such lawful spouses are active or retired NSI employees (but were not otherwise covered as a dependent under the NSI Health and Welfare Plans or other NSI Plans due to their previous status as both employee and dependent of an NSI employee). As of the earlier of the first January 1 or the first applicable status change (as defined under the Spinco Health and Welfare Plans) that occurs Immediately after the Distribution Date, NSI shall cause the NSI Health and Welfare Plans to permit eligible NSI employees to cover their lawful spouses as dependents if such lawful spouses are active or retired Spinco employees. All benefits provided under any such Health and Welfare Plans to a lawful spouse or dependent of the other company's employees shall be coordinated pursuant to the terms and conditions of the applicable NSI and Spinco Plans.

(2) Health Care Financing Administration Data Match

Effective Immediately after the Distribution Date, Spinco shall assume all Liabilities relating to, arising out of or resulting from claims verified by NSI or Spinco under the Health Care Financing Administration data match reports that relate to Transferred Individuals. Spinco and NSI shall share all information necessary to verify Health Care Financing Administration data match reports regarding Transferred Individuals. Spinco shall not change any employee

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identification numbers assigned by NSI without notifying NSI of the change and the new employee identification number.

(C) NSI REIMBURSEMENT PLANS

To the extent any Transferred Individual contributed to an account under the NSI Reimbursement Plans during the calendar year that includes the Distribution Date, effective Immediately after the Distribution Date, Spinco shall recognize any such Transferred Individual's account balance, determined as of the Close of the Distribution Date, and Spinco shall thereafter be solely responsible for making any and all payments relative to such account balance of the Transferred Individual for all claims during such calendar year under the applicable Spinco Reimbursement Plan. As provided in Section 5.7(a), all elections by Transferred Individuals in effect immediately prior to the Distribution Date shall continue and be recognized by Spinco, and the Distribution alone shall not be considered an event that gives any participant the right to change any prior election. As soon as practicable after the Distribution Date, NSI shall calculate as of the Close of the Distribution Date the aggregate net balance in the accounts of Transferred Individuals under the NSI Reimbursement Plans, expressed relative to the contributions received from such Transferred Individuals. If the contributions received from a Transferred Individual exceed the reimbursements made to or on behalf of such Transferred Individual, the Transferred Individual shall be deemed to have a positive account balance. In turn, if the contributions received from a Transferred Individual are less than the reimbursements made to or on behalf of such Transferred Individual, the Transferred Individual shall be deemed to have a negative account balance. If the aggregate net balance in the accounts of all such Transferred Participants is a positive number, then NSI shall pay this amount in cash to Spinco as soon as practicable after the Distribution Date, and if the aggregate net balance in the accounts of all such Transferred Participants is a negative number, then Spinco shall pay this amount in cash to NSI as soon as practicable after the Distribution Date.

5.8 APPLICATION OF ARTICLE V TO THE SPINCO GROUP

Any reference in this Article V to "Spinco" shall include a reference to another member of the Spinco Group when and to the extent Spinco has caused the other member of the Spinco Group to (a) become a party to an ASO Contract, Group Insurance Policy, HMO Agreement, letter of understanding or arrangement associated with a Spinco Health and Welfare Plan, (b) become a self-insured entity for the purposes of one or more Spinco Health and Welfare Plans, (c) assume all or a portion of the Liabilities or the administrative responsibilities with respect to benefits which arose before the Close of the Distribution Date under any NSI Health and Welfare Plan and which were expressly assumed by Spinco pursuant to this Agreement, or (d) take any other action, extend any coverage, assume any other Liability or fulfill any other responsibility that Spinco would otherwise be required to take under the terms of this Article V, unless it is clear from the context that the particular reference is not intended to include another member of the Spinco Group. In all such instances in which a reference in this Article V to "Spinco" includes a reference to another member of the Spinco Group, Spinco shall be responsible to NSI for ensuring that the other member of the Spinco Group complies with the applicable terms of this Agreement and that the Transferred Individuals employed by such member of the Spinco

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Group shall have the same rights and entitlements to benefits under the applicable Spinco Health and Welfare Plans that the Transferred Individual would have had, if he or she had instead been employed by Spinco.

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ARTICLE VI EXECUTIVE PROGRAMS

6.1 ASSUMPTION OF OBLIGATIONS

Consistent with the principles set forth in Article II and except as otherwise specifically provided herein, effective no later than the Close of the Distribution Date, Spinco or a member of the Spinco Group shall become plan sponsor of and assume all Liabilities with respect to any Executive Program that is a Spinco Stand-Alone Plan and shall assume and be solely responsible for all Liabilities to or relating to Transferred Individuals under all NSI Executive Programs. Spinco shall be solely responsible for all such Liabilities, notwithstanding any failure by Spinco to complete its obligations under this Article.

6.2 ANNUAL INCENTIVE AWARDS

Prior to the Distribution Date, NSI shall pay to participants (including Transferred Individuals) any amounts earned under the Annual Incentive Plan for the performance period ending August 31, 2001 at the time and in the manner provided under the terms of such plan. For periods after the Distribution Date, Spinco shall establish the Spinco Annual Incentive Plan covering such of its active employees as it in its sole discretion deems appropriate.

6.3 LONG-TERM INCENTIVE PLAN

(A) AWARD 4 (FOR THE PERFORMANCE PERIOD 9/1/99-8/31/02)

With respect to Awards under "Award 4" of the National Service Industries, Inc. Long-Term Achievement Incentive Plan to Transferred Individuals who are Corporate Office employees for the performance period ending August 31, 2002, effective as of August 31, 2001, a determination shall be made by NSI of the extent to which the Awards have been earned for the performance period as of such date and no further amounts shall be earned by such Transferred Individuals after that date. The amounts earned (if any) under the Awards as of August 31, 2001 shall be payable by NSI as promptly as practicable after the amounts are determined.

With respect to Awards under Award 4 for Transferred Individuals other than Corporate Office employees, such Awards shall be assumed by Spinco and shall be paid, to the extent earned, after the close of the performance period ending on August 31, 2002, under and in accordance with the terms of the Spinco Long-Term Incentive Plan; provided, however, that Spinco will make such adjustments to the financial goals, targets, payments and forms of payments as Spinco in its sole discretion deems appropriate to reflect the Distribution.

(B) STOCK OPTIONS

The treatment of outstanding Awards described in this Section 6.3 shall apply to Transferred Individuals, including Transferred Individuals who have terminated employment or who are compensated under a payroll which is administered outside the 50 United States, its territories and possessions, and the District of Columbia; provided, however, if such treatment is

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not legally permitted, or results in adverse consequences for NSI, any of its affiliates or the Transferred Individual, as determined by NSI in its sole discretion, NSI may determine, in its sole discretion, to provide for a different treatment.

Effective Immediately after the Distribution Date, each Award or grant consisting of an option, regardless of the date of the grant, under an NSI Stock Incentive Plan that is outstanding as of the Close of the Distribution Date for all Transferred Individuals and all Spinco non-employee directors who were previously non-employee directors of NSI shall be converted to options for Spinco Common Stock with the same material terms and conditions under the Spinco Stock Incentive Plan, and shall be transferred to the recordkeeper of the Spinco Stock Incentive Plan. As soon as practicable after the Distribution Date, the number of options and the exercise price for such options converted to options for Spinco Common Stock shall be determined in accordance with the Conversion Formula. Such converted Spinco stock option grants shall continue to vest and become exercisable under the Spinco Stock Incentive Plan in accordance with the terms of the original grant under the NSI Stock Incentive Plan. Spinco shall be the obligor with respect to such options and shall be solely responsible for all stock option grants and payments under the Spinco Stock Incentive Plan, with respect to, but not limited to, recordkeeping, administrative costs and fees, payroll taxes, plan maintenance, option exercise and related tax filings. Spinco shall, as soon as practicable after the Distribution Date provide each Transferred Individual with an agreement or notice relating to the Transferred Individual's options under the Spinco Stock Incentive Plan.

(C) RESTRICTED STOCK AWARDS

(1) Determination of Status of Restricted Stock

Effective as of the record date for the Distribution, NSI shall determine the extent to which shares of restricted stock awarded under an NSI Stock Incentive Plan pursuant to a restricted stock award agreement (A) have begun to vest as a result of an applicable stock price target having been achieved and have been registered in the name of the holder of such restricted stock on the books of NSI's transfer agent, but remain unvested and subject to a substantial risk of forfeiture (the "Granted Restricted Stock"), and (B) have not begun to vest and are not registered in the name of the holder of such restricted stock on the books of NSI's transfer agent, because the applicable stock price targets in the restricted stock award agreement have not been reached (the "Ungranted Restricted Stock").

(2) Treatment of Granted Restricted Stock

All executives (including Transferred Individuals) who hold shares of Granted Restricted Stock shall receive the distribution of shares of Spinco Common Stock on such shares of Granted Restricted Stock. All shares of Spinco Common Stock received with respect to such Granted Restricted Stock shall be subject to the same restrictions, terms and conditions as apply to the Granted Restricted Stock pursuant to the restricted stock award agreement; provided, however, that continued employment with Spinco or a member of the Spinco Group or NSI or a member of the NSI Group shall be considered continued employment under the restricted stock award agreement. NSI and Spinco agree to notify the other party when a holder of such restricted stock

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terminates employment prior to the date such restricted stock is fully vested and no longer subject to a substantial risk of forfeiture.

(3) Treatment of Ungranted Restricted Stock

All executives (including Transferred Individuals) holding shares of Ungranted Restricted Stock shall not receive the distribution of Spinco Common Stock on such shares of Ungranted Restricted Stock. Effective Immediately after the Distribution Date, all Ungranted Restricted Stock for all Transferred Individuals shall be equitably converted to restricted stock Awards for Spinco Common Stock under the Spinco Stock Incentive Plan, subject to the same restrictions and the same material terms and conditions as under the restricted stock award agreement; provided, that the number of shares and the stock price targets under the converted restricted stock award agreements shall be equitably revised to reflect the Distribution and the conversion of the Award to Spinco Common Stock and Spinco Common Stock price targets.

(4) Issuance of New Agreements

As soon as practicable after the Distribution Date, NSI and Spinco shall cooperate to replace each existing restricted stock award agreement held by a Transferred Individual with two restricted stock award agreements: one agreement with respect to the Granted Restricted Stock that becomes restricted stock in both NSI and Spinco and the other agreement with respect to the Ungranted Restricted Stock that is converted to a restricted stock Award of Spinco Common Stock under the Spinco Stock Incentive Plan.

6.4 EMPLOYEE STOCK PURCHASE PLAN

It is intended that Spinco will establish an employee stock purchase plan that is substantially similar to the National Service Industries, Inc. Employee Stock Purchase Plan and that the NSI Common Stock, and Spinco Common Stock distributed with respect to such stock, held for Transferred Individuals will be transferred to a recordkeeper for the Spinco Plan, provided, however, Spinco, in its sole discretion, shall determine when such Plan shall become effective and may change the terms of such Plan as it deems appropriate.

6.5 DEFERRED COMPENSATION PLANS

(A) ASSUMPTION OR ESTABLISHMENT OF SPINCO DEFERRED COMPENSATION PLANS

Effective no later than the Close of the Distribution Date, Spinco shall take all necessary actions to assume, become plan sponsor of, and be solely responsible for all Liabilities with respect to, the Deferred Compensation Plans that are Spinco Stand-Alone Plans. Effective no later than the Close of the Distribution Date, Spinco shall also establish the Spinco Deferred Compensation Plans that are Spinco Mirror Plans, and the amounts credited to the accounts of Transferred Individuals under the NSI Deferred Compensation Plans shall be transferred to the applicable Spinco Deferred Compensation Plans.

The Transferred Individuals' termination of employment with the NSI Group as a result of the Distribution shall not constitute a termination of employment for purposes of the NSI or

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Spinco Deferred Compensation Plans. All elections by the Transferred Individuals that were controlling under the terms of the applicable NSI Deferred Compensation Plan prior to the Distribution shall continue under the applicable Spinco Plan until changed under the terms of such Plan. All investment choices of Transferred Individuals under the NSI or Spinco Deferred Compensation Plans shall also be continued in effect; provided, however, that any account balance that is deemed to be invested in whole or in part in phantom shares of NSI Common Stock shall be converted into deemed investments in phantom shares of Spinco Common Stock in an equitable manner determined by Spinco. Nothing herein shall restrict NSI's or Spinco's rights to amend or terminate their respective Plans in the future.

(B) TRANSFER OF CORPORATE-OWNED LIFE INSURANCE

No later than the Close of the Distribution Date, NSI shall transfer and assign to Spinco all of the corporate-owned life insurance policies owned by NSI or an affiliate of NSI that have been held by NSI to help fund its obligations under the Deferred Compensation Plans that are being assumed or adopted by Spinco; provided, however, that such transfer shall not occur (or shall be modified in an appropriate manner) unless NSI has received a satisfactory opinion of legal counsel that such transfer of corporate-owned life insurance will not jeopardize the current tax treatment of such policies.

6.6 SUPPLEMENTAL RETIREMENT BENEFIT PLANS

Effective no later than the Close of the Distribution Date, NSI and Spinco shall take all necessary actions (a) to allow Spinco to adopt and assume, become the plan sponsor of, and be solely responsible for all Liabilities with respect to, the Supplemental Retirement Plan for Executives of National Service Industries, Inc. and the supplemental retirement plans previously maintained by the Holophane Corporation; and (b) to allow Spinco to establish the Spinco Supplemental Pension Plan and to assume all Liabilities with respect to Transferred Individuals under the Supplemental Pension Plan of National Service Industries, Inc.

6.7 BENEFITS PROTECTION TRUST AND EXECUTIVE BENEFITS TRUST

Effective no later than the Close of the Distribution Date, NSI and Spinco shall take all actions necessary to allow Spinco or a member of the Spinco Group to adopt and assume, amend as appropriate, and replace NSI as a party to and grantor under, the National Service Industries, Inc. Benefits Protection Trust and the National Service Industries, Inc. Executive Benefits Trust ("Trusts").

6.8 SEVERANCE PROTECTION AGREEMENTS

Effective Immediately after the Distribution Date, Spinco shall enter into severance protection agreements with the Transferred Individuals listed in Appendix E which are substantially identical in all Material Features to the form of NSI severance protection agreement covering such Transferred Individual as of the Distribution Date. Spinco shall be solely responsible for all Liabilities related to the Spinco severance protection agreements with the Transferred Individuals.

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6.9 EMPLOYMENT AGREEMENTS

Effective Immediately after the Distribution Date, Spinco shall enter into employment agreements with the Transferred Individuals listed in Appendix E which are substantially identical in all Material Features to the corresponding NSI employment agreements or shall assume the existing agreements. Spinco shall be solely responsibly for all Liabilities related to the Spinco employment agreements with the Transferred Individuals.

6.10 AUTOMOBILE PROGRAM

As of the Close of the Distribution Date, Spinco shall assume all of NSI's Liabilities and obligations with respect to the motor vehicles leased by NSI for Transferred Individuals pursuant to lease agreements under any NSI Executive automobile program.

6.11 OTHER EXECUTIVE BENEFITS/PROGRAMS

Effective no later than the Close of the Distribution Date, Spinco shall establish Plans that are substantially similar to the following NSI Plans and other executive benefits: Executive physical program, corporate matching gift program, automobile allowance policy. Spinco shall assume all Liabilities for Transferred Individuals under or relating to these Plans, and any elections, benefits, balances, or limits in effect immediately prior to the Distribution shall remain in effect under the Spinco Plans.

6.12 NON-EMPLOYEE DIRECTOR BENEFITS

(A) NON-EMPLOYEE DIRECTOR DEFERRED STOCK UNIT PLAN

Effective not later than the Close of the Distribution Date, Spinco shall establish a Spinco non-employee director deferred stock unit plan that is substantially identical in all Material Respects to the National Service Industries, Inc. Non-Employee Director Deferred Stock Unit Plan, and Spinco shall assume and be solely responsible for all Liabilities under the NSI Non-Employee Director Deferred Stock Unit Plan relating to individuals who become non-employee directors of Spinco (and certain former non-employee directors of NSI). The deferred stock units of NSI Common Stock relating to non-employee directors of Spinco shall be converted into deferred stock units of Spinco Common Stock in an equitable manner determined by Spinco.

(B) NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN

Effective not later than the Close of the Distribution Date, Spinco shall establish the Spinco, Inc. Non-Employee Directors' Stock Option Plan that is substantially identical in all Material Respects to the National Service Industries, Inc. Non-Employee Directors' Stock Option Plan. All outstanding options held by non-employee directors of Spinco who were previously non-employee directors of NSI (and certain former non-employee directors of NSI) shall be treated as provided in Section 6.3(b).

ARTICLE VII GENERAL

7.1 PAYMENT OF AND ACCOUNTING TREATMENT FOR EXPENSES AND BALANCE SHEET AMOUNTS

(A) EXPENSES

All expenses (and the accounting treatment related thereto) through the Close of the Distribution Date regarding matters addressed herein shall be handled and administered by NSI and Spinco in accordance with past NSI accounting and financial practices and procedures pertaining to such matters. To the extent expenses that pertain to Transferred Individuals are unpaid as of the Close of the Distribution Date, Spinco or any member of the Spinco Group shall be solely responsible for such payment, without regard to any accounting treatment to be accorded such expense by NSI or Spinco on their respective books and records. The accounting treatment to be accorded all expenses incurred prior to the Distribution Date, whether such expenses are paid by NSI or Spinco, shall be determined by NSI in its sole discretion.

(B) BALANCE SHEET AMOUNTS

Spinco shall assume any and all balance sheet liability that relates to any Liability assumed by it under this Agreement as of the Close of the Distribution Date or thereafter. The balance sheet liabilities to be assumed pursuant to this Section shall be determined by NSI in its sole discretion consistent with past accounting practices, consistently applied.

7.2 SHARING OF PARTICIPANT INFORMATION

Subject to applicable laws on confidentiality, NSI and Spinco shall share, NSI shall cause each applicable member of the NSI Group to share, and Spinco shall cause each applicable member of the Spinco Group to share, with each other and their respective agents and vendors (without obtaining releases) all participant information necessary for the efficient and accurate administration of each of the NSI Plans and the Spinco Plans during the period NSI and Spinco are coordinating with respect to vendor contracts under Section 5.2. NSI and Spinco and their respective authorized agents shall, subject to applicable laws on confidentiality, be given reasonable and timely access to, and may make copies of, all information relating to the subjects of this Agreement in the custody of the other party, to the extent necessary for such administration. Until the Close of the Distribution Date, all participant information shall be provided in the manner and medium applicable to Participating Companies in the NSI Plans generally, and thereafter until December 31, 2002, all participant information shall be provided in a manner and medium that is compatible with the data processing systems of NSI as in effect on the Close of the Distribution Date, unless otherwise agreed to by NSI and Spinco.

7.3 RESTRICTIONS ON EXTENSION OF OPTION EXERCISE PERIODS, AMENDMENT OR MODIFICATION OF OPTION TERMS AND CONDITIONS

Spinco agrees that, without the prior written consent of NSI, neither Spinco nor any of its affiliates or Subsidiaries shall take any action to extend the exercise period of or to provide for

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additional vesting with respect to any Spinco options, which were received pursuant to Section 6.3(b) in replacement of NSI options, for Transferred Individuals, including providing such Transferred Individuals with leaves of absences or special termination or severance arrangements.

7.4 REPORTING AND DISCLOSURE AND COMMUNICATIONS TO PARTICIPANTS

While Spinco is a Participating Company in the NSI Plans, Spinco shall take, and shall cause each other applicable member of the Spinco Group to take, all actions necessary or appropriate to facilitate the distribution of all NSI Plan-related communications and materials to employees, participants and beneficiaries, including summary plan descriptions and related summaries of material modification, summary annual reports, investment information, prospectuses, notices and enrollment materials for the Spinco Plans. Spinco shall assist, and Spinco shall cause each other applicable member of the Spinco Group to assist, NSI in complying with all reporting and disclosure requirements of ERISA for plan years ending on or before December 31, 2002, including the preparation of Form 5500 annual reports for the NSI Plans, where applicable.

7.5 PLAN AUDITS

(A) AUDIT RIGHTS WITH RESPECT TO THE ALLOCATION OR TRANSFER OF PLAN ASSETS

The allocation of Pension Plan assets and liabilities pursuant to Section 3.3 shall, at the election of Spinco, be audited on behalf of both NSI and Spinco by an actuarial and benefit consulting firm mutually selected by the parties; provided, however, that no audit shall be permitted after the date of the pension plan asset transfer, in the case of the Pension Plans. The scope of such audit shall be limited to the accuracy of the data and the accuracy of the computation and adherence to the methodology specified in this Agreement and, except as set forth in the penultimate sentence of this Section 7.5(a), such audit shall not be binding on the parties. The actuarial and benefit consulting firm shall provide its report to both NSI and Spinco. No other audit shall be conducted with respect to the allocation of Plan assets and no issue of any nature whatsoever may be raised by Spinco once the transfer of assets has been completed. Subject to the following two sentences, no transfer of assets shall occur unless and until Spinco agrees to the allocation of assets. To the extent such audit recommends a change to the value of assets allocated to a Spinco Plan of less than 5%, the original determination shall be binding on the parties and shall not be subject to the dispute resolution process provided in Section 7.16. To the extent such audit recommends such a change of 5% or more (a "Significant Allocation Change"), any unresolved dispute between the parties as to whether and how to make any change in response to such recommendation shall be subject to the dispute resolution process provided in Section 7.16. Spinco shall pay or shall be responsible for the payment of the full costs of such audit; provided, however, that in the event such audit recommends a Significant Allocation Change and such recommendation is attributable to variances in actuarial assumptions or simplification or modification of the allocation calculated by NSI, NSI shall be responsible for the full costs of such audit.

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(B) AUDIT RIGHTS WITH RESPECT TO INFORMATION PROVIDED

(1) Subject to Section 7.5(b)(2), each of NSI and Spinco, and their duly authorized representatives, shall have the right to conduct audits at any time upon reasonable prior notice, at their own expense, with respect to all information provided to it or to any Plan recordkeeper or third-party administrator by the other party. Subject to Sections 7.5(a) and 7.5(b)(2), the party conducting the audit shall have the sole discretion to determine the procedures and guidelines for conducting audits and the selection of audit representatives. The auditing party shall have the right to make copies of any records at its expense, subject to the confidentiality provisions set forth in the Distribution Agreement, which are incorporated by reference herein. The party being audited shall provide the auditing party's representatives with reasonable access during normal business hours to its operations, computer systems and paper and electronic files, and provide workspace to its representatives. After any audit is completed, the party being audited shall have the right to review a draft of the audit findings and to comment on those findings in writing within five business days after receiving such draft.

(2) The auditing party's audit rights under this Section 7.5(b) shall include the right to audit, or participate in an audit facilitated by the party being audited, of any Subsidiaries and affiliates of the party being audited and of any benefit providers and third parties with whom the party being audited has a relationship, or agents of such party, to the extent any such persons are affected by or addressed in this Agreement (collectively, the "Non-parties"). The party being audited shall, upon written request from the auditing party, provide an individual (at the auditing party's expense) to supervise any audit of any Non-party. The auditing party shall be responsible for supplying, at its expense, additional personnel sufficient to complete the audit in a reasonably timely manner.

(C) AUDITS REGARDING VENDOR CONTRACTS

From Immediately after the Distribution Date through December 31, 2002, NSI and Spinco and their duly authorized representatives shall have the right to conduct joint audits with respect to any vendor contracts that relate to both the NSI Health and Welfare Plans and the Spinco Health and Welfare Plans. The scope of such audits shall encompass the review of all correspondence, account records, claim forms, canceled drafts (unless retained by the bank), provider bills, medical records submitted with claims, billing corrections, vendor's internal corrections of previous errors and any other documents or instruments relating to the services performed by the vendor under the applicable vendor contracts. NSI and Spinco shall agree on the performance standards, audit methodology, auditing policy and quality measures and reporting requirements relating to the audits described in this Section 7.5(c) and the manner in which costs incurred in connection with such audits will be shared.

(D) AUDIT ASSISTANCE

To the extent that either NSI or Spinco is required to respond to any Governmental Authority, vendor or recordkeeper audit, or otherwise conducts an audit with respect to any provision or obligation of the other party under this Agreement, NSI or Spinco, whichever is

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applicable, shall be required to fully cooperate with the audit, including providing such records and data as may be necessary to respond to any document or data request that may arise by reason of such audit. The party being audited shall provide the auditing party's representatives with reasonable access during normal business hours to its operations, computer systems and paper and electronic files, and provide workspace to its representatives. To the extent the results of an audit result in any correction to the Liabilities involving any Transferred Individuals, Spinco shall be solely responsible for all such costs and expenses associated with such Liabilities and any related corrections.

7.6 BENEFICIARY DESIGNATIONS/RELEASE OF INFORMATION/RIGHT TO REIMBURSEMENT

All beneficiary designations, authorizations for the release of information and rights to reimbursement made by or relating to Transferred Individuals under NSI Plans shall be transferred to and be in full force and effect under the corresponding Spinco Plans until such beneficiary designations, authorizations or rights are replaced or revoked by, or no longer apply, to the relevant Transferred Individual.

7.7 REQUESTS FOR INTERNAL REVENUE SERVICE RULINGS AND UNITED STATES DEPARTMENT OF LABOR OPINIONS

Spinco shall cooperate fully with NSI on any issue relating to the transactions contemplated by this Agreement for which NSI elects to seek a determination letter or private letter ruling from the Internal Revenue Service or an advisory opinion from the United States Department of Labor. NSI shall cooperate fully with Spinco with respect to any request for a determination letter or private letter ruling from the Internal Revenue Service or advisory opinion from the United States Department of Labor with respect to any of the Spinco Plans relating to the transactions contemplated by this Agreement.

7.8 FIDUCIARY AND RELATED MATTERS

The parties acknowledge that NSI will not be a fiduciary with respect to the Spinco Plans and that Spinco will not be a fiduciary with respect to the NSI Plans. The parties also acknowledge that neither party shall be deemed to be in violation of this Agreement if it fails to comply with any provisions hereof based upon its good faith determination that to do so would violate any applicable fiduciary duties or standards of conduct under ERISA or other applicable law. Notwithstanding any other provision in this Agreement, the parties may take such actions as necessary or appropriate to effectuate the terms and provisions of this Agreement.

7.9 NO THIRD-PARTY BENEFICIARIES; NON-TERMINATION OF EMPLOYMENT

This Agreement is not intended and shall not be construed as to confer upon any Person other than the parties hereto any rights or remedies hereunder. No provision of this Agreement or the Distribution Agreement shall be construed to create any right, or accelerate entitlement, to any compensation or benefit whatsoever on the part of any Transferred Individual or other future, present, or former employee of the NSI Group or the Spinco Group under any NSI Plan or Spinco Plan or otherwise. Without limiting the generality of the foregoing, except as expressly

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provided in this Agreement: (i) neither the Distribution nor the termination of the Participating Company status of a member of the Spinco Group shall cause any employee to be deemed to have incurred a termination of employment which entitles such individual to the commencement of benefits under any of the NSI Plans, any of the Spinco Plans, or any of the Individual Agreements; and (ii) nothing in this Agreement other than those provisions specifically set forth herein to the contrary shall preclude Spinco, at any time after the Close of the Distribution Date, from amending, merging, modifying, terminating, eliminating, reducing, or otherwise altering in any respect any Spinco Plan, any benefit under any Plan or any trust, insurance policy or funding vehicle related to any Spinco Plan.

7.10 COLLECTIVE BARGAINING

To the extent any provision of this Agreement is contrary to and violates the provisions of any applicable collective bargaining agreement to which NSI or any affiliate of NSI is a party, the terms of such collective bargaining agreement shall continue to apply to the affected employees. Should any provision of this Agreement be deemed to relate to a topic determined by an appropriate authority to be a mandatory subject of collective bargaining, NSI or Spinco may be obligated to bargain with the union representing affected employees concerning those subjects.

7.11 CONSENT OF THIRD PARTIES

If any provision of this Agreement is dependent on the consent of any third party (such as a vendor) and such consent is withheld, NSI and Spinco shall use their reasonable best efforts to implement the applicable provisions of this Agreement to the full extent practicable. If any provision of this Agreement cannot be implemented due to the failure of such third party to consent, NSI and Spinco shall negotiate in good faith to implement the provision in a mutually satisfactory manner. The phrase "reasonable best efforts" as used in this Agreement shall not be construed to require the incurrence of any non-routine or unreasonable expense or liability or the waiver of any right.

7.12 FOREIGN PLANS

The treatment of Foreign Plans by NSI and Spinco shall be as set forth in Appendix D.

7.13 EFFECT IF DISTRIBUTION DOES NOT OCCUR

If the Distribution does not occur, then all actions and events that are, under this Agreement, to be taken or occur before or effective as of the Close of the Distribution Date, Immediately after the Distribution Date, or otherwise in connection with the Distribution, shall not be taken or occur except to the extent specifically agreed by Spinco and NSI.

7.14 RELATIONSHIP OF PARTIES

Nothing in this Agreement shall be deemed or construed by the parties or any third party as creating the relationship of principal and agent, partnership or joint venture between the

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parties, it being understood and agreed that no provision contained herein, and no act of the parties, shall be deemed to create any relationship between the parties other than the relationship set forth herein.

7.15 AFFILIATES

Each of NSI and Spinco shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement to be performed by members of the NSI Group or members of the Spinco Group, respectively, where relevant.

7.16 DISPUTE RESOLUTION

Any controversy or claim arising out of or relating to this Agreement, or the breach hereof, shall be settled pursuant to the dispute resolution provisions described in the Distribution Agreement.

7.17 INDEMNIFICATION

Effective on the Distribution Date, Spinco and each member of the Spinco Group agrees to jointly and severally indemnify and hold harmless NSI and each member of the NSI Group and each of their respective officers, directors, employees and agents and the NSI Plans and any related trusts, including the NSI Pension Trust and the trustees thereof, from and against any and all losses, liabilities, claims, suits, damages, costs and expenses (including without limitation, reasonable attorneys' fees and any and all expenses reasonably incurred in investigating, preparing or defending against any pending or seriously threatened litigation or claim) (collectively, "Indemnifiable Expenses") arising out of or related in any manner to Transferred Individuals, except for Indemnifiable Expenses arising solely out of a claim which is made by any Person (other than a Person who is a member of the Spinco or NSI Group) and which is related solely to NSI's exercise of its fiduciary responsibility for the investment of the assets of the NSI Plans prior to the Distribution Date (or prior to the Pension Plan Spinoff Date for purposes of the NSI Pension Plans and prior to the Savings Plan Transfer Date for purposes of the NSI Savings Plans). In addition, effective on the Distribution Date, NSI agrees to indemnify and hold harmless each member of the Spinco Group and each of their respective officers, directors, employees and agents and the Spinco Plans and any related trusts, including the Spinco Pension Trust and the trustees thereof, from and against any and all Indemnifiable Expenses arising solely out of a claim which is made by any Person (other than a Person who is a member of the Spinco or NSI Groups) and which is related solely to NSI's exercise of its fiduciary responsibility for the investment of the assets of the NSI Plans prior to the Distribution Date (or prior to the Pension Plan Spinoff Date for purposes of the NSI Pension Plans and prior to the Savings Plan Transfer Date for purposes of the NSI Savings Plans).

If any action is brought or any claim is made against a party or person in respect of which indemnity may be sought pursuant to this Section 7.17 (the "Indemnitee"), the Indemnitee shall, within twenty (20) days after the receipt of information indicating that an action or claim is likely, notify in writing the party from whom indemnification is sought (the "Indemnitor") of the

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institution of the action or the making of the claim, and the Indemnitor shall have the right, and at the request of the Indemnitee, shall have the obligation, to assume the defense of the action or claim, including the employment of counsel. If the Indemnitor assumes the defense of the action or claim, the Indemnitor shall be entitled to settle the action or claim on behalf of the Indemnitee without the prior written consent of the Indemnitee, unless such settlement would, in addition to the payment of money, materially affect the ongoing business or employment of the Indemnitee.

The Indemnitee shall have the right to interpret the provisions of its own Plans and to employ its own counsel, but the fees and expenses of that counsel shall be the responsibility of the Indemnitee unless: (i) the employment of that counsel shall have been authorized in writing by the Indemnitor in connection with the defense of the action or claim; (ii) the Indemnitor shall not have employed counsel to have charge of the defense of such action or claim; or (iii) such Indemnitee shall have reasonably concluded that there may be defenses available to it which are different from or additional to those available to the Indemnitor (in which case the Indemnitor shall not have the right to direct any different defense of the action or claim on behalf of the Indemnitee). The Indemnitee shall, in any event, be kept fully informed of the defense of any such action or claim. Except as expressly provided above, in the event that the Indemnitor shall not previously have assumed the defense of an action or claim, at such time as the Indemnitor does assume the defense of the action or claim, the Indemnitor shall not thereafter be liable to any Indemnitee for legal or other expenses subsequently incurred by the Indemnitee in investigating, preparing or defending against such action or claim.

Anything in this Section 7.17 to the contrary notwithstanding, the Indemnitor shall not be liable for any settlement of any claim or action effected without its written consent; provided, however, that if after due notice the Indemnitor refuses to defend a claim or action, the Indemnitee shall have the right to defend and/or settle such action, and the Indemnitee shall not be precluded from making a claim against the Indemnitor for reasonable expenses and liabilities resulting from such defense and/or settlement in accordance with this Section 7.17.

Notwithstanding the foregoing provisions of this Section 7.17, there may be particular actions or claims which reasonably could result in both parties being liable to the other under the indemnification provisions of this Agreement. In such events, the Parties shall endeavor, acting reasonably and in good faith, to agree upon a manner of conducting the defense and settlement of the action or claim with a view to minimizing the legal expenses and associated costs that might otherwise be incurred by the parties, such as, by way of illustration only, agreeing to use the same legal counsel.

The indemnification provisions of this Section 7.17 shall not inure to the benefit of any third party. By way of illustration only, an insurer who would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto, or, solely by virtue of the indemnification provisions, hereof, have any subrogation rights with respect thereto, it being expressly understood and agreed that no insurer or any other third party shall be entitled to a "windfall" (i.e., a benefit they would not be entitled to receive in the absence of the indemnification provisions) by virtue of these indemnification provisions.

EMPLOYEE BENEFITS AGREEMENT

7.18 W-2 MATTERS

Pursuant to the alternative procedure set forth in Internal Revenue Service Rev. Proc. 96-60, Spinco will assume NSI's obligations to furnish Forms W-2 to all Transferred Individuals for the year in which the Distribution Date occurs. NSI will provide to Spinco the information not available to Spinco relating to periods ending on the Distribution Date necessary for Spinco to prepare and distribute Forms W-2 to Transferred Individuals for the year in which the Distribution Date occurs, which will include all remuneration earned by Transferred Individuals before the Distribution Date and Forms W-4 provided to NSI by Transferred Individuals to the extent that Spinco is not already in possession of such information. Spinco shall prepare and distribute such forms. To the extent permitted by applicable law, in particular Code Sections 3121(a)(1) and 3306(b)(1), Spinco shall be deemed a successor employer to NSI with respect to Transferred Individuals for purposes of calculating the annual wage limitation to which state and federal payroll taxes apply.

7.19 CONFIDENTIALITY

Except as required by applicable law, for the purpose of satisfying any obligation under this Agreement or with the consent of the other party, neither NSI nor Spinco shall disclose to any Person (other than members of the NSI Group or the Spinco Group) any information (including, but not limited to, information regarding fees, expenses, assets, Liabilities and Plan terms) relating to the NSI Plans, Spinco Plans or Transferred Individuals. Each of NSI and Spinco shall be permitted to disclose such information within the NSI Group and Spinco Group only to the extent reasonably necessary in the ordinary course of business.

7.20 NOTICES

Any notice, demand, claim, or other communication under this Agreement shall be in writing and shall be given in accordance with the provisions for giving notice under the Distribution Agreement.

7.21 INTERPRETATION

Words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other genders as the context requires. The terms "hereof," "herein," and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all Appendices hereto) and not to any particular provision of this Agreement. The word "including" and words of similar import when used in this Agreement shall mean "including, without limitation," unless the context otherwise requires or unless otherwise specified. The word "or" shall not be exclusive.

7.22 SEVERABILITY

The provisions of this Agreement are severable and should any provision hereof be void, voidable or unenforceable under any applicable law, such provision shall not affect or invalidate any other provision of this Agreement, which shall continue to govern the relative rights and

EMPLOYEE BENEFITS AGREEMENT

duties of the parties as though such void, voidable or unenforceable provision were not a part hereof.

7.23 GOVERNING LAW/EXECUTION

This Agreement shall be construed in accordance with, and governed by, the laws of the State of Delaware without regard to the conflicts of law rules of such state, may not be assigned by either party without the prior written consent of the other, and shall bind and inure to the benefit of the parties hereto and their respective successors and permitted assignees. This Agreement may not be amended or supplemented except by an agreement in writing signed by NSI and Spinco. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute one and the same Agreement.

[SIGNATURE PAGE FOLLOWS]

EMPLOYEE BENEFITS AGREEMENT

IN WITNESS WHEREOF, the parties have caused this Employee Benefits Agreement to be duly executed as of the day and year first above written.

NATIONAL SERVICE INDUSTRIES, INC.

By: _____
Name:
Title:

L & C SPINCO, INC.

By: _____
Name:
Title:

EMPLOYEE BENEFITS AGREEMENT

APPENDIX A - QUALIFIED RETIREMENT PLANS

SPINCO PENSION PLANS (all are Stand-Alone Plans)

National Service Industries Pension Plan C

Pension Plan for Hourly Employees of the Emergency Lighting Division of
Lithonia Lighting Company

Major Reflector Products Co. Employees' Pension Plan

Pension Plan of Lithonia Lighting Company -- Members of Bargaining Unit
Represented by International Brotherhood of Electrical Workers Local
Union #613

Pension Plan of Lithonia Lighting Company -- Members of Bargaining Unit
Represented by Truck Drivers and Helpers Local Union #728
International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and
Helpers of America

Pension Plan of Lithonia Lighting Company -- Members of Bargaining Unit
Represented by International Brotherhood of Electrical Workers Local
Union #1132

Pension Plan of Lithonia Lighting Company - for Members of Bargaining Unit
Represented by International Brotherhood of Electrical Workers Local
Union #1048 (Amended and Restated Effective February 2, 1989)

Lithonia Lighting Division Hourly Employees' Retirement Plan

SPINCO SAVINGS PLANS (all are Stand-Alone Plans)

Lithonia Lighting Profit Sharing Retirement Plan for Salaried Employees

Zep Manufacturing Company Profit Sharing/401(k) Retirement Plan

Selig Chemical Industries Retirement Plan

National Service Industries Retirement and 401(k) Plan

Lithonia Lighting 401(k) Plan for Hourly Employees

Enforcer Products 401(k) Plan

Holophane Division of Lithonia Lighting Group Retirement and 401(k) Plan for
Hourly Employees

Holophane Division of Lithonia Lighting Group Retirement and 401(k) Plan for
Hourly Employees Covered by a Collective Bargaining Agreement

Hydrel/Lithonia Operations 401(k) Retirement Plan

EMPLOYEE BENEFITS AGREEMENT

APPENDIX B SPINCO EXECUTIVE PROGRAMS

STAND-ALONE PLANS/AGREEMENTS TO BE ASSUMED BY SPINCO (WITH APPROPRIATE NAME CHANGES)

Supplemental Retirement Plan for Executives of National Service Industries, Inc.

National Service Industries, Inc. Executive Savings Plan

Supplemental retirement plans previously maintained by Holophane Corporation

National Service Industries, Inc. Executive Benefits Trust

National Service Industries, Inc. Benefits Protection Trust

Individual Agreements

Including employment, severance protection, and consulting agreements.

NSI PLANS FOR WHICH SPINCO MIRROR PLANS WILL BE ESTABLISHED

National Service Industries, Inc. Long-Term Achievement Incentive Plan

National Service Industries, Inc. Supplemental Deferred Savings Plan

National Service Industries, Inc. Executives' Deferred Compensation Plan

National Service Industries, Inc. Senior Management Benefit Plan

National Service Industries, Inc. Management Compensation and Incentive Plan

National Service Industries, Inc. Non-Employee Directors' Deferred Stock Unit Plan

National Service Industries, Inc. Non-Employee Director Stock Option Plan

National Service Industries, Inc. Employee Stock Purchase Plan

Supplemental Pension Plan of National Service Industries, Inc.

NSI EXECUTIVE PROGRAMS (THAT WILL REMAIN AT NSI AND NOT BE MIRRORED AT SPINCO)

Supplemental Retirement Plan for Eligible Employees of AECO Products Division of National Service Industries, Inc.

Deferred Compensation Plan for National Linen Service Officers

EMPLOYEE BENEFITS AGREEMENT

APPENDIX C SPINCO HEALTH AND WELFARE PLANS

Health Plans (ERISA):

Spinco Major Medical Plan (which includes medical, dental, prescription drug, various HMOs, vision, wellness programs, and employee assistance benefits).

Group Insurance Plans (ERISA):

Spinco Group Basic Life and Supplemental Life Insurance Plan
Spinco Accidental Death and Dismemberment Insurance Plan
Spinco Group 24-Hour Business Travel Accident Plan
Spinco Personal Accident Plan

Disability Plans (ERISA):

Spinco Short-Term Disability Programs
Spinco Long Term Disability Plan

Cafeteria Plan (ERISA):

Spinco Before Tax Premium Plan
Spinco Health Care Flexible Spending Account Plan
Spinco Dependent Care Flexible Spending Account Plan (non-ERISA)

Miscellaneous Plans (non-ERISA):

Spinco Educational Assistance Program
Spinco Vacation Program
Spinco Executive Financial Planning Program

* Spinco shall have the right to rename, combine or disaggregate any of the above Plans for any purpose, including the satisfaction of any disclosure or reporting requirements under ERISA.

EMPLOYEE BENEFITS AGREEMENT

APPENDIX D FOREIGN PLANS

This Appendix D describes the principles under which Foreign Plans shall be treated. For purposes of this Appendix, outside the U.S. means outside the 50 United States, its territories and possessions, and the District of Columbia, and employed outside the U.S. means compensated under a payroll which is administered outside the United States.

D.1 PLANS COVERING ONLY EMPLOYEES OF NSI OR SPINCO

Effective as of the Close of the Distribution Date or such later date as may be required by applicable law, union, or works council agreement, any Foreign Plan that covers only individuals employed outside the U.S. by the NSI Group shall be the sole responsibility of the NSI Group and no member of the Spinco Group shall have any Liability with respect to such a Plan; and any Foreign Plan that covers only individuals employed outside the U.S. by the Spinco Group shall be the sole responsibility of the Spinco Group and no member of the NSI Group shall have any Liability with respect to such a Plan.

D.2 PLANS COVERING EMPLOYEES OF BOTH NSI AND SPINCO

(A) TERMINATION OF PARTICIPATION

To the extent legally permitted and except as otherwise provided herein, effective as of the Close of the Distribution Date, or as soon as practicable thereafter, Spinco and each other applicable member of the Spinco Group shall cease to be a Participating Company in each Foreign Plan maintained by NSI or the NSI Group and each other applicable member of the NSI Group shall cease to be a Participating Company in each Foreign Plan maintained by the Spinco Group. NSI and Spinco recognize that because of the requirements of local law or administrative considerations, a transition period extending beyond the Close of the Distribution Date may be required during which NSI or Spinco may continue to participate in each other's Foreign Plans. During such transition period, NSI and Spinco agree to cooperate in handling any and all matters with respect to the Foreign Plans.

(B) MIRROR PLANS

(1) Effective Immediately after the Distribution Date, Spinco shall adopt, or cause to be adopted, Foreign Plans for the benefit of employees of the Spinco Group employed outside the United States who are eligible to participate in NSI Foreign Plans and shall cause such Spinco Foreign Plans to be substantially identical in all Material Features to the corresponding NSI Foreign Plans as in effect on the Distribution Date. Notwithstanding the preceding sentence - (i) Spinco may satisfy this requirement by extending coverage to such individuals under a Foreign Plan of the Spinco Group which was in effect before the Distribution Date and which is, with respect to all Material Features, at least equal to the corresponding NSI Foreign Plan, and (ii) Spinco is not required to adopt a defined benefit pension plan for the benefit of its Canadian employees (but instead shall make an equitable adjustment to the defined contribution plan covering these employees).

EMPLOYEE BENEFITS AGREEMENT

(2) Effective Immediately after the Distribution Date, NSI shall adopt, or cause to be adopted, Plans for the benefit of any employees of the NSI Group employed outside the United States who are eligible to participate in Spinco Plans and shall cause such Plans to be substantially identical in all Material Features to the corresponding Spinco Foreign Plans as in effect on the Distribution Date; provided, however, that NSI may satisfy this requirement by extending or continuing coverage to such individuals under an NSI Foreign Plan of the NSI Group which was in effect before the Distribution Date.

(3) The continuation by NSI or Spinco of separate employment terms and conditions for employees previously covered by the other entity's Plans shall not continue beyond the time legally required.

(C) TRANSFER OF ASSETS

As of the Close of the Distribution Date, NSI and Spinco will use their reasonable best efforts to ensure that, to the extent legally permitted: (i) Liabilities of the Foreign Plans of NSI relating to Transferred Individuals shall be assumed by the appropriate Foreign Plans of Spinco; and (ii) an appropriate portion of any assets of the Foreign Plans of NSI shall be transferred to the appropriate Foreign Plans of Spinco, and vice versa.

D.3 SEVERANCE ISSUES

If under applicable law, any Transferred Individual employed outside the U.S. is deemed to have incurred a termination of employment as a result of the Distribution or any other transaction contemplated by the Distribution Agreement or this Agreement, which entitles such individual to receive any payment or benefit under any Foreign Plan, governmental plan or arrangement or pursuant to any law or regulation, including severance benefits, notwithstanding such individual's continued employment by the Spinco Group, then Spinco shall be liable for any such payment or benefit and, notwithstanding any other provision hereof, to the extent legally permitted, appropriate adjustments shall be made to the treatment of such individual during such continued employment, including not giving such individual credit for prior service and/or treating such individual as having been newly hired immediately after such deemed termination, for purposes of all applicable Foreign Plans. Liability with respect to such payments shall be the responsibility of Spinco.

D.4 LEGALLY PERMITTED

For purposes of this Appendix D, "legally permitted" means permitted under the laws of the country, the labor union, works council, or collective agreement without adverse consequences to NSI, Spinco or Transferred Individuals, as determined by NSI, in its sole discretion, including mandated waiting periods before which working conditions (including benefits) cannot be changed, and upon receiving required agreement from individual employees and/or Plan trustees, foundation boards and members, and any other organizations having a recognized right to determine or affect benefits and/or funding of the Plan.

EMPLOYEE BENEFITS AGREEMENT

APPENDIX E

Severance Protection Agreements

[list of Spinco Executives receiving new Severance Protection Agreements]

Employment Letters

Jim Balloun
Brock Hattox
Joe Parham
Jim Heagle

L & C SPINCO, INC.

LONG-TERM INCENTIVE PLAN

(Effective as of _____, 2001)

1. PURPOSE. The purposes of the L & C Spinco, Inc. Long-Term Incentive Plan (the "Plan") are to provide additional incentives to those officers and key executives of L & C Spinco, Inc. (the "Company") and its Subsidiaries (as hereinafter defined) whose substantial contributions are essential to the continued growth and profitability of the Company's businesses, to strengthen their commitment to the Company and its Subsidiaries, to further motivate those officers and other executives to perform their assigned responsibilities diligently and skillfully, and to attract and retain competent and dedicated individuals whose efforts will result in the long term growth and profitability of the Company and, over time, appreciation in the market value of its stock. To accomplish these purposes, the Plan provides that the Company may grant Incentive Stock Options, Nonqualified Stock Options, Aspiration Achievement Incentive Awards, Restricted Stock, Performance Units and Performance Shares (as each term is hereinafter defined).

In connection with the spin-off of the Company by National Service Industries, Inc. ("NSI"), effective _____, 2001, Options and Awards will be granted under this Plan as Replacement Awards to former employees of NSI and its Subsidiaries who become employees of the Company and its Subsidiaries.

2. DEFINITIONS. For purposes of the Plan:

(a) "ADJUSTED FAIR MARKET VALUE" means in the event of a Change in Control, the greater of (i) the highest price per share paid to holders of the Shares in any transaction (or series of transactions) constituting or resulting in a Change in Control or (ii) the highest Fair Market Value of a Share during the ninety (90) day period ending on the date of a Change in Control.

(b) "AGREEMENT" means the written agreement between the Company and an Optionee or Grantee evidencing the grant of an Option or Award and setting forth the terms and conditions thereof.

(c) "ASPIRATION ACHIEVEMENT INCENTIVE AWARD" or "ASPIRATION AWARD" means an Award granted to an Eligible Employee, as described in Section 7 of the Plan.

(d) "AWARD" means a grant of an Aspiration Award, Restricted Stock, Performance Awards, or any or all of them.

(e) "BOARD" means the Board of Directors of the Company.

(f) "BUSINESS UNIT" means any of the operating units or divisions of the Company, or its Subsidiaries, designated as a Business Unit by the Committee.

(g) "CHANGE IN CAPITALIZATION" means any increase or reduction in the number of Shares, or any change (including, but not limited to, a change in value) or exchange of Shares for a different number or kind of shares or other securities of the Company, by reason of a reclassification, recapitalization, merger, consolidation, reorganization, spin-off, split-up, issuance of warrants or rights or debentures, stock dividend, stock split or reverse stock split, cash dividend, property dividend, combination or exchange of shares, repurchase of shares, public offering, private placement, change in corporate structure or otherwise, which in the judgment of the Committee is material or significant.

(h) "CHANGE IN CONTROL" means any of the following events:

(i) The acquisition (other than from the Company) by any "Person" (as the term is used for purposes of Sections 13(d) or 14(d) of the Exchange Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of the combined voting power of the Company's then outstanding voting securities; or

(ii) The individuals who, as of _____, 2001, are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the Board; provided, however, that if the election, or nomination for election by the Company's stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; or

(iii) A merger or consolidation involving the Company if the stockholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than seventy percent (70%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation; or

(iv) A complete liquidation or dissolution of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur pursuant to Section 2(g)(i), solely because twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities, under one or more employee benefit plans maintained by the Company or any of its subsidiaries or (ii) any corporation which, immediately prior to such acquisition, is owned directly or indirectly by the stockholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition.

(i) "CODE" means the Internal Revenue Code of 1986, as amended.

(j) "COMMITTEE" means a committee consisting of two or more non-employee members of the Board who are appointed by the Board to administer the Plan and to perform the functions set forth herein.

(k) "COMPANY" means L & C Spinco, Inc., a Delaware corporation, or any successor corporation.

(l) "DISABILITY" means a physical or mental incapacity which impairs the Optionee's or Grantee's ability to substantially perform his duties for a period of one hundred eighty (180) consecutive days, as determined by the Committee.

(m) "ELIGIBLE EMPLOYEE" means any officer or other designated employee of the Company or a Subsidiary designated by the Committee as eligible to receive Options or Awards, subject to the conditions set forth herein.

(n) "EMPLOYEE BENEFITS AGREEMENT" means the Employee Benefits Agreement between NSI and the Company dated as of _____, 2001, which provides for the treatment of the employee plans in connection with the spin-off of the Company from NSI.

(o) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(p) "FAIR MARKET VALUE" means the fair market value of the Shares as determined in good faith by the Committee; provided, however, that (A) if the Shares are admitted to trading on a national securities exchange, Fair Market Value on any date shall be the last sale price reported for the Shares on such exchange on such date or, if no sale was reported on such date, on the last date preceding such date on which a sale was reported, (B) if the Shares are admitted to quotation on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or other comparable quotation system and have been designated as a National Market System ("NMS") security, Fair Market Value on any date shall be the last sale price reported for the Shares on such system on such date or on the last day preceding such date on which a sale was reported, or (C) if the Shares are admitted to Quotation on NASDAQ and have not been designated a NMS Security, Fair Market Value on any date shall be the average of the highest bid and lowest asked prices of the Shares on such system on such date.

(q) "GRANTEE" means a person to whom an Award has been granted under the Plan.

(r) "INCENTIVE STOCK OPTION" means an Option within the meaning of Section 422 of the Code.

(s) "NAMED EXECUTIVE OFFICER" means an Eligible Employee who as of the date of grant, vesting and/or payout of an Award or Option is deemed by the Committee to be a "covered employee" as defined in Code Section 162(m) and the regulations thereunder.

(t) "NONQUALIFIED STOCK OPTION" means an Option which is not an Incentive Stock Option.

(u) "NSI LONG-TERM INCENTIVE PLANS" means the long-term incentive plans sponsored by NSI, including the National Service Industries, Inc. Long-Term Achievement Incentive Plan, and the National Service Industries, Inc. Long-Term Incentive Plan.

(v) "OPTION" means an Incentive Stock Option, a Nonqualified Stock Option, or either or both of them.

(w) "OPTIONEE" means a person to whom an Option has been granted under the Plan.

(x) "PARTICIPANT" means an Eligible Employee who has an outstanding Award or Option under the Plan.

(y) "PERFORMANCE AWARDS" means Performance Units, Performance Shares or either or both of them.

(z) "REPLACEMENT AWARDS" means Options or Awards that are issued in substitution of options or grants of restricted stock that were granted under the NSI Long-Term Incentive Plans to employees of NSI and its Subsidiaries who become employees of the Company and its Subsidiaries (or who are otherwise considered Transferred Employees under the Employee Benefits Agreement) as of the date of the spin-off of the Company to the shareholders of NSI. As provided in Section ____, the Replacement Awards shall have the same material terms and conditions under the Plan as such awards had under the respective NSI Long-Term Incentive Plans.

(aa) "PERFORMANCE CYCLE" means the time period specified by the Committee at the time an Aspiration Award or a Performance Award is granted during which the performance of the Company, a Subsidiary or a Business Unit will be measured.

(bb) "PERFORMANCE SHARES" means Restricted Stock granted under Section 9 of the Plan.

(cc) "PERFORMANCE UNIT" means Performance Units granted under Section 9 of the Plan.

(dd) "RESTRICTED STOCK" means Shares issued or transferred to an Eligible Employee which are subject to restrictions. Restricted Stock may be subject to restrictions which lapse over time without regard to the performance of the Company, a Subsidiary or a Business Unit, pursuant to Section 8 hereof, or may be awarded as Performance Shares pursuant to Section 9 hereof.

(ee) "RETIREMENT" means the voluntary termination of employment by the Grantee or Optionee at any time on or after the Grantee or Optionee attains age 65.

(ff) "SHARES" means the common stock, par value \$.01 per share, of the Company (including any new, additional or different stock or securities resulting from a Change in Capitalization).

(gg) "SUBSIDIARY" means any corporation in an unbroken chain of corporations, beginning with the Company (or NSI), if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. The term "Subsidiary" shall also include a partnership in which the Company or a Subsidiary owns 50% or more of the profits interest or capital interest in the partnership.

(hh) "SUCCESSOR CORPORATION" means a corporation, or a parent or subsidiary thereof within the meaning of Section 424(a) of the Code, which issues or assumes an Option in a transaction to which Section 424(a) of the Code applies.

(ii) "TEN-PERCENT STOCKHOLDER" means an Eligible Employee who, at the time an Incentive Stock Option is to be granted to him, owns (within the meaning of Section 422(b)(6) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company.

(jj) "TERMINATION FOR CAUSE" means the Optionee or Grantee has terminated employment and has been found by the Committee to be guilty of theft, embezzlement, fraud or misappropriation of the Company's property or any action which, if the individual were an officer of the Company, would constitute a breach of fiduciary duty.

3. ADMINISTRATION.

(a) The Plan shall be administered by the Committee which shall hold such meetings as may be necessary for the proper administration of the Plan. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, or any Agreements, Options or Awards under the Plan, and all members of the Committee shall be fully indemnified by the Company with respect to any such action, determination or interpretation.

(b) Subject to the express terms and conditions set forth herein, the Committee shall have the power from time to time:

(i) to determine those Eligible Employees to whom Options shall be granted under the Plan and the number of Incentive Stock Options and/or Nonqualified Stock Options to be granted to each Eligible Employee and to prescribe the terms and conditions (which need not be identical) of each Option, including the purchase price per Share subject to each Option, and to make any amendment or modification to any Agreement consistent with the terms of the Plan;

(ii) to select those Eligible Employees to whom Awards shall be granted under the Plan and to determine the amount of Aspiration Award and Shares payable, the number of Performance Units, Performance Shares, and/or shares of Restricted Stock, to be granted pursuant to each Award, the terms and conditions of each Award, including the restrictions or performance criteria relating to such Award, the maximum value of each Award, and to make any amendment or modification to any Agreement consistent with the terms of the Plan; provided, however, that the Board can exercise any of the powers set forth in this Section 3(b), subject to any limitations imposed by Code Section 162(m) or Rule 16b-3 under the Exchange Act.

(c) Subject to the express terms and conditions set forth herein, the Committee shall have the power from time to time:

(i) to construe and interpret the Plan and the Options and Awards granted thereunder and to establish, amend and revoke rules and regulations for the administration of the Plan, including, but not limited to, correcting any defect or supplying any omission, or reconciling any inconsistency in the Plan or in any Agreement, in the manner and to the extent it shall deem necessary or advisable to make the Plan fully effective, and all decisions and determinations by the Committee in the exercise of this power shall be final, binding and conclusive upon the Company, a Subsidiary, and the Optionees and Grantees, as the case may be;

(ii) to determine the duration and purposes for leaves of absence which may be granted to an Optionee or Grantee on an individual basis without constituting a termination of employment or service for purposes of the Plan;

(iii) to exercise its discretion with respect to the powers and rights granted to it as set forth in the Plan;

(iv) generally, to exercise such powers and to perform such acts as are deemed necessary or advisable to promote the best interests of the Company with respect to the Plan.

4. SHARES SUBJECT TO PROGRAM.

(a) The maximum number of Shares that may be issued or transferred pursuant to Options and Awards under the Plan is _____ Shares (or the number and kind of shares of stock or other securities to which such Shares are adjusted upon a Change in Capitalization pursuant to Section 11) The Shares may, in the discretion of the Company, be authorized but unissued Shares or Shares held as treasury shares, including Shares purchased by the Company, whether on the market or otherwise, or a combination of each.

(b) Not more than an aggregate of _____ percent (___%) of the Shares referred to in Section 4(a) may be issued or transferred in connection with Aspiration Achievement Incentive Awards made pursuant to Section 7, Awards of Restricted Stock made pursuant to Section 8, and Awards of Performance Shares and Performance Units pursuant to Section 9.

(c) Whenever any outstanding Option or Award or portion thereof expires, is canceled or is otherwise terminated for any reason (other than by exercise of the Option), the Shares allocable to the canceled or otherwise terminated portion of such Option

or Award may again be the subject of Options and Awards hereunder.

(d) Whenever any Shares subject to an Award or Option are forfeited for any reason pursuant to the terms of the Plan, such shares may again be the subject of Options and Awards hereunder.

(e) With respect to Shares used to exercise an Option or for tax withholding, the Committee shall, in its discretion and in accordance with applicable law, determine whether to include such shares in determining the maximum number of Shares that may be issued under the Plan.

5. ELIGIBILITY. Subject to the provisions of the Plan, the Committee shall have full and final authority to select those Eligible Employees who will receive Options and/or Awards; provided, however, that no Eligible Employee shall receive any Incentive Stock Options unless he is an employee of the Company or a Subsidiary (other than a Subsidiary that is a partnership) at the time the Incentive Stock Option is granted.

6. OPTIONS. The Committee may grant Options in accordance with the Plan and the terms and conditions of the Option shall be set forth in an Agreement. The Committee shall have sole discretion in determining the number of Shares underlying each Option to grant a Participant; provided, however, that in the case of any Incentive Stock Option granted under the Plan, the aggregate Fair Market Value (determined at the time such Option is granted) of the Shares to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under the Plan and all other incentive stock option plans of the Company and any Subsidiary) shall not exceed \$100,000. The maximum number of Shares subject to Options which can be granted under the Plan during a fiscal year of the Company to any Participant, including a Named Executive Officer, is _____ Shares. Each Option and Agreement shall be subject to the following conditions:

(a) PURCHASE PRICE. The purchase price or the manner in which the purchase price is to be determined for Shares under each Option shall be set forth in the Agreement, provided, that the purchase price per Share under each Option shall not be less than 100% of the Fair Market Value of a Share on the date the Option is granted (110% in the case of an Incentive Stock Option granted to a Ten-Percent Stockholder).

(b) DURATION. Options granted hereunder shall be for such term as the Committee shall determine, provided that no Option shall be exercisable after the expiration of ten (10) years from the date it is granted (five (5) years in the case of an Incentive Stock Option granted to a Ten-Percent Stockholder). The Committee may, subsequent to the granting of any Option, extend the term thereof, but in no event shall the term as so extended exceed the maximum term provided for in the preceding sentence.

(c) NON-TRANSFERABILITY. Unless the Committee otherwise provides in the Agreement, no Option granted hereunder shall be transferable by the Optionee, otherwise than by will or the laws of descent and distribution, and an Option may be exercised during the lifetime of such Optionee only by the Optionee or his guardian or legal representative. The terms of such Option shall be final, binding and conclusive upon the beneficiaries, executors, administrators, heirs and successors of the Optionee.

(d) VESTING. Subject to Section 6(h) hereof, each Option shall be exercisable in such installments (which need not be equal or the same for each Optionee) and at such times as may be designated by the Committee and set forth in the Agreement. To the extent not exercised, installments shall accumulate and be exercisable, in whole or in part, at any time after becoming exercisable, but not later than the date the Option expires. The Committee may accelerate the exercisability of any Option or portion thereof at any time.

(e) METHOD OF EXERCISE. The exercise of an Option shall be made only by a written notice delivered in person or by mail to the Secretary of the Company at the Company's principal executive office (or to such other person or address as may be designated by the Committee), specifying the number of Shares to be purchased and accompanied by payment therefor and otherwise in accordance with the Agreement pursuant to which the Option was granted. The purchase price for any Shares purchased pursuant to the exercise of an Option shall be paid in full upon such exercise, as determined by the Committee in its discretion or as provided in the Agreement, in cash, by check, or by transferring Shares to the Company or by attesting to the ownership of Shares upon such terms and conditions as determined by the Committee. The written notice pursuant to this Section 6(e) may also provide instructions from the Optionee to the Company that upon receipt of the purchase price in cash from the Optionee's broker or dealer, designated

as such on the written notice, in payment for any Shares purchased pursuant to the exercise of an Option, the Company shall issue such Shares directly to the designated broker or dealer. Any Shares the Optionee transfers to the Company or attests to owning as payment of the purchase price under an Option shall be valued at their

Fair Market Value on the day preceding the date of exercise of such Option. If requested by the Committee, the Optionee shall deliver the Agreement evidencing the Option to the Secretary of the Company who shall endorse thereon a notation of such exercise and return such Agreement to the Optionee. No fractional Shares shall be issued upon exercise of an Option and the number of Shares that may be purchased upon exercise shall be rounded to the nearest number of whole Shares.

(f) RIGHTS OF OPTIONEES. No Optionee shall be deemed for any purpose to be the owner of any Shares subject to any Option unless and until (i) the Option shall have been exercised pursuant to the terms thereof, (ii) the Company shall have issued and delivered the Shares to the Optionee and (iii) the Optionee's name shall have been entered as a stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such Shares.

(g) TERMINATION OF EMPLOYMENT. The Agreement shall set forth the terms and conditions of the Option upon the termination of the Optionee's employment with the Company, a Subsidiary or a Business Unit (including an Optionee's ceasing to be employed by a Subsidiary or Business Unit as a result of the sale of such Subsidiary or Business Unit or an interest in such Subsidiary or Business Unit), as the Committee may, in its discretion, determine at the time the Option is granted or thereafter, provided, however no Option shall be exercisable beyond its maximum term as described in Section 6(b) hereof.

(h) EFFECT OF CHANGE IN CONTROL. Unless otherwise provided in the Agreement, in the event of a Change in Control, (i) all Options outstanding on the date of such Change in Control shall become immediately and fully exercisable and (ii) an Optionee will be permitted to surrender for cancellation within sixty (60) days after such Change in Control, any Option or portion of an Option to the extent not yet exercised and the Optionee will be entitled to receive a cash payment in the amount equal to the excess, if any, of (x) (A) in the case of a Nonqualified Stock Option, the greater of (1) the Fair Market Value, on the date preceding the date of surrender, of the Shares subject to the Option or portion thereof surrendered or (2) the Adjusted Fair Market Value of the Shares subject to the option or portion thereof surrendered or (B) in the case of an Incentive Stock Option, the Fair Market Value, at the time of surrender, of the Shares subject to the Option or portion thereof surrendered, over (y) the aggregate purchase price for such Shares under the Option.

(i) MODIFICATION. Subject to the terms of the Plan, the Committee may, in its discretion, modify outstanding Options. Notwithstanding the foregoing, (a) no modification of an Option shall adversely alter or impair any rights or obligations under the Agreement without the Optionee's consent, and (b) the Committee shall not have authority to materially modify outstanding options or accept the surrender of outstanding options and grant new options in substitution for them or to change the exercise price of any outstanding Option.

(j) REPLACEMENT AWARDS. Each Replacement Award for an option granted under the NSI Long-Term Incentive Plans shall reflect the adjustments provided for in the Employee Benefits Agreements and shall have the same material terms and conditions as the award it replaces under the NSI Long-Term Incentive Plans, as determined by the Committee. Notwithstanding any other provision in this Plan to the contrary, no Replacement Award in substitution of an award that qualified as an Incentive Stock Option immediately before the grant of the Replacement Award shall contain any term that is materially more favorable than the terms of the substituted award which makes the award no longer qualify as an Incentive Stock Option.

7. ASPIRATION ACHIEVEMENT INCENTIVE AWARDS.

(a) GRANT OF ASPIRATION AWARDS. Subject to the terms of the Plan, the Committee may grant Aspiration Awards to Eligible Employees. The Committee shall have the discretion to determine the amount of each Aspiration Award and the other terms and conditions relating to the grant of such awards.

(b) TERMS OF ASPIRATION AWARDS. The following rules shall apply to the Aspiration Awards:

(i) Prior to or at the beginning of the Performance Cycle (or within such time period as is permitted by Code Section 162(m) and the regulations thereunder), the Committee shall determine, based upon the Participant's salary and level of responsibility, the Aspiration Award applicable to the Participant. The Award will contain performance levels related to the Performance Measure(s) that will determine the

actual award the Participant will receive at the end of the Performance Cycle. The Committee will select one or more of the Performance Measures listed on Appendix A (which objectives may be different for different Participants or Performance Cycles) for purposes of the Aspiration Awards under the Plan. Performance Measures may be in respect of the performance of the Company and its Subsidiaries on a consolidated basis, or a Subsidiary or a Business Unit, or some combination of the foregoing. Performance levels with respect to a Performance Measure may be absolute or relative and may be expressed in terms of a progression within a

specified range. The agreement for an Aspiration Award may provide for such adjustments to the financial performance of the Company (or a Business Unit or Subsidiary) for the Performance Cycle as the Committee deems appropriate and are not inconsistent with Code Section 162(m). Aspiration Awards may also include performance levels that relate to individual achievements or goals. Except with respect to Named Executive Officers, the Committee may establish additional Performance Measures for purposes of Aspiration Awards under the Plan. Further, in the event that applicable tax and/or securities laws (including, but not limited to, Code Section 162(m) and Section 16 of the Exchange Act) change to permit Committee discretion to alter the governing Performance Measures for Named Executive Officers without obtaining stockholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining stockholder approval.

(ii) No Participant may receive an Aspiration Award in excess of \$___ million with respect to a single Performance Cycle.

(c) EARNING OF ASPIRATION AWARDS. After the applicable Performance Cycle has ended, the Committee shall certify the extent to which the performance levels for the Performance Measure(s) have been achieved. In addition to any adjustments provided for by the Agreement, the Committee may, in determining whether the performance levels have been met, adjust the financial results for a Performance Cycle to exclude the effect of unusual charges or income items, or other events (such as acquisitions or divestitures and equity and other restructurings), which are distortive of financial results for the Performance Cycle; provided, that, with respect to Named Executive Officers, in determining financial results, items whose exclusion from consideration will increase the Award shall only have their effects excluded if they constitute "extraordinary" or "unusual" events or items under generally accepted accounting principles and all such events and items shall be excluded. The Committee shall also adjust the performance calculations to exclude the unanticipated effect on financial results of changes in the Code, or other tax laws, and the regulations thereunder. The Committee may decrease the amount of an Award otherwise payable if, in the Committee's view, the financial performance during the Performance Cycle justifies such adjustment, regardless of the extent to which the Performance Measure was achieved.

The Agreement may provide the Committee with the right, during a Performance Cycle or after it has ended, to revise the performance levels for the Performance Measure and the Award amounts, if unforeseen events (including, without limitation, a Change in Capitalization, an equity restructuring, an acquisition or a divestiture) occur which have a substantial effect on the financial results and which in the judgment of the Committee make the application of the performance levels unfair unless a revision is made. For Named Executive Officers, such changes shall be made in a manner that is not inconsistent with Code Section 162(m).

(d) FORM AND TIMING OF PAYMENT OF ASPIRATION AWARDS. The Agreement shall set forth the manner in which payment of earned Aspiration Awards will be made. Payment will be made in cash or in Shares, or in a combination of cash and Shares, as determined by the Committee in the Agreement. Payment will be made as soon as practical after the end of the Performance Cycle to which the Award relates. Unless the Committee provides otherwise in the Agreement, for purposes of the portion of the Award paid in Shares, the Shares shall be valued as the average of their Fair Market Value for the last 10 trading days of the Performance Cycle. Notwithstanding the foregoing, the Committee may permit a Participant to elect to surrender all or a portion of an earned Aspiration Award in exchange for Options upon such terms and conditions as may be established by the Committee. The Committee may, in its sole discretion, defer payment of an Award or a portion thereof and provide for payment at a later date, if the Committee believes such payment if not deferred would violate Section 162(m).

(e) TERMINATION OF EMPLOYMENT. The Agreement shall set forth the terms and conditions of the Aspiration Award upon the termination of the Participant's employment with the Company, Subsidiary or a Business Unit (including a Participant's ceasing to be employed by a Subsidiary or Business Unit as a result of the sale of such Subsidiary or Business Unit or an interest in such Subsidiary or Business Unit), as the Committee may, in its discretion, determine at the time the Aspiration Award is granted or thereafter.

(f) NONTRANSFERABILITY. Unless the Agreement provides otherwise, Aspiration Awards may not be sold, transferred, pledged,

assigned or otherwise alienated or hypothecated, other than, if amounts are payable after the Participant's death, by will or by the laws of descent and distribution.

(g) EFFECT OF CHANGE IN CONTROL. In the event of a Change in Control, the Participant shall earn and become entitled to payment of such portion of the Aspiration Award as set forth in the Agreement. The time of payment of the Aspiration Award and the form of such payment shall also be as set forth in the Agreement.

8. RESTRICTED STOCK. The Committee may grant Awards of Restricted Stock, and may issue Shares of Restricted Stock in payment in respect of Aspiration Awards or vested Performance Units (as hereinafter provided in Section 9(b)), which shall be evidenced by an Agreement between the Company and the Grantee. Shares of Restricted Stock may be granted or awarded based upon the achievement of such Performance Measures (as listed on Appendix A) as the Committee may determine and subject to such other terms and conditions as the Committee may specify. Each Agreement shall contain such restrictions, terms and conditions as the Committee may, in its discretion, determine and (without limiting the generality of the foregoing) such Agreements may require that an appropriate legend be placed on Share certificates. Subject to the terms of the Plan, the Committee may modify outstanding Awards of Restricted Stock. Notwithstanding the foregoing, no modification of an award shall adversely alter or impair any rights or obligations under the Agreement without the Grantee's consent. The aggregate maximum number of Shares that may be awarded under a Restricted Stock Award and an Award of Performance Shares and Performance Units to a Participant during any fiscal year of the Company is _____ Shares and Units. Awards of Restricted Stock shall be subject to the following terms and provisions:

(a) RIGHTS OF GRANTEE. Shares of Restricted Stock granted pursuant to an Award hereunder shall be recorded in the name of the Grantee as soon as reasonably practicable after the Award is granted, provided that the Grantee has executed an Agreement evidencing the Award, the appropriate blank stock powers and, in the discretion of the Committee, an escrow agreement and any other documents which the Committee may require as a condition to the issuance of such Shares. If a Grantee shall fail to execute the documents which the Committee may require within the time period prescribed by the Committee at the time the Award is granted, the Award shall be null and void. At the discretion of the Committee, Shares issued in connection with a Restricted Stock Award shall be deposited together with the stock powers with an escrow agent designated by the Committee. Unless the Committee determines otherwise and as set forth in the Agreement, upon delivery of the Shares to the escrow agent, the Grantee shall have all of the rights of a stockholder with respect to such Shares, including the right to vote the Shares and to receive all dividends or other distributions paid or made with respect to the Shares.

(b) NONTRANSFERABILITY. Unless the Agreement provides otherwise, until any restrictions upon the Shares of Restricted Stock awarded to a Grantee shall have lapsed in the manner set forth in Section 8(c), such Shares shall not be sold, transferred or otherwise disposed of and shall not be pledged or otherwise hypothecated, nor shall they be delivered to the Grantee.

(c) LAPSE OF RESTRICTIONS.

(i) GENERALLY. Restrictions upon Shares of Restricted Stock awarded hereunder shall lapse at such time or times and on such terms and conditions as the Committee may provide in the Agreement.

(ii) EFFECT OF CHANGE IN CONTROL. Unless the Agreement provides otherwise, in the event of a Change in Control, all restrictions upon any Shares of Restricted Stock (other than Performance Shares) shall lapse immediately and all such Shares shall become fully vested in the Grantee.

(d) TERMINATION OF EMPLOYMENT. The Agreement shall set forth the terms and conditions that shall apply upon the termination of the Grantee's employment with the Company, a Subsidiary or a Business Unit (including a forfeiture of Shares for which the restrictions have not lapsed upon Grantee's ceasing to be employed) as the Committee may, in its discretion, determine at the time the Award is granted or thereafter.

(e) TREATMENT OF DIVIDENDS. At the time the Award of Shares of Restricted Stock is granted, the Committee may, in its discretion, determine that the payment to the Grantee of dividends, or a specified portion thereof, declared or paid on such Shares by the Company shall be (i) deferred until the lapsing of the restrictions imposed upon such Shares and (ii) held by the Company for the account of the Grantee until such time. In the event of such deferral, there shall be credited at the end of each year (or portion thereof) interest on the amount of the account at the beginning of the year at a rate per annum as the Committee, in its discretion, may determine. Payment of deferred dividends, together with interest accrued thereon, shall be made upon the lapsing of restrictions imposed on such Shares, and any dividends deferred (together with any interest accrued thereon) in respect of any Shares of Restricted Stock shall be forfeited upon the forfeiture of such Shares pursuant to Section 8(d) or otherwise.

(f) DELIVERY OF SHARES. Upon the lapse of the restrictions on Shares of Restricted Stock, the Committee shall cause a stock certificate to be delivered to the Grantee with respect to such Shares, free of all restrictions hereunder (except any restrictions under Section 17).

(g) REPLACEMENT AWARDS. Each Replacement Award for restricted stock granted under the NSI Long-Term

Incentive Plans shall reflect the adjustments provided for in the Employee Benefits Agreements and shall have the same material terms and conditions as the award it replaces under the NSI Long-Term Incentive Plans, as determined by the Committee.

9. PERFORMANCE AWARDS.

(a) PERFORMANCE OBJECTIVES. The Committee will select one or more of the Performance Measures listed on Appendix A attached hereto for purposes of Performance Awards under the Plan. Performance Measures may be in respect of the performance of the Company and its Subsidiaries (which may be on a consolidated basis), a Subsidiary or a Business Unit, or any combination of the foregoing. Performance Awards may also include performance levels that relate to individual achievements or goals. Performance objectives may be absolute or relative and may be expressed in terms of a progression within a specified range, with the Grantee becoming vested in (i) a minimum percentage of such Performance Awards in the event the Minimum Acceptable Objective is met or, if surpassed, a greater percentage (ii) an intermediate percentage of such Performance Awards in the event the Good Objective is met or, if surpassed, a greater percentage and (iii) one hundred percent (100%) of such Performance Awards in the event the Maximum Realistic Objective is met or surpassed. In addition to adjustments provided for by the Agreement, the Committee may, in determining whether the performance levels have been met, adjust the financial results for a Performance Cycle to exclude the effect of unusual charges or income items, or other events (such as acquisition or divestitures and equity and other restructurings), which are distortive of financial results for the Performance Cycle; provided, that, with respect to Named Executive Officers, in determining financial results, items whose exclusion from consideration will increase the Award shall only have their effects excluded if they constitute "extraordinary" or "unusual" events or items under generally accepted accounting principles and all such events and items shall be excluded. The Committee shall also adjust the performance calculations to exclude the unanticipated effect on financial results of changes in the Code, or other tax laws, and the regulations thereunder. The Committee may decrease the amount of an Award otherwise payable if, in the Committee's view, the financial performance during the Performance Cycle justifies such adjustment, regardless of the extent to which the Performance Measure was achieved.

The Agreement may provide the Committee with the right, during a Performance Cycle or after it has ended, to revise the performance levels for the Performance Measure and the Award amounts, if unforeseen events (including, without limitation, a Change in Capitalization, an equity restructuring, an acquisition or a divestiture) occur which have a substantial effect on the financial results and which in the judgment of the Committee make the application of the performance levels unfair unless a revision is made. For Named Executive Officers, such changes shall be made in a manner that is not inconsistent with Code Section 162(m).

Except with respect to Named Executive Officers, the Committee may establish additional Performance Measures for purposes of Performance Awards under the Plan. Further, in the event that applicable tax and/or securities laws (including, but not limited to, Code Section 162(m) and Section 16 of the Exchange Act) change to permit Committee discretion to alter the governing Performance Measures for Named Executive Officers without obtaining stockholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining stockholder approval.

The aggregate maximum number of Performance Units and Performance Shares and Shares of Restricted Stock a Participant may be awarded for any fiscal year of the Company shall be _____ Units and Shares.

(b) PERFORMANCE UNITS. The Committee may grant Performance Units, the terms and conditions of which shall be set forth in an Agreement between the Company and the Grantee. Each Performance Unit shall, contingent upon the attainment of specified performance objectives within the Performance Cycle, represent one (1) Share. Each Agreement shall specify the number of the Performance Units to which it relates, the performance objectives which must be satisfied in order for the Performance Units to vest, the Performance Cycle within which such objectives must be satisfied, and the form of payment in respect of vested Performance Units.

(i) VESTING AND FORFEITURE. A Grantee shall become vested with respect to the Performance Units to the extent that the performance objectives set forth in the Agreement are satisfied for the Performance Cycle. Subject to

Section 9(d) hereof, if the Minimum Acceptable Objective specified in the Agreement is not satisfied for the applicable Performance Cycle, the Grantee's rights with respect to the Performance Units shall be forfeited.

(ii) PAYMENT OF AWARDS. Payment of Performance Units to Grantees in respect of vested Performance Units shall be made within sixty (60) days after the last day of the Performance Cycle to which such Award relates. Subject to Section 9(d), such payments may be made entirely in Shares, entirely in cash, or in such combination of Shares and cash as the Committee in its discretion, shall determine at any time prior to such payment, provided, however, that if the Committee

in its discretion determines to make such payment entirely or partially in Shares of Restricted Stock, the Committee must determine the extent to which such payment will be in Shares of Restricted Stock at the time the Award is granted. Except as provided in Section 9(d), and except as the Committee otherwise provides in the Agreement, if payment is made in the form of cash, the amount payable in respect of any Share shall be equal to the average of the Fair Market Value of such Share for the last ten (10) trading days of the Performance Cycle.

(iii) TERMINATION OF EMPLOYMENT. The Agreement shall set forth the terms and conditions of the Award of Performance Units upon the termination of the Grantee's employment with the Company, a Subsidiary, or a Business Unit (including a Grantee's ceasing to be employed by a Subsidiary or Business Unit as a result of the sale of such Subsidiary or Business Unit or an interest in such Subsidiary or Business Unit) as the Committee may, in its discretion, determine at the time the Award is granted or thereafter.

(c) PERFORMANCE SHARES. The Committee, in its discretion, may grant Awards of Performance Shares and shall be evidenced by an Agreement between the Company and the Grantee. Each Agreement shall contain such restrictions, if any, and the terms and conditions as the Committee may, in its discretion, require, and (without limiting the generality of the foregoing) such Agreements may require that an appropriate legend be placed on Share certificates. Awards of Performance Shares shall be subject to the following terms and provisions:

(i) RIGHTS OF GRANTEE. The Committee shall provide at the time an Award of Performance Shares is made, the time or times at which the Performance Shares granted pursuant to such Award hereunder shall be issued in the name of the Grantee; provided, however, that no Performance Shares shall be issued until the Grantee has executed an Agreement evidencing the Award, the appropriate blank stock powers and, in the discretion of the Committee, an escrow agreement and any other documents which the Committee may require as a condition to the issuance of such Performance Shares. If a Grantee shall fail to execute the documents which the Committee may require within the time period prescribed by the Committee at the time the Award is granted, the Award shall be null and void. At the discretion of the Committee, Shares issued in connection with an Award of Performance Shares shall be deposited together with the stock powers with an escrow agent designated by the Committee. Except as restricted by the terms of the Agreement, upon delivery of the Shares to the escrow agent, the Grantee shall have, in the discretion of the Committee, all of the rights of a stockholder with respect to such Shares, including the right to vote the shares and to receive all dividends or other distributions paid or made with respect to the shares.

(ii) NONTRANSFERABILITY. Unless the Agreement provides otherwise, until any restrictions upon the Performance Shares awarded to a Grantee shall have lapsed in the manner set forth in Sections 9(c)(3) or 9(d), such Performance Shares shall not be sold, transferred or otherwise disposed of and shall not be pledged or otherwise hypothecated, nor shall they be delivered to the Grantee. The Committee may also impose such other restrictions and conditions on the Performance Shares, if any, as it deems appropriate.

(iii) LAPSE OF RESTRICTIONS. Subject to Section 9(d), restrictions upon Performance Shares awarded hereunder shall lapse and such Performance Shares shall become vested at such time or times and on such terms, conditions and satisfaction of performance and other objectives as the Committee may, in its discretion, determine at the time an Award is granted.

(iv) TERMINATION OF EMPLOYMENT. The Agreement shall set forth the terms and conditions of the Award of Performance Shares upon the termination of the Grantee's employment with the Company, a Subsidiary or a Division (including a Grantee's ceasing to be employed by a Subsidiary or Division as a result of the sale of such Subsidiary or Division or an interest in such Subsidiary or Division) as the Committee may, in its discretion, determine at the time the Award is granted or thereafter.

(v) TREATMENT OF DIVIDENDS. At the time the Award of Performance Shares is granted, the Committee may, in its discretion, determine that the payment to the Grantee of dividends, or a specified portion thereof, declared or paid on Performance Shares issued by the Company to the Grantee shall be (i) deferred until the lapsing of the restrictions imposed upon such Performance Shares and (ii) held by the Company for the account of the Grantee until such time. In the event of such deferral, there shall be credited at the end of each year (or portion thereof) interest on the amount of the account at the beginning of the year at a rate per annum as the Committee, in its discretion, may determine. Payments of deferred dividends, together with interest accrued thereon as aforesaid, shall be made upon the lapsing of restrictions imposed on such Performance Shares, except that any dividends deferred (together with any interest accrued thereon) in respect of any Performance Shares shall be forfeited upon the forfeiture of such Performance Shares pursuant to Section 9(c)(iv) or

otherwise.

(vi) DELIVERY OF SHARES. Upon the lapse of the restrictions on Performance Shares awarded hereunder, the Committee shall cause a stock certificate to be delivered to the Grantee with respect to such Shares, free of all restrictions hereunder.

(d) EFFECT OF CHANGE IN CONTROL. Unless the Agreement provides otherwise, in the event of a Change in Control:

(i) With respect to the Performance Units, the Grantee shall (i) become vested in a percentage of Performance Unit as determined by the Committee at the time of the Award of such Performance Units and as set forth in the Agreement and (ii) be entitled to receive in respect of all Performance Units which become vested as a result of a Change in Control, a cash payment within ten (10) days after such Change in Control equal to the product of the Adjusted Fair Market Value of a Share multiplied by the number of Performance Units which become vested in accordance with this Section 9(d); and

(ii) With respect to the Performance Shares, all restrictions shall lapse immediately on all or a portion of the Performance Shares as determined by the Committee at the time of the Award of such Performance Shares and as set forth in the Agreement.

(e) NONTRANSFERABILITY. Unless the Agreement provides otherwise, no Performance Awards shall be transferable by the Grantee otherwise than by will or the laws of descent and distribution.

(f) DEFINITIONS. For purposes of Performance Awards, the following definitions shall apply:

(i) "GOOD OBJECTIVE" means a challenging and above average level of performance of the Company, a Subsidiary or a Business Unit during a Performance Cycle for which a performance Award is granted, as determined by the Committee at the time such Performance Award is granted.

(ii) "MAXIMUM REALISTIC OBJECTIVE" means an excellent level of performance of the Company, a Subsidiary or a Business Unit during a Performance Cycle for which a Performance Award is granted, as determined by the Committee at the time such Performance Award is granted.

(iii) "MINIMUM ACCEPTABLE OBJECTIVE" means a minimum level of performance of the Company, a Subsidiary or a Business Unit during a Performance Cycle for which a Performance Award is granted, as determined by the Committee at the time such Performance Award is granted.

10. LOANS.

(a) The Company or any Subsidiary may make loans to a Grantee or Optionee in connection with the exercise of an Option, subject to the following terms and conditions and such other terms and conditions not inconsistent with the Plan including the rate of interest, if any, as the Committee shall impose from time to time.

(b) No loan made under the Plan shall exceed the sum of (i) the aggregate purchase price payable pursuant to the Option with respect to which the loan is made, plus (ii) the amount of the reasonably estimated income taxes payable by the Optionee or Grantee with respect to the Option or Award. In no event may any such loan exceed the Fair Market Value, at the date of exercise, of any such Shares.

(c) No loan shall have an initial term exceeding ten (10) years; provided, however, that loans under the Plan shall be renewable at the discretion of the Committee.

(d) Loans under the Plan may be satisfied by an Optionee or Grantee, as determined by the Committee, in cash or, with the consent of the Committee, in whole or in part by the transfer to the Company of Shares whose Fair Market Value on the date preceding the date of such payment is equal to the cash amount for which such Shares are transferred.

(e) A loan shall be secured by a pledge of Shares with a Fair Market Value of not less than the principal amount of the loan. After partial repayment of a loan, pledged Shares no longer required as security may be released into escrow or pursuant to the terms of the Option, Award or escrow agreement to the Optionee or Grantee.

11. ADJUSTMENT UPON CHANGES IN CAPITALIZATION.

(a) In the event of a Change in Capitalization, the Committee shall determine in its discretion, exercised in good faith, the appropriate adjustments, if any, to the maximum number and class of Shares or other stock or securities with respect to which Options or Awards may be granted under the Plan (in the aggregate and to an individual Participant), the number and class of Shares or other stock or securities which are subject to outstanding Options or Awards granted under the Plan, and the purchase price therefor, if applicable.

(b) Any such adjustment in the Shares or other stock or securities subject to outstanding Incentive Stock Options (including any adjustments in the purchase price) shall be made in such manner as not to constitute a modification as defined by Section 424(h)(3) of the Code and only to the extent otherwise permitted by Sections 422 and 424 of the Code.

(c) If, by reason of a Change in Capitalization, a Grantee of an Award shall be entitled to, or an Optionee shall be entitled to exercise an Option with respect to, new, additional or different shares of stock, securities, Aspiration Awards, Performance Units or Performance Shares (other than rights or warrants to purchase securities), such new, additional or different shares shall thereupon be subject to all of the conditions, restrictions and performance criteria which were applicable to the Aspiration Awards, Performance Units or Performance Shares pursuant to the Award or Shares subject to the Option, as the case may be, prior to such Change in Capitalization.

12. EFFECT OF CERTAIN TRANSACTIONS. Subject to Sections 6(h), 7(g), 8(c)(ii) and 9(d), in the event of (i) the liquidation or dissolution of the Company or (ii) a merger or consolidation of the Company (a "Transaction"), the Plan and the Options and Awards issued hereunder shall continue in effect in accordance with their respective terms and each Optionee and Grantee shall be entitled to receive in respect of each Share subject to any outstanding Options or Awards, as the case may be, upon exercise of any Option or Award or payment or transfer in respect of any Award, the same number and kind of stock, securities, cash, property, or other consideration that each holder of a Share was entitled to receive in the Transaction in respect of a Share.

13. RELEASE OF FINANCIAL INFORMATION. A copy of the Company's annual report to stockholders shall be delivered to each Optionee and Grantee at the time such report is distributed to the Company's stockholders. Upon reasonable request the Company shall furnish as soon as reasonably practicable, to each Optionee and Grantee a copy of its most recent annual report and each quarterly report and current report filed under the Exchange Act since the end of the Company's prior fiscal year.

14. FOREIGN EMPLOYEES. In order to facilitate the making of any grant of Options or Awards under this Plan, the Committee may provide for such special terms for Options or Awards to Participants who are foreign nationals or who are employed by the Company or any Subsidiary outside of the United States of America as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom, which special terms may be contained in an Appendix attached hereto. Moreover, the Committee may approve such supplements to or amendments, restatements or alternative versions of this Plan as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of this Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as this Plan. No such special terms, supplements, amendments or restatements, however, shall include any provisions that are inconsistent with the terms of this Plan as then in effect unless this Plan could have been amended to eliminate such inconsistency without further approval by the shareholders of the Company.

15. TERMINATION AND AMENDMENT OF THE PLAN.

(a) The Plan shall terminate on _____, 2011, and no Option or Award may be granted thereafter. The Board may sooner terminate or amend the Plan (other than to reduce the rights of Optionees and Grantees, as the case may be, under Sections 6(h), 7(g), 8(c)(ii) and 9(d)), at any time and from time to time; provided, however, that to the extent legally required, no amendment shall be effective unless approved by the stockholders of the Company in accordance with applicable law and regulations at an annual or special meeting.

(b) Except as provided in Sections 11 and 12 hereof,
rights and obligations under any Option or Award granted before

any amendment of the Plan shall not be adversely altered or impaired by such amendment, except with the consent of the Optionee or Grantee, as the case may be.

16. NONEXCLUSIVITY OF THE PLAN. The adoption of the Plan by the Board shall not be construed as amending, modifying or rescinding any previously approved incentive arrangement or as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

17. LIMITATION OF LIABILITY. As illustrative of the limitations of liability of the Company, but not intended to be exhaustive thereof, nothing in the Plan shall be construed to:

- (a) give any person any right to be granted an Option or Award other than at the sole discretion of the Committee;
- (b) give any person any rights whatsoever with respect to Shares except as specifically provided in the Plan;
- (c) limit in any way the right of the Company to terminate the employment of any person at any time (with or without Cause); or
- (d) be evidence of any agreement or understanding, expressed or implied, that the Company will employ any person in any particular position at any particular rate of compensation or for any particular period of time.

18. REGULATION AND OTHER APPROVALS; GOVERNING LAW.

(a) This Plan and the rights of all persons claiming hereunder shall be construed and determined in accordance with the laws of the State of Delaware without giving effect to the conflicts of laws principles thereof, except to the extent that such law is preempted by federal law.

(b) The obligation of the Company to sell or deliver Shares with respect to Options and Awards granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.

(c) The Plan is intended to comply with Rule 16b-3 promulgated under the Exchange Act and the Committee shall interpret and administer the provisions of the Plan or any Agreement in a manner consistent therewith. Any provisions inconsistent with such Rule shall be inoperative and shall not affect the validity of the Plan.

(d) The Board may make such changes as may be necessary or appropriate to comply with the rules and regulations of any government authority, or to obtain for Eligible Employees granted Incentive Stock Options the tax benefits under the applicable provisions of the code and regulations promulgated thereunder.

(e) Each Option and Award is subject to the requirement that, if at any time the Committee determines, in its discretion, that the listing, registration or qualification of Shares issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Option or the issuance of Shares, no Options shall be granted or payment made or Shares issued, in whole or in part, unless such listing, registration, qualification, consent or approval has been effected or obtained free of any conditions as acceptable to the Committee.

(f) Notwithstanding anything contained in the Plan to the contrary, in the event that the disposition of Shares acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act of 1933, as amended, and is not otherwise exempt from such registration, such Shares shall be restricted against transfer to the extent required by the Securities Act of 1933, as amended, and Rule 144 or other regulations thereunder. The Committee may require any individual receiving Shares pursuant to the Plan, as a condition precedent to receipt of such Shares (including upon exercise of an Option), to represent and warrant to the Company in writing that the Shares acquired by such individual are acquired without a view to any distribution thereof and will not be sold or transferred other than pursuant to an effective registration thereof under said Act or

pursuant to an exemption applicable under the Securities Act of 1933,
as amended, or the rules and regulations promulgated

thereunder. The certificates evidencing any of such Shares shall be appropriately legended to reflect their status as restricted securities as aforesaid.

(g) In the event that changes are made to Code Section 162(m) to permit greater flexibility with respect to any Award or Option under the Plan, the Committee may, subject to this Section 17, make any adjustments it deems appropriate in such Award or Option.

19. MISCELLANEOUS.

(a) MULTIPLE AGREEMENTS. The terms of each Option or Award may differ from other Options or Awards granted under the Plan at the same time, or at some other time. The Committee may also grant more than one Option or Award to a given Eligible Employee during the term of the Plan, either in addition to, or in substitution for, one or more Options or Awards previously granted to that Eligible Employee. The grant of multiple Options and/or Awards may be evidenced by a single Agreement or multiple Agreements, as determined by the Committee.

(b) WITHHOLDING OF TAXES.

(i) The Company shall have the right to deduct from any distribution of cash to any Optionee or Grantee, an amount equal to the federal, state and local income taxes and other amounts as may be required by law to be withheld (the "Withholding Taxes") with respect to any Option or Award. If an Optionee or Grantee is entitled to receive Shares upon exercise of an Option or pursuant to an Award, the Optionee or Grantee shall pay the Withholding Taxes to the Company prior to the issuance, or release from escrow, of such Shares. In satisfaction of the Withholding Taxes to the Company, the Optionee or Grantee may make an irrevocable written election (the "Tax Election"), which may be accepted or rejected in the discretion of the Committee, to have withheld a portion of the Shares issuable to him or her upon exercise of the Option or pursuant to an Award having an aggregate Fair Market Value equal to the Withholding Taxes.

(ii) If an Optionee makes a disposition, within the meaning of Section 424(c) of the Code and regulations promulgated thereunder, of any Share or Shares issued to him pursuant to his exercise of an Incentive Stock Option within the two-year period commencing on the day after the date of the grant or within the one-year period commencing on the day after the date of transfer of such Share or Shares to the Optionee pursuant to such exercise, the Optionee shall, within ten (10) days of such disposition, notify the Company thereof, by delivery of written notice to the Company at its principal executive office, and immediately deliver to the Company the amount of Withholding Taxes.

(c) DESIGNATION OF BENEFICIARY. To the extent applicable to the type of Award, each Grantee (other than an Optionee) may designate a person or persons to receive in the event of his or her death, any Award or any amount payable pursuant thereto, to which he or she would then be entitled under the terms of the Plan. Such designation will be made upon forms supplied by and delivered to the Company and may be revoked in writing.

(d) DEFERRAL. The Committee may permit a Participant to defer to another plan or program such Participant's receipt of Shares or cash that would otherwise be due to such Participant by virtue of the exercise of an Option, earning of an Aspiration Award, the vesting of Restricted Stock or the earning of Performance Awards. If any such deferral election is required or permitted, the Committee shall, in its sole discretion, establish rules and procedures for such payment deferrals.

20. EFFECTIVE DATE. This Plan shall be effective _____,

APPENDIX A
TO
L & C SPINCO, INC.
LONG-TERM INCENTIVE PLAN

PERFORMANCE MEASURE -----	GENERAL DEFINITION -----
AATP Margin.....	AATP divided by Sales
Adjusted After-Tax Profit (AATP).....	AATP minus book income taxes (reported tax rate applied to AATP)
Adjusted Pre-Tax Profit (AATP).....	Income before provision for income taxes plus interest expense plus implied interest on capitalized operating leases. The measure may include or exclude income from discontinued operations, extraordinary items, changes in accounting principles, and restructuring expense.
Capitalized Economic Profit.....	Economic Profit divided by a predetermined rate reflecting the cost of capital
Capitalized Entity Value.....	Sum of average invested capital in the business and the Capitalized Economic Profit
Capitalized Equity Value.....	Capitalized Entity Value minus total debt
Cashflow.....	Net cash provided by operating activities less net cash used for investing activities
Cashflow Return on Capital.....	Cashflow divided by average invested capital
Cashflow Return on Capitalized Entity/Equity Value.....	Cashflow divided by Capitalized Entity/Equity Value
Cashflow Return on Investment.....	
Change in Price of Shares.....	
Earnings Per Share.....	Primary or fully diluted earnings per share
Economic Profit.....	AATP minus a charge for capital
Net Income.....	Net income as reported in NSI's annual financial statements or the books and records of its segments. The measure may include or exclude income from discontinued operations, extraordinary items, changes in accounting principles, and restructuring expense.
Net Income Return on Capital.....	Net Income divided by average invested capital
Return on Assets (ROA).....	Net Income divided by average total assets
Return on Equity (ROE).....	Net Income divided by average stockholders' equity
Return on Gross Investment.....	Sum of Net Income plus depreciation divided by sum of average invested capital plus accumulated depreciation
Return on Invested Capital.....	Net Income or AATP divided by average invested capital
Return on Net Assets (RONA).....	Net Income, AATP, or income before taxes, divided by average net assets
Sales.....	Net sales of products and service revenues
Sales Growth.....	Percentage change in Sales from year to year
Total Return to Shareholders.....	Percentage change in shareholder value (stock price plus reinvested dividends)

L & C SPINCO, INC.

2001 NONEMPLOYEE DIRECTORS' STOCK OPTION PLAN

1. PURPOSE

(a) The purpose of this Plan is to provide a means by which nonemployee directors of L & C Spinco, Inc. (the "Company") may be given an opportunity to purchase stock of the Company.

(b) The Company, by means of the Plan, seeks to secure and retain the services of persons best qualified to serve as directors of the Company and to provide incentives for such persons to exert maximum efforts for the success of the Company.

(c) The Company intends that the options issued under the Plan shall be options which do not qualify as incentive stock options for purpose of Section 422 of the Code.

(d) In connection with the spin-off of the Company by National Service Industries, Inc. ("NSI"), options will be granted under this Plan as Replacement Options, as hereinafter defined, to former nonemployee directors of NSI who do not continue to be nonemployee directors of NSI following the spin-off.

2. DEFINITIONS

For purposes of the Plan:

2.1 "Adjusted Fair Market Value" means, in the event of a Change in Control, the greater of (i) the highest price per Share paid to holders of the Shares in any transaction (or series of transactions) constituting or resulting in a Change in Control or (ii) the highest Fair Market Value of a Share during the ninety (90) day period ending on the date of a Change in Control.

2.2 "Agreement" means the written agreement between the Company and an Optionee evidencing the grant of an Option and setting forth the terms and conditions thereof.

2.3 "Board" means the Board of Directors of the Company.

2.4 "Cause" means the commission of an act of fraud or intentional misrepresentation or an act of embezzlement, misappropriation, or conversion of assets or opportunities of the Company or any subsidiary of the Company.

2.5 "Change in Capitalization" means any increase or reduction in the number of Shares, or any change (including, but not limited to, a change in value) in the Shares or exchange of Shares for a different number or kind of shares or other securities of the Company, by reason of a reclassification, recapitalization, merger, consolidation, reorganization, spin-off, split-up, issuance of warrants or rights or debentures, stock dividend, stock split or reverse stock split, cash dividend, property dividend, combination or exchange of shares, repurchase of shares, change in corporate structure, or otherwise.

2.6 A "Change in Control" means any of the following events:

(a) The acquisition (other than from the Company) by any "Person" (as the term is used for purposes of Sections 13(d) or 14(d) of the Exchange Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of the combined voting power of the Company's then outstanding voting securities; or

(b) The individuals who, as of September 21, 1989 were members of the Board (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the Board; provided, however, that if the election, or nomination for election by the Company's stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; or (c) A merger or consolidation involving the Company if the stockholders of the Company immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than seventy percent (70%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation; or (d) A complete liquidation or dissolution of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur pursuant to Section 2.6(a), solely because twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities under one or more employee benefit plans maintained by the Company or any of its subsidiaries or (ii) any corporation which, immediately prior to such acquisition, is owned directly or indirectly by the stockholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition.

2.7 "Code" means the Internal Revenue Code of 1986, as amended.

2.8 "Company" means L & C Spinco, Inc.

2.9 "Director" means a director of the Company.

2.10 "Disability" means a physical or mental infirmity which impairs the Optionee's ability to perform substantially his or her duties for a period of one hundred eighty (180) consecutive days, as determined by the Board.

2.11 "Employee Benefits Agreement" means the Employee Benefits Agreement between National Service Industries, Inc. and L & C Spinco, Inc. dated as of _____, 2001 which provides for the treatment of the employee plans in connection with the spin-off of the Company from National Service Industries, Inc.

2.12 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

2.13 "Fair Market Value" on any date means (A) if the Shares are admitted to trading on a national securities exchange, the last sale price reported for the Shares on such exchange on such date or, if no sale was reported on such date, on the last date preceding such date on which a sale was reported, (B) if the Shares are admitted to quotation on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or other comparable quotation system and have been designated as a National Market System ("NMS") security, the last sale price reported for the Shares on such system on such date or on the last day preceding such date on which a sale was reported, (C) if the Shares are admitted to quotation on NASDAQ and have not been designated a NMS security, the average of the highest bid and lowest asked prices of the Shares on such system on such date, or (D) if there have been no published bid or asked quotations with respect to Shares on such date, the value established by the Board in good faith and in accordance with Section 422 of the Code.

2.14 "Nonemployee Director" means a Director who is not an officer or employee of the Company or any subsidiary.

2.15 "Option" means an option granted under this Plan to purchase Shares.

2.16 "Optionee" means a person to whom an Option has been granted under the Plan.

2.17 "Parent" means any corporation which is a parent corporation (within the meaning of Section 424(e) of the Code) with respect to the Company.

2.18 "Plan" means the L & C Spinco, Inc. 2001 Nonemployee Directors' Stock Option Plan.

2.19 "Replacement Options" means Options that are issued in substitution of options that were granted under the National Service Industries, Inc. 1992 Nonemployee Directors'

Stock Option Plan to nonemployee directors of NSI who do not remain as nonemployee directors of NSI following the spin-off of the Company to the stockholders of NSI. As provided in Section 5.9, the Replacement Options shall have the same material terms and conditions under the Plan as such options had under the National Service Industries, Inc. 1992 Nonemployee Directors Stock Option Plan.

2.20 "Shares" means the common stock, par value \$.01 per share, of the Company.

3. ADMINISTRATION

3.1 The Plan shall be administered by the Board.

3.2 The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(a) To construe and interpret the Plan and any Option, to construe and interpret any condition or restrictions imposed on Shares acquired pursuant to the exercise of an Option, to define the terms used herein and to establish, amend, and revoke rules and regulations for administration of the Plan. The Board in the exercise of this power, may correct any defect, omission, or inconsistency in the Plan or in any Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(b) To amend, modify, suspend, or terminate the Plan in accordance with Section 9.

(c) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company in connection with the Plan.

4. STOCK SUBJECT TO THE PLAN

4.1 The maximum number of Shares that may be made the subject of Options granted under the Plan is 100,000 Shares (or the number and kind of shares of stock or other securities to which such Shares are adjusted upon a Change in Capitalization pursuant to Section 7) and the Company shall reserve for the purposes of the Plan, out of its authorized but unissued Shares or out of Shares held in the Company's treasury, or partly out of each, such number of Shares as shall be determined by the Board.

4.2 Whenever any outstanding Option or portion thereof expires, is forfeited, is cancelled or is otherwise terminated for any reason (other than upon the exercise of the Option or upon the surrender of the Option pursuant to Section 6), the Shares allocable to the cancelled or otherwise terminated Option or portion thereof may again be the subject of Options granted hereunder.

5. OPTION GRANTS FOR NONEMPLOYEE DIRECTORS

5.1 Initial Grant. An Option to purchase 1,500 Shares, subject to adjustment as provided in Section 7, shall be granted to each Nonemployee Director on _____, 2001. The purchase price of each Option shall be as provided in this Section 5 and such Options shall be evidenced by an Agreement containing such other terms and conditions not inconsistent with the provisions of this Plan as determined by the Board.

5.2 Annual Grant. An Option to purchase 1,500 Shares, subject to adjustment as provided in Section 7, shall be granted to each Nonemployee Director on the date of the annual meeting of the stockholders of the Company each year that the Plan remains in effect pursuant to its terms. The purchase price of each Option shall be as provided in this Section 5 and such Options shall be evidenced by an Agreement containing such other terms and conditions not inconsistent with the provisions of this Plan as determined by the Board.

5.3 Purchase Price. The purchase price for Shares under each Option, other than Replacement Options, shall be equal to 100% of the Fair Market Value of a Share on the date the Option is granted.

5.4 Duration. Options shall be for a term of ten (10) years, unless terminated earlier as follows:

(a) if an Optionee's service as a Director terminates for Cause, the Options granted to the Optionee hereunder shall immediately terminate in full and no rights thereunder may be exercised;

(b) if an Optionee's service as a Director terminates for any reason other than Cause, the Optionee (or any guardian, legal representative, heir or successor of the Optionee) may for a period of three (3) years after such termination exercise his or her Options to the extent, and only to the extent, that such Options or portions thereof were vested and exercisable as of the date the Optionee's service as a Director terminated, after which time the Options shall automatically terminate in full.

This Section 5.4 shall not be construed to extend the term of any Option or to permit anyone to exercise any Option after expiration of its term, nor shall it be construed to increase the number of Shares as to which any Option is exercisable from the amount exercisable on the date of termination of the Optionee's service as a Director.

5.5 Vesting. Subject to Section 6, each Option shall be exercisable in whole or in part at any time after one (1) year from the date of grant of the Option.

5.6 Non-transferability. No Option granted hereunder shall be transferable by the Optionee to whom granted otherwise than (i) by will or the laws of descent and distribution and (ii) upon such terms and conditions as the Company may establish, to immediate family

members of the Optionee or to a trust, partnership or similar vehicle for the benefit of such immediate family members (collectively, the "Permitted Transferees"). For purposes of this Section 5.6, "immediate family" means an Optionee's spouse, parents, children, grandchildren and spouse of children and grandchildren (including adopted children and grandchildren, as the case may be). A Permitted Transferee may not further transfer the Option. An Option transferred pursuant to this Section 5.6 shall remain subject to all of the provisions of the Plan and any Agreement with respect to such Option and may not be exercised by a Permitted Transferee unless and until all legal or regulatory approvals, listings, registrations, qualifications or other clearances as determined by the Company to be required or appropriate have been obtained. An Option may be exercised during the lifetime of such Optionee only by the Optionee or his beneficiary or guardian or legal representative or, if applicable, by Permitted Transferees. The terms of such Option shall be final, binding and conclusive upon the beneficiaries, executors, administrators, heirs, successors, and Permitted Transferees of the Optionee.

5.7 Method of Exercise. The exercise of an Option shall be made only by a written notice delivered in person or by mail to the Secretary of the Company at the Company's principal executive office, specifying the number of Shares to be purchased and accompanied by payment therefor and otherwise in accordance with the Agreement pursuant to which the Option was granted. The purchase price for any Shares purchased pursuant to the exercise of an Option shall be paid in full upon such exercise in cash, by check or by transferring Shares to the Company upon such terms and conditions as determined by the Board. The written notice pursuant to this Section 5.7 may also provide instructions from the Optionee to the Company that upon receipt of the purchase price in cash from the Optionee's broker or dealer, designated as such on the written notice, in payment for any Shares purchased pursuant to the exercise of an Option, the Company shall issue such Shares directly to the designated broker or dealer. Any Shares transferred to the Company as payment of the purchase price under an Option shall be valued at their Fair Market Value on the day preceding the date of exercise of such Option. If requested by the Board, the Optionee shall deliver the Agreement evidencing the Option to the Secretary of the Company who shall endorse thereon a notation of such exercise and return such Agreement to the Optionee. No fractional Shares (or cash in lieu thereof) shall be issued upon exercise of an Option and the number of Shares that may be purchased upon exercise shall be rounded to the nearest number of whole Shares.

5.8 Rights of Optionees. No Optionee shall be deemed for any purpose to be the owner of any Shares subject to any Option unless and until (i) the Option shall have been exercised pursuant to the terms thereof, (ii) the Company shall have issued and delivered the Shares to the Optionee, and (iii) the Optionee's name shall have been entered as a stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend, and other ownership rights with respect to such Shares.

5.9 Replacement Options. Notwithstanding the above, each Replacement Option for an option granted under the National Service Industries, Inc. 1992 Nonemployee Directors'

Stock Option Plan shall reflect the adjustments provided for in the Employee Benefits Agreement and shall have the same material terms and conditions as the option it replaces, as determined by the Board.

6. EFFECT OF CHANGE IN CONTROL

Notwithstanding anything contained in the Plan or an Agreement to the contrary, in the event of a Change in Control, (i) all Options outstanding on the date of such Change in Control shall become immediately and fully exercisable and (ii) an Optionee will be permitted to surrender for cancellation within sixty (60) days after such Change in Control, any Option or portion of an Option to the extent not yet exercised and the Optionee will be entitled to receive a cash payment in an amount equal to the excess, if any, of (x) the greater of (1) the Fair Market Value, on the date preceding the date of surrender, of the Shares subject to the Option or portion thereof surrendered or (2) the Adjusted Fair Market Value of the Shares subject to the Option or portion thereof surrendered, over (y) the aggregate purchase price for such Shares under the Option or portion thereof surrendered; provided, however, that in the case of an Option granted within six (6) months prior to the Change in Control, the Optionee shall be entitled to surrender for cancellation his or her Option during the sixty (60) day period commencing upon the expiration of six (6) months from the date of grant of any such Option.

7. ADJUSTMENT UPON CHANGES IN CAPITALIZATION

7.1 Subject to Section 8, in the event of a Change in Capitalization, the Board shall conclusively determine the appropriate adjustments, if any, to the (i) maximum number and class of Shares or other stock or securities with respect to which Options may be granted under the Plan, (ii) the number and class of Shares or other stock or securities which are to be subject to Options to be granted under Section 5; and (iii) the number and class of Shares or other stock or securities which are subject to outstanding Options granted under the Plan, and the purchase price therefor, if applicable; provided, however, that any stock adjustment in the Shares or other stock or securities subject to an outstanding Option (including any adjustments in the purchase price) shall be made only to the extent necessary to maintain the proportionate interest of the Optionee and preserve, without exceeding, the value of such Option.

7.2 If, by reason of a Change in Capitalization, an Optionee shall be entitled to exercise an Option with respect to new, additional or different shares of stock or securities, such new, additional or different shares shall thereupon be subject to all of the conditions which were applicable to the Shares subject to the Option, as the case may be, prior to such Change in Capitalization.

8. EFFECT OF CERTAIN TRANSACTIONS

Subject to Section 6, in the event of (i) the liquidation or dissolution of the Company or (ii) a merger or consolidation of the Company (a "Transaction"), the Plan and the Options

issued hereunder shall continue in effect in accordance with their respective terms and each Optionee shall be entitled to receive in respect of each Share subject to any outstanding Option, upon exercise of such Option, the same number and kind of stock, securities, cash, property, or other consideration that each holder of a Share was entitled to receive in the Transaction in respect of a Share. In the event that, after a Transaction, there occurs any change of a type described in Section 2.5 with respect to the shares of the surviving or resulting corporation, then adjustments similar to, and subject to the same conditions as, those in Section 7 shall be made by the Board.

9. TERMINATION AND AMENDMENT OF THE PLAN

The Plan shall terminate on the day prior to the tenth anniversary of the effective date of the Plan, and no Option may be granted thereafter. The Board may sooner terminate the Plan and the Board may from time to time amend, modify, or suspend the Plan; provided, however that:

(a) Except as provided in Sections 7 and 8, no such amendment, modification, suspension, or termination shall impair or adversely alter any Options or rights theretofore granted under the Plan, except with the consent of the Optionee, nor shall any amendment, modification, suspension, or termination deprive any Optionee of any Shares which he or she may have acquired through or as a result of the Plan;

(b) To the extent required by applicable law, regulation or rule, no amendment shall be effective unless approved by the stockholders of the Company in accordance with applicable law and regulations at an annual or special meeting held within twelve (12) months before or after the date of adoption of such amendment.

10. NON-EXCLUSIVITY OF THE PLAN

(a) The adoption of the Plan by the Board shall not be construed as amending, modifying or rescinding any previously approved compensation arrangement or as creating any limitations on the power of the Board to adopt such other compensation arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

(b) Nothing contained in this Plan prohibits a Nonemployee Director from being appointed as an officer or employee of the Company at any time; nor does anything contained in this Plan specifically require a Nonemployee Director to surrender or forfeit an Option solely because he or she accepts an appointment as an officer or employee of the Company at any time after election or appointment to the Board. However, during such time as a Nonemployee Director serves as an officer or employee, he or she shall not be eligible to receive any additional awards under this Plan.

11. LIMITATION OF LIABILITY

As illustrative of the limitations of liability of the Company, but not intended to be exhaustive thereof, nothing in the Plan shall be construed to:

- (i) give any person any right to be granted an Option other than as specifically provided by the Plan;
- (ii) give any person any rights whatsoever with respect to Shares except as specifically provided in the Plan;
- (iii) limit in any way the right of the Company to terminate the service of any person as a Director pursuant to the Company's bylaws and articles of incorporation; or nominate or appoint any person as a Director.

12. REGULATIONS AND OTHER APPROVALS; GOVERNING LAW

12.1 This Plan and the rights of all persons claiming hereunder shall be construed and determined in accordance with the laws of the State of Delaware without giving effect to the conflicts of laws principles thereof, except to the extent that such law is preempted by federal law.

12.2 The obligation of the Company to sell or deliver Shares with respect to Options granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Board.

12.3 The Plan is intended to comply with Rule 16b-3 promulgated under the Exchange Act and the Board shall interpret and administer the provisions of the Plan or any Agreement in a manner consistent therewith. Any provisions inconsistent with such Rule shall be inoperative and shall not affect the validity of the Plan.

12.4 Each Option is subject to the requirement that, if at any time the Board determines, in its discretion, that the listing, registration, or qualification of Shares issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Option or the issuance of Shares, no Options shall be granted or payment made or Shares issued, in whole or in part, unless listing, registration, qualification, consent, or approval has been effected or obtained free of any conditions as acceptable to the Board.

12.5 Notwithstanding anything contained in the Plan to the contrary, in the event that the disposition of Shares acquired pursuant to the Plan is not covered by a then-current registration statement under the Securities Act of 1933, as amended, and is not otherwise

exempt from such registration, such Shares shall be restricted against transfer to the extent required by the Securities Act of 1933, as amended, and Rule 144 or other regulations thereunder. The Board may require any individual receiving Shares pursuant to the Plan, as a condition precedent to receipt of such Shares upon exercise of an Option, to represent and warrant to the Company in writing that the Shares acquired by such individual are acquired without a view to any distribution thereof and will not be sold or transferred other than pursuant to an effective registration thereof under said Act or pursuant to an exemption applicable under the Securities Act of 1933, as amended, or the rules and regulations promulgated thereunder. The certificates evidencing any of such Shares shall be appropriately inscribed with a legend reflecting their status as restricted securities as aforesaid.

13. DESIGNATION OF BENEFICIARY

Each Optionee may designate a person or persons to receive in the event of his or her death, any Option or any amount payable pursuant thereto, to which he or she would then be entitled. Such designation will be made upon forms supplied by and delivered to the Company and may be revoked in writing. If an Optionee fails effectively to designate a beneficiary, then his or her estate will be deemed to be the beneficiary.

14. EFFECTIVE DATE

The Plan is effective as of _____, 2001, the date the Plan was approved by the Company's Board of Directors. The Plan was approved by National Service Industries, Inc., as the sole stockholder of the Company, on _____, 2001.

SEVERANCE PROTECTION AGREEMENT

THIS AGREEMENT made as of the ____ day of _____, 2001, by and between L & C Spinco, Inc. (the "Company") and _____ (the "Executive").

WHEREAS, effective _____, 2001 ("Spin-off Date"), National Service Industries, Inc. ("NSI") is spinning off its lighting and chemicals businesses through a tax-free distribution of the Company's stock to NSI stockholders; and

WHEREAS, in connection with the spin-off, Executive will become a key management employee of the Company; and

WHEREAS, the Board of Directors of the Company (the "Board") recognizes that the possibility of a Change in Control (as hereinafter defined) exists and that the threat of or the occurrence of a Change in Control can result in significant distractions of its key management personnel because of the uncertainties inherent in such a situation;

WHEREAS, the Board has determined that it is essential and in the best interest of the Company and its stockholders to retain the services of the Executive in the event of a threat or occurrence of a Change in Control and to ensure his continued dedication and efforts in such event without undue concern for his personal financial and employment security; and

WHEREAS, in order to induce the Executive to remain in the employ of the Company, particularly in the event of a threat or the occurrence of a Change in Control, the Company desires to enter into this Agreement with the Executive to provide the Executive with certain benefits in the event his employment is terminated as a result of, or in connection with, a Change in Control and to provide the Executive with the Gross-Up Payment (as hereinafter defined) and certain other benefits whether or not the Executive's employment is terminated.

NOW, THEREFORE, in consideration of the respective agreements of the parties contained herein, it is agreed as follows:

1. Term of Agreement.

(a) This Agreement shall commence as of _____, 2001 and shall continue in effect until _____, 2003; provided, however, that commencing on _____, 2002 and on each _____ thereafter, the term of this Agreement shall automatically be extended for one (1) year unless either the Company or the Executive shall have given written notice to the other at least ninety (90) days prior to such _____ that the term of this Agreement shall not be so extended.

(b) Notwithstanding the foregoing, (1) the term of this Agreement shall not expire during a Threatened Change in Control Period or prior to the expiration of 24 months after the occurrence of a Change in Control and (2) prior to a Change in Control and other than during a Threatened Change in Control Period, the term of this Agreement shall expire on the date the Executive ceases to serve as _____, or in another capacity as an executive officer (as defined in Rule 3b-7 under the 1934 Act), unless such cessation was at the request of a Third Party or otherwise occurred in connection with, or in anticipation of, a Change in Control.

2. Definitions.

2.1 Cause. For purposes of this Agreement, a termination for "Cause" is a termination evidenced by a resolution adopted in good faith by two-thirds of the Board that the Executive (a) intentionally and continually failed to substantially perform his duties with the Company (other than a failure resulting from the Executive's incapacity due to physical or mental illness) which failure continued for a period of at least thirty (30) days after a written notice of demand for substantial performance has been delivered to the Executive specifying the manner in which the Executive has failed to substantially perform, or (b) intentionally engaged in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise; provided, however that no termination of the Executive's employment shall be for Cause as set forth in clause (b) above until (x) there shall have been delivered to the Executive a copy of a written notice setting forth that the Executive was guilty of the conduct set forth in clause (b) and specifying the particulars thereof in detail, and (y) the Executive shall have been provided an opportunity to be heard by the Board (with the assistance of the Executive's counsel if the Executive so desires). No act, nor failure to act, on the Executive's part, shall be considered "intentional" unless he has acted, or failed to act, with an absence of good faith and without a reasonable belief that his action or failure to act was in the best interest of the Company. Notwithstanding anything contained in this Agreement to the contrary, no failure to perform by the Executive after a Notice of Termination is given by the Executive shall constitute Cause for purposes of this Agreement.

2.2 Change in Control. For purposes of this Agreement, a "Change in Control" shall mean any of the following events:

(a) The acquisition (other than from the Company) by any "Person" (as the term person is used for purposes of Sections 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of twenty percent (20%) or more of the combined voting power of the Company's then outstanding voting securities; or

(b) The individuals who, as of _____, 2001, are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the Board; provided, however, that if the election, or nomination for election by the Company's stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; or

(c) (1) a merger or consolidation involving the Company if the stockholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than seventy percent (70%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation or (2) a complete liquidation or dissolution of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur pursuant to Section 2.2(a), solely because twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities under one or more employee benefit plans maintained by the Company or any of its subsidiaries or (ii) any corporation which, immediately prior to such acquisition, is owned directly or indirectly by the stockholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition (hereinafter referred to as "Related Persons").

(d) Notwithstanding anything contained in this Agreement to the contrary, if the Executive's employment is terminated prior to a Change in Control and the Executive reasonably demonstrates that such termination (1) was at the request of a Third Party (as hereinafter defined) or (2) otherwise occurred in connection with, or in anticipation of, a Change in Control (including, without limitation, during a Threatened Change in Control Period), then for all purposes of this Agreement, the date of a Change in Control shall mean the date immediately prior to the date of such termination of the Executive's employment.

2.3 Confidential Information. For purpose of this Agreement, "Confidential Information" shall mean all technical, business, and other information relating to the business of the Company or its subsidiaries or affiliates, including, without limitation, technical or nontechnical data, formulae, compilations, programs, devices, methods, techniques, processes, financial data, financial plans, product plans, and lists of actual or potential customers or suppliers, which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy or confidentiality. Such information and compilations of information shall be subject to protection under this Agreement whether or not such information constitutes a trade secret and is separately protectable at law or in equity as a trade secret.

2.4 Disability. For purposes of this Agreement, "Disability" shall mean a physical or mental infirmity which impairs the Executive's ability to substantially perform his duties under this Agreement for a period of one hundred eighty (180) consecutive days.

2.5 (a) Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence after a Change in Control of any of the events or conditions described in Subsections (1) through (9) hereof:

(1) a change in the Executive's status, title, position or responsibilities (including reporting responsibilities) which, in the Executive's reasonable judgment, represents an adverse change from his status, title, position or responsibilities as in effect immediately prior thereto; the assignment to the Executive of any duties or responsibilities which, in the Executive's reasonable judgment, are inconsistent with his status, title, position or responsibilities; or any removal of the Executive from or failure to reappoint or reelect him to any of such offices or positions, except in connection with the termination of his employment for Disability, Cause, as a result of his death or by the Executive other than for Good Reason;

(2) a reduction in the Executive's base salary or any failure to pay the Executive any compensation or benefits to which he is entitled within five days of the date due;

(3) a failure to increase the Executive's base salary at least annually at a percentage of base salary no less than the average percentage increases (other than increases resulting from the Executive's promotion) granted to the Executive during the three full years ended prior to a Change in Control (or such lesser number of full years during which the Executive was employed);

(4) the Company's requiring the Executive to be based at any place outside a 30-mile radius from Atlanta, Georgia, except for reasonably required travel on the Company's business which is not greater than such travel requirements prior to the Change in Control;

(5) the failure by the Company to (A) continue in effect (without reduction in benefit level, and/or reward opportunities) any compensation or employee benefit plan in which the Executive was participating immediately prior to the Change in Control, including, but not limited to, the plans listed on the Appendix, unless a substitute or replacement plan has been implemented which provides substantially identical compensation or benefits to the Executive or (B) provide the Executive with compensation and benefits, in the aggregate, at least equal (in terms of benefit levels and/or reward opportunities) to those provided for under each other compensation or employee benefit plan, program and practice as in effect immediately prior to the Change in Control (or as in effect following the change in Control, if greater);

(6) the insolvency or the filing (by any party, including the Company) of a petition for bankruptcy of the Company;

(7) any material breach by the Company of any provision of this Agreement;

(8) any purported termination of the Executive's employment for Cause by the Company which does not comply with the terms of Section 2.1; or

(9) the failure of the Company to obtain an agreement, satisfactory to the Executive, from any successor or assign of the Company to assume and agree to perform this Agreement, as contemplated in Section 9 hereof.

(b) Any event or condition described in Section 2.4(a) (1) through (9) which occurs prior to a Change in Control but which the Executive reasonably demonstrates (1) was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control (a "Third Party"), or (2) otherwise arose in connection with or in anticipation of a Change in Control, shall constitute Good Reason for purposes of this Agreement notwithstanding that it occurred prior to the Change in Control.

(c) The Executive's right to terminate his employment pursuant to this Section 2.4 shall not be affected by his incapacity due to physical or mental illness.

2.6 Threatened Change in Control. For purposes of this Agreement, a Threatened Change in Control shall mean the occurrence of any of the following events:

(a) when the Company is aware of or is contemplating, a proposal (a "Proposal") for any Person other than a Related Person (1) to acquire five percent (5%) or more of the voting power of the Company's outstanding securities, or (2) to merge or consolidate with another entity, transfer or sell assets of the Company, or liquidate or dissolve the Company, in each case described in this clause (2) in a transaction that would constitute a Change in Control; or

(b) any Person other than a Related Person,

(1) acquires five percent (5%) or more of the voting power of the Company's outstanding securities, other than as a holder whose investment in the Company is eligible to be reported on Schedule 13G pursuant to Rule 13d-1 (b) (1) promulgated under the Exchange Act, or

(2) initiates a tender or exchange offer to acquire such number of securities as would result in such Person holding twenty percent (20%) or more of the voting power of the Company's outstanding securities, or

(3) solicits proxies for votes to elect members of the Board at a shareholders' meeting of the Company.

2.7 Threatened Change in Control Period. For purposes of this Agreement, a Threatened Change in Control Period shall mean the period commencing on the date that a Threatened Change in Control has occurred and ending upon:

(a) the date the Proposal referred to in Section 2.5(a) is abandoned;

(b) the acquisition of five percent (5%) of the voting power of the Company's outstanding securities by the Person referred to in Section 2.5(a) (1) if such acquisition does not constitute a Threatened Change in Control under Section 2.5 (b) (1);

(c) (1) the date when any Person described in Section 2.5(b)(1) shall own less than five percent (5%) of the voting power of the Company's outstanding securities, (2) shall have abandoned the tender or exchange offer, or (3) shall not have elected a member of the Board as the case may be; or

(d) the date a Change in Control occurs.

2.8 1934 Act. The Securities Exchange Act of 1934, as amended.

3. Termination of Employment.

3.1 If, during the term of this Agreement, the Executive's employment with the Company shall be terminated within 24 months following a Change in Control, the Executive shall be entitled to the following compensation and benefits depending upon the circumstances of such termination (in addition to any compensation and benefits provided for under any of the Company's employee benefit plans, policies and practices):

(a) If the Executive's employment with the Company shall be terminated during such 24-month period (1) by the Company for Cause or Disability, (2) by reason of the Executive's death, or (3) by the Executive other than for Good Reason (as each term is hereinafter defined), the Company shall pay the Executive all amounts earned or accrued through the Termination Date but not paid as of the Termination Date, including (i) base salary, (ii) reimbursement for reasonable and necessary expenses incurred by the Executive on behalf of the Company during the period ending on the Termination Date, (iii) vacation pay, and (iv) sick leave (collectively, "Accrued Compensation"). In addition to the foregoing, if the Executive's employment is terminated by the Company for Disability or by reason of the Executive's death, the Company shall pay to the Executive or his beneficiaries an amount equal to the "Pro Rata Bonus" (as hereinafter defined). The "Pro Rata Bonus" is an amount equal to the Bonus Amount (as hereinafter defined) multiplied by a fraction the numerator of which is the number of days in such fiscal year through the Termination Date and the denominator of which is 365. The term "Bonus Amount" shall mean the greater of the (x) most recent annual bonus paid or payable to the Executive, or, if greater, the annual bonus paid or payable for the full fiscal year ended prior to the fiscal year during which a Change in Control occurred or (y) average of the annual bonuses paid or payable during the three full fiscal years ended prior to the Termination Date or, if greater, the three full fiscal years ended prior to the Change in Control (or, in each case, such lesser period for which annual bonuses were paid or payable to the Executive). Executive's entitlement to any other compensation or benefits shall be determined in accordance with the Company's employee benefit plans and other applicable programs and practices then in effect.

(b) If the Executive's employment with the Company shall be terminated (other than by reason of death) during such 24-month period, (1) by the Company other than for Cause or Disability, or (2) by the Executive for Good Reason, the Executive shall be entitled to the following:

(i) the Company shall pay the Executive all Accrued Compensation and a Pro-Rata Bonus;

(ii) the Company shall pay the Executive as severance pay and in lieu of any further compensation for periods subsequent to the Termination Date, in a single payment an amount (the "Severance Amount") in cash equal to two times the sum of (A) the greater of the Executive's base salary in effect on the Termination Date or at any time during the 90-day period prior to the Change in Control ("Base Salary") and (B) the Bonus Amount. Notwithstanding the foregoing, if the Executive has attained at least age 63 on the Termination Date the Severance Amount to be paid under this Subsection (ii) shall be the amount described in the preceding sentence multiplied by a fraction (which in no event shall be less than one-half) the numerator of which shall be the number of months (for this purpose any partial month shall be considered as a whole month) remaining until the Executive's 65th birthday (but in no event shall be less than 12) and the denominator of which shall be 24;

(iii) for a number of months equal to the lesser of (A) 24 or (B) the number of months remaining until the Executive's 65th birthday (the "Continuation Period"), the Company shall at its expense continue on behalf of the Executive and his dependents and beneficiaries the life insurance, disability, medical, dental and hospitalization benefits provided (x) to the Executive at the time the Notice of Termination is given, at any time during the 90-day period prior to the Change in Control or at any time thereafter, or (y) to other similarly situated executives who continue in the employ of the Company during the Continuation Period. The coverage and benefits (including deductibles and costs) provided in this Section 3.1(b) (iii) during the Continuation Period shall be no less favorable to the Executive and his dependents and beneficiaries, than the most favorable of such coverages and benefits during any of the periods referred to in clauses (x) and (y) above. The Company's obligation hereunder with respect to the foregoing benefits shall be limited to the extent that the Executive obtains any such benefits pursuant to a subsequent employer's benefit plans, in which case the Company may reduce the coverage of any benefits it is required to provide the Executive hereunder as long as the aggregate coverages and benefits of the combined benefit plans is no less favorable to the Executive than the coverages and benefits required to be provided hereunder. This Subsection (iii) shall not be interpreted so as to limit any benefits to which the Executive or his dependents may be entitled under any of the Company's employee benefit plans, programs or practices following the Executive's termination of employment, including without limitation, retiree medical and life insurance benefits;

(iv) the Company shall pay in a single payment an amount in cash equal to the excess of (A) the Supplemental Retirement Benefit (as defined below) had (w) the Executive remained employed by the Company for an additional two complete years of credited service (or until his 65th birthday if earlier), (x) his annual compensation during such period been equal to his Base Salary and the Bonus Amount, (y) the Company and/or the Business Unit made employer contributions to each

defined contribution plan in which the Executive was a participant at the Termination Date (in an amount equal to the amount of such contribution for the plan year immediately preceding the Termination Date) and (z) he been fully (100%) vested in his benefit under each retirement plan in which the Executive was a participant, over (B) the lump sum actuarial equivalent of the aggregate retirement benefit the Executive is actually entitled to receive under such retirement plans. For purposes of this Subsection (iv), the "Supplemental Retirement Benefit" shall mean the lump sum actuarial equivalent of the aggregate retirement benefit the Executive would have been entitled to receive under the Company's supplemental executive and other retirement plans including, but not limited to, the L & C Spinco Supplemental Retirement Plan for Executives ("SERP"), the L & C Spinco 401(k) Plan for Corporate Employees, and the L & C Spinco Pension Plan ("Pension Plan"); provided, however, if the Executive has attained at least age 50 and has been employed by the Company for at least 10 years as of the Termination Date the calculation of the Supplemental Retirement Benefit shall be made pursuant to the early retirement provisions under the SERP and the Pension Plan without regard to the Executive's attained age or years of credited service. For purposes of this Subsection (iv), the "actuarial equivalent" shall be determined in accordance with the actuarial assumptions used for the calculation of benefits under the Pension Plan as applied prior to the Termination Date in accordance with such plan's past practices; and

(v) (A) the restrictions on any outstanding incentive awards (including achievement awards, restricted stock and granted Performance Shares) granted to the Executive under the Long-Term Achievement Incentive Plan or under any other incentive plan or arrangement shall lapse and such incentive award shall become one hundred percent (100%) vested (provided, however, that Aspiration Achievement Incentive Awards shall be prorated as of the date of the Change in Control, as provided in the Aspiration Achievement Incentive Award Agreements), all stock options and stock appreciation rights granted to the Executive shall become immediately exercisable and shall become 100% vested, and all Performance Units granted to the Executive shall become 100% vested and (B) the Executive shall have the right to require the Company to purchase, for cash, any shares of unrestricted stock or shares purchased upon exercise of any options, at a price equal to the fair market value of such shares on the date of purchase by the Company.

(c) The amounts provided for in Sections 3.1(a) and 3.1(b)(i), (ii), (iv) and (v) shall be paid within five (5) days after the Executive's Termination Date.

(d) The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise and no such payment shall be offset or reduced by the amount of any compensation or benefits provided to the Executive in any subsequent employment except as provided in Section 3.1(b)(iii).

3.3 The severance pay and benefits provided for in Sections 3.1(a) and 3.1(b)(i) and (ii) shall be in lieu of any other severance pay to which the Executive may be entitled under any Company severance plan, program or arrangement for a termination of employment covered by such circumstances.

4. Notice of Termination. During a Threatened Change in Control Period and following a Change in Control, any purported termination by the Company or by the Executive shall be communicated by written Notice of Termination to the other. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which indicates the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. For purposes of this Agreement, no such purported termination shall be effective without such Notice of Termination.

5. Termination Date. "Termination Date" shall mean in the case of the Executive's death, his date of death, and in all other cases, the date specified in the Notice of Termination subject to the following:

(a) If the Executive's employment is terminated by the Company for Cause or due to Disability, the date specified in the Notice of Termination shall be at least thirty (30) days from the date the Notice of Termination is given to the Executive, provided that in the case of Disability the Executive shall not have returned to the full-time performance of his duties during such period of at least 30 days; and

(b) If the Executive's employment is terminated for Good Reason, the date specified in the Notice of Termination shall not be more than sixty (60) days from the date the Notice of Termination is given to the Company.

6. Excise Tax Payments.

(a) Notwithstanding anything contained in this Agreement to the contrary and without regard to whether the Executive's employment with the Company has terminated, in the event that any payment or benefit (within the meaning of Section 280G(b) (2) of the Internal Revenue Code of 1986, as amended (the "Code"), to the Executive or for his benefit, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise in connection with, or arising out of, his employment with the Company or a change in ownership or effective control of the Company or of a substantial portion of its assets (a "Payment" or "Payments"), would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a

"Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes and the Excise Tax), including any Excise Tax, imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) An initial determination as to whether a Gross-Up Payment is required pursuant to this Section 6 and the amount of such Gross-Up Payment shall be made by an accounting firm selected by the Company and reasonably acceptable to the Executive which is designated one of the five largest accounting firms in the United States (the "Accounting Firm"). The Accounting Firm shall provide its determination (the "Determination"), together with detailed supporting calculations and documentation to the Company and the Executive within five days of the Termination Date if applicable, or such other time as requested by the Company or by the Executive (provided the Executive reasonably believes that any of the Payments may be subject to the Excise Tax) and if the Accounting Firm determines that no Excise Tax is payable by the Executive with respect to a Payment or Payments, it shall furnish the Executive with an opinion reasonably acceptable to the Executive that no Excise Tax will be imposed with respect to any such Payment or Payments. Within five days of the delivery of the Determination to the Executive, the Executive shall have the right to dispute the Determination (the "Dispute"). The Gross-Up Payment, if any, as determined pursuant to this Section 6(b) shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination or, subject to Executive's approval, all or a portion of the Gross-Up Payment may be paid directly to the appropriate tax authorities. The existence of the Dispute shall not in any way affect the right of the Executive to receive the Gross-Up Payment in accordance with the Determination. If there is no Dispute, the Determination shall be binding, final and conclusive upon the Company and the Executive subject to the application of Section 6(c).

(c) As a result of the uncertainty in the application of Sections 4999 and 280G of the Code, it is possible that a Gross-Up Payment (or a portion thereof) will be paid which should not have been paid (an "Excess Payment") or a Gross-Up Payment (or a portion thereof) which should have been paid will not have been paid (an "Underpayment"). An Underpayment shall be deemed to have occurred (1) upon notice (formal or informal) to the Executive from any governmental taxing authority that the tax liability of the Executive (whether in respect of the then current taxable year of the Executive or in respect of any prior taxable year of the Executive) may be increased by reason of the imposition of the Excise Tax on a Payment or Payments with respect to which the Company has failed to make a sufficient Gross-Up Payment, (2) upon a determination by a court, (3) by reason of a determination by the Company (which shall include the position taken by the Company, or together with its consolidated group, on its federal income tax return) or (4) upon the resolution to the satisfaction of the Executive

of the Dispute. If an Underpayment occurs, the Executive shall promptly notify the Company and the Company shall pay to the Executive at least five days prior to the date on which the applicable government taxing authority has requested payment, an additional Gross-Up Payment equal to the amount of the Underpayment plus any interest and penalties (other than interest and penalties imposed by reason of a failure to file timely a tax return or pay taxes shown due on a return) imposed on the Underpayment. An Excess Payment shall be deemed to have occurred upon a "Final Determination" (as hereinafter defined) that the Excise Tax shall not be imposed upon a Payment or Payments with respect to which the Executive had previously received a Gross-Up Payment. A Final Determination shall be deemed to have occurred when the Executive has received from the applicable government taxing authority a refund of taxes or other reduction in his tax liability by reason of the Excess Payment and upon either (i) the date a determination is made by, or an agreement is entered into with, the applicable governmental taxing authority which finally and conclusively binds the Executive and such taxing authority, or in the event that a claim is brought before a court of competent jurisdiction, the date upon which a final determination has been made by such court and either all appeals have been taken and finally resolved or the time for all appeals has expired or (ii) the statute of limitations with respect to the Executive's applicable tax return has expired. If an Excess Payment is determined to have been made, the amount of the Excess Payment shall be treated as a loan by the Company to the Executive and the Executive shall pay to the Company on demand (but not less than 10 days after the determination of such Excess Payment) the amount of the Excess Payment plus interest at an annual rate equal to the rate provided for in Section 1274(b)(2)(B) of the Code from the date the Gross-Up Payment (to which the Excess Payment relates) was paid to the Executive until the date of repayment to the Company.

(d) Notwithstanding anything contained in this Agreement to the contrary, in the event that, according to the Determination, an Excise Tax will be imposed on any Payment or Payments, the Company shall pay to the applicable government taxing authorities as Excise Tax withholding, the amount of the Excise Tax that the Company has actually withheld from the Payment or Payments.

7. Unauthorized Disclosure. During the period that the Executive is actively employed by the company or Division, the Executive shall not make any Unauthorized Disclosure. For purposes of this Agreement, "Unauthorized Disclosure" shall mean disclosure by the Executive without the consent of the Board (other than pursuant to a court order) to any person, other than an employee or director of the Company or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of his duties as an executive of the Company or as may be legally required, of any material Confidential Information obtained by the Executive while in the employ of the Company (including any material Confidential Information with respect to any of the Company's customers or methods of distribution) the

disclosure of which is demonstrably and materially injurious to the Company; provided, however, that such term shall not include the use or disclosure by the Executive, without consent, of any information known generally to the public (other than as a result of disclosure by him in violation of this Section 7) or any information not otherwise considered confidential and material by a reasonable person engaged in the same business as that conducted by the Company; provided further, however, that any breach of this Section 7 shall in no event subject the Executive to damages (including costs, fees and expenses incurred by the Company or the Business Unit) in excess of \$10,000 in the aggregate.

8. Non-Compete. During the period that the Executive is actively employed by the Company or Business Unit, the Executive shall not directly or indirectly, own, manage, operate, control, consult with, or be connected as an officer, employee, agent, partner, director or consultant with, or have any financial interest in, or assist anyone in the conduct of, any business which directly competes with the businesses of the Company in the State of Georgia. Notwithstanding the foregoing, the Executive shall not be in violation of the preceding sentence due to ownership (directly or indirectly) by the Executive of not more than five percent (5%) of the issued and outstanding class of securities of a corporation whose securities are publicly traded.

9. Successors; Binding Agreement.

(a) This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns and the Company shall require any successor or assign to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. The term "the Company" as used herein shall include such successors and assigns. The term "successors and assigns" as used herein shall mean a corporation or other entity acquiring all or substantially all the assets and business of the Company (including this Agreement) whether by operation of law or otherwise.

(b) Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, his beneficiaries or legal representatives, except by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal personal representative.

10. Fees and Expenses. The Company shall pay all legal fees and related expenses (including the costs of experts, evidence and counsel) incurred by the Executive as they become due as a result of (a) the Executive's termination of employment (including all such fees and expenses, if any, incurred in contesting or disputing any such termination of employment), (b) the Executive seeking to obtain or enforce any right or benefit provided by this Agreement or by any other plan or arrangement maintained by

the Company under which the Executive is or may be entitled to receive benefits, including, without limitation, the plans listed on Appendix A, or (c) the Executive's hearing before the Board as contemplated in Section 2.1 of this Agreement; provided, however, that the circumstances which result in the Executive incurring the fees and related expense set forth in clauses (a) and (b) (other than as a result of the Executive's termination of employment under circumstances described in Section 2.2(d)) occurred on or after a Change in Control.

11. Notice. For the purposes of this Agreement, notices and all other communications provided for in the Agreement (including the Notice of Termination) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, postage prepaid, addressed to the respective addresses last given by each party to the other, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company. All notices and communications shall be deemed to have been received on the date of delivery thereof or on the third business day after the mailing thereof, except that notice of change of address shall be effective only upon receipt.

12. Non-Exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company or any of its subsidiaries and for which the Executive may qualify, nor shall anything herein limit or reduce such rights as the Executive may have under any other agreements with the Company or any of its subsidiaries. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company or any of its subsidiaries shall be payable in accordance with such plan or program, except as explicitly modified by this Agreement.

13. Settlement of Claims. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others.

14. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

15. Prior Agreement. This Agreement supersedes and replaces in its entirety the Severance Protection Agreement, dated _____, between Executive and NSI and Executive shall have no further rights under such agreement.

16. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Georgia without giving effect to the conflict of laws principles thereof. Any action brought by any party to this Agreement shall be brought and maintained in a court of competent jurisdiction in Fulton county in the State of Georgia.

17. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

18. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto and supersedes all prior agreements, if any, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Executive has executed this Agreement as of the day and year first above written.

ATTEST: L & C SPINCO, INC.

By: _____
James S. Balloun
Chairman of the Board, President and
Chief Executive Officer

Secretary

Name

APPENDIX A

Management Compensation and Incentive Plan

Executives' Deferred Compensation Plan

Supplemental Deferred Savings Plan

Long-Term Incentive Plan

Senior Management Benefit Plan

Pension Plan C (or similar
retirement plan covering the Executive)

401(k) Plan for Corporate Employees (or similar deferred
compensation plan covering the Executive)

Supplemental Retirement Plan for Executives (or similar supplemental retirement
plan covering the Executive)

L & C SPINCO, INC.

SUPPLEMENTAL DEFERRED SAVINGS PLAN

(Effective as of _____, 2001)

L & C SPINCO, INC.
SUPPLEMENTAL DEFERRED SAVINGS PLAN

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ARTICLE I
INTRODUCTION AND ESTABLISHMENT

L & C Spinco, Inc. ("Company") hereby establishes the L & C Spinco, Inc. Supplemental Deferred Savings Plan ("Plan") for the benefit of eligible management and highly compensated employees of the Company and its Subsidiaries and Business Units. The Plan is designed to assist and encourage eligible employees to accumulate capital and to supplement their retirement income and to align their interests more closely with those of shareholders. The Plan provides for elective deferrals of an employee's compensation, Company matching contributions and supplemental Company contributions.

The effective date of the Plan is _____, 2001 ("Effective Date"). The Plan was originally established in connection with the spin-off of the Company from National Service Industries, Inc. ("NSI"), which became effective _____, 2001. Pursuant to an Employee Benefits Agreement dated as of _____, 2001, between the Company and NSI, the amounts credited to the Account (including all subaccounts) of certain employees and former employees of NSI and its subsidiaries who were participants in the National Service Industries, Inc. Supplemental Deferred Savings Plan ("Prior Plan") as of the Effective Date, and who became or remained employees of the Company or its Subsidiaries as of the Effective Date or who were formerly employed by the businesses transferred to the Company by NSI shall be transferred to the Plan. As provided for herein, the elections made under the Prior Plan prior to the Effective Date, including elections regarding deferral amounts, timing and manner of payment of benefits, and designation of Beneficiaries, shall be carried over and apply for purposes of the Plan after the Effective Date (subject to any change of election rights under the Plan).

ARTICLE II
DEFINITIONS

When used in this Plan, the following terms shall have the meanings set forth below unless a different meaning is plainly required by the context:

2.1 "Account" means the records maintained by the Plan Administrator to determine each Participant's interest under this Plan. Such Account may be reflected as an entry in the Company's (or Employer's) records, or as a separate account under a trust, or as a combination of both. Each Participant's Account shall consist of at least three subaccounts: a Deferral Subaccount to reflect his deferrals of Compensation; a Matching Subaccount for Employer's matching contribution credits; a Supplemental Subaccount for any supplemental Employer contribution credits. The Plan Administrator may establish such additional subaccounts as it deems necessary for the proper administration of the Plan.

2.2 "Annual Valuation Date" means December 31 of each year while the Plan is in effect.

2.3 "Beneficiary" means the person or persons last designated in writing by the Participant to receive the vested amount in his Account in the event of such Participant's death; or if no designation shall be in effect at the time of a Participant's death or if all designated Beneficiaries shall have predeceased the Participant, then the Beneficiary shall be the Participant's estate or his personal representative.

2.4 "Business Unit" means any of the operating units or divisions of the Company, or its Subsidiaries, designated as a Business Unit by the Plan Administrator.

2.5 "Change in Capitalization" means any increase or reduction in the number of Shares, or any change (including, but not limited to, a change in value) or exchange of Shares for a different number or kind of shares or other securities of the Company, by reason of a reclassification, recapitalization, merger, consolidation, reorganization, spin-off, split-up, issuance of warrants or rights or debentures, stock dividend, stock split or reverse stock split, cash dividend, property dividend, combination or exchange of shares, repurchase of shares, public offering, private placement, change in corporate structure or otherwise, which in the judgment of the Plan Administrator is material or significant.

2.6 "Change in Control" means any of the following events:

(a) The acquisition (other than from the Company) by any "Person" (as the term person is used for purposes of Sections 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of twenty percent (20%) or more of the combined voting power of the Company's then outstanding voting securities; or

(b) The individuals who, as of _____, are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the Board; Provided, however, that if the election, or nomination for election by the Company's stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; or

(c) A merger or consolidation involving the Company if the stockholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than seventy percent (70%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation; or

(d) A complete liquidation or dissolution of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur pursuant to subsection (a) above, solely because twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities under one or more employee benefit plans maintained by the Company or any of its subsidiaries, or (ii) any corporation which, immediately prior to such acquisition, is owned directly or indirectly by the stockholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition.

2.7 "Class Year Subaccount" means the subaccount set up under the Deferral Subaccount to reflect the Participant's deferrals for each Plan Year, including amounts previously credited to a Participant's Class Year Subaccount in the Prior Plan and transferred to this Plan as of the Effective Date, and any earnings thereon.

2.8 "Code" means the Internal Revenue Code of 1986, as amended.

2.9 "Company" means L & C Spinco, Inc., a Delaware corporation, or its successor or successors.

2.10 "Compensation" means the annual cash compensation (salary plus annual bonus) paid by the Employer to the Participant for the Plan Year, provided that a bonus actually paid during a subsequent Plan year based upon performance during the preceding Plan Year shall be treated as Compensation for such preceding Plan Year. The Participant's Compensation shall include amounts deferred by the Participant to this Plan and any other deferred compensation plan of the Employer (whether or not qualified), and any salary reduction amounts contributed to a welfare plan. The term "Compensation" shall not include long-term incentive payments, income from stock options or other stock awards, car allowances and non-cash remuneration, such as health benefits, life insurance, and other fringe benefits.

2.11 "Deferral Subaccount" means the subaccount maintained to reflect the Participant's deferral of Compensation, including amounts previously credited to a Participant's Deferral Subaccount in the Prior Plan and transferred to this Plan as of the Effective Date, and any earnings thereon.

2.12 "Effective Date" means the effective date of this Plan, _____, 2001.

2.13 "Election Form" means the form prescribed by the Plan Administrator on which a Participant may specify the amount of his Compensation that is to be deferred pursuant to the provisions of Article III, and the manner of payment of his benefits.

2.14 "Employer" means the Company and any Subsidiary or related employer designated by the Company to participate in the Plan.

2.15 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

2.16 "Executive" means an officer of the Company, a Subsidiary or one of the Company's Business Units, and other key employees designated as eligible pursuant to Section 3.1. Any dispute regarding any individual's classification shall be determined by the Plan Administrator in its sole discretion.

2.17 "Fair Market Value" means the fair market value of the Shares as determined in good faith by the Plan Administrator; provided, however, that (A) if the Shares are admitted to trading on a national securities exchange, Fair Market Value on any date shall be the closing price reported for the Shares on such exchange on such date or, if no sale was reported on such date, on the last date preceding such date on which a sale was reported, (B) if the Shares are admitted to quotation on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or other comparable quotation system and have been designated as a National Market System ("NMS") security, Fair Market Value on any date shall be the last sale price reported for the Shares on such system on such date or on the last day preceding such date on which a sale was reported, or (C) if the Shares are admitted to Quotation on NASDAQ and have not been designated a NMS Security, Fair Market Value on any date shall be the average of the highest bid and lowest asked prices of the Shares on such system on such date.

2.18 "Fiscal Year" means the year commencing on September 1 and ending on August 31 of the following calendar year, or such other 12-month period used by the Company for financial reporting purposes.

2.19 "Matching Subaccount" means the subaccount maintained to reflect the Employer's matching contribution credits, including amounts previously credited to a Participant's Matching Subaccount in the Prior Plan and transferred to this Plan as of the Effective Date, and any earnings thereon.

2.20 "Participant" means an Eligible Executive as defined in Section 3.1 (or an individual who was an Eligible Executive), a portion of whose Compensation for any Plan Year

has been deferred pursuant to the Plan or who has received Employer Supplemental Subaccount credits, and whose interest in the Plan has not been wholly distributed.

2.21 "Plan" means the L & C Spinco, Inc. Supplemental Deferred Savings Plan, as set forth herein and as it may be amended from time to time.

2.22 "Plan Administrator" means the Company or, if applicable, a committee appointed pursuant to Article V to administer the Plan.

2.23 "Plan Year" means January 1 through the next following December 31. Despite a mid-year Effective Date of the Plan, for all purposes under the Plan, the initial Plan Year shall be deemed a continuation of the Plan Year in progress under the Prior Plan such that the initial Plan Year shall be January 1, 2001 through December 31, 2001.

2.24 "Prime Rate" means the rate of interest publicly announced by Wachovia Bank, N.A. (or its successor) as its prime rate on a particular date (or the next business day if such date is not a business day), as determined by the Plan Administrator, or the prime rate interest of such other bank as may be selected by the Company.

2.25 "Prior Plan" means the National Service Industries, Inc. Supplemental Deferred Savings Plan, as amended through the Effective Date.

2.26 "Retirement" means termination of the Participant's employment with all Employers on or after attaining age 60, other than a Termination for Cause.

2.27 "Shares" means the common stock, par value \$.01 per share, of the Company (including any new, additional or different stock or securities resulting from a Change in Capitalization).

2.28 "Subsidiary" means any corporation in an unbroken chain of corporations, beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. The term "Subsidiary" shall also include a partnership or limited liability company in which the Company or a Subsidiary owns 50% or more of the profits interest or capital interest.

2.29 "Supplemental Subaccount" means the subaccount established to reflect the Employer's supplemental contribution credits, including amounts previously credited to a Participant's Supplemental Subaccount in the Prior Plan and transferred to this Plan as of the Effective Date, and any earnings thereon.

2.30 "Termination for Cause" means the Executive has terminated employment and has been found by the Plan Administrator to be guilty of theft, embezzlement, fraud or misappropriation of the Company's property or of any action which, if the individual were an officer of the Company, would constitute a breach of fiduciary duty. The final determination of

whether a Participant has incurred a Termination for Cause shall be made by the Plan Administrator.

2.31 "Termination of Service" or similar expression means the termination of the Participant's employment as an Executive. A Participant who is granted a temporary leave of absence, whether with or without pay, shall not be deemed to have terminated his service. In the event of a transfer of an Executive to a position in which he would no longer be eligible to continue in this Plan, or in the event of the disability of a Participant, the Plan Administrator in its sole discretion, shall determine whether a Termination of Service has occurred.

2.32 "Total and Permanent Disability" means a physical or mental incapacity which impairs the Participant's ability to substantially perform his usual duties and services for the Employer for a period of one hundred eighty (180) consecutive days. The determination as to whether Total and Permanent Disability exists shall be made by the Plan Administrator based upon the information provided to it.

2.33 "Valuation Date" means the Annual Valuation Date, and any other date(s) selected by the Plan Administrator as of which the Accounts of Participants are valued.

2.34 "Year of Service" means, subject to such Break in Service rules as the Plan Administrator may establish, each Plan Year in which the Eligible Employee is credited with 1,000 or more Hours of Service with the Employer, including all Years of Service credited to the Eligible Employee under the Prior Plan, provided that, for the period January 1, 2001 to December 31, 2001, the Eligible Employee shall be credited with one, and only one, Year of Service if such Eligible Employee is credited with 1,000 or more Hours of Service with the Employer under the Plan and the Prior Plan for such period. Hours of Service shall be determined hereunder in accordance with the Company's general rules for determining such hours under its tax-qualified plans.

ARTICLE III
PARTICIPATION; DEFERRAL ELECTION

3.1 Eligibility to Participate. Prior to, or at the beginning of, each Plan Year, the Company (or its designee) shall specify the Executives who are eligible to make deferral elections under the Plan for the following Plan Year and to receive Matching Subaccount and Supplemental Subaccount credits (an "Eligible Executive"). Such eligibility designation may be made by establishing a minimum compensation level for participation or by the use of such other criteria as the Company (or its designee) deems appropriate from time to time.

3.2 Deferral Election. For any Plan Year in which an Eligible Executive is eligible to participate, such Eligible Executive may elect on an Election Form to have a portion of the Compensation to be received by the Executive for such Plan Year deferred in accordance with the terms and conditions of the Plan. The Plan Administrator may provide for a separate election with respect to salary and annual bonus. The amount that may be deferred for any Plan Year shall not be less than \$1,000, nor an aggregate of more than fifty percent (50%) of his Compensation for such Plan Year.

An Executive desiring to exercise such election shall, prior to the beginning of each Plan Year (or within 30 days after the beginning of the Eligible Executive's initial employment or eligibility, if such employment or eligibility commences other than at the beginning of a Plan Year), complete an Election Form indicating the percentage of his Compensation for such Plan Year that he elects to have deferred. Any such Election Form properly delivered under the Prior Plan with respect to the calendar year ending December 31, 2001 and not previously terminated, shall continue in effect under this Plan for the Plan Year ending December 31, 2001. If the Eligible Executive's election would result in a deferral greater than the maximum provided herein, any deferred amount shall be reduced to the maximum limit.

An election to defer Compensation must be filed with the Plan Administrator within the time period prescribed by the Plan Administrator. If a Participant fails to file a properly completed and duly executed Election Form with the Plan Administrator by the prescribed time, he will be deemed to have elected not to defer any Compensation under this Plan for the Plan Year, except to the extent the Plan Administrator in its sole discretion permits an extension of the election period. An Eligible Executive may not, after the applicable election date change (increase or decrease) the percentage of Compensation he has elected to defer for a Plan Year.

A Participant may at any time during the Plan Year terminate an election to defer salary (but not the bonus) and discontinue future salary deferrals of Compensation under this Plan by providing written notice to the Plan Administrator prior to the start of the next payroll period for which Compensation will be payable. In such event, Compensation earned for services subsequent to such termination notice will be paid directly to the Participant and will not be subject to his prior deferral election. A Participant who elects to discontinue participation in the Plan for a Plan Year may not recommence participation in the Plan until the next following Plan

Year (or such later Plan Year in which he is again eligible to participate), provided the Participant completes and executes the required Election Form. Increases or decreases in the amount a Participant elects to defer (other than a suspension of deferrals) shall not be permitted during the Plan Year.

The Eligible Executive may designate on the Election Form (or on a separate form provided by the Plan Administrator) a Beneficiary (or Beneficiaries) to receive payment of amounts in his Account in the event of his death. Any proper designation of a Beneficiary under the Prior Plan which has not been changed or revoked shall continue under this Plan.

ARTICLE IV
PARTICIPANTS' ACCOUNTS; EMPLOYER CONTRIBUTION CREDITS

4.1 Accounting for Participants' Interests.

(a) Deferral Subaccount. The Company shall establish a Deferral Subaccount for each Participant under the Plan. The initial amount credited to the Participant's Deferral Subaccount under the Plan shall be the amount credited to the Participant's Deferral Subaccount in the Prior Plan that is transferred to this Plan as described in subsection (d) below. Each Participant's Deferral Subaccount shall thereafter be credited with the amounts of Compensation deferred by the Participant under this Plan. The timing and manner in which amounts are credited to a Participant's Deferral Subaccount under this Plan shall be determined by the Plan Administrator in its discretion, but the deferral election shall be applied to each pay period in which the Participant has Compensation during his period of participation in the Plan. The Participant's Deferral Subaccount shall be credited with interest at the Prime Rate on each Annual Valuation Date based upon the amount credited to such Subaccount as of the preceding Annual Valuation Date, and at such other times, if any, as may be determined by the Plan Administrator. If permitted by the Company in accordance with such rules as the Company may establish, a Participant (other than an Executive Officer of the Company) may direct that all or a portion of the Deferral Subaccount shall be deemed to be invested in Shares.

(b) Matching Subaccount. The Company shall establish a Matching Subaccount for each Participant under the Plan. The initial amount credited to the Participant's Matching Subaccount under the Plan shall be the amount credited to the Participant's Matching Subaccount in the Prior Plan that is transferred to this Plan as described in subsection (e) below. Thereafter, unless the Board otherwise determines, as of the end of each Plan Year (or as of such other date as the Board may determine), there shall be credited to the Matching Subaccount of each Participant who is employed on the last day of the Plan Year an amount equal to 25% of the amount of the Participant's deferrals for such Plan Year, provided that the maximum amount credited to a Participant's Matching Subaccount for a Plan Year shall not exceed five percent (5%) of the Participant's Compensation for such Plan Year. Unless the Company otherwise determines for a designated Eligible Executive (other than an Executive Officer of the Company), an Eligible Executive who is covered by a defined benefit supplemental executive retirement plan maintained by the Employer shall not be eligible to receive Employer matching contribution credits under the Plan.

Unless the Company otherwise determines, the amount credited to a Participant's Matching Subaccount shall be deemed to be invested in the form of cash, Shares, or a combination of cash and Shares, as elected by the Participant on the Election Form. The Company may provide the Participant with the right to change the deemed investment election from time to time and to designate different deemed investment elections for amounts credited to the Matching Subaccount in different Plan Years. To the extent the amount is deemed to be credited in cash, the Matching Subaccount will be credited with interest at the Prime Rate on each Annual Valuation Date (and at such other dates, if any, as may be determined by the Plan Administrator); if Shares are deemed to be credited, the Matching Subaccount will be adjusted on each Annual Valuation Date (and at such other dates, if any, as may be determined by the Plan

Administrator) as if it were invested in Shares to reflect any dividends (including reinvestment of such dividends in Shares), distributions, stock dividends, stock splits or similar actions with respect to the Shares since the preceding Annual Valuation Date (or such other date).

(c) Supplemental Subaccount. The Company shall establish a Supplemental Subaccount for each Participant under the Plan. The initial amount credited to the Participant's Supplemental Subaccount under the Plan shall be the amount credited to the Participant's Supplemental Subaccount in the Prior Plan that is transferred to this Plan as described in subsection (e) below. Thereafter, unless the Board otherwise determines, as of the end of each Plan Year (or as of such other date as the Board may determine), there shall be credited to the Supplemental Subaccount of each Eligible Employee who is employed on the last day of the Plan Year and who has a Year of Service for such Plan Year an amount equal to three percent (3%) of the Eligible Employee's Compensation for such Plan Year. Unless the Company determines otherwise for a designated Eligible Executive, an Eligible Executive who is covered by a defined benefit supplemental executive retirement plan maintained by the Employer shall not be eligible to receive Employer supplemental contribution credits under the Plan.

Unless the Company otherwise determines, the amount credited to an Eligible Employee's Supplemental Subaccount shall be deemed to be in the form of Shares. If Shares are deemed to be credited, the Supplemental Subaccount will be adjusted on each Annual Valuation Date (and at such other dates, if any, as may be determined by the Plan Administrator) as if it were invested in Shares to reflect any dividends (including reinvestment of such dividends in Shares), distributions, stock dividends, stock splits or similar action with respect to the Shares since the preceding Annual Valuation Date (or such other date).

(d) Crediting of Shares. The number of Shares to credit to a Participant's Deferral Subaccount, Matching Subaccount or Supplemental Subaccount as of an Annual Valuation Date (or other date, as provided above) shall be determined by converting the cash credit otherwise required to Shares using the Fair Market Value of a Share on such date.

(e) Transfer of Accounts from the Prior Plan. Effective as of the Effective Date, the Company shall accept a transfer from the Prior Plan and credit to the Account (and each subaccount) of each Participant who was a participant in the Prior Plan, the amount credited to the Participant's Account (and each subaccount) in the Prior Plan immediately prior to the Effective Date. To the extent any transferred amounts from the Prior Plan were deemed to be invested in shares of common stock of NSI, such amounts will be converted and will be deemed to be invested in a number of Shares of the Company equal to (i) the product of (x) the number of shares of NSI stock credited to the Participant's Account under the Prior Plan as of the date of the distribution of the shares of the Company's common stock to the stockholders of NSI (the "Distribution Date"), and (y) the closing per share price of NSI common stock (trading with a due bill) on the Distribution Date, divided by (ii) the closing per share price of the Company's common stock (on a when issued basis) on the Distribution Date.

4.2 Vesting of a Participant's Account.

(a) Deferral Subaccount. Except as provided in the next sentence, a Participant's interest in the amount credited to his Deferral Subaccount shall at all times be 100% vested and nonforfeitable. If a Participant incurs a Termination for Cause, he shall forfeit all earnings credited on all amounts deferred to his Deferral Subaccount that have not yet been fully distributed to him under Section 4.3.

(b) Matching and Supplemental Subaccounts. Except in the event of a Termination For Cause, a Participant's interest in the amount credited to his Matching Subaccount and Supplemental Subaccount shall become (i) 100% vested and nonforfeitable upon his death, Total and Permanent Disability, Retirement or completion of 10 or more Years of Service and attainment of age 55 while actively employed, and (ii) 50% vested upon completion of 5 Years of Service and attainment of age 55 while actively employed, with such vesting increasing 10% per year for each additional Year of Service up to 10 years. Subject to Article VII, if the Participant incurs a Termination for Cause (regardless of whether he is otherwise vested) or if the Participant's employment is terminated prior to the time specified for vesting in the preceding sentence, his entire Matching and Supplemental Subaccounts shall be forfeited.

4.3 Distribution of a Participant's Account. Subject to Article VII, a Participant's Account shall be distributed as follows:

(a) Deferral Subaccount.

(i) Except as provided in (ii) and (iii) below, distribution of each Class Year Subaccount of a Participant shall be made in a single lump sum payment as soon as practicable after the January 1 next following five (5) full Plan Years after the Class Year. For example, the distribution of the 2001 Class Year Subaccount (the Participant's deferrals credited to him for the year ended December 31, 2001) shall be made on or about January 1, 2007, and for the 2002 Class Year Subaccount on or about January 1, 2008, and so on.

(ii) Election to Defer Distribution. A Participant who will become eligible to receive a distribution of a Class Year Subaccount under (i) above may elect to defer to the January 1 of a later year (subject to the limitations provided below) the distribution of such Class Year Subaccount. The election to defer distribution of a Class Year Subaccount must be filed prior to the end of the fourth Plan Year immediately following the Class Year for such Class Year Subaccount. For example, for the 2001 Class Year Subaccount, the election must be filed prior to January 1, 2006. The Participant's deferral election for a Class Year Subaccount must indicate (A) the January 1 when he desires his benefit to be paid or to commence, which date must be at least two (2) years after the date he could initially have received a distribution, and (B) whether the distribution should be made in a lump sum or in annual installments over a period of up to ten (10) years; provided, that the lump sum payment shall be made not later than the year in which he attains age 70 and the last installment payment shall be made not later than the year in which the Participant attains age 75. A Participant's Class Year

Subaccount for which a deferral election is made under this subsection (b) shall continue to be credited with earnings under Section 4.1(a) until the amount is fully distributed (except as limited in the case of a Termination for Cause).

(iii) Death, Disability or Termination of Service Prior to Vesting.

(A) Notwithstanding the existence of a deferral election under Section 4.3(a)(ii), in the event of a Participant's death, Total and Permanent Disability, or a Termination of Service prior to the Participant's completion of 5 Years of Service and attainment of age 55, distribution of the vested balance credited to a Participant's Deferral Subaccount shall be made to the Participant (or his Beneficiary in the event of death) as soon as practical. Payment of the Participant's Deferral Subaccount shall be made in a lump sum. In the event payments are made pursuant to this subsection (a)(iii), earnings shall be credited under Section 4.1(a) until all amounts have been distributed (except as limited in the case of Termination for Cause).

(B) In the event a Participant terminates after completing 5 Years of Service and attaining age 55 (except for death and Total and Permanent Disability which are covered by (A) above), the vested balance credited to a Participant's Deferral Subaccount shall be distributed as follows: (x) any Class Year Subaccounts as to which he has properly elected under subsection (ii) above a delayed distribution and/or payment in installments shall be distributed in accordance with such elections; and (y) with respect to any Class Year Subaccounts as to which the five-year period has not yet passed and that would otherwise be payable more than one (1) year in the future, the Participant may elect prior to termination to make the deferral election in (ii) above. Any Class Year Subaccounts as to which the 5-year period has not passed that are payable within one (1) year and any Class Year Subaccounts as to which the election in (y) is not made shall be payable as soon as practical after termination.

(b) Matching and Supplemental Subaccounts. The vested amounts (determined in accordance with Section 4.2(b)) credited to a Participant's Matching Subaccount and Supplemental Subaccount shall be payable in a lump sum as soon as practical after the Participant's death, Total and Permanent Disability or Termination of Service, unless, in the case of a termination other than for death or Total and Permanent Disability, the Participant has elected a delayed payment date and/or payment in installments on the Election Form; provided that the lump sum payment shall be made not later than the year in which he attains age 70 and the last installment payment shall be made not later than the year in which the Participant attains age 75. The Plan Administrator may establish rules to permit Participants to change the form and timing of their payment election, provided that no such change shall be effective unless it is made at least two (2) years prior to the Participant's Termination of Service. In the event of death after Termination of Service, distribution of the remaining amount credited to the Participant's Matching Subaccount and Supplemental Subaccount shall be made to a Beneficiary

in a lump sum as soon as practical after the Participant's death. All amounts, including amounts deemed to be invested in Shares, shall be paid in cash.

4.4 Hardship. A Participant who is suffering an unforeseen and severe financial hardship as a result of (i) an illness or accident of the Participant or his immediately family, (ii) loss of Participant's property due to casualty, or (iii) for such other reasons as the Plan Administrator may establish, may file a written request with the Plan Administrator for distribution of all or a portion of the amount credited to his Deferral Subaccount. The Plan Administrator shall have the sole discretion to determine whether to grant a Participant's hardship request and the amount to distribute to the Participant. The Plan Administrator shall have authority in connection with such hardship request to accelerate the payment of any Class Year Subaccounts which have been deferred pursuant to Section 4.3(a).

ARTICLE V
PLAN ADMINISTRATOR

5.1 Committee. The Plan Administrator shall be the Company or such committee as may be designated by the Company to administer and manage the Plan. Members of any committee shall not be required to be employees of the Company or Participants. Action of the Plan Administrator may be taken with or without a meeting of committee members. If a member of the committee is a Participant in the Plan, he shall not participate in any decision which solely affects his own Account.

5.2 Right and Duties. The Plan Administrator shall have the discretionary authority to administer and manage the Plan and shall have all powers necessary to accomplish that purpose, including (but not limited to) the following:

(a) To construe, interpret, and administer this Plan;

(b) To make allocations and determinations required by this Plan, and to maintain records relating to Participants' Accounts;

(c) To compute and certify to the Company the amount and kinds of benefits payable to Participants or their beneficiaries, and to determine the time and manner in which such benefits are to be paid;

(d) To authorize all disbursements by the Company pursuant to this Plan;

(e) To maintain (or cause to be maintained) all the necessary records of the administration of this Plan;

(f) To make and publish such rules for the regulation of this Plan as are not inconsistent with the terms hereof;

(g) To delegate to other individuals or entities from time to time the performance of any of its duties or responsibilities hereunder; and

(h) To hire agents, accountants, actuaries, consultants and legal counsel to assist in operating and administering the Plan.

The Plan Administrator shall have the exclusive discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount and manner of payment of such benefits, and its decisions on such matters shall be final and conclusive on all parties.

5.3 Compensation, Indemnity and Liability. The Plan Administrator shall serve as such without bond and without compensation for services hereunder. All expenses of the Plan and the Plan Administrator shall be paid by the Company. If the Plan Administrator is a committee, no member of the committee shall be liable for any act or omission of any other

member of the committee, nor for any act or omission on his own part, excepting his own willful misconduct. The Company shall indemnify and hold harmless the Plan Administrator and each member of the committee against any and all expenses and liabilities, including reasonable legal fees and expenses, arising out of his membership on the committee, excepting only expenses and liabilities arising out of his own willful misconduct.

5.4 Taxes. If the whole or any part of any Participant's Account shall become liable for the payment of any estate, inheritance, income, or other tax which the Company shall be required to pay or withhold, the Company shall have the full power and authority to withhold and pay such tax out of any monies or other property in its hand for the account of the Participant whose interests hereunder are so liable. The Company shall provide notice of any such withholding. Prior to making any payment, the Company may require such releases or other documents from any lawful taxing authority as it shall deem necessary.

ARTICLE VI
CLAIMS PROCEDURE

6.1 Claims for Benefits. If a Participant or beneficiary (hereafter, "Claimant") does not receive timely payment of any benefits which he believes are due and payable under the Plan, he may make a claim for benefits to the Plan Administrator. The claim for benefits must be in writing and addressed to the Plan Administrator or to the Company. If the claim for benefits is denied, the Plan Administrator shall notify the Claimant in writing within 90 days after the Plan Administrator initially received the benefit claim. However, if special circumstances require an extension of time for processing the claim, the Plan Administrator shall furnish notice of the extension to the Claimant prior to the termination of the initial 90-day period and such extension shall not exceed one additional, consecutive 90-day period. Any notice of a denial of benefits shall advise the Claimant of the basis for the denial, any additional material or information necessary for the Claimant to perfect his claim, and the steps which the Claimant must take to have his claim for benefits reviewed.

6.2 Appeals. Each Claimant whose claim for benefits has been denied may file a written request for a review of his claim by the Plan Administrator. The request for review must be filed by the Claimant within 60 days after he received the written notice denying his claim. The decision of the Plan Administrator will be made within 60 days after receipt of a request for review and shall be communicated in writing to the Claimant. Such written notice shall set forth the basis for the Plan Administrator's decision. If there are special circumstances which require an extension of time for completing the review, the Plan Administrator's decision shall be rendered not later than 120 days after receipt of a request for review.

ARTICLE VII
AMENDMENT AND TERMINATION; CHANGE IN CONTROL

7.1 Amendments. Subject to Section 7.3, the Company (or its designee) shall have the right in its sole discretion to amend this Plan in any manner at any time; provided, however, that no such amendment shall reduce the Participant's vested interest in his Account under Section 4.2 at that time. Any amendment shall be in writing and executed by a duly authorized officer of the Company. All Participants shall be bound by such amendment.

7.2 Termination of Plan. The Company expects to continue this Plan, but does not obligate itself to do so. Subject to Section 7.3, the Company reserves the right to discontinue and terminate the Plan at any time, in whole or in part, for any reason (including a change, or an impending change, in the tax laws of the United States or any State). If the Plan is terminated, the Plan Administrator shall be notified of such action in a writing executed by a duly authorized officer of the Company, and the Plan shall be terminated at the time therein set forth. Termination of the Plan shall be binding on all Participants, but in no event may such termination reduce the amounts credited at that time to any Participant's Account. If this Plan is terminated, amounts theretofore credited to Participant's Deferral Subaccount, Matching Subaccount and Supplemental Subaccount, including interest and earnings from the last Valuation Date to the termination date, shall either be paid in a lump sum immediately, or distributed in some other manner consistent with this Plan, as determined by the Plan Administrator in its sole discretion.

7.3 Change In Control Provisions.

(a) Amendment or Termination. Notwithstanding anything contained in this Plan to the contrary, for a period of two (2) years following a Change in Control this Plan shall not be terminated or amended to reduce, suspend or eliminate any Eligible Executive's or Participant's benefits or participation (or right to participate) provided under this Plan, including, without limitation, the benefits provided in Articles III and IV. Any amendment or termination of this Plan which a Participant reasonably demonstrates (i) was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control, or (ii) otherwise arose in connection with or in anticipation of a Change in Control, and which was not consented to in writing by the Participant shall be null and void, and shall have no effect whatsoever with respect to the Participant.

(b) Termination of Employment. Notwithstanding anything contained in this Plan to the contrary, if a Participant's employment is terminated by the Company (other than for "Cause" as defined in (c) below) or by the Participant for any reason within two (2) years following a Change in Control, the Participant's Account shall become fully vested and the Company shall, within five (5) days, pay to the Participant a lump sum cash payment of the full amount credited to his Account (including any Class Year Subaccounts subject to a deferral election under Section 4.3(b), Matching Subaccount and Supplemental Subaccount) with earnings determined under Section 4.1 credited thereto to the date of payment. If a Participant's employment is terminated (i) for Cause (as defined in (c) below) within two (2) years following a Change in

Control or (ii) for any reason more than two (2) years after a Change in Control, the provisions of Article IV shall apply to the distribution of the Participant's Account.

(c) Cause. For purposes of Section 7.3(b), a termination for "Cause" is a termination of the Executive evidenced by a resolution adopted in good faith by two-thirds of the Board of Directors of the Company that the Participant (i) intentionally and continually failed to substantially perform his duties with the Company (other than a failure resulting from the Participant's incapacity due to physical or mental illness) which failure continued for a period of at least thirty (30) days after a written notice of demand for substantial performance has been delivered to the Participant specifying the manner in which the Participant has failed to substantially perform, or (ii) intentionally engaged in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise; provided, however, that no termination of the Participant's employment shall be for Cause as set forth in clause (ii) above until (x) there shall have been delivered to the Participant a copy of a written notice setting forth that the Participant was guilty of the conduct set forth in clause (ii) and specifying the particulars thereof in detail, and (y) the Participant shall have been provided an opportunity to be heard by the Board (with the assistance of the Participant's counsel if the Participant so desires). No act, nor failure to act, on the Participant's part, shall be considered "intentional" unless he has acted or failed to act, with an absence of good faith and without a reasonable belief that his action or failure to act was in the best interest of the Company. Notwithstanding anything contained in this Agreement to the contrary, in the case of any Participant who is a party to a Severance Protection Agreement, no failure to perform by the Participant after a Notice of Termination (as defined in the Participant's Severance Protection Agreement) is given by the Participant shall constitute Cause for purposes of this Plan.

ARTICLE VIII
MISCELLANEOUS

8.1 Limitation on Participant's Rights. Participation in this Plan shall not give any Participant the right to be retained in the Company's employ or the employ of any Employer, or any right or interest in this Plan or any assets of the Company other than as herein provided. The Company reserves the right to terminate the employment of any Participant without any liability for any claim against the Company under this Plan, except to the extent provided herein.

8.2 Benefits Unfunded. The benefits provided by this Plan shall be unfunded. All amounts payable under this Plan to Participants shall be paid from the general assets of the Company, and nothing contained in this Plan shall require the Company to set aside or hold in trust any amounts or assets for the purpose of paying benefits to Participants. This Plan shall create only a contractual obligation on the part of the Company, and Participants shall have the status of general unsecured creditors of the Company under the Plan with respect to amounts of Compensation they defer hereunder or any other obligation of the Company to pay benefits pursuant hereto. Any funds of the Company available to pay benefits pursuant to the Plan shall be subject to the claims of general creditors of the Company, and may be used for any purpose by the Company.

Notwithstanding the preceding paragraph, the Company may at any time transfer assets, including Shares, to a trust for purposes of paying all or any part of its obligations under this Plan. However, to the extent provided in the trust only, such transferred amounts shall remain subject to the claims of general creditors of the Company. To the extent that assets are held in a trust when a Participant's benefits under the Plan become payable, the Plan Administrator shall direct the trustee to pay such benefits to the Participant from the assets of the trust.

8.3 Other Plans. This Plan shall not affect the right of any Executive or Participant to participate in and receive benefits under and in accordance with the provisions of any other employee benefit plans which are now or hereafter maintained by the Company, unless the terms of such other employee benefit plan or plans specifically provide otherwise.

8.4 Receipt or Release. Any payment to a Participant in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan Administrator, the Company and any Employer, and the Plan Administrator may require such Participant, as a condition precedent to such payment, to execute a receipt and release to such effect.

8.5 Governing Law. This Plan shall be construed, administered, and governed in all respects in accordance with applicable federal law and, to the extent not preempted by federal law, in accordance with the laws of the State of Georgia. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

8.6 Gender, Tense, and Headings. In this Plan, whenever the context so indicates, the singular or plural number and the masculine, feminine, or neuter gender shall be deemed to include the other. Headings and subheadings in this Plan are inserted for convenience of reference only and are not considered in the construction of the provisions hereof.

8.7 Successors and Assigns; Nonalienation of Benefits. This Plan shall inure to the benefit of and be binding upon the parties hereto and their successors and assigns; provided, however, that the amounts credited to the Account of a Participant shall not (except as provided in Section 5.4) be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to any benefits payable hereunder, including, without limitation, any assignment or alienation in connection with a separation, divorce, child support or similar arrangement, shall be null and void and not binding on the Plan or the Company. In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to substantially all of the business or assets of the Company to expressly agree to assume and perform this Agreement in the same manner that the Company would be required to perform it.

8.8 Combination With Other Plan. The Plan may be combined or merged with other deferred compensation plans of the Company and the Plan Administrator shall establish the terms and conditions relating to any such merger.

[Execution page follows]

IN WITNESS WHEREOF, the Company has caused this Plan to be executed by its duly authorized officers as of the ____ day of _____, 2001, to be effective on the Effective Date.

L & C SPINCO, INC.

By:

Name:

Title:

L & C SPINCO, INC.
EXECUTIVES' DEFERRED COMPENSATION PLAN
(EFFECTIVE AS OF _____, 2001)

PURPOSE

L & C Spinco, Inc. (the "Company") has established the L & C Spinco, Inc. Executives' Deferred Compensation Plan (the "Plan") to assist certain key employees in accumulating capital or supplementing any retirement income they may otherwise receive by permitting them to defer a portion of their compensation. To encourage these individuals to participate in the Plan and to continue their employment with the Company, the Company will match a portion of these deferred amounts.

The Plan is designed to be a nonqualified, deferred compensation plan maintained primarily for a select group of management and highly compensated employees of the Company and its subsidiaries. The benefits under the Plan are unfunded and all amounts payable under the Plan shall be paid from the general assets of the Adopting Employer which employs the Participant.

The Plan is effective as of _____, 2001, and is established in connection with the spin-off of the Company by National Service Industries, Inc. ("NSI"), as a successor plan to the National Service Industries, Inc. Executives' Deferred Compensation Plan ("Prior Plan") for certain employees and former employees of NSI and its subsidiaries who were participants in the Prior Plan immediately prior to the Effective Date, and who became or remained employees of the Company or its Subsidiaries as of the Effective Date or who were formerly employed by the businesses transferred to the Company by NSI.

ARTICLE I

DEFINITIONS

1.1 "Average Prime Rate" means the rate of interest publicly announced by Wachovia Bank, Atlanta, Georgia (or any successor thereto) as its prime rate on the first business day of each calendar quarter commencing between Valuation Dates.

1.2 "Class Year" means the Fiscal Year for which a deferral is elected.

1.3 "Class Year Account" means the sub-accounts set up for the Primary Account and Company Contribution Account for each Class Year.

1.4 "Code" means the Internal Revenue Code of 1986, as amended from time to time.

1.5 "Company" means L & C Spinco, Inc., a Delaware corporation (or its successor or successors). Affiliated or related employers are permitted to adopt the Plan and shall be known as "Adopting Employers." To the extent required by certain provisions (e.g., Compensation and Continuous Service), references to the Company shall include the Adopting Employer of the Participant. Adopting Employers are listed on Appendix A.

1.6 "Committee" means the Committee appointed to administer the Plan as and to the extent provided in Article VIII.

1.7 "Company Contribution Account" means the sum of all amounts credited to a Participant pursuant to Section 3.1, including amounts previously credited to a Participant's Company Contribution Account in the Prior Plan and transferred to this Plan as provided in Article X, together with interest allowances thereon credited pursuant to Section 4.1 herein.

1.8 "Compensation" means the aggregate salary from the Company (and/or, with respect to periods prior to the Effective Date, from NSI or one of NSI's affiliates) received by a Participant during a Fiscal Year together with any performance or discretionary bonus awarded by the Company (and/or, with respect to periods prior to the Effective Date, by NSI or one of NSI's affiliates) for that same Fiscal Year. Compensation does not include expense reimbursement, car allowance, imputed value of group life insurance, aspiration award payments, income from stock options, restricted stock, and other stock awards, Company contributions to any benefit plan, or any gift or awards not treated as pay by the Company.

1.9 "Continuous Service" means the period of uninterrupted employment of an Eligible Executive with the Company since the individual's most recent date of employment or appointment to the class of Eligible Executives, whichever is applicable. For individuals who are Eligible Executives on the Effective Date and who were participating in the Prior Plan immediately prior to the Effective Date, Continuous Service shall include the Eligible Executive's period of Continuous Service under the Prior Plan.

1.10 "Deferral Election" means a written election, in a form prescribed by the Committee, to defer receipt of bonus amounts otherwise payable to the Executive.

1.11 "Deferred Compensation" means the portion of a Participant's compensation for any Fiscal Year, or part thereof, that has been deferred pursuant to the Plan.

1.12 "Effective Date" means the date the Plan is effective, _____, 2001.

1.13 "Executive or Eligible Executive" means a Senior Officer, a Key Manager, or a President, each as defined herein. Any dispute regarding any individual's eligibility for the Plan shall be resolved by the Committee in its sole discretion.

1.14 "Fiscal Year" means the fiscal year of the Company commencing on September 1 and ending on August 31 of the following calendar year, or such other fiscal year as may be established in the future.

1.15 "Key Manager" means an assistant vice president or other key management employee (as determined by the Committee or its designee) of the Company or an Adopting Employer.

1.16 "NSI" means National Service Industries, Inc., a Delaware corporation.

1.17 "Participant" means a person a portion of whose compensation for any Fiscal Year has been deferred pursuant to the Plan and whose interests in the Plan have not been wholly forfeited or distributed.

1.18 "Plan or Executives' Plan" means the L & C Spinco, Inc. Executives' Deferred Compensation Plan as described in this instrument, and as it may be amended from time to time.

1.19 "President" means the president of a business segment of the Company or an Adopting Employer.

1.20 "Primary Account" means the sum of all amounts deferred by a Participant pursuant to Section 2.1 including any amounts previously deferred to the Participant's Primary Account under the Prior Plan and transferred to this Plan, plus interest allowances thereon credited pursuant to Section 4.1 herein.

1.21 "Prior Plan" means the National Service Industries, Inc. Executives' Deferred Compensation Plan.

1.22 "Senior Officer" means the president or an executive vice president, senior vice president, or vice president of the Company or an Adopting Employer.

1.23 "Termination of Service" or similar expression means the termination of the Participant's employment as an Eligible Executive of the Company. A Participant who is granted a temporary leave of absence, whether with or without pay, shall not be deemed to have terminated his service. In the event of a transfer of an Eligible Executive to a position in which he would no longer be eligible to continue in this Plan, or in the event of the disability of a Participant (as determined by the Committee), the Committee, in its sole discretion, shall determine whether a Termination of Service has occurred.

1.24 "Total and Permanent Disability" means a physical or mental incapacity which impairs the Participant's ability to substantially perform his duties for a period of one hundred eighty (180) consecutive days, as determined by the Committee.

1.25 "Valuation Dates" mean March 31 and September 30 of each year.

ARTICLE II

AMOUNTS DEFERRED

2.1 Each Eligible Executive may elect to have a portion of the annual performance or discretionary bonus ("bonus"), if any, to be received by him for the Fiscal Year commencing September 1, 2001, and for any Fiscal Year thereafter, irrevocably deferred in accordance with the terms and conditions of the Plan. The amount of such bonus that may be so deferred shall not exceed the lower of:

(a) the Executive's Compensation for the Class Year which is in excess of the average Compensation paid or credited to the Executive (including any amounts deferred under this Plan, but excluding Company Contributions under this Plan) for services rendered as an Eligible Executive over the three (3) full Fiscal Years immediately preceding the Class Year. If the Executive has completed two (2) but less than three (3) full Fiscal Years of Continuous Service in an eligible position the average shall be computed based upon the average Compensation paid or credited to the Executive for the two (2) full Fiscal Years immediately preceding the Class Year. Any Executive who has not completed two (2) full Fiscal Years in an eligible position shall be entitled to defer for the Class Year not more than (1) twenty-five hundred dollars (\$2,500) for a Senior Officer and (2) twelve hundred fifty dollars (\$1,250) for a Key Manager; and

(b) the Executive's bonus for the Class Year.

An Executive desiring to exercise such election shall deliver a Deferral Election to the Company or the Executive's Adopting Employer, as applicable, prior to the beginning of each such Fiscal Year, or if an individual first becomes an Eligible Executive during a Fiscal Year, within 30 days after the date the individual first becomes an Eligible Executive (or within such other period as may be established by the Committee). Any such Deferral Election delivered under the Prior Plan with respect to the Fiscal Year ending August 31, 2002 shall continue in effect under this Plan for such Fiscal Year. If the Executive's Deferral Election would result in a deferral greater than the maximum provided herein, any deferred amount shall be reduced to the maximum limit provided herein.

2.2 The Executive's Primary Account shall be credited, as of October 1 next following the end of each Class Year for which the election was made, with the dollar amount of the Compensation deferred for such Class Year pursuant to Section 2.1.

2.3 A Participant's accounts shall be distributable in the manner and subject to the conditions set forth in Article V, Article VI and Article IX.

ARTICLE III

COMPANY CONTRIBUTION

As of each October 1, the Company shall contribute to a Company Contribution Account on behalf of each Eligible Executive an amount equal to the Executive's Deferred Compensation for the immediately preceding Class Year, up to a maximum of five thousand dollars (\$5,000) for a Senior Officer or President and twenty-five hundred dollars (\$2,500) for a Key Manager.

The inability of a Participant to fully utilize the maximum Company Contribution for any Class Year, whether due to lack of qualified earnings, eligible service, failure to elect or any other reason, shall not result in a carry-over of unused credits to any subsequent year.

ARTICLE IV

INTEREST ALLOWANCE

Each Primary Account and Company Contribution Account of each Participant shall be credited as of each September 30 with an interest allowance which shall be computed and compounded on semi-annual Valuation Dates based upon the Average Prime Rate as follows:

When the Average Prime Rate is: -----	The Interest Credit Shall Be: -----
-more than 12.00%	-Average Prime Rate less 3%
-more than 8.00% but not more than 12.00%	-Average Prime Rate less 2%
-8.00% or less	-Average Prime Rate less 1%

This interest allowance shall be applied to the balances standing, as of said date, in each Participant's accounts for all Class Years.

ARTICLE V

VESTING

5.1 A Participant shall at all times have a non-forfeitable (vested) right to the amounts in his Primary Account subject to the distribution provisions of Article VI.

5.2 (a) Subject to Article IX, the Company Contribution Account of a Participant for each Class Year shall become vested in him upon the completion of five full Fiscal Years of Continuous Service as an Eligible Employee after the end of such Class Year.

(b) Subject to Article IX, the Company Contribution Account of a Participant for all Class Years shall become vested in him upon the occurrence of any of the following events:

(i) Total and Permanent Disability of the Participant (as determined by the Committee); or

(ii) Retirement after the Participant has attained age 55; or

(iii) Death of the Participant; or

(iv) Termination of this Plan.

5.3 Notwithstanding anything to the contrary herein, prior to a Change in Control should the Participant be found by the Committee to be guilty of theft, embezzlement, fraud or misappropriation of the Company's property or of any action which, if the individual were an Officer of the Corporation, would constitute a breach of fiduciary duty, the Company Contribution Account for all Class Years which had not yet vested in the Participant shall be immediately forfeited.

ARTICLE VI

DISTRIBUTION

6.1 Subject to Article IX, distribution of the vested portion of a Participant's Account shall be made in a lump sum as soon as practicable following the Participant's Total and Permanent Disability, death or Termination of Service for any other reason prior to attainment of age 55. If a Participant terminates employment on or after age 55, the provisions of any benefit elections made by the Participant pursuant to Section 6.3 shall be recognized. In the event of the termination of the Plan or the Total and Permanent Disability or death of a Participant, interest allowance pursuant to Article IV shall be computed to the date of payment hereunder. In the event of Termination of Service for any other reason, interest allowance shall be computed to the last Valuation Date falling on or before the date of such Termination of Service.

6.2 Except as provided in Section 6.1 above and Article IX, distribution of each Class Year Account of a Participant shall be made in a single lump sum payment on the October 1 next following five (5) full Fiscal Years after the Class Year. For example, the distribution of Class Year 2001 Account shall be made on October 1, 2006 and for Class Year 2002 Account on October 1, 2007, etc. Such Participant, may, however, make a timely election to further defer receipt of this sum as provided in Section 6.3.

6.3 Any Participant may file a subsequent election to further irrevocably defer any amount becoming distributable under this Plan provided that such election is filed before the end of the fourth Fiscal Year immediately following the Class Year. For example, for Class Year 2001 any such election must be filed prior to September 1, 2005. Any such election made under the Prior Plan shall continue in effect under this Plan. This subsequent deferral shall provide, at the option of the Participant, for payment of the Participant's full Class Year Account balance in a single sum or in installments payable on October 1 of any year or years but with the last installment due not later than ten years after the Participant's retirement and not before the regular distribution date otherwise provided herein. A Participant retiring on or after age 55 may elect prior to termination to make the deferral election in this section with respect to all Class Year Accounts as to which the five-year period has not yet passed and that would otherwise be payable more than one (1) year in the future. Any Class Year Accounts as to which the five-year period has not yet passed that are payable within one (1) year and any Class Year Accounts as to which the election in this section is not made shall be payable as soon as practical after termination.

6.4 Hardship. A Participant who is suffering an unforeseen and severe financial hardship as a result of (i) an illness or accident of the Participant or his immediate family, (ii) loss of Participant's property due to casualty, or (iii) for such other reasons as the Committee may establish, may file a written request with the Committee for distribution of all or a portion of the amount credited to his Account. The Committee shall have the sole discretion to determine whether to grant a Participant's hardship request and the amount to distribute to the Participant. The Committee shall have authority in connection with such hardship request to accelerate the payment of any Class Year Accounts which have been deferred pursuant to Section 6.3.

ARTICLE VII

MISCELLANEOUS

7.1 No Participant or any other person shall have any interest in any specific asset or assets of the Company by reason of any sums credited to him hereunder or any right to receive any distribution under the Plan except as and to the extent expressly provided in the Plan. Nothing in the Plan shall be deemed to give any officer or any employee of the Company any right to participate in the Plan, except in accordance with the provisions of the Plan.

7.2 Neither the adoption nor the amendment of the Plan, nor any action of the Board of Directors of the Company or the Committee, nor any election to defer compensation hereunder, shall be held or construed to confer on any person any legal right to be continued as an employee of the Company.

7.3 No Participant or any other person entitled to payment hereunder shall have the right to assign, pledge or otherwise dispose of any interest in his Account, nor shall the Participant's interest therein be subject to garnishment, attachment, transfer by operation of law, or any legal process, except to pay a debt of such Participant to the Company or an Adopting Employer.

7.4 If a Participant or beneficiary (hereafter, "Claimant") does not receive timely payment of any benefits which he believes are due and payable under the Plan, he may make a claim for benefits to the Plan Administrator. The claim for benefits must be in writing and addressed to the Plan Administrator or to the Company. If the claim for benefits is denied, the Plan Administrator shall notify the Claimant in writing within 90 days after the Plan Administrator initially received the benefit claim. However, if special circumstances require an extension of time for processing the claim, the Plan Administrator shall furnish notice of the extension to the Claimant prior to the termination of the initial 90-day period and such extension shall not exceed one additional, consecutive 90-day period. Any notice of a denial of benefits shall advise the Claimant of the basis for the denial, any additional material or information necessary for the Claimant to perfect his claim, and the steps which the Claimant must take to have his claim for benefits reviewed.

7.5 Each Claimant whose claim for benefits has been denied may file a written request for a review of his claim by the Plan Administrator. The request for review must be filed by the Claimant within 60 days after he received the written notice denying his claim. The decision of the Plan Administrator will be made within 60 days after receipt of a request for review and shall be communicated in writing to the Claimant. Such written notice shall set forth the basis for the Plan Administrator's decision. If there are special circumstances which require an extension of time for completing the review, the Plan Administrator's decision shall be rendered not later than 120 days after receipt of a request for review.

7.6 If the whole or any part of any Participant's Account shall become liable for the payment of any estate, inheritance, income, or other tax which the Company shall be required to pay or withhold, the Company shall have the full power and authority to withhold and pay such tax out of any monies or other property in its hand for the account of the Participant whose

interests hereunder are so liable. The Company shall provide notice of any such withholding. Prior to making any payment, the Company may require such releases or other documents from any lawful taxing authority as it shall deem necessary.

7.7 Each Participant shall have the right at anytime to designate, and rescind or change any designation of, a primary and contingent beneficiary or beneficiaries to receive benefits hereunder in the event of his death. If there is no surviving beneficiary at the time of the Participant's death, future payments due shall be made to the estate of the Participant. A designation or change of beneficiary shall be made in writing on a form prescribed by the Committee. After such notice is filed with the Committee, the designation or change shall relate back and take effect as of the date the Participant signed such form, but without prejudice to the Committee or the Company on account of any payment made before receipt of such notice. Any valid designation of beneficiary under the Prior Plan shall continue in effect under this Plan until changed or rescinded as provided above.

7.8 The benefits provided by this Plan shall be unfunded. All amounts payable under this Plan to any Participant shall be paid from the general assets of the employer which principally employs the Participant (the "Obligated Employer"), and nothing contained in this Plan shall require the Obligated Employer to set aside or hold in trust any amounts or assets for the purpose of paying benefits to Participants. This Plan shall create only a contractual obligation on the part of the Obligated Employer and Participants shall have the status of general unsecured creditors of the Obligated Employer under the Plan with respect to amounts of Compensation they defer hereunder or any other obligation of the Obligated Employer to pay benefits pursuant hereto. Any funds of the Obligated Employer available to pay benefits pursuant to the Plan shall be subject to the claims of general creditors of the Obligated Employer, and may be used for any purpose by the Obligated Employer.

Notwithstanding the preceding paragraph, the Obligated Employer may at any time transfer assets to a trust for purposes of paying all or any part of its obligations under this Plan. However, to the extent provided in the trust only, such transferred amounts shall remain subject to the claims of general creditors of the Obligated Employer. To the extent that assets are held in a trust when a Participant's benefits under the Plan become payable, the Committee shall direct the trustee to pay such benefits to the Participant from the assets of the trust.

7.9 In consideration of each Participant's performance of valuable services that inure to the financial benefit of the Company, the Company does hereby agree to perform all of the obligations and responsibilities and pay any benefits due and owing to a Participant under the Plan if the Obligated Employer (as defined in Section 7.5) designated to perform such obligations and responsibilities or pay such benefits fails or is unable to do so.

ARTICLE VIII

COMMITTEE

8.1 The Plan shall be administered by a Committee composed of the Compensation Committee of the Board of Directors of the Company or such other committee as may be designated by the Board of Directors. The Committee shall be deemed to have and to be exercising all of the powers of the Board of Directors of the Company in the performance of any of the powers and duties delegated to it under the Plan. No member of the Committee may participate in a decision regarding his or her own benefits under the Plan except in general matters dealing with the Plan as a whole. The Committee shall have the authority to delegate its duties and responsibilities hereunder.

8.2 The Committee may, in its absolute discretion, without notice at any time and from time to time, modify or amend, in whole or in part, any or all of the provisions of the Plan, or suspend or terminate it entirely; provided that no such modification, amendment, suspension or termination may, without his consent, apply to or affect the payment or distribution to any Participant of any amounts credited to him hereunder prior to the effective date of such modification, amendment, suspension or termination. Notwithstanding anything contained in this Plan to the contrary, for a period of two (2) years following a Change in Control this Plan shall not be terminated or amended to reduce or eliminate any Eligible Executive's or Participant's benefits or participation (or right to participate) provided under this Plan, including, without limitation, the benefits provided in Articles II, III, V and IX.

8.3 The Committee shall from time to time establish eligibility requirements for participation in the Plan and rules for the administration of the Plan, including such delegation of any administrative or ministerial duties hereunder as it may deem desirable, that are not inconsistent with the provisions of the Plan.

8.4 The Committee shall have the exclusive discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount of such benefits, and its decisions on such matters shall be final and conclusive on all parties. Without limiting the generality of the foregoing, the determination of the Committee as to whether a Participant has retired, Terminated his Service or become Totally and Permanently Disabled and the date thereof shall be final, binding and conclusive upon all persons.

8.5 The Company or the Committee may consult with legal counsel, who may be counsel for the Company or other counsel, with respect to its obligations or duties hereunder, or with respect to any action or proceeding or any question of law, and shall not be liable with respect to any action taken or omitted by it in good faith pursuant to the advice of such counsel.

8.6 Wherever the context so requires, words in the masculine include the feminine and in the feminine include the masculine.

8.7 This Plan shall be construed, administered and governed in all respects under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and, to the extent not preempted by ERISA, by the laws of the State of Georgia.

ARTICLE IX

CHANGE IN CONTROL PROVISIONS

9.1 Cause. For purposes of this Plan, a termination for "Cause" is a termination evidenced by a resolution adopted in good faith by two-thirds of the Board that the Participant (i) intentionally and continually failed to substantially perform his duties with the Company (other than a failure resulting from the Participant's incapacity due to physical or mental illness) which failure continued for a period of at least thirty (30) days after written notice of demand for substantial performance has been delivered to the Participant specifying the manner in which the Participant has failed to substantially perform, or (ii) intentionally engaged in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise; provided, however that no termination of the Participant's employment shall be for Cause as set forth in clause (ii) above until (x) there shall have been delivered to the Participant a copy of a written notice setting forth that the Participant was guilty of the conduct set forth in clause (ii) and "specifying the particulars thereof in detail, and (y) the Participant shall have been provided an opportunity to be heard by the Board (with the assistance of the Participant's counsel if the Participant so desires). No act, nor failure to act, on the Participant's part, shall be considered "intentional" unless he has acted or failed to act, with an absence of good faith and without a reasonable belief that his action or failure to act was in the best interest of the Company. Notwithstanding anything contained in this Agreement to the contrary, in the case of any Participant who is a party to a Severance Protection Agreement, no failure to perform by the Participant after a Notice of Termination (as defined in the Participant's Severance Protection Agreement) is given by the Participant shall constitute Cause for purposes of this Plan.

9.2 Change in Control. For purposes of this Plan, a Change in Control shall mean any of the following events:

(a) The acquisition (other than from the Company) by any "Person" (as the term person is used for purposes of Sections 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of twenty percent (20%) or more of the combined voting power of the Company's then outstanding voting securities; or

(b) The individuals who, as of _____, 2001, are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the Board; provided, however, that if the election, or nomination for election by the Company's stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; or

(c) A merger or consolidation involving the Company if the stockholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than seventy percent (70%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of

the Company outstanding immediately before such merger or consolidation; or

(d) A complete liquidation or dissolution of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur pursuant to Section (a), solely because twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities under one or more employee benefit plans maintained by the Company or any of its subsidiaries or (ii) any corporation which, immediately prior to such acquisition, is owned directly or indirectly by the stockholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition.

9.3 Termination of Employment. Notwithstanding anything contained in this Plan to the contrary, if a Participant's employment is terminated by the Company (other than for "Cause") or by the Participant for any reason within two (2) years following a Change in Control, the Company shall, within five (5) days, pay to the Participant a lump sum cash payment of his Primary Account and Company Contribution Account with the interest allowance provided for in Article IV credited thereto to the date of payment.

9.4 Amendment or Termination. Any amendment or termination of this Plan which a Participant reasonably demonstrates (i) was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in connection with or in anticipation of a Change in Control, and which was not consented to in writing by the Participant shall be null and void, and shall have no effect whatsoever with respect to the Participant.

ARTICLE X

TRANSFER OF ACCOUNTS

Transfer of Accounts From Prior Plan. Pursuant to an Employee Benefits Agreement dated as of _____, 2001, between the Company and NSI, the amounts credited to the "Class Year Accounts" of certain employees and former employees of NSI and its subsidiaries who were participants in the Prior Plan immediately prior to the Effective Date, and who became or remained employees of the Company or its Subsidiaries as of the Effective Date or who were formerly employed by the businesses transferred to the Company by NSI shall be transferred to the Plan effective as of the Effective Date, or as soon thereafter as is practical. The amounts credited to the sub-accounts in the Participant's Class Year Accounts in the Prior Plan shall be credited to the like sub-accounts in his Class Year Accounts under this Plan and shall thereafter be held and distributed in accordance with the rules of this Plan applicable to the Class Year Accounts. As provided for herein, the elections made under the Prior Plan prior to the Effective Date shall be carried over and apply for purposes of the Plan after the Effective Date (subject to any change of election rights under the Plan).

APPENDIX A

ADOPTING EMPLOYERS

The Zep Group, Inc.
L & C Lighting Group, Inc.

L & C SPINCO, INC.
APPLICATION FOR DEFERRAL OF COMPENSATION

I hereby elect to defer the following amount of any performance or discretionary bonus which is earned by me for the Company's Fiscal Year commencing on September 1 next following the date signed below. If the amount specified below is greater than the maximum amount deferrable under the Plan, the amount deferred will be reduced as required by the L & C Spinco, Inc. Executives' Deferred Compensation Plan.

(Please check)

- \$ _____
- _____% of bonus
- All amounts over \$ _____
- Other _____

I have received a copy of the Plan and understand all of the provisions in it.

BENEFICIARY DESIGNATION

In the event of my death before my entire interest in the Plan has been distributed, any unpaid balances in my Account should be paid to:

Primary

Beneficiary(ies) Name Relationship

In the event my Primary Beneficiary predeceases me, my Account balance should be paid to:

Contingent

Beneficiary(ies) Name Relationship

Name Relationship

Date: ----- Signature: -----

Print Name

L & C SPINCO, INC.
EXECUTIVES' DEFERRED COMPENSATION PLAN

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L & C SPINCO, INC.
SENIOR MANAGEMENT BENEFIT PLAN
(Effective As Of _____, 2001)

L & C SPINCO, INC.
SENIOR MANAGEMENT BENEFIT PLAN

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L & C SPINCO, INC.
SENIOR MANAGEMENT BENEFIT PLAN

PREAMBLE

The L & C Spinco, Inc. Senior Management Benefit Plan ("Plan") is designed to be a non-qualified deferred compensation plan covering a select group of management and highly compensated employees of L & C Spinco, Inc. (the "Company") and its Subsidiaries. The benefits under the Plan are unfunded and all amounts payable under the Plan shall be paid from the general assets of the Employer which employs the Participant.

The effective date of the Plan is _____, 2001 ("Effective Date"). The Plan was originally established in connection with the spin-off of the Company from National Service Industries, Inc. ("NSI"), which became effective _____, 2001. Pursuant to an Employee Benefits Agreement, dated as of _____, 2001, between the Company and NSI, the amounts credited to the Deferred Benefit Accounts of certain employees and former employees of NSI and its subsidiaries who were participants in the National Service Industries, Inc. Senior Management Benefit Plan ("Prior Plan") as of the Effective Date, and who became or remained employees of the Company or its Subsidiaries as of the Effective Date or who were formerly employed by the businesses transferred to the Company by NSI (including those in pay status) shall be transferred to the Plan. As provided for herein, the deferral elections, Benefit Payment Elections and designation of Beneficiaries made under the Prior Plan prior to the Effective Date shall be carried over and apply for purposes of the Plan after the Effective Date (subject to any change of election rights under the Plan).

ARTICLE I. -- DEFINITIONS

The following words and phrases as set forth in this Senior Management Benefit Plan shall have the meaning and application set forth below:

1.1 Anniversary Date. The calendar day that corresponds, each year, to a Participant's Benefit Determination Date.

1.2 Beneficiary. A person or entity designated in accordance with Article VI of this Plan to receive benefits upon the death of a Participant.

1.3 Benefit Determination Date. The last day of the month immediately preceding a Participant's Retirement (Early, Normal or Later), death, termination of employment, determination of Total Disability or the Retirement Benefit Commencement Date specified by the Participant in Section IV(B)(iii) of Schedule A, whichever is applicable.

1.4 Company. L & C Spinco, Inc., a Delaware corporation, or any successor corporation.

1.5 Compensation. The total of the base salary and bonus actually paid or accrued by an Employer during a Plan Year to or for the benefit of a Participant for services rendered, excluding any car allowance paid or payable to such Participant, before reduction for compensation deferred pursuant to this Plan, or any other plan maintained by an Employer.

1.6 Compensation Deferral Election. The election made by a Participant to defer Compensation pursuant to the provisions of Paragraph 3.1, hereof. An Election Form, Schedule A, attached hereto, is filed with the Plan Administrator, for such Compensation Deferral Election.

1.7 Deferred Benefit Account. The accounts maintained on the books of account of Employer for each Participant with respect to such Participant's Compensation Deferral Election pursuant to Article IV. The Participant's Initial Deferred Benefit Account under the Plan shall reflect the transfer of the amount credited to his Deferred Benefit Account under the Prior Plan. Separate Deferred Benefit Accounts shall be maintained for each Participant. A Participant's Deferred Benefit Account shall be utilized solely as a device for the measurement and determination of the amounts to be paid to the Participant pursuant to this Plan. A Participant's Deferred Benefit Account shall not constitute or be treated as a trust fund of any kind or a claim on any specific assets of the Company or its Subsidiaries.

1.8 Determination Date. The last day of each Plan Year.

1.9 Effective Date. The effective date of the Plan,

_____, 2001.

1.10 Employer. For purposes of this Plan, Employer means the Company, or a Subsidiary or related employer that is permitted to adopt the Plan. To the extent required by certain provisions (e.g., Compensation and service), references to the Employer shall include the Employer of the Participant. Adopting Employers are listed on Appendix 1.

1.11 Moody's Interest Rate. An interest rate equal to the Moody's Seasoned Corporate Bond Yield index, as published monthly by Moody's Investor's Service, Inc., or a successor thereto, or if such monthly index is no longer published, a substantially similar average as established by the Plan Administrator.

1.12 Normal Retirement Date. The date on which a Participant reaches sixty-five (65) years of age.

1.13 Participant. An employee of an Employer who is eligible to participate in the Plan according to standards adopted by the Board of Directors of the Company and who elects to participate in this Plan.

1.14 Plan. The term "Plan" shall mean the L & C Spinco, Inc. Senior Management Benefit Plan as set forth herein and as it may be hereafter amended.

1.15 Plan Administrator. A Committee, the members of which shall be appointed by the Board of Directors of the Company, which shall administer the Plan. In the absence of the appointment of a Committee, the Company shall serve as the Plan Administrator.

1.16 Plan Year. The Plan Year for this Plan begins on the first day of September and ends on the following August 31. The initial Plan Year shall commence on the Effective Date and end on August 31, 2002.

1.17 Prior Plan. The National Service Industries, Inc. Senior Management Benefit Plan, in which the Participants in this Plan previously participated.

1.18 Subsidiary. Any corporation is an unbroken chain of corporations beginning with the Company, if each corporation other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. The term shall also include a partnership or LLC in which the Company or a Subsidiary own a 50% or more of the profits interest or capital interest.

1.19 Total Disability (or Totally Disabled). A physical or mental condition which is expected to be totally and permanently disabling, as more fully described in Article VIII.

ARTICLE II. -- ELIGIBILITY AND PARTICIPATION

2.1 Conditions of Eligibility. Eligibility to become a Participant in this Plan will be determined by Plan Administrator according to standards adopted by the Board of Directors of the Company. Such determination shall be conclusive and binding upon all persons.

2.2 Application for Participation. The Plan Administrator shall notify each employee of his eligibility to participate in this Plan. Eligible employees were, on or before August 31, 1985, eligible to elect to participate and begin participation in the Prior Plan by completing all enrollment procedures and satisfying all enrollment requirements established by the Plan Administrator. Such election to participate was effective upon receipt and acceptance by the Plan Administrator of such employee's election to participate.

2.3 Additional Compensation. In addition to any compensation paid to, or benefits provided to a Participant by an Employer, the Participant shall receive the deferred benefits and other benefits provided for herein upon qualifying for such benefits. Except as otherwise provided herein, nothing in this Plan shall be construed as limiting, varying or reducing any provision or benefit to an employee, employee's estate or Beneficiaries pursuant to any employment agreement, any retirement plan, including any qualified pension or profit-sharing plan, any health, disability or life insurance policies or any other agreement between an Employer and an employee.

ARTICLE III. -- COMPENSATION DEFERRAL

3.1 Deferral of Compensation. The following provisions shall be applicable to Participant elections to defer Compensation pursuant to this Plan.

(a) Election. The Employer has previously deferred from the Compensation otherwise payable to the Participant, by the Employer, as a result of such Participant's

employment with Employer, the amounts the Participant elected to defer on Schedule A, Election to Participate and Defer Compensation and Benefit Payment Election, for the number of years specified in Schedule A, in accordance with the Prior Plan. The Compensation Deferral Election shall apply solely to Compensation earned by Participant with respect to periods subsequent to the date of such election. Such Compensation deferral was not effective until the Participant completed all enrollment procedures and satisfied all enrollment requirements established by Plan Administrator.

(b) Amount of Deferral. A Participant who elected to defer Compensation pursuant to the Prior Plan could have elected to defer from such Participant's Compensation, earned after the date of such election, commencing with the Plan Year beginning September 1, 1985, up to 25% of such Participant's annual salary, determined as of August 31, 1985, and 25% of Participant's Bonus earned for Employer's fiscal year then ended, but not less than \$2,500.00, per Plan Year, in equal annual deferrals, for four (4) consecutive Plan Years and/or eight (8) consecutive Plan Years. If a Participant made both a four (4) year and an eight (8) year Compensation Deferral Election, each such election was treated separately for all calculations, elections, and benefit payment schedules and separate Deferred Benefit Accounts have been established and maintained for each such election.

(c) Deferral Limitation. If an employee became a Participant after attaining the age of fifty-seven (57) years, such Participant's Compensation Deferral Election shall be for a period of four (4) consecutive Plan Years. Furthermore, such Participant's Compensation Deferral Election period must end on or before the date such Participant

retires from full-time employment with the Employer, but not later than age sixty-five (65).

(d) Rollover Contribution. Any Participant herein, who was also a Participant in any deferred compensation plan sponsored by the Employer, could have elected, on or before August 31, 1985, to transfer, as of October 1, 1985, all or any portion of such Participant's Primary Account in such deferred compensation plan into the Prior Plan ("Rollover Contribution"). For this purpose, the value of such Participant's Primary Account in such deferred compensation plan was determined as of the close of business on October 1, 1985, pursuant to such deferred compensation plan. Such Rollover Contribution shall be treated as being deferred from Participant's Compensation for purposes of this Plan. In no event was a Participant be permitted to make more than one Rollover Contribution.

3.2 Accounts. The amount of Compensation deferred pursuant to the Compensation Deferral Election, as well as any Rollover Contribution, was credited to the Participant's Deferred Benefit Account in the Prior Plan, established with respect to such Election, as of the date deferred from the Participant's Compensation; provided, however, that a Participant's Rollover Contribution was credited to the Participant's Deferred Benefit Account as of October 1, 1985. The amount credited to a Participant's Deferred Benefit Account shall equal the amount deferred or rolled over reduced by the amount, if any, the Employer was required to withhold from such deferred compensation pursuant to any Federal, state or local law.

ARTICLE IV. -- DEFERRED BENEFIT ACCOUNT

4.1 Determination of Account. The Company shall establish a Deferred Benefit Account for each Participant under the Plan. The initial amount credited to the

Participant's Deferred Benefit Account under the Plan shall be the amount credited to the Participant's Deferred Benefit Account in the Prior Plan as of the Effective Date. The Participant's Deferred Benefit Account shall thereafter be credited with an amount of interest on such Deferred Benefit Account since the preceding Determination Date in accordance with Paragraph 4.3.

4.2 Statement of Accounts. The Plan Administrator shall submit to each Participant, within 120 days after the close of each Plan Year, a statement in such form as Plan Administrator deems desirable, setting forth the balance to the credit of such Participant in each Deferred Benefit Account maintained for such Participant as of the last day of the preceding Plan Year.

4.3 Calculation of Interest. The Deferred Benefit Accounts of Participants shall be credited annually on the Determination Date with interest earnings (the "Interest Earnings Adjustment"), using as the rate of interest earned an interest rate equal to three (3) percentage points greater than the Moody's Interest Rate, as defined in Paragraph 1.11 (such interest rate is hereinafter referred to as the "Interest Earnings Rate"). For amounts in the Participant's Deferred Benefit Account at any Determination Date, the Interest Earnings Adjustment shall be calculated, retrospectively, using a simple interest calculation based on a twelve month average of the Interest Earnings Rates between such Determination Date and the following Determination Date. For amounts deferred between Determination Dates, the Interest Earnings Adjustment shall be calculated monthly on a simple interest basis from the date such amounts are credited to the Participant's Deferred Benefit Account using the Interest Earnings Rate for each month until the next Determination Date.

ARTICLE V. -- RETIREMENT BENEFITS

5.1 Normal Retirement Benefit. Upon a Participant reaching Normal Retirement Date, such Participant may retire from full-time employment with the Employer, in which event the Employer will pay to Participant the amount determined pursuant to Paragraph 5.4(a), payable pursuant to the provisions of Paragraph 5.5.

5.2 Early Retirement Benefit. A Participant may retire at a date sooner than Normal Retirement Date (as defined in Paragraph 5.1), but in no event sooner than the date Participant attains the age of fifty-five (55) years. Such Participant shall be entitled to receive an Early Retirement Benefit as described in Paragraph 5.4(b), payable pursuant to the provisions of Paragraph 5.5.

5.3 Later Retirement Benefit. A Participant who retires after reaching Normal Retirement Date, shall be entitled to receive a Retirement Benefit, as described in Paragraph 5.4(a), payable pursuant to the provisions of Paragraph 5.5.

5.4 Determination of Retirement Benefits.

(a) In the event a Participant retires from full-time employment with the Employer pursuant to the provisions of Paragraphs 5.1 or 5.3, a benefit shall be payable to such Participant ("Retirement Benefit") equal to the greater of: (i) the total amount of such Participant's Deferred Benefit Account, determined pursuant to Paragraph 4.1, as of his Benefit Determination Date, including interest at the Interest Earnings Rate, through such Benefit Determination Date; or (ii) the amount determined pursuant to Schedule B attached hereto and made a part hereof; provided, however, that in the event the Participant retires pursuant to Paragraph 5.3, the amounts determined pursuant to

Schedule B shall be actuarially adjusted such that the Later Retirement Benefit, is actuarially equivalent to the Normal Retirement Benefit described in Schedule B.

(b) If a Participant retires from full-time employment with Employer pursuant to the provisions of Paragraph 5.2, an Early Retirement Benefit shall be payable to such Participant equal to the total amount of such Participant's Deferred Benefit Account, determined pursuant to Paragraph 4.1, as of his Benefit Determination Date. For purposes hereof, the Interest Earnings Adjustment, determined pursuant to Paragraph 4.3, with respect to such Participant's Deferred Benefit Account, shall be determined using the Termination Interest Earnings Rate, through such Benefit Determination Date, determined pursuant to Paragraphs 7.1(b) and 7.1(c), in lieu of the Interest Earnings Rate described in Paragraph 4.3, as if such Termination Interest Earnings Rate had been in effect, with respect to such Participant's Deferred Benefit Account, from the commencement of such Participant's participation in the Prior Plan.

5.5 Payment of Retirement Benefits. Benefits payable to a Participant upon such Participant's retirement from full-time employment with the Employer pursuant to the provisions of Paragraphs 5.1, 5.2 or 5.3, shall be payable on the Retirement Benefit Commencement Date specified by Participant in such Participant's Benefit Payment Election. The Participant's Benefit Payment Election under the Prior Plan shall remain in effect under this Plan until changed in accordance with the provisions of the Plan. A Participant may no later than twenty-four (24) months prior to such Participant's retirement, and with the approval of the Plan Administrator, change the date on which payment of such Participant's Retirement Benefits shall commence and the method of payment of such Retirement Benefits, by executing a new Benefit Payment Election, provided, that (i) if a Participant satisfies the requirements of Paragraph 5.2

for Early Retirement but incurs an interest earnings rate reduction under Paragraph 5.4(b), he may make an election change up to six (6) months prior to retirement, so long as such election is made in the tax year prior to retirement, (ii) the 24-month election period shall not apply to election changes relating to death benefits, and (iii) the Plan Administrator may, in its sole discretion, permit a shorter election period to allow a Participant to accelerate the time and/or manner of payment in the event of a Participant's unforeseen and severe financial hardship (as described in Paragraph 7.6 and as determined by the Plan Administrator). In the event a Participant fails to execute a Benefit Payment Election, such Participant's Retirement Benefits shall be payable pursuant to the method determined by the Plan Administrator, in its sole discretion, commencing on the first day of the second calendar month following the date of such Participant's retirement. Such Participant's Retirement Benefit shall be payable pursuant to one of the following methods, as requested by such Participant, in such Participant's Benefit Payment Election:

(a) A monthly, quarterly, or annual installment payable over a fifteen (15) year period, commencing on the Retirement Benefit Commencement Date specified by Participant in such Participant's Benefit Payment Election. The amount payable for the first year hereunder shall be an amount that will fully amortize the balance in Participant's Deferred Benefit Account, as of the Participant's Benefit Determination Date, over the fifteen (15) year period, based on assumed interest earnings using the Interest Earnings Rate or Termination Interest Earnings Rate, if applicable, as of said Benefit Determination Date. Thereafter, annually, on the Anniversary Date, the amount payable for the following year shall be adjusted to an amount that will fully amortize the remaining balance in Participant's Deferred Benefit Account, on said date, over the

remaining years in the fifteen (15) year installment period, based on the Interest Earnings Rate or Termination Interest Earnings Rate, if applicable, as of said date. The balance in a Participant's Deferred Benefit Account, at any time after his Retirement, will be the unamortized balance thereof taking into account payments to date, or

(b) A lump sum distribution of such Participant's Retirement Benefit, determined pursuant to Paragraph 5.4, payable on the Retirement Benefit Commencement Date specified by the Participant in such Participant's Benefit Payment Election.

ARTICLE VI. -- DEATH BENEFITS

6.1 Participant's Death Prior to Retirement. In the event that a Participant dies prior to retirement from full-time employment with the Employer, the Employer shall pay to the Beneficiary or Beneficiaries designated in writing by such Participant in Schedule A (or to Participant's Estate if Participant fails to so designate a Beneficiary or Beneficiaries), in lieu of the amounts provided for in Paragraph 5.4, the amounts determined pursuant to Paragraph 6.3. The designation of Beneficiary election on Schedule A under the Prior Plan shall remain in effect under the Plan until changed in accordance with the provision of the Plan. Such amounts shall be payable to said Beneficiary or Beneficiaries (or the Participant's Estate, as the case may be) pursuant to either of the following methods as requested by such Beneficiary or Beneficiaries (or if payable to the Estate, the legal representative) as follows:

(a) A monthly, quarterly, or annual installment payable over a fifteen (15) year period, commencing on the first day of the second calendar month following the date of death of the Participant. The amount payable for the first year hereunder shall be an amount that will fully amortize the balance in the Participant's Deferred Benefit

Account, as of the Participant's Benefit Determination Date, over the fifteen (15) year period, based on the Moody's Interest Rate as of such Benefit Determination Date. Thereafter, annually, on the Anniversary Date, the amount payable for the following year shall be adjusted to an amount that will fully amortize the remaining balance in the Participant's Deferred Benefit Account, on said date, over the remaining years in the aforesaid fifteen (15) year installment period, based on the Moody's Interest Rate as of said Anniversary Date. The balance in a Participant's Deferred Benefit Account, at any time after his death, will be the unamortized balance thereof taking into account payments to date, or

(b) A lump sum distribution of such Participant's Death Benefit as determined pursuant to Paragraph 6.3, payable to such Beneficiary or Beneficiaries (or if no Beneficiaries are designated, to the Estate) no later than the first day of the second calendar month following such Participant's death.

6.2 Participant's Death Following Retirement. If

Participant dies following retirement from full-time employment with the Employer under Paragraphs 5.1, 5.2 or 5.3, but prior to the payment of all amounts payable to Participant pursuant to Article V, Employer shall pay to the Beneficiary or Beneficiaries designated in writing by Participant in Schedule A, (or to Participant's Estate if Participant fails to so designate a Beneficiary or Beneficiaries) the amounts which would otherwise be payable to Participant, pursuant to Article V, except for Participant's death. The amounts payable to such Beneficiary or Beneficiaries as the result of Participant's death shall be payable pursuant to the method of payment of such death benefits specified by Participant in such Participant's Benefit Payment Election. Participant shall select such payment methods as follows:

(a) Continuation of Participant's Retirement Benefit, payable over its remaining term thereof, as if such Participant had not died (with interest determined in accordance with Section 5.5(a)); or

(b) A lump sum distribution of such amount, determined pursuant to Paragraph 5.4, payable to such Beneficiary or Beneficiaries (or if no Beneficiaries are designated, to the Estate) no later than the first day of the second calendar month following such Participant's death.

6.3 Determination of Death Benefit.

(a) The amount of the benefit ("Death Benefit") with respect to a Participant shall be equal to the total amount of such Participant's Deferred Benefit Account, including interest at the Interest Earnings Rate through such Benefit Determination Date, determined pursuant to Paragraph 4.1, if death occurs before retirement, and pursuant to Paragraph 5.5(a), if death occurs after retirement.

(b) Notwithstanding the foregoing, if Participant dies prior to retirement from full-time employment with the Employer the amount of the Death Benefit with respect to such Participant shall be the greater of: (i) the amount of the Death Benefit determined pursuant to Paragraph 6.3(a), or (ii) the amount determined pursuant to Schedule C, attached hereto and made a part hereof.

6.4 Death of Beneficiary. In the event of the death of a Beneficiary who is receiving a Death Benefit in installments pursuant to Paragraph 6.1(a) or 6.2(a), such remaining benefit to which such Beneficiary was entitled at the time of such Beneficiary's death shall continue to be payable to the beneficiary or beneficiaries, designated in writing by such

Beneficiary, on a form to be submitted by such Beneficiary to Plan Administrator (or to the Beneficiary's Estate if Beneficiary fails to so designate a beneficiary or beneficiaries).

ARTICLE VII. -- TERMINATION BENEFITS

7.1 Termination of Employment.

(a) If, prior to a Change in Control, a Participant's employment with the Employer is terminated for any reason prior to Normal Retirement Date (excluding death or Total Disability), the Participant's participation in this Plan shall immediately cease and Employer shall pay to Participant a Termination Benefit, determined pursuant to Paragraphs 7.1(b) and 7.1(c), payable pursuant to the provisions of Paragraph 7.3 (except for Early Retirement benefits). For purposes hereof, prior to a Change in Control, the Plan Administrator shall determine what constitutes a termination of Participant's employment with Employer and the effective date thereof.

(b) The amount of the Participant's Termination Benefit shall be equal to the total amount of such Participant's Deferred Benefit Account, determined pursuant to Paragraph 4.1, as of the date of Participant's termination, except that the Interest Earnings Adjustment, determined pursuant to Paragraph 4.3, with respect to such Deferred Benefit Account shall be determined using an interest earnings rate, as determined herein ("Termination Interest Earnings Rate"), in lieu of the Interest Earnings Rate described in Paragraph 4.3, as if the Termination Interest Earnings Rate had been in effect, with respect to such Participant's Deferred Benefit Account, from the commencement of Participant's participation in the Prior Plan through such Benefit Determination Date.

(c) The Termination Interest Earnings Rate to be applied pursuant to Paragraph 7.1(b), shall be a composite rate of interest based on the following table:

Full Years Of Active Plan Participation	Percentage of Deferred Benefit Account Earning Prime Rate less 3%	Percentage of Deferred Benefit Account Earning Interest Earnings Rate (Moody's Rate Plus 3%, Paragraph 4.3)
-----	-----	-----
0 through 5	100%	0%
6	80%	20%
7	60%	40%
8	40%	60%
9	20%	80%
10 and over	0%	100%

For purposes hereof, (i) the Prime Rate for the month shall mean the rate of interest publicly announced by Wachovia Bank, N.A. (or any successor thereto) as its prime rate on the first business day of such calendar month, and (ii) Years of Active Plan Participation shall include a Participant's years of participation in the Prior Plan.

7.2 Termination For Misconduct. Notwithstanding any other provisions herein to the contrary and except as provided in Article XII hereof, if a Participant's employment with the Employer is terminated, prior to actual retirement, for any reason related to such Participant's conviction of a felony, fraud or theft relating to the Participant's performance of services for the Employer, such Participant's participation in this Plan shall be terminated and Participant shall be entitled to none of the Retirement, death, termination or Total Disability benefits or any other benefits provided for in the Plan; provided, however, that Participant or Participant's Beneficiary or Beneficiaries (or Estate, as the case may be) shall be paid the total balance of all amounts of such Participant's deferral of Compensation and Rollover Contributions made pursuant to Paragraph 3.1 under the Prior Plan, without interest. Such amounts shall be payable pursuant to the provisions of Paragraph 7.3.

7.3 Payment of Termination Benefits. Benefits payable to a Participant as a result of such Participant's termination of employment with Employer, pursuant to the provisions of Paragraph 7.1 or 7.2, except for Early Retirement Benefits pursuant to Paragraph 5.2 which shall be payable pursuant to the provisions of Paragraph 5.5, shall be payable, pursuant to one of the following methods of payment, as determined by Plan Administrator in its sole discretion:

(a) An annual payment of one-fifth (1/5th) of such Termination Benefit amount for a period of five (5) years commencing on the first day of the second calendar month following Participant's termination of employment with Employer. Each payment after the first shall include interest earned on the unpaid balance determined using the Termination Interest Earnings Rate in effect on the Benefit Determination Date and the Anniversary Date thereafter, as specified in Paragraph 7.1(c), and applied prospectively. or

(b) A lump sum distribution of such Participant's Termination Benefit, as determined pursuant to Paragraph 7.1 or 7.2, payable within ninety (90) days of such Participant's termination of employment with the Employer.

7.4 Death of Participant After Termination. If a Participant shall die prior to the final payment of his Termination Benefit under this Article VII, such amount, determined pursuant to this Article VII, shall be paid to the Beneficiary or Beneficiaries designated in writing by Participant in Schedule A (or to Participant's Estate if Participant fails to so designate a Beneficiary or Beneficiaries) either as a continuation of such Termination Benefit or a lump sum distribution as described in Paragraph 7.3.

7.5 Termination After Early Retirement Date. Except as otherwise provided in Paragraph 7.2, if Participant's employment with Employer is terminated for any reason

(excluding Normal or Later Retirement, Total Disability or death) after a Participant's Early Retirement Date, Participant shall be deemed to have retired from employment pursuant to the provisions of Paragraph 5.2.

7.6 Hardship. A Participant (whether or not actively employed) who is suffering an unforeseen and severe financial hardship as a result of (i) an illness or accident of the Participant or his immediate family, (ii) loss of Participant's property due to casualty, or (iii) for such other reasons as the Plan Administrator may establish, may file a written request with the Plan Administrator for distribution of all or a portion of the amount credited to his Deferred Benefit Account. The Plan Administrator shall have the sole discretion to determine whether to grant a Participant's hardship request and the amount to distribute to the Participant. The Plan Administrator shall have authority in connection with such hardship request to accelerate the date and method of payment of the Participant's Deferred Benefit Account.

ARTICLE VIII. -- DISABILITY

8.1 Disability. If a Participant, prior to retirement or termination of employment with Employer, becomes Totally Disabled, such Participant's participation in this Plan shall cease and Employer shall pay to such Participant a Disability Benefit, in lieu of any other Benefit provided for herein, equal to the total amount of such Participant's Deferred Benefit Account, determined pursuant to Paragraph 4.1, as of the Benefit Determination Date when such Participant is determined to be Totally Disabled, including interest at the Interest Earnings Rate through such Benefit Determination Date. Total Disability shall mean a physical or mental condition which is expected to be totally and permanently disabling, as determined by the Plan Administrator.

8.2 Payment of Disability Benefits. Disability Benefits payable to a Participant as a result of such Participant's Total Disability, pursuant to Paragraph 8.1, shall be payable pursuant to any of the following methods of payment, as determined by Plan Administrator, upon consultation with Participant (or his legal representative):

(a) In either five (5) or fifteen (15) annual installments, payable monthly, quarterly or annually, including interest, determined using the Interest Earnings Rate, described in Paragraph 4.3, computed as provided for in Paragraph 5.5(a), commencing on the first day of the second calendar month following the date the Participant is determined to be Totally Disabled; or

(b) A lump sum distribution of such Participant's Disability Benefit, as determined pursuant to Paragraph 8.1, payable to such Participant no later than the first day of the second calendar month after the date such Participant is determined to be Totally Disabled.

8.3 Death of Participant After Total Disability. If a Participant shall die prior to the final payment of the Disability Benefit under this Article VIII, such unpaid amounts, determined pursuant to this Article VIII, shall be paid to such Participant's Beneficiary or Beneficiaries (or to Participant's Estate if Participant fails to designate a Beneficiary), either as a continuation of such Disability Benefit or as a lump sum distribution of the remaining benefit as described in Paragraph 8.2(b). Such death benefit shall be in lieu of any other death benefit payable hereunder.

ARTICLE IX. -- PLAN ADMINISTRATION

9.1 Plan Administrator. This Plan and all matters related hereto, shall be administered by the Plan Administrator. The Plan Administrator shall have the exclusive

discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount of such benefits, and its decisions on such matters shall be final and conclusive on all parties. Plan Administrator may engage the services of independent actuaries, counsel, administrative personnel, and other persons to assist it in the performance of its duties.

9.2 Claim. Any person claiming a benefit, requesting an interpretation or ruling under this Plan, or requesting information under the Plan shall present the request, in writing, to Plan Administrator which shall respond in writing as soon as practicable.

9.3 Denial of Claim. If the claim or request is denied, the written notice of denial shall state:

(a) The reason for denial, with specific reference to the Plan provisions on which the denial is based.

(b) A description of any additional material or information required and an explanation of why it is necessary.

(c) An explanation of the Plan's claim review procedure.

9.4 Review of Claim. Any person whose claim or request is denied or who has not received a response within 90 days may (within 60 days after such denial, or end of the 90 day period, whichever is earlier) request a review by notice given in writing to Plan Administrator. A request to review Plan Administrator's denial of a claim or request, must state the specific reasons, including any Plan provisions, upon which such request for review is based. The claim or request shall be reviewed by Plan Administrator who may, but shall not be required

to, grant the claimant a hearing. On review, the claimant may have representation, examine pertinent documents, and submit issues and comments in writing.

9.5 Final Decision. The decision on review shall normally be made within 60 days. If an extension of time is required for a hearing or other special circumstances, the claimant shall be notified and the time limit shall be 120 days. The decision shall be in writing and shall state the reason and the relevant plan provisions. All decisions on review shall be final and bind all parties concerned.

ARTICLE X. -- PARTICIPANT'S RIGHTS

10.1 Ineligibility to Participate in Deferred Compensation Plan. Prior to a Change in Control, in the event Plan Administrator determines that a Participant is ineligible or becomes ineligible to participate or to continue to participate in this Plan, Employer may terminate Participant's participation in this Plan, upon ten (10) days notice to Participant and Participant shall be entitled to Termination Benefits pursuant to Paragraph 7.1, hereof.

10.2 Benefits Unfunded. The benefits provided by this Plan shall be unfunded. All amounts payable under this Plan to a Participant shall be paid from the general assets of the Employer which principally employs the Participant (the "Obligated Employer"), and nothing contained in this Plan shall require the Obligated Employer to set aside or hold in trust any amounts or assets for the purpose of paying benefits to Participants. This Plan shall create only a contractual obligation on the part of the Obligated Employer and Participants shall have the status of general unsecured creditors of the Obligated Employer under the Plan with respect to amounts of Compensation they defer or any other obligation of the Obligated Employer to pay benefits pursuant hereto. Any funds of the Obligated Employer available to pay benefits pursuant to the Plan shall be subject to the claims of general creditors of the Obligated Employer,

and may be used for any purpose by the Obligated Employer. Any insurance policy or other asset acquired or held by the Obligated Employer shall not be deemed to be held under any trust for the benefit of Participant or to be security for the performance of the Obligated Employer's obligations pursuant hereto.

Notwithstanding the preceding paragraph, the Obligated Employer may at any time transfer assets to a trust for purposes of paying all or any part of its obligations under this Plan. However, to the extent provided in the trust only, such transferred amounts shall remain subject to the claims of general creditors of the Obligated Employer. To the extent that assets are held in a trust when a Participant's benefits under the Plan become payable, the Plan Administrator shall direct the trustee to pay such benefits to the Participant from the assets of the trust.

10.3 Spendthrift Provision. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, except for a Qualified Domestic Relations Order, pursuant to Section 414(p) of the Internal Revenue Code, as amended, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

10.4 Plan Not An Employment Agreement. This Plan shall not be deemed to constitute an employment agreement between the parties hereto nor shall any provision, hereof,

restrict the right of an Employer to discharge a Participant as an employee of the Employer or restrict Participant's right to terminate his employment.

10.5 Protective Provisions. Participant will cooperate with Employer by furnishing any and all information requested by Employer in order to facilitate the payment of benefits hereunder, taking such physical examinations as Employer may deem necessary and taking such other action as may be requested by Employer. If Participant refuses so to cooperate, is uninsurable or is insurable at other than standard rates, Participant shall be ineligible to participate in this Plan. If Participant makes any material misstatement of information or nondisclosure of medical history, then Participant shall not be considered as having been a Participant in the Plan and Participant or his Beneficiary shall thereupon be paid by Employer the total amount of such Participant's Compensation actually deferred, without interest.

10.6 Offset. If prior to a Change in Control, benefit payments are to be made hereunder and the Participant or a Beneficiary in pay status are indebted to Employer, then the payments remaining to be made to Participant or his Beneficiary, or both may, at the discretion of Employer, be reduced by the amount of such indebtedness.

10.7 Guarantee of Performance. In consideration of each Participant's performance of valuable services that inure to the financial benefit of the Company, the Company does hereby agree to pay and perform all of the obligations and responsibilities and to pay any benefits due and owing to the Participant under the Plan if the Obligated Employer (as defined in Section 10.2) designated to perform such obligations and responsibilities or pay such benefits fails or is unable to do so.

ARTICLE XI. -- MISCELLANEOUS

11.1 Termination of Plan. Prior to a Change in Control, the Company, upon written notice to Participants, shall have the right, at any time, to terminate this Plan. Such termination shall become effective when authorized by the Company and written notice is given to Participants. Upon termination of this Plan, Participant shall receive a Termination Benefit as provided for in Article VII, as if Participant's employment had terminated on the date of termination of this Plan. Except as otherwise provided in Paragraph 11.2, if such a Plan Termination occurs, pursuant to this Paragraph 11.1, each Participant's Termination Interest Earnings Rate, pursuant to Paragraph 7.1, shall equal the Interest Earnings Rate described in Paragraph 4.3. Notwithstanding anything contained in this Plan to the contrary, for a period of two (2) years following a Change in Control, this Plan shall not be terminated or amended in any way to reduce the benefits provided under this Plan (including the continuing crediting of interest), the Interest Earnings Rate or the Termination Interest Earnings Rate, or otherwise adversely affect any Participant's participation in this Plan.

11.2 Change of Tax Status. In the event that, as a result of statutory amendments to the Internal Revenue Code of 1986, as amended, there is a significant change (as determined by Plan Administrator) in the Federal Income Tax consequences to the Company, with respect to establishment and maintenance of this Plan, and as a result of such change in tax status and the impact thereof on the Company, the Company terminates this Plan, Participants shall be entitled to receive Termination Benefits as provided for in Article VII, hereof, as if the Participants' employment had terminated on the date of termination of this Plan. Notwithstanding the foregoing, if such a Plan Termination occurs, pursuant to this Paragraph 11.2, more than two years after the effective date of the Prior Plan, each Participant's

Termination Interest Earnings Rate, pursuant to Paragraph 7.1, shall equal the Interest Earnings Rate described in Paragraph 4.3.

11.3 Amendments and Modifications. Prior to a Change in Control, the Company may amend or alter this Plan, including amendments or alterations with respect to Participants' benefits, at any time, and from time to time. Amendments shall be effective when authorized by the Company and upon written notice to Participants. In the event that any such amendment or alteration to this Plan is made by the Company which affects Participants' benefits, any affected Participant may, within ninety (90) days after the effective date of such amendment or alteration, elect to terminate participation in the Plan. In the event that a Participant terminates participation in the Plan, pursuant to this Paragraph 11.3, but continues to be an employee of Employer, such Participant shall be entitled to a Termination Benefit determined pursuant to Paragraph 7.1(b), except that for purposes hereof, the Termination Interest Earnings Rate shall equal the Interest Earnings Rate described in Paragraph 4.3. Such benefit shall be payable to Participant pursuant to the provisions of Paragraph 7.3(a) or (b), as determined by Plan Administrator in its sole discretion.

11.4 Inurement. This Plan shall be binding upon and shall inure to the benefit of the Company, each Employer and each Participant hereto and their respective heirs, executors, administrators, successors and assigns.

11.5 Governing Law. This Plan shall be governed by, and enforced in accordance with the Employee Retirement Income Security Act of 1974, as amended, and to the extent not preempted by federal law, the laws of the State of Georgia.

ARTICLE XII. -- CHANGE IN CONTROL

12.1 Cause. For purposes of this Plan, a termination for "Cause" is a termination evidenced by a resolution adopted in good faith by two-thirds of the Board of Directors of the Company that the Participant (i) intentionally and continually failed to substantially perform his duties with the Employer (other than a failure resulting from the Participant's incapacity due to physical or mental illness) which failure continued for a period of at least thirty (30) days after a written notice of demand for substantial performance has been delivered to the Participant specifying the manner in which the Participant has failed to substantially perform, or (ii) intentionally engaged in conduct which is demonstrably and materially injurious to the Employer or the Company, monetarily or otherwise; provided, however that no termination of the Participant's employment shall be for Cause as set forth in clause (ii) above until (x) there shall have been delivered to the Participant a copy of a written notice setting forth that the Participant was guilty of the conduct set forth in clause (ii) and specifying the particulars thereof in detail, and (y) the Participant shall have been provided an opportunity to be heard by the Board of Directors of the Company (with the assistance of the Participant's counsel if the Participant so desires). No act, nor failure to act, on the Participant's part, shall be considered "intentional" unless he has acted or failed to act, with an absence of good faith and without a reasonable belief that his action or failure to act was in the best interest of the Employer. Notwithstanding anything contained in this Plan to the contrary, in the case of any Participant who is a party to a Severance Protection Agreement, no failure to perform by the Participant after a Notice of Termination (as defined in the Participant's Severance Protection Agreement) is given by the Participant shall constitute Cause for purposes of this Plan.

12.2 Change in Control. For purposes of this Plan, a Change in Control shall mean any of the following events:

(a) The acquisition (other than from the Company) by any "Person" (as the term person is used for purposes of Sections 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of twenty percent (20%) or more of the combined voting power of the Company's then outstanding voting securities; or

(b) The individuals who, as of _____, 2001, are members of the Board of the Company (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the Board; provided, however, that if the election, or nomination for election by the Company's stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; or

(c) A merger or consolidation involving the Company if the stockholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than seventy percent (70%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation; or

(d) A complete liquidation or dissolution of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur pursuant to Subparagraph (a), solely because twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities under one or more employee benefit plans maintained by the Company or any of its Subsidiaries or (ii) any corporation which, immediately prior to such acquisition, is owned directly or indirectly by the stockholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition.

12.3 Termination of Employment. Notwithstanding anything contained in this Plan to the contrary, if a Participant's employment is terminated by the Employer (other than for Cause) or by the Participant for any reason within two (2) years following a Change in Control, the Employer shall, within five (5) days, pay to the Participant a lump sum cash payment of his or her Deferred Benefit Account as of the date of termination of employment plus interest on such Deferred Benefit Account at the Interest Earnings Rate as described in Paragraph 4.3 to the date of payment.

12.4 Amendment or Termination. Any amendment or termination of this Plan which a Participant reasonably demonstrates (i) was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in connection with or in anticipation of a Change in Control, and which was not consented to in writing by the Participant shall be null and void, and shall have no effect whatsoever, with respect to the Participant.

IN WITNESS WHEREOF, the Plan has been executed by the Company as of the _____ day of _____, 2001, to be effective on the Effective Date.

L & C SPINCO, INC.

By: _____
Title: _____

Appendix 1
Adopting Employers

The Zep Group, Inc.
L & C Lighting Group, Inc.

SCHEDULE A
L & C SPINCO, INC.
SENIOR MANAGEMENT BENEFIT PLAN
ELECTION TO PARTICIPATE AND
DEFER COMPENSATION AND BENEFIT PAYMENT ELECTION

To the Plan Administrator:

I hereby elect to participate in L & C SPINCO, INC. SENIOR MANAGEMENT BENEFIT PLAN, (the "Plan") pursuant to the terms and conditions of such Plan contained in the Plan document adopted by L & C SPINCO, INC., ("Company"), all of which terms and conditions are incorporated herein by reference.

I. COMPENSATION DEFERRAL ELECTION

I hereby elect to defer \$_____ per Plan Year of my Salary and/or \$_____ per Plan Year of my Bonus, but no less than a total of \$2,500.00 per Plan Year, earned after the date of this election. I understand that if my Bonus is less than such Bonus Deferral, the difference shall be a Salary Deferral for the next Plan Year.

II. DEFERRAL TERM

Salary Deferral. The total amount of such Salary Deferral shall be deferred ratably, over each pay period, for four (4) eight (8) consecutive years, commencing on September 1, 1985. (Check One. If you desire both a four (4) year and an eight (8) year deferral, complete a separate Schedule A for each election).

Bonus Deferral. The total amount of such Bonus Deferral shall be deferred annually for _____ four (4) eight (8) consecutive years, commencing with the Bonus payable with respect to the Plan Year beginning September 1, 1985. (Check One. If you desire both a four (4) year and an eight (8) year deferral, complete a separate Schedule A for each election).

III. ROLLOVER CONTRIBUTION

I hereby elect to make a Rollover Contribution of \$_____ or all _____ (indicate dollar amount or all) from my Primary Account in any of Employer's Deferred Compensation Plans.

IV. BENEFIT PAYMENT ELECTION

(A) RETIREMENT BENEFITS

I hereby elect to receive my Retirement Benefits as follows:

(i) Installment payments payable annually quarterly monthly, for fifteen (15) consecutive years. (Check One).

(ii) Lump Sum Distribution.

(B) RETIREMENT BENEFIT COMMENCEMENT DATE

I hereby elect to have my Retirement Benefits commence on the first day of the second calendar month following my:

(i) Normal Retirement Date

(ii) Actual Retirement

(iii) _____ (Enter Date between age 65 and age 70 years but on or after actual retirement)

(C) DEATH BENEFITS

I hereby elect to have my post-retirement Death Benefit paid to my Beneficiary or Beneficiaries (or legal representative, as the case may be), as follows:

Continuation of my Retirement Benefit

Lump Sum Distribution

V. BENEFICIARY DESIGNATION

I designate the following person(s) as Primary and Contingent Beneficiaries of the Death Benefit under the Plan:

Primary Beneficiary:	Contingent Beneficiary(s): (if Primary Beneficiary has not survived)
-----	-----
-----	-----
-----	-----

I retain the right, at any time, to change such Beneficiary by giving written notice of such change to the Plan Administrative Committee.

Dated: _____

S.S.N. _____

L & C SPINCO, INC.

NONEMPLOYEE DIRECTOR DEFERRED STOCK UNIT PLAN

1. Purpose.

The L & C Spinco, Inc. Nonemployee Director Deferred Stock Unit Plan ("Plan") is intended to increase the alignment of the interests of eligible members of the Board with the interests of stockholders of L & C Spinco, Inc. (the "Corporation") by increasing their incentive to contribute to the success of the Corporation's business through the grant of Deferred Stock Units, as hereinafter defined, on the terms and conditions set forth herein. The Plan is effective as of _____, 2001, and is established in connection with the spin-off of the Corporation by National Service Industries, Inc., as a successor plan to the National Service Industries, Inc. Nonemployee Director Deferred Stock Unit Plan.

2. Definitions. When used in this Plan, unless the context otherwise requires:

2.1 "Annual Fee" shall mean the annual fee payable, in cash or under this Plan, to an Eligible Director for service on the Board.

2.2 "Board" shall mean the Board of Directors of the Corporation.

2.3 "Chairman Fee" shall mean the fee, if any, payable in cash or under this Plan to an Eligible Director for service as the Chairman of a committee of the Board.

2.4 "Change of Control" shall mean:

(a) The acquisition (other than from the Corporation) by any "Person" (as the term person is used for purposes of Sections 13(d) or 14(d) of the Exchange Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of the combined voting power of the Corporation's then outstanding voting securities; or

(b) The individuals who, as of the Effective Date, are members of the Board (the "Incumbent Board") cease for any reason to constitute at least two-thirds of the Board; provided, however, that, if the election, or nomination for election by the Corporation's stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; or

(c) A merger or consolidation involving the Corporation if the stockholders of the Corporation, immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than seventy percent (70%) of the combined voting power of the then outstanding voting securities of the

corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Corporation outstanding immediately before such merger or consolidation; or

(d) A complete liquidation or dissolution of the Corporation or an agreement for the sale or other disposition of all or substantially all of the assets of the Corporation.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur pursuant to paragraph (i) solely because twenty percent (20%) or more of the combined voting power of the Corporation's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities under one or more employee benefit plans maintained by the Corporation or any of its subsidiaries, or (ii) any corporation which, immediately prior to such acquisition, is owned directly or indirectly by the stockholders of the Corporation in the same proportion as their ownership of stock in the Corporation immediately prior to such acquisition.

2.5 "Committee" shall mean the Compensation Committee of the Board or such other committee as may be designated by the Board. In the absence of the appointment of a Committee, the Board shall serve as the Committee.

2.6 "Corporation" shall mean L & C Spinco, Inc., a Delaware corporation.

2.7 "Date of Grant" shall mean the date on which Deferred Stock Units are granted pursuant to Article V.

2.8 "Deferred Stock Units" shall mean the units issued pursuant to Article V hereof.

2.9 "Effective Date" shall mean _____, 2001, the date when this Plan shall go into effect.

2.10 "Eligible Director" shall mean each member of the Board who is not at the time of reference an employee of the Corporation or any Subsidiary.

2.11 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

2.12 "Fair Market Value" shall mean the average of the high and low sales prices of a share of Stock as reported on the New York Stock Exchange Composite Tape on the five (5) trading dates immediately preceding the date for which such value is being determined.

2.13 "NSI" shall mean National Service Industries, Inc., a Delaware corporation.

2.14 "Optional Amount" shall mean the amount elected by an Eligible Director for any year during the term hereof pursuant to Section 5.2 hereof.

2.15 "Plan" shall mean the L & C Spinco, Inc. Nonemployee Director Deferred Stock Unit Plan, as such Plan may be amended from time to time.

2.16 "Prior Plan" shall mean the National Service Industries, Inc. Nonemployee Director Deferred Stock Unit Plan.

2.17 "Required Amount" shall mean one-half of the Annual Fee.

2.18 "Stock" shall mean the Common Stock of the Corporation.

2.19 "Subsidiary" shall mean any corporation more than 50% of whose stock having general voting power is owned by the Corporation or by a Subsidiary of the Corporation.

3. Administration.

3.1 The Plan shall be administered by the Committee.

3.2 The Committee may make such rules and establish such procedures for the administration of the Plan as it deems appropriate to carry out the purpose of the Plan, provided that the Committee shall have no discretion with respect to the grantee, amount, price or timing of any Deferred Stock Unit. The interpretation and application of the Plan or of any rule or procedure, and any other matter relating to or necessary to the administration of the Plan, shall be determined by the Committee, and any such determination shall be final and binding on all persons. Deferred Stock Units shall be evidenced by agreements in such form as shall be determined from time to time by the Committee, provided that the terms and conditions of each such agreement are not inconsistent with this Plan.

4. Capital Adjustments.

In the event of a reorganization, recapitalization, stock split, reverse stock split, stock dividend, spin-off, split-up, combination of shares, merger, consolidation or a similar corporate transaction, the number or class of shares of Stock represented by Deferred Stock Units granted hereunder shall be proportionately adjusted to reflect any such transaction.

5. Deferred Stock Units.

5.1 Quarterly Grant. The Corporation shall establish a bookkeeping account for each Eligible Director. On the first of each September, December, March, and June on or after the Effective Date and prior to the termination of this Plan (subject to Section 6.1 below), the bookkeeping account of each Eligible Director shall automatically be credited with the number of Deferred Stock Units (rounded to the nearest hundredth) equal to the sum of (a) one-fourth of the Required Amount plus (b) one-fourth of the Optional Amount, if any, divided by (c) the Fair Market Value.

5.2 Election of Optional Amount. Each Eligible Director shall be entitled to elect, with respect to each year during the term of this Plan (subject to Section 6.1 below), such portion of the Annual Fee in excess of the Required Amount and such portion of the Chairman Fee, if applicable, which the Eligible Director desires to be credited in Deferred Stock Units under Section 5.1 above rather than paid in cash. Such election shall be made and submitted prior to each such year on such form as shall be determined from time to time by the Committee;

provided, however, that the election for the portion of the 2001 calendar year that this Plan is in effect shall be made prior to _____, 2001 and shall be effective for the remainder of the calendar year commencing on that date. Notwithstanding the above, for Eligible Directors who were directors of National Service Industries, Inc. and were participating in the Prior Plan immediately prior to the Effective Date, any election by such Director under the Prior Plan shall continue in effect under this Plan.

5.3 Annual Grant. On the Effective Date and on the date of the Corporation's annual meeting each year beginning on or after the Effective Date and prior to the termination of this Plan (subject to Section 6.1 below), the bookkeeping account of each Eligible Director shall automatically be credited with 350 Deferred Stock Units.

5.4 One-Time Grant. The bookkeeping account of each Eligible Director who was not a director of NSI participating in the Prior Plan immediately prior to the Effective Date and who is first elected to the Board (whether by action of the Board of Directors or the shareholders of the Corporation) on or after the Effective Date, and prior to the termination of this Plan (subject to Section 6.1 hereof) shall automatically be credited with 1,000 Deferred Stock Units as of the effective date of such election.

5.5 Transfer of Deferred Stock Units from the Prior Plan. Effective as of the Effective Date, or as soon thereafter as is practical, the Corporation shall transfer from the Prior Plan and credit to the bookkeeping account of each Eligible Director who was a participant in the Prior Plan (and each other participant in the Prior Plan who is not a nonemployee director of NSI immediately following NSI's spin-off from the Company) a number of Deferred Stock Units equal to (a) the product of (i) the number of Deferred Stock Units in the Eligible Director's (or other participant's) bookkeeping account under the Prior Plan as of the date of the distribution of the shares of the Corporation's common stock to the stockholders of NSI (the "Distribution Date"), and (ii) the closing per share price of NSI common stock (trading with a due bill) on the Distribution Date, divided by (b) the closing per share price of the Corporation's common stock (on a when issued basis) on the Distribution Date.

5.6 Terms and Conditions of Deferred Stock Units.

(a) The Deferred Stock Units shall become nonforfeitable on the earliest to occur of (i) the first anniversary of the Date of Grant, (ii) the Eligible Director's death, disability or termination of service as a director upon completion of the last term of office to which such director was elected or (iii) the occurrence of a Change of Control. If an Eligible Director otherwise terminates service as a director of the Corporation, any Deferred Stock Units that are forfeitable shall be forfeited as of the date of such termination of service. Notwithstanding the above, for Eligible Directors who were participants in the Prior Plan, the termination of service as a director of NSI shall not be considered a termination of service resulting in forfeiture or vesting of Deferred Stock Units.

(b) As of each dividend payment date declared with respect to the Stock, the Corporation shall credit to each bookkeeping account a number of additional Deferred Stock Units equal to (i) the product of (x) the dividend per share of Stock payable on such dividend payment date and (y) the number of Deferred Stock Units credited to such account as of the applicable dividend record date divided by (ii) the Fair Market Value of a share of Stock on such dividend payment date.

(c) Upon the termination of service of an Eligible Director the Eligible Director shall receive a lump sum cash payment equal to the product of (i) the Fair Market Value of a share of Stock on the date of such termination of service and (ii) the number of nonforfeitable Deferred Stock Units then credited to such Eligible Director's account. Notwithstanding the foregoing, an Eligible Director may elect to receive the distribution with respect to his or her account in five annual installments commencing as soon as practicable following the Eligible Director's termination of service, in which event the amount of each installment shall be determined based upon the Fair Market Value of a share of Stock as of the date preceding the date such installment payment is made. Any such election may be made or changed at any time without limitation, provided, however, that any election (and any modification or revocation of any election) shall not be given effect unless made at least two years prior to the Eligible Director's termination of service. Any such election made by an Eligible Director (or other participant) under the Prior Plan shall continue in effect under this Plan until properly modified or revoked.

(d) The holder of Deferred Stock Units shall have none of the rights of a stockholder of the Corporation. The Corporation's obligation hereunder with respect to Deferred Stock Units shall be an unsecured promise to pay the amount described in paragraph (c) above at the times described therein.

6. Term of Plan.

The Plan shall remain in effect until all Deferred Stock Units have been paid under the terms of the Plan, provided that no Deferred Stock Units may be granted on or after the tenth anniversary of the Effective Date.

7. Amendment; Termination.

The Board may at any time and from time to time alter, amend, suspend, or terminate the Plan in whole or in part. The termination or any modification or amendment of the Plan shall not, without the consent of a director, affect his or her rights under a grant of Deferred Stock Units.

8. Miscellaneous.

8.1 Deferred Stock Units granted hereunder shall not be assignable or transferable by the director except by will or by the laws of descent and distribution.

8.2 Nothing in the Plan shall be construed as conferring any right upon any director to continue as a member of the Board.

8.3 The Plan and all rights hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

8.4 The Corporation shall have the right to require, prior to any payment hereunder, payment by the recipient of any federal, state, local or other taxes which may be required to be withheld or paid in connection with such payment hereunder.

L & C SPINCO, INC.
EXECUTIVE BENEFITS TRUST AGREEMENT

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L & C SPINCO, INC.
EXECUTIVE BENEFITS TRUST

(Formerly, the National Service Industries, Inc.
Executive Benefits Trust)

Effective As Of _____, 2001

L & C SPINCO, INC.
EXECUTIVE BENEFITS TRUST AGREEMENT

THIS ASSUMPTION AND AMENDMENT AGREEMENT, made as of the ____ day of _____, 2001, by and between L & C Spinco, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Company"), and Wachovia Bank, N.A., a national banking association organized and existing under the laws of the United States of America (hereinafter referred to as the "Trustee").

WITNESSETH:

WHEREAS, effective as of July 5, 1990, National Service Industries, Inc. ("NSI") and the Trustee established the National Service Industries, Inc. Executive Benefits Trust ("Prior Trust") to ensure that upon a change in control of NSI eligible participants and their beneficiaries would receive the benefits that NSI and its affiliates were obligated to provide them pursuant to certain designated employee benefit plans; and

WHEREAS, in connection with the spin-off of the Company from NSI, effective _____, 2001 and pursuant to an Employee Benefits Agreement, dated as of _____, 2001, between the Company and NSI, the Prior Trust is being transferred to, and assumed by, the Company in the form of this Executive Benefits Trust (hereinafter referred to as this "Trust"); and

WHEREAS, the Company has also established the L & C Spinco, Inc. Benefits Protection Trust (hereinafter referred to as the "Benefits Protection Trust") in order to ensure that "Participants" (as hereinafter defined) and their beneficiaries will receive the benefits which the Company and its "Affiliates" (as hereinafter defined) are obligated to provide for

them or which they reasonably anticipate receiving pursuant to the "Plans" (as hereinafter defined);

WHEREAS, the Company has adopted and, in some instances, its Affiliates may, prior to a "Change in Control" (as hereinafter defined) adopt, the Plans and, prior to a Change in Control, the Company and its Affiliates may adopt or enter into other plans or agreements, amend, modify or terminate any Plan in accordance with its terms or to comply with any changes in the law and increase the number of Participants in any such Plan;

WHEREAS, this Trust is not intended to be nor should it be construed as a grantor trust;

WHEREAS, upon a Change in Control, the Plans (the "Transferred Plans") and assets attributable to the Plans held in the Benefit Account of the Benefits Protection Trust will be irrevocably transferred to this Trust (the "Transfer") to be held for the benefit of Participants and their beneficiaries;

WHEREAS, the Trustee is not a party to the Transferred Plans;

WHEREAS, prior to the Transfer the aforesaid obligations of the Company are not funded;

WHEREAS, the Company has agreed to take steps to assure that the future payment of amounts under the Transferred Plans will not be improperly withheld or otherwise not paid following a Change in Control; and

WHEREAS, for purposes of assuring that such payments will not be improperly withheld or otherwise not paid, the Company desires: (a) by means of the Transfer to deposit with the Trustee amounts of cash, marketable securities or other security for the payment of benefits to Participants and their beneficiaries which are or may become payable under the

Transferred Plans and (b) to retain the right to deposit with the Trustee further amounts of cash, marketable securities or other security for the payment of amounts under such Transferred Plans as they may become due and payable.

NOW, THEREFORE, in consideration of the respective agreements of the Company and the Trustee contained herein, it is agreed as follows:

ARTICLE 1: DEFINITIONS.

1.1 "Affiliate" shall mean any corporation, partnership or other entity, the majority interest in which is held by the Company directly or through one or more intermediaries, which has been designated by the Company as participating in the Trust. The Affiliates are listed on Schedule 2.

1.2 The "Board" shall mean the Board of Directors of the Company.

1.3 "Change in Control" shall mean any of the following events:

(a) The acquisition (other than from the Company) by any "Person" (as the term person is used for purposes of Sections 13(d) or 14 (d) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of twenty percent (20%) or more of the combined voting power of the Company's then outstanding voting securities; or

(b) The individuals who, as of _____, 2001, are members of the Board (the "Incumbent Board") cease for any reason to constitute at least two-thirds of the Board; provided, however, that if the election, or nomination for election by the Company's stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; or

(c) A merger or consolidation involving the Company if the stockholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than seventy percent (70%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation; or

(d) A complete liquidation or dissolution of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company.

Notwithstanding the foregoing, a change in Control shall not be deemed to occur pursuant to Section 1.3(a) of this Article 1, solely because twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities under one or more employee benefit plans maintained by the Company or any of its subsidiaries or (ii) any corporation which, immediately prior to such acquisition, is owned directly or indirectly by the stockholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition (hereinafter referred to individually as a "Related Person" and collectively as "Related Persons").

1.4 "Company" shall mean L & C Spinco, Inc., its successors and assigns.

1.5 "Participants" shall mean active and former employees of the Company and/or of its Affiliates who are participants in, or who have a claim to receive benefits under, any of the Plans.

1.6 "Plans" shall mean the Executives' Deferred Compensation Plan, Supplemental Deferred Savings Plan, Supplemental Retirement Plan for Executives, Senior Management Benefit Plan, Severance Protection Agreements with senior corporate officers and division presidents, and any other plans or agreements that are adopted by the Company or its Affiliates prior to a Change in Control, in all cases as listed on Schedule 1 as may be amended from time to time prior to a Change in Control.

1.7 "Related Person" shall have the meaning set forth in the last paragraph of Section 1.3.

1.8 "Threatened Change in Control" shall mean the occurrence of any of the following events:

(a) when the Company is aware of or is contemplating, a proposal (a "Proposal") for any Person other than a Related Person (1) to acquire five percent (5%) or more of the voting power of the Company's outstanding securities, or (2) to merge or consolidate with another entity, transfer or sell assets of the Company, or liquidate or dissolve the Company, in each case described in this clause (2) in a transaction that would constitute a Change in Control; or

(b) any Person other than a Related Person,

(1) acquires five percent (5%) or more of the voting power of the Company's outstanding securities, other than as a holder whose investment in the Company is eligible to be reported on Schedule 13G pursuant to Rule 13d-1(b)(1) promulgated under the 1934 Act, or

(2) initiates a tender or exchange offer to acquire such number of securities as would result in such person holding twenty percent (20%) or more of the voting power of the Company's outstanding securities, or

(3) solicits proxies for votes to elect members of the Board at a shareholders' meeting of the Company.

1.9 "Threatened Change in Control Period" shall mean the period commencing on the date that a Threatened Change in Control has occurred and ending upon:

(a) the date the Proposal referred to in Section 1.8(a) of this Article 1 is abandoned;

(b) the acquisition of five percent (5%) of the voting power of the Company's outstanding securities by the Person referred to in Section 1.8(a)(1) if such acquisition does not constitute a Threatened Change in Control under Section 1.8(b)(1);

(c) the date when any person described in Section 1.8(b) of this Article, (1) shall own less than five percent (5%) of the voting power of the Company's outstanding securities, (2) shall have abandoned the tender or exchange offer, or (3) shall not have elected a member of the Board as the case may be; or

(d) the date a Change in Control occurs.

ARTICLE 2: CREATION OF TRUST.

2.1 The Company hereby adopts and assumes the Prior Trust and agrees to continue such trust as amended by this Agreement. The Trustee hereby agrees to continue as Trustee of the Trust. The Trust shall consist of two accounts, established by the Trustee, for purposes of accounting for funds delivered to the Trustee by the Company. One such account shall be known as the "Trustee Expense Account," and shall be used exclusively to pay the fees, expenses and indemnities due or incurred by the Trustee in accordance with the terms of this Agreement. The

other such account shall be known as the "Benefit Account," which is to be funded by the Company in accordance with Article 4, and shall be used to make payments under the Transferred Plans. Unless the Company directs otherwise, a separate Trustee Expense Account and Benefit Account shall be established for each Affiliate. The Benefit Account shall be divided into (i) separate sub-accounts for each Participant and beneficiary (the "Sub-Accounts") and (ii) a suspense account (the "Suspense Account"). The Sub-Accounts established hereunder are intended to comply with the separate accounts requirement of Section 404(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"), and Treasury Regulations promulgated thereunder. Funds in the Benefit Account will be allocated to the Suspense Account when they are not, or cannot be, credited to any Sub-Account, as the Trustee, in its discretion, determines. The Trustee, in its discretion, may at any time allocate or reallocate any funds held in the Benefit Account among any or all of the Sub-Accounts and the Suspense Account to the extent consistent with Section 404 (a) (5) of the Code.

The Trustee, for investment purposes only, may commingle all Trust assets and treat them as a single fund, but the records of the Trustee at all times shall show the percentages or assets of this Trust allocable to the Trustee Expense Account and the Benefit Account, including the percentages or assets allocable to the Sub-Accounts and Suspense Account.

2.2 The Company and the Trustee agree that this Trust created herein shall be revocable by the Company at any time prior to or subsequent to a Threatened Change in Control Period and prior to a Change in Control. This Trust shall not be revocable by the Company during a Threatened Change in Control Period or after the occurrence of a Change in Control. None of the assets and/or income of this Trust shall be subject to any claims by creditors of the

Company or any of its Affiliates. This Trust is not intended to be nor should it be construed as a grantor trust within the meaning of Section 671 of the Code.

2.3 Prior to a Change in Control, the Company and its Affiliates may add Transferred Plans to, and Participants in the Transferred Plans under which benefits are payable from, this Trust by amending Schedule 1 to the Benefits Trust and notifying the Trustee in writing. If the Company or its Affiliates amends any of the Transferred Plans, it shall send to the Trustee a copy of any such amendments and no consent of the Trustee to such amendments is required.

2.4 Notwithstanding anything contained in this Agreement to the contrary, upon a Change in Control cash and/or marketable securities, and all rights under any Letters of Credit, from the Benefits Protection Trust with respect to all Participants and their beneficiaries under the Transferred Plans shall promptly and irrevocably be transferred from the Benefits Protection Trust and delivered to this Trust. Upon the Transfer, the Trustee will have possession and control of the assets so transferred (together with any other assets) of this Trust and all of the income therefrom to hold, administer and dispose of the same on the terms and conditions set forth herein on behalf of Participants and their beneficiaries.

ARTICLE 3: TRUSTEE EXPENSE ACCOUNT.

3.1 Upon a Change in Control, the Company will deliver to the Trustee, to be held in trust hereunder and credited to the Trustee Expense Account, the sum of _____ dollars (\$_____) in cash or marketable securities, to be administered and disposed of by the Trustee as provided herein.

3.2 At any time after a Change in Control, the Trustee may require the company to deliver additional amounts in cash or marketable securities to this Trust, to be credited to the Trustee Expense Account. The Trustee shall make written demand for any such additional amount, and the Company will comply with such demand within fifteen (15) days of its receipt

thereof. If the Company fails to deposit the amount in the Trust required by this Section 3.2 within fifteen (15) days of the Trustee's written demand, the Trustee shall commence legal action as provided in Section 9.4.

3.3 At any time, the Company shall have the unlimited right to deliver cash and/or marketable securities reasonably acceptable to the Trustee to be credited to the Trustee Expense Account. Any amount (together with the income attributable thereto) which is over and above the amount described in Section 3.1 may be withdrawn by the Company at any time prior to or subsequent to a Threatened Change in Control Period and prior to a Change in Control. Notwithstanding anything contained in this Agreement to the contrary, the Company shall not have the right to make any withdrawal from this Trust during a Threatened Change in Control Period or after the occurrence of a Change in Control.

ARTICLE 4: BENEFIT ACCOUNT.

4.1 Immediately upon the occurrence of a Change in Control, the Company shall contribute sufficient cash or marketable securities to the Benefit Account in an amount equal to the difference between the assets transferred to this Trust pursuant to the Transfer and the amount necessary (i) to pay all payments and benefits to which Participants would be entitled (whether payable currently or on a deferred basis) pursuant to the terms of the Transferred Plans as of the date of the Change in Control and (ii) to pay the additional payments and benefits that would be due Participants under the Transferred Plans assuming the Participants' employment were terminated involuntarily by the Company without cause immediately following the date on which the Change in Control occurred. The amount the Company shall contribute to the Trust pursuant to this Section 4.1 shall be determined by the Trustee in its discretion. If the Company fails to contribute the amount to the Trust required by this Section 4.1 within five (5) days of the occurrence of the Change in Control, the Trustee shall commence legal action as provided in

Section 9.4. Upon a Change in Control, the Trustee will have possession and control of the assets transferred (together with any other assets) of this Trust and all of the income therefrom to hold, administer and dispose of the same on the terms and conditions set forth herein on behalf of the Participants and their beneficiaries.

4.2 At any time, the Company and any Affiliate shall have the unlimited right to deliver cash and/or marketable securities reasonably acceptable to the Trustee to be credited to the Benefit Account to be allocated to any or all of the Sub-Accounts and/or the Suspense Account as the Trustee, in its, discretion, determines. Any such delivery shall be accepted by the Trustee and shall be accompanied by a designation of (i) the Transferred Plan or Transferred Plans under the provisions of which such funds are to be disbursed and if more than one Transferred Plan is being funded, the amount being allocated in respect of each Transferred Plan and (ii) to which Participant or Participants or beneficiary or beneficiaries the funds are being allocated and if more than one Participant or beneficiary is designated, the amount being allocated to each Participant or beneficiary. Such delivery shall be credited to a separate Sub-Account for each Participant or beneficiary in respect of which funds are being provided and any amount not credited to a Sub-Account shall be credited to the Suspense Account. If no such designation is made by the Company and any Affiliate, the Trustee has discretion to determine how the funds are to be allocated. Any amount (together with the income attributable thereto) contributed by the Company and any Affiliate to the Benefit Account may be withdrawn by the Company and any Affiliate at any time prior or subsequent to a Threatened Change in Control Period and prior to a Change in Control.

4.3 After the occurrence of a Change in Control, if the Trustee determines that the funds in the Benefit Account (including any Sub-Account) are insufficient to fully pay all

benefits under the Transferred Plans as described in Section 4.1 and any taxes imposed or levied with respect to the assets and/or income of this Trust, as provided under Section 10.1 of Article 10, the Trustee with respect to the Benefit Account shall, and with respect to any Sub-Account may, make a written demand on the Company to provide funds in an amount determined at least quarterly by the Trustee in its discretion. The Company shall transfer such funds within fifteen (15) days from the time the written demand is mailed. If the Trustee fails to deposit the amounts in the Trust required by this Section 4.3 within fifteen (15) days of the Trustee's written demand, the Trustee shall commence legal action as provided in Section 9.4.

4.4 (a) In addition to the cash and/or other property delivered to, and deposited with, the Trustee pursuant to Article 3 and Sections 4.1, 4.2 and 4.3, the Company may deliver to the Trustee one or more letters of credit (referred to hereinafter as the "Letter(s) of Credit") which shall (i) be irrevocable for a period of at least 364 days, (ii) be renewable by the Company on substantially the same terms and conditions at the end of such period unless the issuer provides to the Company and the Trustee not less than 90 calendar days' written notice prior to the expiration date that any Letter(s) of Credit will not be renewed, and (iii) name the Trustee as beneficiary. A Letter of Credit shall enable the Trustee to draw directly from the issuer of such Letter of Credit, immediately upon notice and without any other requirement, an amount equal to the excess of 100% of the amount the Trustee has demanded the Company contribute to the Trust pursuant to Article 3 and Sections 4.1, 4.2 and 4.3, as determined by the Trustee, over the value of all other assets of the Trust, subject, however, to the maximum amount of the Letters of Credit.

(b) The Trustee shall draw on each Letter of Credit held by it to the full extent thereof no later than three (3) business days following the failure by the Company to contribute

to the Trust the amounts demanded by the Trustee pursuant to Article 3 and Sections 4.1, 4.2 and 4.3.

(c) If the Trustee receives written notice from an issuer referencing a Letter of Credit by number which is signed by an officer of the issuer of such Letter of Credit, that such Letter of Credit will not be renewed on substantially the same terms and conditions, then the Trustee shall notify the Company in writing that it has received such notice.

(d) Notwithstanding (a) above, the Trustee shall not draw on any Letter of Credit pursuant to subparagraph (a), to the extent that the Company has deposited in the Trust 100% of the amount the Trustee has demanded the Company to contribute to the Trust pursuant to Article 3 and Sections 4.1, 4.2 and 4.3, as determined by the Trustee.

ARTICLE 5: PAYMENTS FROM THE TRUST.

5.1 The Company shall, from time to time, furnish the Trustee with such written information regarding the Participants and beneficiaries under the Transferred Plans and the amount and/or method of determination of benefits under the Transferred Plans (hereinafter referred to as "Participant Data") as the Company deems relevant or as the Trustee shall request in writing. The Company shall, after a Change in Control, furnish the Trustee with such Participant Data and other information as the Trustee may from time to time request within thirty (30) days of such request. The Company shall, from time to time, but not less frequently than annually, update Participant Data with respect to all Transferred Plans.

After a Change in Control and notwithstanding anything contained in this Agreement to the contrary, the Trustee shall, without direction from the Company make payments to Participants and beneficiaries in such manner and in such amounts as the Trustee shall determine they are entitled to be paid under the Transferred Plans based on the most recent

Participant Data furnished to the Trustee by the Company and any supplemental information furnished to the Trustee by a Participant or beneficiary upon which the Trustee may reasonably rely in making such determination. The Trustee shall have the power to interpret the provisions of the Transferred Plans and this Agreement in making its determination Payments to a Participant or beneficiary shall be made from the Participant's Sub-Account. To the extent that the Trustee determines that the funds available in a Participant's Sub-Account is not sufficient to provide for the payment of all amounts otherwise payable to him or her as provided under this Section 5.1, the Trustee shall use the funds credited to the Suspense Account, to the extent available, for the payments due. To the extent that the Trustee determines that there still remains an insufficiency in funds available for the Participant's or beneficiary's payment, the Trustee shall make a written demand on the Company to provide the necessary funds, as provided under Article 4. In the event that the Company refuses to transfer such funds within fifteen (15) days from the time the written demand is mailed, the amount otherwise payable to each such Participant or beneficiary during every month of the insufficiency of funds shall be multiplied by a fraction, the numerator of which is the amount of funds then available in the Benefit Account for the payment of benefits under the Transferred Plans and the denominator of which is the total of the benefits payable prior to such reduction during such month to all Participants and beneficiaries under the Transferred Plans.

5.2 Within a reasonable time following presentment to the Trustee by a Participant or beneficiary of reasonable written evidence satisfactory to the Trustee that such Participant or beneficiary will or has taxable income as a result of his or her interest in this Trust with respect to any Transferred Plan, then the Trustee shall make a payment (the "Tax Payment") to such

Participant or beneficiary or to the appropriate taxing authority if applicable from the Benefit Account equal to the product of (i) the amount of such taxable income and (ii) the maximum individual tax rates for the taxable year in respect of which such taxable income will be, or has been, recognized for federal, state and local income taxes, as the case may be, taking into account the deductibility from federal income taxes of any applicable state and local taxes. The payment or payments that a Participant or beneficiary receives from the Benefit Account in respect of any Transferred Plan (other than Tax Payments) shall be reduced, in the manner determined by the Trustee, so that the present value of such payment or payments in respect of the Transferred Plan equal the present value of the total payment or payments the Participant or beneficiary would have been entitled to receive in respect of the Transferred Plan had this Trust not been established, reduced by the amount of the Tax Payments previously made in respect of the Transferred Plan. For this purpose, present value shall be determined as of the date (the "Determination Date") of the payments or the payment of the first in a series of installment payments, in respect of the Transferred Plan, using an interest rate assumption equal to the Pension Benefit Guaranty Corporation's immediate annuity rate in effect for single employer plans terminating on the Determination Date and any other assumptions the Trustee deems reasonable and appropriate.

5.3 If the Trustee, in its discretion, determines that a Participant or beneficiary no longer has any interest or entitlement (contingent or otherwise) under this Trust because he or she has been fully paid all amounts due under all Transferred Plans or otherwise, any amount that remains credited to the Participant's Sub-Account shall be reallocated to any or all of the Sub-Accounts or Suspense Account as the Trustee, in its discretion, determines but consistent with complying with the "separate account" requirements referred to in Section 2.1.

ARTICLE 6: MANAGEMENT OF TRUST ASSETS.

6.1 Prior to a Change in Control, this Trust's assets shall be held, invested and reinvested by the Trustee as designated by the written direction of the Company from time to time. The Trustee shall not be under any duty, or have any right, to question any such directions of the Company or to review any securities or other property held pursuant to such direction, or to make any suggestions to the Company in connection therewith; and the Trustee shall as promptly as practicable comply with any directions given by the Company hereunder. The Trustee shall not be liable for following the directions from the Company prior to a Change in Control if there is a loss due to investments directed by the Company. In exercising the powers of the Company under this Section 6.1, the Company shall act by its Corporate Treasurer or his written designees, each of whom is fully authorized to exercise such powers. The Trustee may, and shall, follow the written directions signed by said Corporate Treasurer or such designees.

6.2 In the absence of written direction of the Company, the Trustee shall invest the assets as if a change in Control had occurred as provided in Section 6.3 and Article 9.

6.3 After the occurrence of a Change in Control, the Trustee shall have exclusive authority and discretion to manage and control this Trust's assets and may employ investment managers, including affiliates of the Trustee to manage the investment of this Trust's assets. Pursuant to such authority and discretion, the Trustee may exercise, from time to time and at any time, the power:

(a) to invest and reinvest this Trust, without distinction between principal and income, in shares of stock (whether common or preferred) or other evidences of ownership, bonds, debentures, notes or other evidences of indebtedness, unsecured or secured by mortgages on real or personal property wherever situated (including any part interest in a bond and mortgage or note and mortgage whether insured or uninsured) and other property, or part interest

in property, real or personal, interests in common or collective funds maintained by the Trustee or an affiliate of the Trustee, foreign or domestic, and in order to reduce the rate of interest rate fluctuations, contracts, as either buyer or seller, for the future delivery of United States Treasury securities and comparable federal-government-backed securities;

(b) to sell, convey, redeem, exchange, grant options for the purchase or exchange of, or otherwise dispose of, any real or personal property, at public or private sale, for cash or upon credit, with or without security, without obligation on the part of any person dealing with the Trustee to see to the application of the proceeds of or to inquire into the validity, expediency or propriety of any such disposition;

(c) to exercise, personally or by general or limited proxy, the right to vote any shares of stock, bonds or other securities held in this Trust, to delegate discretionary voting power to trustees of a voting trust for any period of time, and to exercise, personally or by power of attorney, any other right appurtenant to any securities or other property of this Trust;

(d) to join in or oppose any reorganization, recapitalization, consolidation, merger or liquidation, or any plan therefor, or any lease, mortgage or sale of the property of any organization the securities of which are held in this Trust; to pay from this Trust any assessments, charges or compensation specified in any plan of reorganization, recapitalization, consolidation, merger or liquidation; to deposit any property with any committee or depository; and to retain any property allotted to this Trust in any reorganization, recapitalization, consolidation, merger, or liquidation;

(e) to exercise or sell any conversion or subscription or other rights appurtenant to any stock, security or other property held in this Trust;

(f) to borrow from any lender (including the Trustee in its individual capacity) money, in any amount and upon any reasonable terms and conditions, for purposes of this Agreement, and to pledge or mortgage any property held in this Trust to secure the repayment of any such loan;

(g) to compromise, settle or arbitrate any claim, debt, or obligation of or against this Trust; to enforce or abstain from enforcing any right, claim, debt or obligation and to abandon any property determined by it to be worthless;

(h) to make loans of securities held in this Trust to registered brokers and dealers upon such terms and conditions as are permitted by applicable law and regulations, and in each instance to permit the securities so lent to be registered in the name of the borrower or a nominee of the borrower, provided that in each instance the loan is adequately secured and neither the borrower nor any affiliate of the borrower has discretionary authority or control with respect to the assets of this Trust involved in the transaction or renders investment advice with respect to those assets; and

(i) to invest and reinvest any property in this Trust in any other form or type of investment not specifically mentioned in this Section.

ARTICLE 7: ADMINISTRATIVE POWERS.

The Trustee shall have and in its sole and absolute discretion may exercise from time to time and at any time the following administrative powers and authority with respect to this Trust:

7.1 To hold property of this Trust in its own name or in the name of a nominee or nominees, without disclosure of this Trust, or in bearer form so that it will pass by delivery, but no such holding shall relieve the Trustee of its responsibility for the safe custody and disposition

of this Trust in accordance with the provisions of this Agreement; the Trustee's books and records shall at all times show that such property is part of this Trust; and the Trustee shall be absolutely liable for any loss occasioned by the acts of its nominee or nominees with respect to securities registered in the name of the nominee or nominees.

7.2 To organize and incorporate under the laws of any state it may deem advisable one or more corporations (and to acquire an interest in any such corporation that it may have organized and incorporated) for the purpose of acquiring and holding title to any property, interests or rights that the Trustee is authorized to acquire under Article 6 hereof.

7.3 To employ in the management of this Trust suitable agents, without liability for any loss occasioned by any such agents selected by the Trustee with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

7.4 To make, execute and deliver, as Trustee, any deeds, conveyances, leases, mortgages, contracts, waivers or other instruments in writing that the Trustee may deem necessary or desirable in the exercise of its powers under this Agreement.

7.5 To administer this Trust, including the establishment and maintenance of the Sub-Accounts and Suspense Account, to ensure that payments made to this Trust by the Company are deductible by the Company under Section 404(a)(5) of the Code; provided, that such administration shall not adversely effect the interests of the Participants and beneficiaries.

7.6 To reallocate at any time excess funds from any and all of the Sub-Accounts among the Sub-Accounts or Suspense Account, as provided under Article 5, and from the Suspense Account to any and all of the Sub-Accounts, as provided under Article 2.

7.7 To pay any federal, state, local or other taxes imposed or levied with respect to the assets and/or income of this Trust out of the Benefit Account and to file all federal, state and local tax or information returns relating to this Trust.

7.8 To draw upon any Letter of Credit provided pursuant to Section 4.4 and to make demand upon the issuer of any Letter of Credit to pay amounts directly to the Trust.

7.9 To do all other acts that the Trustee may deem necessary or proper to carry out any of the powers set forth in this Agreement or otherwise in the best interests of this Trust.

ARTICLE 8: INSURANCE AND ANNUITY CONTRACTS.

8.1 The Trustee, upon written direction of the Company prior to a Change in Control, shall pay from the Benefit Account such sums to such insurance company or companies as the Company may direct for the purpose of procuring participating or nonparticipating insurance and/or annuity contracts for the Transferred Plans (hereinafter referred to as "Contracts"). The Company shall prepare, or cause to be prepared in such form as it shall prescribe, the application for any Contract to be applied for. The Trustee shall receive and hold in this Trust, subject to the provisions hereinafter set forth in this Article 8, all Contracts so obtained.

8.2 The Trustee shall be the complete and absolute owner of Contracts held in this Trust and, upon written direction of the Company prior to a Change in Control, shall have power, without the consent of any other person, to exercise any and all of the rights, options or privileges that belong to the absolute owner of any Contract held in this Trust or that are granted by the terms of any such Contract or by the terms of this Agreement. Prior to a Change in Control, the Trustee shall have no discretion with respect to the exercise of any of the foregoing powers or the taking of any other action permitted by any Contract held in this Trust, but shall exercise such powers or take such action only upon the written direction of the Company and the Trustee shall have no duty to exercise any of such powers or to take any such action unless and

until it shall have received such direction. After a Change in Control, the Trustee shall exercise, without directions from the Company, any and all of the rights, options or privileges that belong to the absolute owner of any Contract held in this Trust or that are granted by the terms of any such Contract or by the terms of this Agreement. The Trustee, upon the written direction of the company prior to a Change in Control, shall deliver any Contract held in this Trust to such person or persons as may be specified in the direction.

8.3 The Trustee shall hold in this Trust the proceeds of any sale, assignment or surrender of any Contract held in this Trust and any and all dividends and other payments (including death benefits) of any kind received in respect of any Contract held in this Trust.

8.4 Upon the written direction of the Company prior to a Change in Control, the Trustee shall pay from the Benefit Account, premiums, assessments, dues, charges and interest, if any, upon any Contract held in this Trust. The Trustee shall have no duty to make any such payment unless and until it shall have received such direction. After a Change in Control, the Trustee shall pay from the Benefit Account premiums, assessments, dues, charges and interest, if any, upon any Contract held in this Trust, without direction from the Company.

8.5 No insurance company that may issue any Contract or Contracts held in this Trust shall be deemed to be a party to this Agreement for any purpose, or to be responsible in any way for the validity of this Agreement or to have any liability under this Agreement other than as stated in each Contract that it may issue. Any insurance company may deal with the Trustee as sole owner of any Contract issued by it and held in this Trust without inquiry as to the authority of the Trustee to act, and may accept and rely upon any written notice, instruction, direction, certificate or other communication from the Trustee believed by it to be genuine and to be signed by an officer of the Trustee and shall incur no liability or responsibility for so doing. Any sums

paid out by any insurance company under any of the terms of a Contract issued by it and held in this Trust either to the Trustee, or, in accordance with the direction of the Trustee, to any other person or persons designated as payees in such Contract shall be a full and complete discharge of the liability to pay such sums, and the insurance company shall have no obligation to look to the disposition of any sums so paid. No insurance company shall be required to review the terms of this Agreement, to question any action of the Trustee or to ensure that any action of the Trustee is authorized by the terms of this Agreement.

8.6 Notwithstanding anything contained herein to the contrary, neither the Company nor the Trustee shall be liable for the refusal of any insurance company to issue or change any Contract or Contracts or to take any other action requested by the Trustee; nor for the form, genuineness, validity, sufficiency or effect of any Contract or Contracts held in this Trust; nor for the act of any person or persons that may render any such Contract or Contracts null and void; nor for the failure of any insurance company to pay the proceeds and avails of any such Contract or Contracts as and when the same shall become due and payable; nor for any delay in payment resulting from any provision contained in any such Contract or Contracts; nor for the fact that for any reason whatsoever (other than their own negligence or willful misconduct) any Contract or Contracts shall lapse or otherwise become uncollectable.

ARTICLE 9: TRUSTEE'S POWERS AFTER A CHANGE IN CONTROL:

9.1 After a Change in Control, the Trustee shall exercise for the sole benefit of Participants and their beneficiaries any of the powers set forth in Section 6.3 and Sections 8.2 through 8.6 without direction from the Company, including the power to negotiate for and purchase Contracts whose rates of return and maturity dates may reasonably be expected to permit the Trust to discharge any or all of the obligations of the Company and its Affiliates under the Transferred Plans.

9.2 As soon as practicable following a Change in Control, the Trustee shall notify in writing each Participant and beneficiary of the amount of his or her benefit (accrued or contingent) under the Transferred Plans. Thereafter, the Trustee shall provide each Participant or his or her beneficiary by March 1 of each year, with an account statement (the "Account Statement") as of December 31 of the prior calendar year. The Account Statement shall contain a statement of the amount of benefit payments to which the Participant is or may be entitled, a summary of the assets of the Trust, the amount credited to the Participant's Sub-Account, and a statement notifying the Participant or beneficiary that he or she has the right to receive or examine a copy of this Agreement and examine the Trustees account filed with the Company pursuant to Section 14.1. In addition, the Trustee shall notify each Participant or beneficiary of any failure by the Company to provide the Participant Data referred to in Section 5.1 or to make contributions pursuant to Articles 3 and 4.

9.3 After a Change in Control, the Trustee shall bill the Company directly, on a monthly basis, for all fees and expenses described in Section 10.2. If the Company fails to pay such amounts within thirty (30) days, the Trustee shall commence legal action as provided in Section 9.4

9.4 After a Change in Control, if the Company fails to transfer to, and deposit in, the Trust the amounts required by Articles 3 and 4, and Sections 9.3 and 10.1, within the time period demanded by the Trustee, the Trustee shall commence legal action to compel the Company to pay such amounts to the Trust, and (ii) the Company shall be required by contribute within 10 days of commencement of such action an additional amount to the Trust to pay for the costs and expenses, including legal fees, of such action. The Trustee shall have the power and authority to

hire legal counsel of its choice to pursue such legal action against the Company and the costs of such legal counsel shall be paid from the Trust.

ARTICLE 10: TAXES. EXPENSES AND COMPENSATION OF TRUSTEE.

10.1 The Company shall pay any federal, state, local or other taxes imposed or levied with respect to the assets and/or income of this Trust or any part thereof unless paid by the Trustee out of the Benefit Account.

10.2 The Trustee shall be reimbursed by the company on a monthly basis, or on such other basis as the Trustee deems reasonable, for the fees and expenses set forth in Schedule 3 to the Benefits Trust and its reasonable expenses, including but not limited to the retention of legal counsel, accountants and actuaries and such other professionals as the Trustee determines are necessary or appropriate to enable it to perform its services as Trustee.

ARTICLE 11: GENERAL DUTIES OF TRUSTEE.

11.1 The Trustee shall discharge its duties under this Agreement solely in the interest of the Participants and their beneficiaries and (a) for the exclusive purpose of providing benefits to such Participants and their beneficiaries and defraying reasonable expenses of administering this Trust; and (b) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

11.2 (a) The Company shall notify the Trustee of any facts of which its officers have knowledge which have caused the occurrence of a Change in Control.

(b) The Trustee is responsible for ascertaining whether a Change in Control has occurred.

11.3 The Trustee may consult with counsel, who may be counsel for the Company prior to a Change in Control or for the Trustee in its individual capacity, and shall not be deemed

imprudent by reason of its taking or refraining from taking any action in accordance with the opinion of counsel.

ARTICLE 12: INDEMNIFICATION.

12.1 The Company agrees, to the extent permitted by law, to indemnify and hold the Trustee harmless from and against any liability that the Trustee may incur in the administration of this Trust (including attorneys' fees and expenses), unless arising from the Trustee's own gross negligence, willful misconduct, or willful breach of the provisions of its obligations under this Agreement. The Trustee shall not be required to give any bond or any other security for the faithful performance of its duties under this Agreement, except as required by law.

12.2 Any amount payable to the Trustee under this Article 12 and not previously paid by the Company shall be paid by the Company promptly upon written demand therefor by the Trustee or, if the Company fails to make payment within fifteen (15) days after receipt of such written demand, from the Trustee Expense Account, and, if the Trustee Expense Account is insufficient, then from the Benefit Account.

In the event that payment is made hereunder to the Trustee from the Trustee Expense Account or Suspense Account, the Trustee shall promptly notify the Company in writing of the amount of such payment. The Company agrees that, upon receipt of such notice, it will deliver to the Trustee to be held in this Trust an amount in cash (or in marketable securities or in some combination thereof) equal to any payments made from this Trust to the Trustee pursuant to this Article 12. The failure of the Company to transfer any such amount shall not in any way impair the Trustee's right to indemnification, reimbursement and payment pursuant to this Article 12. The provisions of this Article 12 shall survive the termination of this Agreement.

12.3 Nothing in this Article 12 shall require the Company to indemnify the Trustee with respect to any Letter of Credit (as described in Section 4.4) which the Trustee or any affiliate may issue in its commercial capacity, nor may any assets of the Trust be used to repay the Trustee or any affiliate for amounts the Trustee or any affiliate may pay pursuant to any Letter of Credit.

ARTICLE 13: NO DUTY TO ADVANCE FUNDS.

Nothing contained in this Agreement shall require the Trustee to risk or expend its own funds in the performance of the duties of the Trustee hereunder. In the acceptance and performance of its duties hereunder, the Trustee acts solely as trustee and not in its individual capacity, and all persons, other than the Company, having any claim against the Trustee related to this Agreement or the actions or agreements of the Trustee contemplated hereby shall look solely to this Trust for the payment or satisfaction thereof unless the Trustee has failed to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. The provisions of this Article 13 shall not limit in any way the obligations and responsibilities of the Trustee or any affiliate pursuant to a Letter of Credit (as described in Section 4.4) and the rights of the Trustee to draw upon any Letter of Credit issued by the Trustee or any affiliate shall be as provided in such Letter of Credit.

ARTICLE 14: ACCOUNTS.

14.1 (a) The Trustee shall keep accurate and detailed accounts of all its receipts, investments and disbursements under this Agreement on a fiscal year basis ending on each August 31 and for purposes of the Account Statement pursuant to Section 9.2. Such person or

persons as the Company shall designate shall be allowed to inspect the books of account relating to this Trust upon request at any reasonable time during the business hours of the Trustee.

(b) Within sixty (60) days after the close of each fiscal year, the Trustee shall transmit to the Company, and certify the accuracy of, a written statement of the assets and liabilities of this Trust, showing the current value of each asset at that date, and a written account of all the Trustee's transactions relating to this Trust during the period from the last previous accounting to the close of that year. For the purposes of this subsection, the date of the Trustee's resignation or removal as provided in Article 16 or the date of termination of this Trust as provided in Article 17 shall be deemed to be the close of a year.

(c) Unless the Company shall have filed with the Trustee written exceptions or objections to any such statement and account within one-hundred and twenty (120) days after receipt thereof, the Company shall be deemed to have approved such statement and account, and in such case or upon the written approval by the Company of any such statement and account, the Trustee shall, to the extent permitted by law, be forever released and discharged with respect to all matters and things contained in such statement and account as though it had been settled by decree of a court of competent jurisdiction in an action or proceeding to which the company and all persons having any beneficial interest in this Trust were parties.

14.2 The Trustee shall determine the fair market value of this Trust on a quarterly basis. If there is a diminution in value of the Trustee Expense Account below the required amount set forth in Section 3.1 after the occurrence of a Change in Control, the Company shall provide the Trustee with sufficient funds to make up for any such diminution in value within fifteen (15) days after written demand by the Trustee for such payment. No resignation pursuant

to the foregoing provisions of this Section 14.2 may take effect after the occurrence of a Change in Control.

14.3 Nothing contained in this Agreement or in the Transferred Plans shall deprive the Trustee of the right to have a judicial settlement of its accounts. In any proceeding for a judicial settlement of the Trustee's accounts or for instructions in connection with this Trust, the only other necessary party thereto in addition to the Trustee shall be the Company. If the Trustee so elects, it may bring in as a party or parties defendant any other person or persons. No person interested in this Trust, other than the Company or at least twenty-five percent (25%) of the Participants and beneficiaries, shall have a right to compel an accounting, judicial or otherwise, by the Trustee, and each such person shall be bound by all accountings by the Trustee to the Company, as herein provided, as if the account had been settled by decree of a court of competent jurisdiction in an action or proceeding to which such person was a party.

ARTICLE 15: ADMINISTRATION OF THE TRANSFERRED PLANS; COMMUNICATIONS.

15.1 Prior to a Change in Control, the Company shall administer the Transferred Plans as provided therein and subject to Article 5, Article 6, and Article 9, or subject to any other delegation, by the Company and assumption by the Trustee of the duties of administering the Transferred Plans, the Trustee shall not be responsible in any respect for administering the Transferred Plans nor shall the Trustee be responsible for the adequacy of this Trust to meet and discharge all payments and liabilities under the Transferred Plans. The Trustee shall be fully protected in relying upon any written notice, instruction, direction or other communication consistent with the terms of this Agreement signed by an officer of the Company designated pursuant to this Agreement. The Company, from time to time, shall furnish the Trustee with the names and specimen signatures of the designated officers of the

Company and shall promptly notify the Trustee of the termination of office of any designated officer of the Company and the appointment of a successor thereto. Until notified to the contrary, the Trustee shall be fully protected in relying upon the most recent list of the designated officers of the Company furnished to it by the Company.

15.2 Any action required by any provision of this Agreement to be taken by the Board shall be evidenced by a resolution of such Board certified to the Trustee by the Secretary or an Assistant Secretary of the Company under its corporate seal, and the Trustee shall be fully protected in relying upon any resolution so certified to it. Unless other evidence with respect thereto has been specifically prescribed in this Agreement, any other action of the Company under any provision of this Agreement, including any approval of or exceptions to the Trustee's accounts, shall be evidenced by a certificate signed by an officer of the Company, and the Trustee shall be fully protected in relying upon such certificate. The Trustee may accept a certificate signed by an officer of the Company as proof of any fact or matter that it deems necessary or desirable to have established in the administration of this Trust (unless other evidence of such fact or matter is expressly prescribed herein), and the Trustee shall be fully protected in relying upon the statements in the certificate.

15.3 The Trustee shall be entitled conclusively to rely upon any written notice, instruction, direction, certificate or other communication consistent with the terms of this Agreement believed by it to be genuine and to be signed by the proper person or persons.

15.4 Until written notice is given to the contrary, communications to the Trustee shall be sent to it at its office at _____, Winston-Salem, North Carolina, Attention: _____, facsimile _____, copy to _____ (or such other individuals as may be designated in writing by the Trustee); communications to the Company shall be sent to it at its office at 1420 Peachtree

Street, N.E., Atlanta, Georgia, Attention: Ken Murphy, facsimile 404-853-1015, with a copy to William J. Vesely, Jr., Kilpatrick Stockton LLP, facsimile 404-815-6555 (or to such other individuals or addresses as may be designated by the Company).

ARTICLE 16: RESIGNATION OR REMOVAL OF TRUSTEE.

16.1 The Trustee may resign at any time, other than during a Threatened Change in Control Period or following the occurrence of a Change in Control, upon six (6) months' written notice to the Company or such shorter period as is acceptable to the Company (hereinafter referred to as the "Resignation Period") and immediately after the Resignation Period shall have no further duties hereunder. The Trustee will have no duty to find or secure the appointment of a successor upon its resignation pursuant to this Section nor shall its resignation or its termination of any further duties be contingent upon the appointment and qualification of a successor. Promptly after receipt of such notice, the Company shall appoint a successor trustee, such trustee to become Trustee upon its acceptance of this Trust.

16.2 During a Threatened Change in Control Period or after the occurrence of a Change in Control, the Trustee may resign only if a final decision of a court of competent jurisdiction removes the Trustee by reason of such court's determination of the existence of a conflict of interest which prevents the Trustee from properly performing its duties hereunder. The Trustee agrees to use its best efforts to avoid any such conflict. For the purpose of this Agreement, the decision of a court shall not be deemed to be final unless the decision is not appealable, or no appeal has been taken from the decision and the time for an appeal has expired. Notwithstanding the foregoing provisions of this Section 16.2, such resignation shall not be effective unless the Trustee has obtained the agreement of a bank to act as successor trustee which bank (1) is among the 100 largest banks in the United States, as measured by assets, and (2) served or then currently serves as the trustee for similar trusts and understands its obligations

under such similar trusts. In any event, the Trustee shall continue to be custodian of this Trust until the new trustee is in place, and the Trustee shall be entitled to expenses and fees through the later of the effective date of its resignation as Trustee or the end of its custodianship of this Trust's assets.

16.3 Other than during a Threatened Change in Control Period or after the occurrence of a Change in Control, the Company may remove the Trustee upon thirty (30) days' written notice to the Trustee, or upon shorter notice if acceptable to the Trustee. Such removal shall become effective, however, only upon the occurrence of all of the following events:

- (a) The appointment by the Company of a successor trustee;
- (b) The acceptance of the Trust by the successor trustee; and
- (c) The delivery of this Trust's assets to the successor trustee.

16.4 Each successor trustee shall have the powers and duties conferred upon the Trustee in this Agreement, and the term "Trustee" as used in this Agreement shall be deemed to include any successor trustee. Upon designation or appointment of a successor trustee, the Trustee shall transfer and deliver this Trust to the successor trustee, reserving such reasonable sums as the Trustee shall deem necessary to defray its expenses in settling its accounts, to pay any of its compensation due and unpaid and to discharge any obligation of this Trust for which the Trustee may be liable. If the sums so reserved are not sufficient for these purposes, the Trustee shall be entitled to recover the amount of any deficiency from either the Company or the successor trustee, or both. When this Trust shall have been transferred and delivered to the successor trustee and the accounts of the Trustee have been settled as provided in Article 14, the Trustee shall be released and discharged from all further accountability or liability for this Trust

and shall not be responsible in any way for the further disposition of this Trust or any part thereof.

16.5 Notwithstanding anything to the contrary, in the event it resigns or is removed, the Trustee shall have a right to have its accounts settled as provided in Article 14.

ARTICLE 17: AMENDMENT OF AGREEMENT; TERMINATION OF TRUST.

17.1 Subject to Section 17.2 of this Article 17, the Company expressly reserves the right at any time, other than during a Threatened Change in Control Period or after the occurrence of a Change in Control, to amend in writing or terminate this Agreement and this Trust created thereby to any extent that it may deem advisable. No amendment shall be made without the Trustee's consent thereto in writing (whose consent shall not be unreasonably withheld) if, and to the extent that, the effect of such amendment is to materially increase the Trustee's responsibilities hereunder. Such proposed amendment shall be delivered to the Trustee as a written instrument of amendment, duly executed and acknowledged by the Company. The Company also shall deliver to the Trustee a copy of any modifications or amendments to the Transferred Plans. The Trustee's consent shall not be required for the termination of this Trust pursuant to this Section 17.1, its removal as Trustee, the amendment of any of the Plans, or the increase in the number of Participants.

17.2 Notwithstanding anything contained herein to the contrary, other than as provided in Section 17.4, the provisions of this Agreement and this Trust created thereby shall not be amended or terminated by the Company or the Trustee during a Threatened Change in Control Period or after the occurrence of a Change in Control.

17.3 In the event the Company terminates this Trust other than during a Threatened Change in Control Period or after the occurrence of a Change in Control, the Trustee shall reserve such sums it deems necessary to pay its fees and expenses, and shall distribute all

remaining assets of this Trust in accordance with the written directions of the Company, and the Trustee shall provide the Company with a final written accounting to the Company in accordance with Article 14 hereof.

17.4 After the occurrence of a Change in Control, this Trust shall only be terminated on the first to occur of either (a) the date on which the last Participant or beneficiary has received his or her benefits under the Transferred Plans or (b) the twenty-first anniversary of the death of the last survivor of the Participants or their beneficiaries who are in being on the date of this Agreement. Upon termination of this Trust, the Trustee shall have a right to have its account settled as provided in Article 14 hereof. Only upon termination of this Trust, and after payment of all fees, expenses and indemnities due to or incurred by the Trustee hereunder, any remaining portion of this Trust shall be promptly paid to the Company.

ARTICLE 18: PROHIBITION OF DIVERSION.

Except as provided in Sections 3.3, 4.2 and 17.4, at no time prior to the satisfaction of all liabilities with respect to Participants and their beneficiaries under this Trust shall any part of the corpus and/or income of this Trust be used for, or diverted to, purposes other than for the exclusive benefit of such Participants and their beneficiaries, and the assets of this Trust shall never inure to the benefit of the Company or its creditors (except the Participants and beneficiaries) and shall be held for the exclusive purposes of providing benefits to Participants in the Transferred Plans and their beneficiaries and defraying reasonable expenses of administering the Transferred Plans or performing any of the Trustee's duties under this Agreement.

ARTICLE 19: PROHIBITION OF ASSIGNMENT OF INTEREST.

No interest, right or claim in or to any part of this Trust or any payment therefrom shall be assignable, transferable or subject to sale, mortgage, pledge, hypothecation, commutation, anticipation, garnishment, attachment, execution or levy of any kind, and the Trustee shall not recognize any attempt to assign, transfer, sell, mortgage, pledge, hypothecate, commute or anticipate the same, except to the extent required by law.

ARTICLE 20: MISCELLANEOUS.

20.1 This Agreement shall be interpreted, construed and enforced, and this Trust hereby created shall be administered, in accordance with the laws of the United States and of the State of Georgia without regard to the conflicts of laws principles thereof.

20.2 The Company shall, at any time and from time to time, upon the reasonable request of the Trustee, execute and deliver such further instruments and do such further acts as may be necessary or proper to effectuate the purpose of this Agreement.

20.3 The titles to Articles of this Agreement are placed herein for convenience of reference only, and this Agreement is not to be construed by reference thereto.

20.4 This Agreement shall bind and inure to the benefit of the successors and assigns of the Company and the Trustee, respectively and the Transferred Plans.

20.5 This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original but all of which together shall constitute but one instrument, which may be sufficiently evidenced by any counterpart.

20.6 If any provision of this Agreement is determined to be invalid or unenforceable the remaining provisions shall not for that reason alone also be determined to be invalid or unenforceable.

20.7 Each Participant and his beneficiaries is an intended beneficiary under this Trust, and shall be entitled to enforce all terms and provisions hereof with the same force and effect as if such person had been a party hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their respective names by their duly authorized officers under their corporate seals as of the day and year first above written.

L & C SPINCO, INC.

ATTEST:

By: _____

Secretary

WACHOVIA BANK, N.A.

ATTEST:

By: _____

Secretary

The undersigned, National Service Industries, Inc., hereby consents to the transfer and assumption of the Prior Trust by L & C Spinco, Inc., as of this ___ day of _____, 2001.

NATIONAL SERVICE INDUSTRIES, INC.

By: _____

STATE OF

SS.:

COUNTY OF

On this day of _____, 1990, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he is _____ of Wachovia Bank, N.A., one of the entities describes in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

Notary Public, State of Georgia

My Commission Expires -----

STATE OF GEORGIA

SS.:

COUNTY OF FULTON

On this day of _____, 1990, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he is _____ of L & C Spinco, Inc., one of the entities described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

Notary Public, State of Georgia

My Commission Expires -----

Schedule 1

THE PLANS

The following Company plans and agreements (collectively referred to as the "Plans") are subject to this Trust:

1. Executives' Deferred Compensation Plan
2. Supplemental Retirement Plan for Executives
3. Senior Management Benefit Plan
4. Supplemental Deferred Savings Plan
5. Long Term Incentive Plan
6. Severance Protection Agreements with:
 - (i) Balloun
 - (ii) Hattox
 - (iii) Murphy
 - (iv) Parham
 - (v) Heagle
 - (vi) Searle
 - (vii) Honeycutt
 - (viii) Morgan

Schedule 2

PARTICIPATING AFFILIATES

L & C Lighting Group, Inc.

The Zep Group, Inc.

Schedule 3
Fee Schedule

L & C SPINCO, INC.
SUPPLEMENTAL RETIREMENT PLAN FOR EXECUTIVES
(Formerly, The Supplemental Retirement Plan For
Executives of National Service Industries, Inc.)

(Effective As of _____, 2001)

L & C SPINCO, INC.
SUPPLEMENTAL RETIREMENT PLAN FOR EXECUTIVES

PREAMBLE

The L & C Spinco, Inc. Supplemental Retirement Plan For Executives ("Plan") is designed to be a supplemental retirement plan covering a select group of management and highly compensated employees of L & C Spinco, Inc. (the "Company") and its Subsidiaries. The benefits under the Plan are unfunded and all amounts payable under the Plan shall be paid from the general assets of the Employer which employs the Participant.

The effective date of the Plan as set forth herein is _____, 2001 ("Effective Date"). The Plan was originally established by National Service Industries, Inc. ("NSI"), effective July 1, 1983, and was formerly known as the Supplemental Retirement Plan For Executives of National Service Industries, Inc. ("Prior Plan"). In connection with the spin-off of the Company from NSI, effective _____, 2001 and pursuant to an Employee Benefits Agreement, dated as of _____, 2001, between the Company and NSI, the Plan is being transferred to, and being assumed by, the Company. The liability for benefits to the employees and former employees of NSI and its subsidiaries who were participants in the Prior Plan as of the Effective Date, shall be transferred to the Plan. As provided for herein, the benefit payment elections and designation of beneficiaries made under the Prior Plan prior to the Effective Date shall be carried over and apply for purposes of the Plan after the Effective Date (subject to any changes made after the Effective Date under the Plan).

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ARTICLE I

DEFINITIONS AND CONSTRUCTION

1.1 Definitions: Where the following words and phrases appear in this Plan, they shall have the meanings set forth below, unless the context clearly indicates to the contrary:

(a) Accrued Pension: A Participant as of any given date shall have an Accrued Pension, which in each case shall be reduced by (i) the Accrued Pension, or the Actuarial Equivalent of the Accrued Pension, where appropriate, which the Participant is entitled to receive from Pension Plan C (and in the event of death covered by Article IV(b), the Actuarial Equivalent of any Group Term Life Insurance), increased for purposes of this offset for any Participant who would not have been eligible for Early Retirement under Pension Plan C as in effect prior to February 15, 1989, but who elects Early Retirement hereunder, by recalculating his February 14, 1989 accrued benefit as if he were eligible for an Early Retirement benefit, and (ii) the Actuarial Equivalent value of the Participant's hypothetical Account in the 401(k) Plan, assuming the Participant had contributed to the 401(k) Plan during the period he was eligible to participate in such plan an amount annually equal to 4% of his "Annual Compensation" (as that term is defined in the 401(k) Plan and subject to the limitation of Section 401(a)(17) of the Internal Revenue Code of 1986, as amended (the "Code")) over \$15,000 and received related Matching Contributions, and that his Account had earned 8% per annum to such date. The determination of the reduction under this paragraph shall be made by the Committee and its decisions on such matters shall be final and binding on all parties. The appropriate Accrued Pension shall be classified as follows:

(1) Normal Retirement Accrued Pension: An amount equal to the Participant's Average Monthly Compensation multiplied by 45%, minus 50% of his Primary Social Security Benefit. The amount determined in the preceding sentence is then multiplied by a fraction having a numerator equal to his Credited Service at his Normal Retirement Date and a denominator equal to the greater of (a) twenty (20) or (b) his Eligible Service on such date;

(2) Early Retirement Accrued Pension: A Participant's Accrued Pension as of any given date that is after the date he has attained both at least age 55 and completed at least 10 years of service from his Service Date to his Early Retirement Date, and before his Normal Retirement Date, shall be an amount equal to 45% of his Average Monthly Compensation, minus 50% of his Primary Social Security Benefit. The amount determined in the preceding sentence is then multiplied by a fraction having a numerator equal to his Credited Service at his Early Retirement Date and a denominator equal to the greater of (a) twenty (20) or (b) his Eligible Service on such date;

(3) Vested Termination or Disability Accrued Pension: A Participant's Accrued Pension as of any given date when his Accrued Pension is not determined

under subparagraphs (1) or (2) above, or (4) below, shall be an amount equal to 45% of the Participant's Average Monthly Compensation minus 50% of his Primary Social Security Benefit. The amount determined in the preceding sentence is then multiplied by a fraction having a numerator equal to the Participant's Credited Service on his Termination Date, and a denominator equal to the greater of (i) twenty (20), or (ii) the sum of (A) the Participant's Eligible Service on his Termination Date plus (B) the number of years of Eligible Service the Participant would have earned if he had continued his employment with the Company from his Termination Date until his Normal Retirement Date, with any fractional year expressed as a decimal equivalent, to two decimal places.

Notwithstanding the foregoing, when a Participant who received a distribution or distributions following his Termination Date or Retirement is re-employed and again becomes an active Participant, such Participant's Accrued Pension, as computed pursuant to the appropriate subparagraph of this Section, shall be reduced by the monthly Accrued Pension amount that is the Actuarial Equivalent of the distribution(s) made to the Participant.

(4) Late Retirement Accrued Pension: A Participant's Accrued Pension as of any given date that is after the date he has attained his Normal Retirement Date shall be an amount equal to an increased Pension which is the Actuarial Equivalent of an amount otherwise payable at his Normal Retirement Date, equal to 45% of the Participant's Average Monthly Compensation minus 50% of his Primary Social Security Benefit. The amount determined in the preceding sentence is then multiplied by a fraction having a numerator equal to his Credited Service at his Normal Retirement Date and a denominator equal to the greater of (a) twenty (20) or (b) his Eligible Service on such date.

(b) Act: Public Law No. 93-406, the Employee Retirement Income Security Act of 1974, as amended from time to time.

(c) Actuarial (or Actuarially) Equivalent: Equality in value of the aggregate amounts expected to be received under different forms of payment, using the same basis as defined for such term in Pension Plan C.

(d) Actuary: The individual actuary, or firm of actuaries, selected by the Administrator to provide actuarial services in connection with the administration of the Plan.

(e) Administrator: L & C Spinco, Inc.

(f) Anniversary Date: January 1; prior to January 1, 1994, the Anniversary Date was February 15.

(g) Authorized Leave of Absence: Any absence authorized by the Company under the Company's standard personnel practices, provided that all persons under similar circumstances shall be treated alike in the granting of such Authorized Leaves of Absence,

and provided further that the Participant returns within the period specified in the Authorized Leave of Absence.

(h) Annual Bonus: The amount awarded an Executive under the Company's annual bonus program, subject to the provisions and limitations contained in Section 1.1(p) of the Plan.

(i) Average Monthly Compensation: For Executives, the following definitions shall apply:

(1) For Benefit Accruals Prior To January 1, 1994: The applicable monthly amount shall be the average of his basic monthly salary determined as of the three (3) consecutive November 15ths of the last ten (10) November 15ths (excluding amounts earned after age sixty-five (65)) immediately preceding the Participant's date of Retirement, termination of employment or death, during which it was highest and 1/12 of the average of the three (3) highest, consecutive Annual Bonuses awarded to the Participant during the ten (10) years immediately preceding the Participant's date of Retirement or death, or Termination Date.

(2) For Benefit Accruals On Or After January 1, 1994: The applicable monthly amount shall be the average of his Compensation for the three highest, consecutive calendar years during the ten years (excluding Compensation after age 65) immediately preceding the Participant's date of Retirement, death or other termination of employment.

(j) Board: The Board of Directors of L & C Spinco, Inc. or its Executive Committee.

(k) Bonus: An annual bonus awarded to a Participant for the Company's Fiscal Year ending in the Plan year.

(l) Break in Service: An event which results in the cancellation of a Participant's previous Credited Service and Eligible Service as provided in Section 2.4.

(m) Break Year: A Plan Year in which an Executive failed to accrue at least 500 Service Hours.

(n) Committee: The persons appointed under the provisions of Article VII.

(o) Company: Company shall mean L & C Spinco, Inc. (or its successor or successors). Affiliated or related employers are permitted to adopt the Plan and shall be known as "Adopting Employers." To the extent required by certain provisions (e.g., determining Average Monthly Compensation, Credited Service and Service Date), references to the Company shall include the Adopting Employer of the Participant. Adopting Employers are listed on Schedule 1.

(p) Compensation: Subject to adjustment as provided in the next sentence, (1) for benefit accruals prior to January 1, 1994, an Executive's "Compensation" shall be determined under Section 1.1(i)(1), and (2) for benefit accruals on or after January 1, 1994, "Compensation" shall be the Executive's salary and wages for the calendar year, and any Annual Bonuses awarded during the year (such amount shall generally equal the amount shown in Box 10 of Form W-2 for the year or a similar Box on any future Form W-2 or replacement form). In either case, Compensation and Annual Bonuses shall include any amounts which shall be voluntarily deferred by the Executive under any salary or bonus deferral or reduction program (whether qualified or non-qualified) which may be instituted by the Company, but shall not include any earnings or Company match on these deferred amounts, or payments from such programs or any similar salary deferral or bonus deferral programs.

(q) Credited Service: The period of a Participant's employment with the Company considered in determining his eligibility for benefits from the Plan and the amount of his Accrued Pension, in accordance with Section 2.3, or credited pursuant to Section 2.10, plus, for the sole purpose of determining his eligibility for a Vested Pension, any period of employment completed prior to eligibility for Participation in Pension Plan C and Predecessor Pension Plans.

(r) Disability: Disability which is likely to be total and permanent shall be established in the following manner: If the Company or the Participant believes that the Participant is incapable by reason of his disability to perform his customary work for the Company, and if the Committee, the Company and the Participant unanimously agree that the Participant is so disabled, such unanimous findings shall be conclusive proof of the Participant's Disability. If the Committee, the Company, and the Participant are not unanimous, then the Committee, acting as a unit, by one vote, the Company by one vote, and the Participant by one vote, and by a majority of said three votes, shall select a physician whose duty it shall be to find and so certify to the Committee if the Participant is physically incapable of further employment by the Company to perform his customary work. Such certification shall be final and conclusive on all parties. The reasonable expenses of such determination shall be considered as an administrative expense of the Company.

(s) Disability Retirement Date: The Date of Retirement due to Disability as specified in Section 3.4.

(t) Early Retirement Date: The date of Early Retirement as specified in Section 3.3.

(u) Effective Date: This Plan is effective _____, 2001. The date on which the Prior Plan initially became effective was July 1, 1983.

(v) Eligible Service: The period of a Participant's employment with the Company considered in determining the amount of his Accrued Pension, in accordance with Section 2.2.

(w) Executive: Any person who, on or after the Effective Date, is classified as an executive officer of the Company covered by a bonus arrangement and who is receiving remuneration for personal services rendered to the Company (or would be receiving such remuneration except for an Authorized Leave of Absence), and any other officer of the Company (or an Adopting Employer) designated by the Chief Executive Officer of the Company as eligible to participate in the Plan and who is listed on an Appendix attached hereto.

(x) Fiduciaries: The Company, the Plan Administrator and the Committee, but only with respect to the specific responsibilities of each for Plan administration, all as described in Article VI.

(y) Late Retirement Date: The date of Retirement subsequent to Normal Retirement Date as specified in Section 3.2.

(z) Normal Retirement Date: The date of Retirement as specified in Section 3.1.

(aa) NSI: National Service Industries, Inc., a Delaware corporation, and the corporation from which the Company was spunoff on the Effective Date.

(bb) Participant: An Executive participating in the Plan in accordance with the provisions of Section 2.1.

(cc) Pension: A series of monthly amounts which are payable to a person who is entitled to receive benefits under the Plan.

(dd) Pension Commencement Date: The date as of which the initial payment of a Participant's Pension is due to commence, as provided in Article III, provided that such date shall, in no event, be later than the first of the month following or coincident with the last to occur of the following: (a) ten years after the commencement date of the Participant's participation in the Predecessor Pension Plan and Pension Plan C or (b) the Participant's Normal or Late Retirement Date or (c) the Termination Date of the Participant.

(ee) Pension Plan C: L & C Spinco, Inc. Pension Plan C, the pension plan provided for employees of the Corporate Office of L & C Spinco, Inc., as it may be amended from time to time. Pension Plan C was previously maintained by NSI and was adopted and assumed by the Company on the Effective Date.

(ff) Plan: The L & C Spinco, Inc. Supplemental Retirement Plan for Executives, the Plan set forth herein, as amended from time to time.

(gg) Plan Year: A twelve (12) month period beginning on January 1 and ending on December 31. The Plan had a short Plan Year from February 15, 1993 through December 31, 1993; prior to January 1, 1994, the Plan Year was February 15 through the next following February 14.

(hh) Predecessor Retirement Plan(s): The Pension Plan and Trust Agreement between the Company and The Trust Company of Georgia dated November 11, 1942, the Revised Plan and Trust Agreement of November 15, 1961, the National Linen Pension Plan for Salaried Employees and Route Salesmen Not Covered Under Any Other Retirement Plan dated November 15, 1964, GA 1008, National Linen Pension Plan for Branch Managers, etc., GA 1014, or any one of them as the context may require.

(ii) Primary Social Security Benefit: The monthly amount available to the Participant at age sixty-five (65) under the provisions of Title II of the Social Security Act (or its equivalent in the event of amendment, modification or replacement) in effect at the earliest to occur of (i) Retirement, but not later than Normal Retirement Date, or (ii) termination of employment, without regard to any increases in the wage base or benefit levels that take effect after the date of Disability Retirement, Early Retirement, or termination of employment; provided that

(1) For the purposes of Section 1.1, if the exact Primary Social Security Benefit is not known upon termination of employment, it shall be estimated in accordance with uniform rules adopted by the Committee;

(2) For the purposes of Section 1.1(a)(2) and 1.1(a)(3), if an Executive terminates employment prior to age sixty-five (65), his Primary Social Security Benefit shall be calculated by assuming that he had no Compensation or other earnings after his date of termination of employment; and

(3) The fact that an Executive does not actually receive such amount because of failure to apply or continuance of work, or for any other reason, shall be disregarded.

(jj) Prior Plan: The Supplemental Retirement Plan for Executives of National Service Industries, Inc. as in effect immediately prior to the Effective Date. A Participant's Compensation, Bonus, Credited Service, Eligible Service and other service arising out of the Participant's employment with NSI prior to the Effective Date shall be counted for purposes of this Plan in accordance with the provisions of the Plan.

(kk) Retirement: Termination of employment for reason other than death after a Participant has fulfilled all requirements for a Normal Retirement Pension, or a Late Retirement Pension, or an Early Retirement Pension, or a Disability Retirement Pension. Retirement shall be considered as commencing on the day immediately following a Participant's last day of employment (or Authorized Leave of Absence, if later).

(ll) Service Date: The date as of which an Executive's most recent period of continuous employment with the Company commenced. Such date shall coincide with the Executive's first date of hire with the Company unless he suffered a subsequent Break in Service, in which event the Executive's Service Date shall be the earliest date of re-employment with the Company as of which he commenced accruing Eligible Service without any cancellation thereof because of a subsequent Break in Service.

(mm) Service Hours: Subject to the Break in Service provisions of Section 2.4, all hours for which an Executive is compensated by the Company prior to the Executive's Normal Retirement Date shall be credited as Service Hours.

(nn) Termination Date: The date of termination of an Executive's employment with the Company for reasons other than death or Retirement.

(oo) Vested Terminee: A Participant whose Termination Date occurs after the completion of at least ten (10) years of Credited Service (but exclusive of that period he was eligible to participate and did not participate) but prior to achieving eligibility for Retirement.

(pp) 401(k) Plan: The L & C Spinco, Inc. 401(k) Plan for Corporate Office Employees, as it may be amended from time to time. The 401(k) Plan was previously maintained by NSI and was adopted and assumed by the Company on the Effective Date.

1.2 Construction: The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, and the singular may include the plural, unless the context clearly indicates to the contrary. The words "hereof," "herein," "hereunder" and other similar compounds of the word "here" shall mean and refer to the entire Plan, not to any particular provision or Section.

ARTICLE II

PARTICIPATION, CREDITED SERVICE,
ELIGIBLE SERVICE AND BREAK IN SERVICE

2.1 Eligibility for Participation:

(a) In General - An Executive who is a Participant in the Prior Plan and Pension Plan C as of the Effective Date shall participate in this Plan on the Effective Date, subject to the conditions and limitations provided for herein. Any other Executive shall be eligible to participate on the Anniversary Date following the fulfillment of the following:

(i) The Executive has attained at least the age of twenty-four (24) years and six (6) months, provided his employment did not commence on or after his sixtieth (60th) birthday;

(ii) The Executive is a participant in Pension Plan C, but is not covered under any other tax-qualified non-governmental retirement plan (other than the 401(k) Plan) to which the Company contributes, whether the plan is a Company plan or otherwise;

(iii) The Executive has completed six (6) months of employment.

After a Break in Service, a former Participant who is rehired may again become a Participant upon again fulfilling the above requirements.

(b) Special Eligibility - Any Executive (or group of Executives) designated on an Appendix attached hereto shall be eligible to participate in the Plan on the date specified in the Appendix and in accordance with the conditions and limitations provided in such Appendix.

2.2 Eligible Service: Subject to the Break in Service provisions of Section 2.4, the period of employment of an Executive from the date he first became eligible to participate under the provisions of the Predecessor Pension Plans or Pension Plan C to the date of Retirement, or death, or Termination Date, or the Participant's 65th birthday, whichever is the first to occur, excluding from such period any periods during which the Executive could not make a Participant Contribution to a Pension Plan of the Company due to having no earnings from the Company as the result of a period of Authorized Leave of Absence (to the extent such Participant contributions would have been required to participate). Eligible Service shall be expressed in terms of years and a fraction, with a fractional year expressed as a decimal equivalent, to two decimal places.

2.3 Credited Service: Subject to the Break in Service provisions of Section 2.4, and the provisions of Section 2.10, the period of employment during which an Executive is a Participant in a Predecessor Pension Plan and Pension Plan C, determined as of any given date as the sum of (a), if any, and (b) as follows:

(a) Credited Service Prior to February 15, 1976: The period of employment during which the Executive is a Participant in a Predecessor Pension Plan through February 14, 1976. Such Credited Service shall be expressed in terms of years and a fraction, with a fractional year expressed as a decimal equivalent, to two decimal places. Any cancellation of service under the provisions of the Predecessor Pension Plans prior to February 15, 1976 is not restored by the provisions hereof.

(b) Credited Service From and After February 15, 1976: A Participant shall accrue one (1) year of Credited Service for each Plan Year from and after February 15, 1976 during which he is an active Participant in Pension Plan C and in which he has 1,000 or more Service Hours, except that no Credited Service shall be credited after the Participant's Normal Retirement Date. No Credited Service shall be granted for any Plan Year in which less than 1,000 Service Hours are completed except for the Plan Year of the Participant's Retirement or Termination Date or death and except for the short Plan Year February 15, 1993 through December 31, 1993, which shall require only 875 Service Hours to receive a year of Credited Service. The final Plan Year shall be credited as the decimal equivalent, expressed to two decimal places, of a fraction having a numerator equal to the Participant's Service Hours accrued during such final year, if less than 1,000 in such year, and a denominator with respect to such year equal to 1,000 Service Hours.

No Credited Service shall accrue for any period of employment for which an Executive did not make required Participant Contributions under Pension Plan C, but only to the extent such Participant Contributions were required to be made for such period.

2.4 Break in Service: After the Effective Date, a Plan Year during which a Participant completes less than 500 Service Hours as the result of the occurrence of a Termination Date or Retirement shall constitute a Break in Service. Upon incurring a Break in Service, an Executive's rights and benefits under the Plan shall be determined in accordance with his Credited Service and Eligible Service, and other applicable Plan provisions at the time of the Break in Service.

No Pension payments shall be made during a period of employment with the Company; and if a re-employed Participant had received any Pension payments under the Plan, the Pension payable starting on the first day of the calendar month coinciding with or next following the date of his subsequent Retirement shall be reduced by the Actuarial Equivalent of any Pension payments he received prior to his Normal Retirement Date.

An Authorized Leave of Absence due to service in the Armed Forces of the United States shall not constitute a Break in Service, provided that the absence is caused by war or other emergency, or provided that the Executive is required to serve under the laws of conscription in time of peace, and further provided that the Executive returns to employment with the Company within the period provided by law. An Authorized Leave of Absence for other reasons shall not constitute a Break in Service if the Executive returns to active employment with the Company upon expiration of the period of such Authorized Leave of Absence.

2.5 Method of Becoming a Participant: Each Executive who has heretofore been a Participant in Pension Plan C shall continue to be a Participant in this Plan without making written application. All other Executives shall become Participants in this Plan at the time they become Participants in Pension Plan C, except as may otherwise be provided in the Appendix applicable to such Participant.

2.6 Participants Bound: Each Executive becoming a Participant hereunder shall be conclusively presumed for all purposes to have consented to this Plan and any amendments, modifications or revisions hereto, and to all the terms and conditions thereof, and shall be bound thereby with the same force and effect as if he had entered into a contract to such effect and any amendments, modifications or revisions hereto.

2.7 Military Service: A leave of absence due to service in the Armed Forces to the United States shall not constitute a Break in Service, and shall not be considered as Credited Service or Eligible Service under the Plan, provided that the absence is caused by war or other emergency, or provided that the Executive is required to serve under the laws of conscription in time of peace, and further provided that the Executive returns to employment with the Company within the period provided by law.

2.8 Executive Not Actively At Work on Date of Eligibility: An Executive who is not actively at work on his date of eligibility for any reason other than a Break in Service, shall become eligible to participate on his return to active employment, provided he becomes a Participant as otherwise provided herein.

2.9 An Executive Ceases Active Participation: Except as provided in Section 2.10, if an Executive ceases to be an active Participant in Pension Plan C, he shall be treated as if his employment terminated at such time and any benefit to which he would be entitled will be computed as if there had been a termination of employment; however, any distribution of such benefit shall not commence until such time as he would otherwise become entitled (had he continued as a Participant) to a benefit because of a Retirement date, actual termination of employment or death; provided, if such Executive withdraws within ninety (90) days after first becoming a Participant in Pension Plan C, then such Executive shall cease to be a Participant in Pension Plan C and in this Plan as of the first day of the immediately succeeding pay period and unless the Executive shall otherwise again become a Participant under this Plan, he shall have no further rights or benefits as a Participant in this Plan.

2.10 Transfers: The following rules shall apply when an Executive transfers to or from an Executive position in the Company:

(a) When Employee Becomes Executive: An Employee of the Company who becomes an Executive of the Company, may become a Participant under this Plan on the Anniversary Date as of which he has met the eligibility requirements for participation; however, the Executive's Service Date for the purpose of this Plan shall be the date of his employment with the Company, not the date he becomes an Executive.

(b) Accrued Pension Under Transfer To A Non-Eligible Status: If a Participant is transferred to a non-eligible status of employment within the Company, his Accrued Pension under this Plan will be determined as though his transfer were a termination of employment, however if the transfer occurs prior to the completion of ten (10) years of Credited Service, such Participant shall continue to accrue Service for vesting purposes only until his employment with the Company shall terminate. The date of such termination of employment will be deemed to be the date of his transfer.

ARTICLE III

RETIREMENT AND TERMINATION DATES AND PENSIONS

3.1 Normal Retirement and Pension: A Participant may retire on his 65th birthday, which is his Normal Retirement Date, and he shall be fully vested, and his Pension shall commence as of the first day of the calendar month coinciding with or next following his 65th birthday. The Participant's Pension shall be his Accrued Pension and shall be payable in the normal form described in Section 3.7., unless the Participant elects an optional form of benefit in accordance with Section 3.8.

3.2 Late Retirement and Pension: When permitted by Company policy, a Participant may continue his employment beyond his Normal Retirement Date and in such event his Late Retirement Accrued Pension shall commence as of the first day of the calendar month coinciding with or next following the date of his actual Retirement, which shall be his Late Retirement Date. The Participant's Late Retirement Accrued Pension shall be payable in the normal form described in Section 3.7, unless the Participant elects an optional form of benefit in accordance with Section 3.8.

3.3 Early Retirement and Pension: A Participant may retire after his 55th birthday and the date of completion of at least 10 years of service from his Service Date to his Early Retirement Date and be entitled to an Early Retirement Accrued Pension. If he retires, the Participant's Pension shall be equal to his Accrued Pension, payable in the normal form described in Section 3.7 and payment shall commence as of the first day of the calendar month coinciding with or next following the Participant's 65th birthday. A Participant may elect to commence his Early Retirement Pension as of the first day of the calendar month coinciding with or next following his Retirement, or as of the first day of any subsequent calendar month which precedes his Normal Retirement Date. In such event, the Participant's Pension, payable in the normal form, shall be reduced five-twelfths of one percent (5/12ths of 1%) for each full month or portion thereof by which the commencement of the Early Retirement Pension precedes the Participant's Normal Retirement Date. In lieu of the normal form of benefit payment, a Participant may elect to receive his Accrued Pension in one of the optional forms of benefit payment set forth in Section 3.8, which shall be the Actuarial Equivalent of the normal form.

3.4 Disability Retirement and Pension: A Participant shall be eligible for a Disability Retirement Pension if he retires by reason of Disability and his Disability Retirement Date shall be the day next following the day on which the Participant is deemed to have a Disability as defined in Section 1.1(r). A Disability Retirement Pension shall commence as of the first day of the calendar month coinciding with or next following his Retirement, shall be payable in the normal form described in Section 3.7 (unless the Participant elects an optional form of benefit in accordance with Section 3.8) and shall be equal to the Participant's Accrued Pension.

3.5 Vested Terminee and Pension: A Vested Terminee as defined in Section 1.1(oo) shall be entitled to the benefits pursuant to (a) or (b), as applicable:

(a) A Pension equal to his Accrued Pension, payable in the normal form described in Section 3.7, or at the election of the Participant, in an optional form described in Section 3.8. Payment of such Pension shall commence on the first day of the calendar month coinciding with or next following the Vested Terminee's 65th birthday.

(b) A Participant with at least twenty (20) years of Credited Service may request the Committee to commence the payment of his Accrued Pension as of the first day of any calendar month that is after his 55th birthday but prior to his 65th birthday. Such Pension shall be payable in the normal form described in Section 3.7 and shall commence as of the beginning of the month so requested but the amount thereof shall be reduced by 5/12ths of 1% for each full month by which the actual Pension commencement date precedes the Participant's Normal Retirement Date. In lieu of the normal form, the Participant may elect one of the optional forms of payment described in Section 3.8. Any such optional form of benefit shall be the Actuarial Equivalent of the reduced normal form described above.

3.6 Termination Prior to Completion of 10 Years of Credited Service: Subject to Article XIII, a Participant whose Termination Date occurs prior to the completion of 10 years of Credited Service shall be entitled to no benefits under this Plan.

3.7 Normal Form of Payment of Pension: The normal form of pension payment shall be a single-life annuity with 120 payments certain. If a Participant receiving Pension payments dies before 120 monthly Pension payments have been made, Pension payments shall be continued to the Participant's beneficiary until the sum of monthly payments to both the Participant and his beneficiary is 120. The normal form of benefit provided herein shall be applicable to any Accrued Benefit paid with respect to the Annual Bonus based benefit, effective as of July 1, 1990.

3.8 Optional Forms of Benefit Payment Optional Forms of Benefit Payment: A Participant entitled to a Pension in the normal form may elect to receive a Pension payable under one of the options described below.

An option shall be exercised in writing on a form approved by the Committee before the Participant's Pension payments commence and the aggregate of the pension payments expected to be made shall be the Actuarial Equivalent of the normal form of Pension to which the Participant is entitled. The optional forms are:

(a) Period-Certain and Life Option: A Participant may elect to receive an adjusted Pension payable until death; and if the Participant's death occurs within a period of 60 or 180 months (as elected by the Participant) after his Pension commencement date, payment of the Pension will be continued in the same amount to the person or persons designated by the Participant for the balance of the 60 or 180 month period.

(b) Contingent Annuitant Option: A Participant may elect to receive an adjusted Pension payable during the joint lives of the Participant and a person designated by the Participant as his contingent annuitant; so that, following the death of the Participant, payment of the Pension in the same amount or in an amount equal to 75% or 50% of the Participant's Pension (as elected by the Participant) shall continue to the contingent annuitant, if surviving, with the last payment to be made as of the first day of the month in which the death of the contingent annuitant occurs.

Notwithstanding any provision herein to the contrary, if the contingent annuitant (or beneficiary) is other than the Participant's spouse and if the value of the Participant's benefit under the above options will be less than 51% of the value of his life income with 120 months certain Pension, the optional benefit shall be adjusted so that the value of the Participant's benefit under the option will be equal to 51% of the value of the Participant's life income with 120 months certain Pension.

A Participant electing a Contingent Annuitant Option must designate a joint pensioner at the time of such election but may change such designation at any time prior to the date on which his Pension is to commence. If a joint pensioner dies before the date on which the Participant's Pension is to commence, the election shall be of no effect, and the Participant shall be treated as though he had not elected such option; but if the joint pensioner dies on or after the date on which the Participant's Pension is to commence, the election shall continue in force, and the amount of the Participant's Pension shall not be increased thereby.

(c) Single Option: A Participant may elect to receive an adjusted Pension payable for his lifetime only, with no survivorship Pension payable following his death.

(d) Social Security Level Income Option: A Participant whose Pension payments commence prior to the earliest date on which Social Security payments may be commenced may elect to receive a higher monthly Pension from the Plan before his Social Security payments are to commence and a lower payment for life thereafter so that his total monthly retirement income, before and after the commencement of his Social Security payments, is approximately the same. For the purpose of this option, such Social Security payment will be determined, as nearly as may be estimated under the provisions of the Federal Social Security Act as in force on the Participant's Retirement, assuming that the Participant (1) is no longer in employment and (2) makes proper application for such benefit on the earliest possible date. This option is available only to a Participant who retires early and elects to have his Pension commence prior to his Normal Retirement Date under the provisions of Section 3.3.

The "Option Effective Date" hereunder shall be (a) the Participant's 65th birthday in the case of Normal Retirement, but only if the Participant's spouse is the beneficial or contingent annuitant, or (b) the date the Participant's Pension commences, in any other case. Evidence of a Participant's good health shall be required by the Committee before election of an optional form of benefit will be permitted, unless the option is elected at least one year prior

to the Option Effective Date. Under no circumstances may an option be elected, changed or revoked after the Option Effective Date.

An election made pursuant to this Section 3.8 shall become inoperative if the Participant's employment terminated before he is eligible for either a Normal or Early Retirement Pension, or if the Participant or his beneficiary or contingent annuitant dies before the Option Effective Date. If an option under this Section becomes effective, it will be in place of any benefit otherwise payable under this Plan, and the form made available by the Committee for election of the option shall so specify.

ARTICLE IV

PRE-RETIREMENT DEATH BENEFITS

The Pre-Retirement Death Benefits payable following the death of a Participant shall be determined as follows:

(a) Death Prior to Eligibility for Early or Normal Retirement: No death benefit is provided under this Plan for Participants who die prior to completing the eligibility requirements for Early or Normal Retirement.

(b) Death After Attaining Eligibility for Early or Normal Retirement: If a Participant dies while employed by the Company or an Adopting Employer after completing the eligibility requirements for Early Retirement or Normal Retirement, the Participant's designated beneficiary shall be paid the amount which would have been payable to the Participant under this Plan had the Participant retired immediately prior to the moment of his death, with such payments commencing on the first day of the month following the date of death of the Participant. The Participant's beneficiary shall receive the 120 monthly payments under the normal form of pension payment (as described in Section 3.7) and the payments shall cease after such 120 monthly payments have been made. In computing the amount payable under this Plan, the Actuarial Equivalent of any Group Term Life Insurance benefits (Policy No. 8800-1(52) or its replacement) payable as a result of the Participant's death while covered under Pension Plan C shall be deemed to have been paid as a death benefit from Pension Plan C. If the Participant terminates employment after satisfying the requirements for Early Retirement but delays commencement of his Pension, he shall be covered by the death benefit provisions of this subsection (b) until his Pension payments commence.

ARTICLE V

PLAN FINANCING

5.1 Payment of Costs and Expenses: All costs of providing the benefits under the Plan and the expenses thereof, including the cost of the Committee and the Administrator and any Actuary, shall be paid from the general assets of the Company (or with respect to Participants employed by an Adopting Employer, from the general assets of such Adopting Employer).

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ARTICLE VI

FIDUCIARY RESPONSIBILITIES

6.1 Allocation of Responsibility Among Fiduciaries: The Fiduciaries shall have only those specific powers, duties, responsibilities and obligations as are specifically given them under this Plan. In general, the Company shall have the responsibility for providing the benefits payable under this Plan; to perform the responsibilities of the Plan Administrator; shall have the sole authority to appoint and remove the members of the Committee; and to amend or terminate, in whole or in part, this Plan. The Committee shall have the responsibility for the duties set forth in Article VII. Each Fiduciary warrants that any directions given, information furnished, or action taken by it shall be in accordance with the provisions of the Plan authorizing or providing for such direction, information or action. Furthermore, each Fiduciary may rely upon any such direction, information or action of another Fiduciary as being proper under this Plan, and is not required under this Plan to inquire into the propriety of any such direction, information or action. It is intended under this Plan that each Fiduciary shall be responsible for the proper exercise of its own powers, duties, responsibilities and obligations under this Plan and shall not be responsible for any act or failure to act of another Fiduciary. No Fiduciary guarantees the payment of benefits under this Plan in any manner.

6.2 Fiduciary Duties: All Fiduciaries hereunder shall discharge their duties with respect to the Plan solely in the interest of the Participants and Beneficiaries and

(a) for the exclusive purpose of providing benefits to Participants and their Beneficiaries and defraying reasonable expenses of administering the Plan;

(b) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; and

(c) in accordance with the documents and instruments governing the Plan insofar as such documents and instruments are consistent with the provisions of Title I of the Act.

6.3 Company Filing Responsibility: To the extent not otherwise specifically provided in the Plan, the Company shall be responsible for filing with the Internal Revenue Service and Department of Labor all returns, reports and other documentation required under the Act.

ARTICLE VII

COMMITTEE AND ADMINISTRATION

7.1 Appointment and Term of Committee: The Committee shall be the Compensation Committee of the Board of Directors of the Company or such other Committee as the Board may choose to appoint. Any member may resign by notice in writing filed with the Company. The Board may remove any member, with or without cause, at any time by notice in writing to the member and the other members of the Committee. Until vacancies have been filled by the Board, the remaining members of the Committee shall have full authority to act.

7.2 Selection of Secretary and Duties of Secretary: The Committee may choose from its members a Secretary. The Secretary shall keep minutes of the Committee proceedings and all records and documents pertaining to the Committee's administration of the Plan. The Committee may employ and suitably compensate such attorneys, advisory, clerical and other employees as it may deem necessary in the performance of its duties.

7.3 Majority Vote Required, Exceptions: The action of the Committee shall be determined by the vote or other affirmative expression of a majority of its members, except that the Committee may assign any or all administrative duties to one or more members or to any person designated by the Committee. Except as otherwise expressly provided in this Section, a meeting need not be called or held to make any decision, but such decision may be made by a written document signed by a majority of the then members. Either the Chairman or the Secretary may execute any certificate or other written direction on behalf of the Committee.

7.4 Payment of Expenses: It is intended that all expenses of the Committee shall be paid by the Company.

7.5 Limitation of Liability: No member of the Committee shall be liable for any act or omission of any other member of the Committee, nor for any act or omission on his own part, excepting his own willful misconduct or unless such liability is imposed by law. The Company shall indemnify and save harmless each member of the Committee against any and all expenses and liabilities arising out of his membership on the Committee, excepting only expenses and liabilities arising out of his own willful misconduct or unless such indemnification is not permitted by law.

7.6 Right to Consult: Eligible Participants and Beneficiaries may consult with the Committee on any matters relating to the Plan.

7.7 General Duties: The Committee, on behalf of the Participants and their Beneficiaries, shall enforce the Plan, and shall have all powers necessary to accomplish that purpose, including, but not by way of limitation, the following:

(a) to construe and interpret the Plan, decide all questions of eligibility and determine the amount, manner and time of payment of any benefits hereunder and to notify the Participant and the Company, where appropriate;

(b) to adopt By-Laws and rules as it deems necessary, desirable or appropriate;

(c) to prescribe procedures to be followed by Participants or beneficiaries filing applications for benefits;

(d) to prepare and distribute, in such manner as the Committee determines to be appropriate, information explaining the Plan;

(e) to receive from the Company and from Participants such information as shall be necessary for the Committee to perform its duties hereunder;

(f) to furnish the Company, upon request, such annual reports as are reasonable and appropriate with respect to the Committee's duties hereunder;

(g) to receive, review and keep on file (as it deems convenient or proper) reports of the receipts and disbursements of the Plan;

(h) to appoint or employ individuals to assist in the administration of its duties under the Plan and any other agents as it deems advisable, including legal or actuarial counsel.

The Committee shall have no power to add to, subtract from, or modify any of the terms of the Plan, or to change or add to any benefits provided by the Plan, or to waive or fail to apply any requirements of eligibility for any benefits under the Plan. The Committee shall have the exclusive discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount of such benefits, and its decisions on such matters are final and conclusive.

7.8 Application and Forms For Pension: The Committee may require a Participant to complete and file with the Committee an application for Pension and all other forms approved by the Committee, and to furnish all pertinent information requested by the Committee. The Committee may rely upon all such information so furnished it, including the Participant's current mailing address.

7.9 Facility of Payment: Whenever, in the Committee's opinion a person entitled to receive any payment of a benefit or installment thereof hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his financial affairs, the Committee may direct the Company to make payments to such person or to his legal representative or to a relative or friend of such person for his benefit, or the Committee may direct the Company to apply the payment for the benefit of such person in such manner as the Committee considers advisable. Any payment of a benefit or installment thereof in accordance with the provisions of this Section shall be a complete discharge of the

Committee of any liability for the selection of Such payee or the making of such payment under the provisions of the Plan.

7.10 Rules and Decisions: When making any determination, the Committee shall be entitled to rely upon information furnished by the Company, legal counsel for the Company, or the Actuary.

7.11 Company to Furnish Information: To enable the Committee to perform its functions, the Administrator shall supply full and timely information to the Committee of all matters relating to the pay of all Participants, their retirement, death or other cause for termination of employment, and such other pertinent facts as the Committee may require.

7.12 Administrator to Furnish Other Information: To the extent not otherwise provided in the Plan, the Administrator shall be responsible for providing all notices and information required under the Act to all Participants.

7.13 Beneficiary Designations: Each Participant who may be eligible for the payment of preretirement death benefits on his behalf pursuant to Article IV(b) or who will receive his Accrued Pension under the normal form of payment described in Section 3.7, shall have the right at any time to designate, and rescind or change any designation of, a primary and contingent beneficiary or beneficiaries to receive benefits in the event of his death. If there is no designated beneficiary alive when a death benefit becomes payable under the Plan, the benefit shall be paid to the estate of the Participant. If a primary beneficiary dies before receiving all death benefits to which he is entitled, the balance of such payments shall be paid to the contingent beneficiary, if any. If there is no contingent beneficiary, or if the contingent beneficiary dies before receiving all death benefit payments to which he is entitled, the commuted value of the balance of such payments shall be paid to the estate of the last to die of such beneficiaries. Neither the Company (in its capacity as such) nor the Administrator shall be named as beneficiary. A designation or change of beneficiary shall be made in writing on such form or forms as the Committee may require.

After such notice is so filed, the designation or change will relate back and take effect as of the date the Participant signed such written notice, whether or not the Participant is living on the date such notice is received by the Committee, but without prejudice to the Committee or the Company on account of any payment made before receipt of such notice. If at the death of a Participant, there is more than one beneficiary designated and in such designation, the Participant has failed to specify their respective interests, the beneficiaries shall share equally.

Anything in this Plan to the contrary notwithstanding, if an amount becomes payable hereunder to the executors or the administrators of any person and evidence satisfactory to the Committee is given to it that no petition for the appointment of such executors or administrators has been or will be filed, the Committee may, at its option, pay the amount otherwise payable, or the commuted value thereof, to the wife or husband of such person, if living; if not living, in equal shares to the then living children of such person; if not, to either

the father or mother of such person, or to both equally if both are living; if neither parent is living, in equal shares to the then living brothers and sisters of such person.

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ARTICLE VIII
SUCCESSOR COMPANY

8.1 Successor Company: In the event of the dissolution, merger, consolidation or reorganization of the Company, provision may be made by which the Plan will be continued by the successor; and, in that event, such successor shall be substituted for the Company under the Plan. The substitution of the successor shall constitute an assumption of Plan liabilities by the successor and the successor shall have all of the powers, duties and responsibilities of the Company under the Plan.

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ARTICLE IX

PLAN TERMINATION

9.1 Right to Terminate: The Company may terminate the Plan at any time by resolution of the Board. In the event of the termination or partial termination of the Plan, the rights of all affected Participants to benefits accrued to the date of such termination or partial termination shall be fully vested and nonforfeitable. Notwithstanding anything contained herein to the contrary, for a period of two (2) years following a Change in Control, this Plan shall not be terminated.

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ARTICLE X

TRUST

The benefits provided by this Plan shall be unfunded. All amounts payable under this Plan to a Participant shall be paid from the general assets of the employer which principally employs the Participant (the "Obligated Employer"), and nothing contained in this Plan shall require the Obligated Employer to set aside or hold in trust any amounts or assets for the purpose of paying benefits to Participants. This Plan shall create only a contractual obligation on the part of the Obligated Employer and Participants shall have the status of general unsecured creditors of the Obligated Employer under the Plan with respect to amounts of Compensation they defer hereunder or any other obligation of the Obligated Employer to pay benefits pursuant hereto. Any funds of the Obligated Employer available to pay benefits pursuant to the Plan shall be subject to the claims of general creditors of the Obligated Employer, and may be used for any purpose by the Obligated Employer.

Notwithstanding the preceding paragraph, the Obligated Employer may at any time transfer assets to a trust for purposes of paying all or any part of its obligations under this Plan. However, to the extent provided in the trust only, such transferred amounts shall remain subject to the claims of general creditors of the Obligated Employer. To the extent that assets are held in a trust when a Participant's benefits under the Plan become payable, the Plan Administrator shall direct the trustee to pay such benefits to the Participant from the assets of the trust.

ARTICLE XI

AMENDMENTS AND ACTION BY COMPANY

11.1 Amendments: The Company reserves the right to make from time to time any amendment or amendments to this Plan. Notwithstanding anything contained in this Plan to the contrary, no amendment shall have the effect of reducing the Accrued Pension of any Participant and for a period of two (2) years following a Change in Control, this Plan shall not be amended in any way to directly or indirectly reduce the benefit levels provided under this Plan or the benefit of any Participant or his designated beneficiary.

11.2 Notices of Amendment, Modification or Revision: Any amendment to the provisions of this Plan shall be evidenced by the substitution of the page (or adding new pages for additional provisions with a new date) of this Plan setting forth the amendment.

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ARTICLE XII

MISCELLANEOUS

12.1 Nonguarantee of Employment: Nothing contained in this Plan shall be construed as a contract of employment between the Company and any Participant, or as a right of any Participant to be continued in the employment of the Company, or as a limitation of the right of the Company or an Adopting Employer to discharge any of its Employees, with or without cause.

12.2 Rights Under Plan: No Participant shall have any right to or interest in, the Plan upon termination of his employment or otherwise, except as provided from time to time under this Plan, and then only to the extent of the benefits payable under the Plan to such Participant.

12.3 Nonalienation of Benefits: Benefits payable under this Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, including any such liability which is for alimony or other payments for the support of a spouse or former spouse, or for any other relative of the Participant, prior to actually being received by the person entitled to the benefit under the terms of the Plan; and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to benefits payable hereunder, shall be void. The Plan shall not in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements or torts of any person entitled to benefits hereunder.

12.4 Entering Military Service: If a Participant enters the service of the Armed Forces to the United States, then during the period of such service he shall be entitled only to the vested benefits he might otherwise be entitled to upon death or disability.

12.5 Headings for Convenience Only: The headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in construction of the provisions hereof.

12.6 Multiple Copies: This Plan may be executed in any number of counterparts, each of which shall be deemed an original, and the counterparts shall constitute one and the same instrument, which shall be sufficiently evidenced by any one thereof.

12.7 Governing Law: This Plan shall be construed and enforced in accordance with the provisions of the Act. In the event the Act is not applicable or does not preempt state law, the laws of the State of Georgia shall govern.

12.8 Guarantee of Performance: In consideration of each Participant's performance of valuable services that inure to the financial benefit of the Company, the Company does hereby agree to perform all of the obligations and responsibilities and pay any benefits due and owing to a Participant under the Plan if the Obligated Employer (as defined in Article X)

designated to perform such obligations and responsibilities or pay such benefits fails or is unable to do so.

XII-2

ARTICLE XIII

CHANGE IN CONTROL

13.1 Cause: For purposes of this Plan, a termination for 'Cause' is a termination evidenced by a resolution adopted in good faith by two-thirds of the Board that the Participant (i) intentionally and continually failed to substantially perform his duties with the Company (other than a failure resulting from the Participant's incapacity due to physical or mental illness) which failure continued for a period of at least thirty (30) days after a written notice of demand for substantial performance has been delivered to the Participant specifying the manner in which the Participant has failed to substantially perform, or (ii) intentionally engaged in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise; provided, however, that no termination of the Participant's employment shall be for Cause as set forth in clause (ii) above until (x) there shall have been delivered to the Participant a copy of a written notice setting forth that the Participant was guilty of the conduct set forth in clause (ii) and specifying the particulars thereof in detail, and (y) the Participant shall have been provided an opportunity to be heard by the Board (with the assistance of the Participant's counsel if the Participant so desires). No act, or failure to act, on the Participant's part, shall be considered "intentional" unless he has acted or failed to act, with an absence of good faith and without a reasonable belief that his action or failure to act was in the best interest of the Company. Notwithstanding anything contained in this Plan to the contrary, in the case of any Participant who is a party to a Severance Protection Agreement, no failure to perform by the Participant after a Notice of Termination (as defined in the Participant's Severance Protection Agreement) is given by the Participant shall constitute Cause for purposes of this Plan.

13.2 Change in Control: For purposes of this Plan, a Change in Control shall mean any of the following events:

(a) The acquisition (other than from the Company by any "Person" (as the term person is used for purposes of Sections 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of twenty percent (20%) or more of the combined voting power of the Company's then outstanding voting securities; or

(b) The individuals who, as of September 21, 1989, are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the Board; provided, however, that if the election, or nomination for election by the Company's stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; or

(c) Merger or consolidation involving the Company if the stockholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than seventy percent (70%) of the

combined voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation; or

(d) A complete liquidation or dissolution of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur pursuant to Section (a), solely because twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities under one or more employee benefit plans maintained by the Company or any of its subsidiaries or (ii) any corporation which, immediately prior to such acquisition, is owned directly or indirectly by the stockholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition.

13.3 Termination of Employment: If a Participant's employment is terminated by the Company (other than for Cause) or by the Participant for any reason within two (2) years following a Change in Control, the Company shall, within five (5) days, pay to the Participant a lump sum cash payment equal to the lump sum Actuarial Equivalent of his Accrued Pension as of the date of his termination of employment whether or not the Participant is otherwise vested in his Accrued Pension; provided, however, that for this purpose, the term Actuarial Equivalent shall have the same meaning as such term is used in Pension Plan C.

13.4 Amendment or Termination: Any amendment or termination of this Plan which a Participant reasonably demonstrates (i) was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in connection with or in anticipation of a Change in Control, and which was not consented to in writing by the Participant shall be null and void, and shall have no effect whatsoever, with respect to the Participant.

IN WITNESS WHEREOF, the Plan has been executed by the Company to be effective on the Effective Date.

L & C Spinco, Inc.

By: _____

Title: _____

SCHEDULE 1
ADOPTING EMPLOYERS

The Zep Group, Inc.
L & C Lighting Group, Inc.

APPENDIX A

A.1. Eligible Individual(s): John A. Bostater and Howard Kaplan.

A.2. Effective Date of Participation in Prior Plan: For John A. Bostater, July 1, 1983 and for Howard Kaplan, February 15, 1993

A.3. Special Provisions: The following special provisions shall apply to the Eligible Individuals' participation in the Plan:

(a) The Eligible Individuals' Average Monthly Compensation, Compensation, Credited Service, Eligible Service, Service Date and Service Hours shall be determined as if they were Executives and had become eligible to participate in the Plan in the same manner as if they were Executives.

(b) The Committee shall have the discretionary authority to determine the benefits payable to the Eligible Individuals under the Plan and its determinations on such matters shall be final and binding on all parties.

Appendix

APPENDIX B

B.1. Eligible Individual(s): James Balloun

B.2. Effective Date of Participation in Prior Plan: Pursuant to Section 2.1(b), Mr. Balloun's date of participation in the Prior Plan shall be February 1, 1996.

B.3. Special Provisions: The following special provisions shall apply to James Balloun's participation in the Plan:

(a) Except for purposes of determining whether Mr. Balloun is a Vested Terminee and entitled to a Vested Pension under the Plan, Mr. Balloun will be credited with 2 years of Credited Service under Sections 1.1(q) and 2.3 for each year of Credited Service he would otherwise receive under the Plan.

(b) Mr. Balloun will qualify as a Vested Terminee if he completes 5 years of employment from his Service Date to his Termination Date.

Except as otherwise specifically provided in this Appendix B, Mr. Balloun's benefits under the Plan shall be determined in the same manner as for other Participants.

Appendix

APPENDIX C

C.1. Eligible Individual(s): J. Robert Hipps

C.2. Effective Date: May 31, 1996

C.3. Special Provisions: The following special provisions shall apply to the Eligible Individual's participation in the Prior Plan.

(a) As of the Effective Date, the Eligible Individual shall have his benefits determined as if he had ten (10) years of Credited Service for benefit accrual and vesting purposes under the Prior Plan.

(b) As of the Effective Date, the Eligible Individual shall be treated as if he had fifteen (15) years of service for purposes of qualifying for an Early Retirement Accrual Pension under Section 3.3 of the Prior Plan, but only for purposes of qualifying for such benefit.

Appendix

APPENDIX D

D.1. Eligible Individual(s): Don W. Hubble

D.2. Effective Date: October 18, 1996

D.3. Special Provisions: The following special provision shall apply to the Eligible Individual's participation in the Prior Plan.

(a) As of the Effective Date, the Eligible Individual shall have his benefits determined as if he had twenty (20) years of Credited Service for benefit accrual and vesting purposes under the Prior Plan.

Appendix

APPENDIX E

E.1. Eligible Individual(s): Brock A. Hattox

E.2. Effective Date: Pursuant to Section 2.1(B), the Eligible Individual's date of participation in the Prior Plan shall be September 18, 1996.

E.3. Special Provisions: The following special provisions shall apply to the Eligible Individual's participation in the Plan.

(a) The Eligible Individual will qualify as a Vested Terminee if he completes 5 years of employment from September 9, 1996 to his Termination Date.

(b) The Eligible Individual terminates employment after attaining age 55, the Eligible Individual shall be eligible for Early Retirement under Sections 1.1(a)(2) and 3.3, and his benefit will be determined as if he had completed an additional five (5) years of service (including Credited Service and Eligible Service, but not to exceed a total of 20 years) and was five (5) years older (but not to exceed age 65).

Except as otherwise specifically provided in this Appendix E, the Eligible Individual's benefits under the Plan shall be determined in the same manner as for other participants.

Appendix

APPENDIX F

F.1. Eligible Individual(s): George H. Gilmore

F.2. Effective Date: Pursuant to Section 2.1(B), the Eligible Individual's date of participation in the Prior Plan shall be June 1, 1999.

F.3. Special Provisions: The following special provisions shall apply to the Eligible Individual's participation in the Plan.

(a) The Eligible Individual will qualify as a Vested Terminee if he completes 5 years of employment from June 1, 1999 to his Termination Date.

(b) The Eligible Individual will receive a year of Credited Service under Section 2.3 of the Plan for each 12-month period he is employed by the Company or an Adopting Employer for the period from June 1, 1999 to his Termination Date. If the Eligible Individual's final year of Credited Service is not a full year, he shall receive partial credit for such year based upon the number of complete months worked during such partial year.

Except as otherwise specifically provided in this Appendix F, the Eligible Individual's benefits under the Plan shall be determined under the standard provisions of the Plan.

Appendix

APPENDIX G

G.1 Eligible Individual Joseph G. Parham, Jr.

G.2 Effective Date Pursuant to the Eligible Individual's employment agreement letter, dated May 3, 2000 ("Employment Letter") and Section 2.1(b) of the Plan, for purposes of the Prior Plan the Eligible Individual's date of participation shall be May 15, 2000.

G.3 Special Provisions The following special provision shall apply to the Eligible Individual's participation in the Plan.

(a) The Eligible Individual will qualify as a Vested Terminee if he completes 5 years of employment from May 15, 2000 to his Termination Date.

(b) The Eligible Individual will be eligible for Early Retirement under Sections 1.1(a)(2) and 3.3 upon attainment of age 60 while actively employed by the Company (at which time he will have more than 9 years of service), provided that his Early Retirement Accrued Pension shall be calculated based upon his Credited Service and Eligible Service at his date of Early Retirement.

(c) In the event prior to the Eligible Individual's completion of 5 years of employment, James S. Balloun retires or terminates employment as Chairman, President and Chief Executive Officer of NSI, and thereafter the Eligible Individual's employment is terminated for any reason other than voluntary termination, termination upon death or Disability (as defined in the Employment Letter) or termination by NSI for Cause (as defined in the Employment Letter), the Eligible Individual will be eligible to receive Early Retirement Benefits commencing at the time of termination, calculated by treating the Eligible Individual as if he were age 55 at the date of termination and had completed 5 years of Credited Service as of such date. Except as expressly provided herein, the Eligible Individual's Early Retirement Pension shall be calculated and payable in accordance with the usual provisions of the Plan.

Except as otherwise specifically provided in this Appendix G, the Eligible Individual's benefits under the Plan shall be determined in the same manner as for other participants.

H.1 Eligible Individual James H. Heagle

H.2 Effective Date Pursuant to the Eligible Individual's employment agreement letter, dated March 28, 2000 and Section 2.1(b) of the Plan, for purposes of the Plan the Eligible Individual's date of participation shall be May 1, 2000.

L & C SPINCO, INC.
MANAGEMENT COMPENSATION AND INCENTIVE PLAN

EFFECTIVE AS OF _____, 2001

1. ESTABLISHMENT AND EFFECTIVE DATE OF PLAN

L & C Spinco, Inc. (the "Corporation") hereby adopts the L & C Spinco, Inc. Management Compensation and Incentive Plan (the "Plan") for its executive officers and certain other executives of the Corporation, its Subsidiaries and Business Units who are in management positions designated as eligible for participation by the Executive Resource and Nominating Committee (the "Committee") of the Board of Directors of the Corporation or its designee. The Plan shall be effective on _____, 2001 and shall remain in effect, subject to the rights of amendment and termination in Section 13, until the Incentive Awards are paid for the Corporation's fiscal year ending in _____. Payments under the Plan shall only be made to Named Executive Officers after the Plan is approved by the stockholder(s) of the Corporation.

2. PURPOSE OF THE PLAN

The purpose of the Plan is to further the growth and financial success of the Corporation by offering performance incentives to designated executives who have significant responsibility for such success.

3. DEFINITIONS

- (a) "Base Annual Salary" means the actual salary paid to a Participant during the applicable Plan Year, increased by the amount of any pre-tax deferrals or other pre-tax payments made by the Participant to the Corporation's deferred compensation or welfare plans (whether qualified or non-qualified).
- (b) "Board of Directors" means the Board of Directors of the Corporation.
- (c) "Business Unit" means a separate business operating unit of the Corporation with respect to which separate performance goals are established hereunder.
- (d) "Change in Control" means any of the following events:
 - (i) The acquisition (other than from the Corporation) by any "Person" [as the term person is used for purposes of Sections 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act")] of

beneficial ownership (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of twenty percent (20%) or more of the combined voting power of the Corporation's then outstanding voting securities; or

(ii) The individuals who, as of _____, 2001, are members of the Board of Directors (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the Board of Directors; provided, however, that if the election, or nomination for election by the Corporation's stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; or

(iii) A merger or consolidation involving the Corporation if the stockholders of the Corporation, immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than seventy percent (70%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Corporation outstanding immediately before such merger or consolidation; or

(iv) A complete liquidation or dissolution of the Corporation or an agreement for the sale or other disposition of all or substantially all of the assets of the Corporation.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur pursuant to subsection (i) above, solely because twenty percent (20%) or more of the combined voting power of the Corporation's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities under one or more employee benefit plans maintained by the Corporation or any of its Subsidiaries, or (ii) any corporation which, immediately prior to such acquisition, is owned directly or indirectly by the stockholders of the Corporation in the same proportion as their ownership of stock in the Corporation immediately prior to such acquisition.

- (e) "Chief Executive Officer" means the chief executive officer of the Corporation, unless otherwise specified.
- (f) "Code" means the Internal Revenue Code of 1986, as amended.
- (g) "Committee" means the Executive Resource and Nominating Committee of the Board of Directors or any other committee designated by the Board of Directors which is responsible for administering the Plan.
- (h) "Corporation" means L & C Spinco, Inc. and its successors.

- (i) "Incentive Award" or "Award" means the bonus awarded to a Participant under the terms of the Plan.
- (j) "Maximum Award" means the maximum percentage of Base Annual Salary which may be paid based upon the Relative Performance during the Plan Year.
- (k) "Named Executive Officer" means a Participant who as of the date of payment of an Incentive Award is one of the group of "covered employees" under Code Section 162(m) and the regulations thereunder.
- (l) "Participant" means an employee of the Corporation, a Subsidiary or a Business Unit who is designated by the Committee to participate in the Plan.
- (m) "Personal Performance Goals" means the goals established for each Participant each year to improve the effectiveness of the Participant's area of responsibility as well as the Corporation as a whole.
- (n) "Plan Rules" means the guidelines established annually by the Committee pursuant to Section 4, subject to ratification by the Board of Directors.
- (o) "Plan Year" means the twelve month period which is the same as the Corporation's fiscal year, The initial Plan Year shall be _____, 2001 through August 31, 2002. Thereafter, the Plan Year shall be September 1 through the next following August 31.
- (p) "Relative Performance" means the extent to which the Corporation, designated Business Unit or Subsidiary, as applicable, achieves the performance measurement criteria set forth in the Plan Rules.
- (q) "Subsidiary" means any corporation in an unbroken chain of corporations, beginning with the Corporation, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.
- (r) "Target Award" means the percentage (which may vary among Participants and from Plan Year to Plan Year) of Base Annual Salary which will be paid to a Participant as an Incentive Award if the performance measurement criteria applicable to the Participant for the Plan Year is achieved, as reflected in the Plan Rules for such Plan Year,
- (s) "Threshold Award" means the percentage of Base Annual Salary which may be paid based on the minimum acceptable Relative Performance during the Plan Year.

4. ADMINISTRATION OF THE PLAN

The Plan will be administered by the Committee, subject to its right to delegate responsibility for administration of the Plan as it applies to Participants other than Named Executive Officers pursuant to Section 7. The Committee will have authority to establish Plan Rules with respect to the following matters, subject to the right of the Board of Directors to ratify such Plan Rules:

- (a) the employees who are to become Participants in the Plan;
- (b) the Target Award, Maximum Award and Threshold Award that can be granted to each Participant and the method for determining such award, which the Committee may amend from time to time;
- (c) Performance targets and the measurement criteria to be used in determining the Corporation's or a Business Unit's or a Subsidiary's Relative Performance, which will include one or more of the performance measures listed on Appendix A attached hereto, as determined by the Committee each year; and
- (d) the time or times and the conditions subject to which any Incentive Award may become payable.

The Plan Rules will be adopted by the Committee prior to, or as soon as practical after, the commencement of each Plan Year. Subject to the provisions of the Plan and the Committee's right to delegate its responsibilities, the Committee will also have the discretionary authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, and to make all other determinations deemed necessary or advisable in administering the Plan. The determinations of the Committee on the matters referred to in paragraphs (a) through (d) of this Section 4 shall be submitted at least annually to the Board of Directors for its consideration and ratification. For Participants who are not Named Executive Officers, the Committee may in its discretion establish performance measures not listed on Appendix A without obtaining shareholder approval.

5. PARTICIPATION

Eligibility for participation in the Plan is limited to executive officers of the Corporation and certain other executives of the Corporation, Business Units or Subsidiaries who hold key management and staff positions. From among those eligible and based upon the recommendations of the Chief Executive Officer and other designees, the Committee will designate by name or position the Participants each Plan Year. Any employee who is a Participant in one Plan Year may be excluded from participation in any other Plan Year. If, during the Plan Year, a Participant other than a Named Executive Officer changes employment positions

to a new position which corresponds to a different award level, the Committee may, in its discretion, adjust the Participant's award level for such Plan Year. The Committee may, in its discretion, designate employees who are hired after the beginning of the Plan Year as Participants for such Plan Year and as eligible to receive full or partial Incentive Awards for such year.

6. INCENTIVE AWARDS

6.1 DETERMINATION OF THE AMOUNT OF INCENTIVE AWARDS

At the end of each Plan Year, the Committee shall certify the extent to which the performance targets and measurement criteria established pursuant to Section 4 have been achieved for such Plan Year based upon information prepared by the Corporation's finance department. Subject to the right to decrease an award as described in the next paragraph, the Participant's Incentive Award shall be computed by the Committee based upon the achievement of the established performance targets, measurement criteria and the requirements of the Plan. In addition to any adjustments provided for in the Incentive Award, the Committee may in determining whether performance targets have been met adjust the Corporation's financial results to exclude the effect of unusual charges or income items, changes in accounting, or other events (such as acquisitions, divestitures and equity and other restructurings), which are distortive of results year over year (either on a segment or consolidated basis); provided, that for purposes of determining the Incentive Awards of Named Executive Officers, the Committee shall exclude unusual items whose exclusion has the effect of increasing Relative Performance if such items constitute "extraordinary" or "unusual" events or items under generally accepted accounting principles and all such events or items shall be excluded. In addition, the Committee will adjust its calculations to exclude the unanticipated effect on financial results of changes in the Code or other tax laws, or the regulations relating thereto.

The Committee may, in its discretion, decrease the amount of a Participant's Incentive Award for a Plan Year based upon such factors as it may determine, including the failure of the Corporation, Business Unit or Subsidiary to meet certain performance goals or of a Participant to meet his Personal Performance Goals. The factors to be used in reducing an Incentive Award may be established at the beginning of a Plan Year and may vary among Participants.

In the event that the Corporation's, Business Unit's or Subsidiary's performance is below the performance thresholds for the Plan Year and the Incentive Awards are reduced or cancelled, the Committee may in its discretion grant Incentive Awards to deserving Participants, except for Participants who are Named Executive Officers.

The Plan Rules and Incentive Awards under the Plan shall be administered in a manner to qualify payments under the Plan to the Named Executive Officers

for the performance-based exception under Code Section 162(m) and the regulations thereunder, except where the Board of Directors determines such compliance is not necessary. The maximum Incentive Award that may be paid to an individual Participant for a Plan Year shall be \$1.5 million.

6.2 ELIGIBILITY FOR PAYMENT OF INCENTIVE AWARD

No Participant will have any vested right to receive any Incentive Award until such date as the Board of Directors has ratified the Committee's determination with respect to the payment of individual Incentive Awards, except where the Committee determines such ratification is not necessary. No Incentive Award will be paid to any Participant who is not an active employee of the Corporation, a Business Unit or a Subsidiary at the end of the Plan Year to which the Incentive Award relates; provided, however, at the discretion of the Committee or its designee (subject to ratification by the Board of Directors, where required), partial Incentive Awards may be authorized by the Committee to be paid to Participants (or their beneficiaries) who are terminated without cause or who retire, die or become permanently and totally disabled during the Plan Year. No Participant entitled to receive an Incentive Award shall have any interest in any specific asset of the Corporation, and such Participant's rights shall be equivalent to that of a general unsecured creditor of the Corporation.

6.3 PAYMENT OF AWARDS

Payment of the Incentive Awards will be made as soon as practicable after their determination pursuant to Sections 6.1 and 6.2, subject to a Participant's right to defer payment pursuant to applicable deferred compensation plans of the Corporation. Payment will generally be made in a lump sum in cash, unless the Committee otherwise determines at the beginning of the Plan Year.

7. DELEGATION OF AUTHORITY BY COMMITTEE

Notwithstanding the responsibilities of the Committee set forth herein, the Committee may delegate to the Chief Executive Officer or others all or any portion of its responsibility for administration of the Plan as it relates to Participants other than Named Executive Officers. Such delegation may include, without limitation, the authority to designate employees who can participate in the Plan, to establish Plan Rules, to interpret the Plan, to determine the extent to which performance criteria have been achieved, and to adjust Incentive Awards payable. In the case of each such delegation, the administrative actions of the delegate shall be subject to the approval of the person within the Corporation to whom the delegate reports (or, in the case of a delegation to the Chief Executive Officer, to the approval of the Committee).

8. CHANGE IN CONTROL

Upon the occurrence of a Change in Control, unless the Participant otherwise elects in writing, the Participant's Incentive Award for the Plan Year, determined at the Target Award level (without any reductions under Section 6.1) shall be deemed to have been fully earned for the Plan Year, provided that the Participant shall only be entitled to payment of a pro rata portion of the Incentive Award based upon the number of days within the Plan Year that had elapsed as of the effective date of the Change in Control. The Incentive Award amount shall be paid in cash within thirty (30) days of the effective date of the Change in Control.

9. BENEFICIARY

The Committee may provide for each Participant to designate a person or persons to receive, in the event of death, any Incentive Award to which the Participant would then be entitled under Section 6.2. Such designation will be made in the manner determined by the Committee and may be revoked by the Participant in writing. If the Committee does not provide for such designation or if a Participant fails effectively to designate a beneficiary, then the estate of the Participant will be deemed to be the beneficiary.

10. WITHHOLDING TAXES

The Corporation shall deduct from each Incentive Award the amount of any taxes required to be withheld by any governmental authority.

11. EMPLOYMENT

Nothing in the Plan or in any Incentive Award shall confer (or be deemed to confer) upon any Participant the right to continue in the employ of the Corporation, a Business Unit or a Subsidiary, or interfere with or restrict in any way the rights of the Corporation, a Business Unit or a Subsidiary to discharge any Participant at any time for any reason whatsoever, with or without cause.

12. SUCCESSORS

All obligations of the Corporation under the Plan with respect to Incentive Awards granted hereunder shall be binding upon any successor to the Corporation, whether such successor is the result of an acquisition of stock or assets of the Corporation, a merger, a consolidation or otherwise.

13. TERMINATION AND AMENDMENT OF THE PLAN

The Committee, subject to the ratification rights of the Board of Directors, has the right to suspend or terminate the Plan at any time, or to amend the Plan in any respect provided that no such action will, without the consent of an affected

Participant, adversely affect the Participant's rights under an Incentive Award approved under Section 6.2.

14. GOVERNING LAW

The Plan shall be interpreted and construed under the laws of the State of Georgia.

APPENDIX A
to
L & C SPINCO, INC.
MANAGEMENT COMPENSATION AND INCENTIVE PLAN

PERFORMANCE MEASURE -----	GENERAL DEFINITION -----
AATP Margin	AATP divided by Sales
Adjusted After-Tax Profit (AATP)	AATP minus book income taxes (reported tax rate applied to AATP)
Adjusted Pre-Tax Profit (AATP)	Income before provision for income taxes plus interest expense plus implied interest on capitalized operating leases. The measure may include or exclude income from discontinued operations, extraordinary items, changes in accounting principles, and restructuring expense.
Capitalized Economic Profit	Economic Profit divided by a predetermined rate reflecting the cost of capital
Capitalized Entity Value	Sum of average invested capital in the business and the Capitalized Economic Profit
Capitalized Equity Value	Capitalized Entity Value minus total debt
Cashflow	Net cash provided by operating activities
Cashflow Return on Capital	Cash flow divided by average invested capital
Cashflow Return on Capitalized Entity/Equity Value	Cashflow divided by Capitalized Value
Cashflow Return on Investment	
Change in Price of Shares	
Earnings Per Share	Primary or fully diluted earnings per share
Economic Profit	AATP minus a charge for capital
Net Income	Net income as reported in NSI's annual financial statements or the books and records of its segments. The measure may include or exclude income from discontinued operations, extraordinary items, changes in accounting principles, and restructuring expense.

Net Income Return on Capital	Net Income divided by average invested capital
Return on Assets (ROA)	Net Income divided by average total assets
Return on Equity (ROE)	Net Income divided by average stockholders' equity
Return on Gross Investment	Sum of Net Income plus depreciation divided by sum of average invested capital plus accumulated depreciation
Return on Invested Capital	Net Income or AATP divided by average
Return on Net Assets (RONA)	Net Income, APTP, or income before taxes, divided by average net assets
Sales	Net sales of products and service revenues
Sales Growth	Percentage change in Sales from year to year
Total Return to Shareholders	Percentage change in shareholder value (stock price plus reinvested dividends)

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L & C SPINCO, INC.
BENEFITS PROTECTION TRUST

(Formerly, the National Service Industries, Inc.
Benefits Protection Trust)

Effective As Of _____, 2001.

L & C SPINCO, INC.

BENEFITS PROTECTION TRUST AGREEMENT

THIS ASSUMPTION AND AMENDMENT AGREEMENT, made as of the ___ day of _____ 2001, by and between L & C Spinco, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Company"), and Wachovia Bank, N.A., a national banking association organized and existing under the laws of the United States of America (hereinafter referred to as the "Trustee").

W I T N E S S E T H

WHEREAS, effective as of _____, 1990, National Service Industries, Inc. ("NSI") and the Trustee established the National Service Industries, Inc. Benefits Protection Trust ("Prior Trust") to ensure that eligible Participants and their beneficiaries would receive the benefits that NSI and its Affiliates were obligated to provide them pursuant to certain designated employee benefit plans; and

WHEREAS, in connection with the spin-off of the Company from NSI, effective _____, 2001 and pursuant to an Employee Benefits Agreement, dated as of _____, 2001, between the Company and NSI, the Prior Trust is being transferred to, and assumed by, the Company in the form of this Benefits Protection Trust (hereinafter referred to as this "Trust"); and

WHEREAS, the liabilities and assets of the Prior Trust will be held in this Trust; and

WHEREAS, the Company desires to assume this Trust in order to ensure that "Participants" (as hereinafter defined) and their beneficiaries will receive the benefits which the Company and its Affiliates are obligated to provide for them or which they reasonably anticipate receiving pursuant to the "Plans" (as hereinafter defined);

WHEREAS, the Trustee is not a party to the Plans;

WHEREAS, the aforesaid obligations of the Company are not funded or otherwise secured and the Company has agreed to take steps to assure that the future payment of amounts under such Plans will not be improperly withheld in the event that a "Threatened Change in Control" (as hereinafter defined) or "Change in Control" (as hereinafter defined) of the Company should occur;

WHEREAS, for purposes of assuring that such payments will not be improperly withheld, the Company desires to: (a) deposit with the Trustee, subject to the claims of the Company's existing or future general creditors, such amounts of cash, marketable securities or other security as the Company may determine for the payment of (i) benefits to Participants and their beneficiaries which may become payable under the Plans and (ii) fees and expenses of the Trustee in pursuing claims of the Participants and their beneficiaries against the Company or any of its Affiliates for such payments and/or in requiring the Company to deposit sufficient cash or marketable securities in this Trust to pay benefits under the Plans; and (b) retain the right to deposit with the Trustee, subject to the same conditions, further amounts of cash or marketable securities for the payment of amounts under such Plans as they may become due and payable; and

WHEREAS, the Company maintains the L & C Spinco, Inc. Executive Benefits Trust (the "Executive Benefits Trust") for the benefit of Participants and their beneficiaries upon a Change in Control; and

WHEREAS, upon a Change in Control, the assets attributable to the Plans held in the Benefit Account of this Trust will be transferred to the Executive Benefits Trust to be held for the benefit of Participants and their beneficiaries in accordance with the terms thereof.

NOW, THEREFORE, in consideration of the respective agreements of the Company and the Trustee contained herein, the Company agrees to assume the Prior Trust as amended hereby and to establish the L & C Spinco, Inc. Benefits Protection Trust:

ARTICLE 1: Definitions.

1.1 "Affiliate" shall mean any corporation, partnership or other entity, the majority interest in which is held by the Company directly or through one or more intermediaries, which has been designated by the Company as participating in the Trust. The Affiliates are listed on Schedule 2.

1.2 The "Board" shall mean the Board of Directors of the Company.

1.3 "Change in Control" shall mean any of the following events:

(a) The acquisition (other than from the Company) by any "Person" (as the term person is used for purposes of Sections 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) of beneficial ownership (within the meaning of Rule

13d-3 promulgated under the 1934 Act) of twenty percent (20%) or more of the combined voting power of the Company's then outstanding voting securities; or

(b) The individuals who, as of _____, 2001, are members of the Board (the "Incumbent Board") cease for any reason to constitute at least two-thirds of the Board; provided; however, that if the election, or nomination for election by the Company's stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; or

(c) A merger or consolidation involving the Company if the stockholders of the Company, immediately before such merger or consolidation do not, as a result of such merger or consolidation, own, directly or indirectly, more than seventy percent (70%) of the combined voting power of the then outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the voting securities of the Company outstanding immediately before such merger or consolidation; or

(d) A complete liquidation or dissolution of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur pursuant to Section 1.3(a) of this Article 1, solely because twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities is acquired by (i) a trustee or other fiduciary holding securities under one or more employee benefit plans maintained by the Company or any of its subsidiaries or (ii) any corporation which, immediately prior to such

acquisition, is owned directly or indirectly by the stockholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition (hereinafter referred to individually as a "Related Person" and collectively as "Related Persons").

1.4 "Company" shall mean L & C Spinco, Inc., its successors and assigns.

1.5 "Participants" shall mean active and former employees of the Company and/or of its Affiliates who are participants in or who have a claim to receive benefits under any of the Plans.

1.6 "Plaintiffs" shall mean the Participants and their beneficiaries.

1.7 "Plans" shall mean the Executives' Deferred Compensation Plan, Supplemental Deferred Savings Plan, Supplemental Retirement Plan for Executives, Senior Management Benefit Plan, Severance Protection Agreements with senior corporate officers and division presidents, and any other plans or agreements that are adopted by the Company or its Affiliates prior to a Change in Control, in all cases as listed on Schedule 1 as may be amended from time to time prior to a Change in Control.

1.8 "Related Person" shall have the meaning set forth in the last paragraph of Section 1.3.

1.9 "Threatened Change in Control" shall mean the occurrence of any of the following events:

(a) when the Company is aware of or is contemplating, a proposal (a "Proposal") for any Person other than a Related Person (1) to acquire five percent (5%) or more

of the voting power of the Company's outstanding securities, or (2) to merge or consolidate with another entity, transfer or sell assets of the Company, or liquidate or dissolve the Company, in each case described in this clause (2) in a transaction that would constitute a Change in Control; or

(b) any Person other than a Related Person,

(1) acquires five percent (5%) or more of the voting power of the Company's outstanding securities, other than as a holder whose investment in the Company is eligible to be reported on Schedule 13G pursuant to Rule 13d-1(b)(1) promulgated under the 1934 Act, or

(2) initiates a tender or exchange offer to acquire such number of securities as would result in such person holding twenty percent (20%) or more of the voting power of the Company's outstanding securities, or

(3) solicits proxies for votes to elect members of the Board at a shareholders' meeting of the Company.

1.10 "Threatened Change in Control Period" shall mean the period commencing on the date that a Threatened Change in Control has occurred and ending upon:

(a) the date the Proposal referred to in Section 1.9(a) of this Article 1 is abandoned;

(b) the acquisition of five percent (5%) of the voting power of the Company's outstanding securities by the Person referred to in Section 1.9(a)(1) if such acquisition does not constitute a Threatened Change in Control under Section 1.9 (b) (1) ;

(c) the date when any person described in Section 1.9(b) of this Article 1, (1) shall own less than five percent (5%) of the voting power of the Company's outstanding securities, (2) shall have abandoned the tender or exchange offer, or (3) shall not have elected a member of the Board as the case may be; or

(d) the date a Change in Control occurs.

ARTICLE 2: Creation of Trust.

2.1 The Company hereby adopts and assumes the Prior Trust and agrees to continue such trust as amended by this Agreement. The Trustee hereby agrees to continue as trustee of the Trust. The Trust shall consist of two accounts, established by the Trustee, for purposes of accounting for funds delivered to the Trustee by the Company. One such account shall be known as the "Trustee Expense Account," and shall be used exclusively to pay the fees, expenses and indemnities due or incurred by the Trustee in accordance with the terms of this Agreement. The other such account shall be known as the "Benefit Account," and shall be used to make payments under the Plans. The Benefit Account shall be divided into separate sub-accounts for each Plan which is funded by the Company in accordance with Section 4.1 of Article 4. Unless the Company directs otherwise, separate Trustee Expense Account and Benefit Account shall be established for each Affiliate. The Trustee, for investment purposes only, may commingle all Trust assets and treat them as a single fund, but the records of the Trustee at all

times shall show the percentages of the Trust Fund allocable to each of the several accounts and sub-accounts.

2.2 The Company and the Trustee agree that this Trust created herein shall be revocable by the Company at any time prior to or subsequent to a Threatened Change in Control Period and prior to a Change in Control, but shall not be revocable by the Company or by any successor thereto during a Threatened Change in Control Period or after the occurrence of a Change in Control. The Trust shall become irrevocable upon the occurrence of a Change in Control, subject to the provisions of Section 17.5. The Trust established hereunder is intended to be a grantor trust within the meaning of Section 671 of the Internal Revenue Code of 1986, as amended (the "Code"), and all interest and other income earned on the investment of this Trust shall for such purposes be the property of, and taxable to, the Company. All taxes on or with respect to this Trust shall be payable by the Company from its separate funds and shall not be a charge against this Trust.

2.3 Prior to a Change in Control, the Company and its Affiliates may add Plans to, and Participants in the Plans under which benefits are payable from, this Trust by amending Schedule 1 and notifying the Trustee in writing. If the Company or its Affiliates amend any of the Plans, it shall send to the Trustee a copy of any such amendments and no consent of the Trustee to such amendments is required.

ARTICLE 3: Trustee Expense Account.

3.1 The Trustee shall continue to hold in the Trustee Expense Account such amounts as were held in the Trustee Expense Account under the Prior Trust and are transferred to this Trust, such amounts to be administered and disposed of by the Trustee as provided herein.

The Trustee Expense Account shall initially be maintained in an amount of not less than \$ _____, provided that the Company may elect in its discretion to reduce such minimum amount and withdraw funds from the Trust.

3.2 At any time, the Trustee may request the Company to deliver additional amounts in cash or marketable securities to this Trust, to be credited to the Trustee Expense Account. The Trustee shall make written demand for any such additional amount, and the Company may elect in its discretion to comply with such demand. In the event the Company fails to provide the Trustee with such additional amount within fifteen (15) days of the receipt by the Company of such written demand prior to or subsequent to a Threatened Change in Control Period and prior to a Change in Control, the Trustee shall have the right to resign in accordance with Section 16.1.

3.3 At any time, the Company shall have the unlimited right to deliver cash or marketable securities reasonably acceptable to the Trustee to be credited to the Trustee Expense Account. Any amount (together with the income attributable thereto) which is over and above any required amounts described in Section 3.1 may be withdrawn by the Company at any time prior or subsequent to a Threatened Change in Control Period and prior to a Change in Control. Notwithstanding anything contained in this Agreement to the contrary, the Company shall not make any withdrawal from this Trust during a Threatened Change in Control Period or after the occurrence of a Change in Control.

3.4 Upon the occurrence of a Threatened Change in Control or a Change in Control, the Company shall contribute to the Trustee Expense Account sufficient cash (i) to provide for the Litigation (as defined in Section 9.3 of Article 9) expenses of all Plaintiffs as

determined by the Trustee, and (ii) to pay the expenses of operating this Trust for twelve (12) months. If the Company fails to deposit the amount in the Trust required by this Section 3.4 within five (5) days of the occurrence of a Threatened Change in Control or a Change in Control, the Trustee shall commence legal action as provided in Section 9.5.

ARTICLE 4: Benefit Account.

4.1 The Trustee shall continue to hold in the Benefit Account any amounts that were held in the Benefit Account under the Prior Trust, such amounts to be administered and disposed of by the Trustee as provided herein.

4.2 (a) At any time, the Company and any Affiliate shall have the unlimited right to deliver cash or marketable securities reasonably acceptable to the Trustee to be credited to the Benefit Account. Any such delivery shall be accepted by the Trustee accompanied by a designation of the Plan or Plans under the provisions of which such funds are to be disbursed and if more than one Plan is being funded, the amount being allocated in respect of each Plan. Such delivery shall be credited to a separate sub-account within the Benefit Account for each Plan in respect of which funds are being provided. Any amount (together with the income attributable thereto) may be withdrawn by the Company and any Affiliate at any time prior or subsequent to a Threatened Change in Control Period and prior to a Change in Control.

(b) Immediately upon the occurrence of a Threatened Change in Control or a Change in Control, the Company shall contribute sufficient cash to the Benefit Account (i) to pay all payments and benefits to which Participants would be entitled (whether payable currently or on a deferred basis) pursuant to the terms of the Plans as of the date of the Threatened Change in Control or Change in Control and (ii) to pay the additional payments and

benefits that would be due Participants under the Plans assuming the Participants' employment was terminated involuntarily by the Company without cause immediately following the date on which the Threatened Change in Control or Change in Control occurred. The amount the Company shall contribute to the Trust pursuant to this subparagraph (b) shall be determined by the Trustee in its discretion. If the Company fails to contribute the amount to the Trust required by this subparagraph (b) within five (5) days of the occurrence of the Threatened Change in Control or Change in Control, the Trustee shall commence legal action as provided in Section 9.5.

During a Threatened Change in Control Period or after the occurrence of a Change in Control, if the Trustee determines that the funds in the Benefit Account are insufficient to fully pay all payments and benefits in (b)(i) and (ii) above under the Plans, the Trustee shall make written demand on the Company to provide funds in an amount determined by the Trustee in its discretion. If the Company fails to contribute this additional amount to the Trust within five (5) days of receipt of the Trustee's written demand, the Trustee shall commence legal action as provided in Section 9.5.

4.3 (a) In addition to the cash and/or other property delivered to, and deposited with, the Trustee pursuant to Article 3 and Sections 4.1 and 4.2, the Company may deliver to the Trustee one or more letters of credit (referred to hereinafter as the "Letter(s) of Credit") which shall (i) be irrevocable for a period of at least 364 days, (ii) be renewable by the Company on substantially the same terms and conditions at the end of such period unless the issuer provides to the Company and the Trustee not less than 90 calendar days' written notice prior to the expiration date that any Letter(s) of Credit will not be renewed, and (iii) name the Trustee as beneficiary. A Letter of Credit shall enable the Trustee to draw directly from the

issuer of such Letter of Credit, immediately upon notice and without any other requirement, an amount equal to the excess of 100% of the amount the Trustee has demanded the Company contribute to the Trust pursuant to Article 3 and Sections 4.1 and 4.2, as determined by the Trustee, over the value of all other assets of the Trust, subject, however, to the maximum amount of the Letters of Credit.

(b) The Trustee shall draw on each Letter of Credit held by it to the full extent thereof no later than three (3) business days following the failure by the Company to contribute to the Trust the amounts demanded by the Trustee pursuant to Article 3 and Sections 4.1 and 4.2.

(c) If the Trustee receives written notice from an issuer referencing a Letter of Credit by number which is signed by an officer of the issuer of such Letter of Credit, that such Letter of Credit will not be renewed on substantially the same terms and conditions, then the Trustee shall notify the Company in writing that it has received such notice.

(d) Notwithstanding (a) above, the Trustee shall not draw on any Letter of Credit pursuant to subparagraph (a), to the extent that the Company has deposited in the Trust 100% of the amount the Trustee has demanded the Company to contribute to the Trust pursuant to Article 3 and Sections 4.1 and 4.2, as determined by the Trustee.

ARTICLE 5: Payments from the Trust.

5.1 The Company shall, from time to time, furnish the Trustee with such written information regarding the Participants and beneficiaries under the Plans and the amount and/or method of determination of benefits under the Plans (hereinafter referred to as

"Participant Data") as the Company deems relevant or as the Trustee shall request in writing. The Company shall, after a Change in Control, furnish the Trustee with such Participant Data and other information as the Trustee may from time to time request within thirty (30) days of such request. The Company shall, from time to time, but not less frequently than annually, update Participant Data with respect to all Plans.

After a Change in Control and subject to Section 17.3, the Trustee shall, without direction from the Company, to the extent funds are available in the Benefit Account for such purpose, make payments to Participants and beneficiaries in such manner and in such amounts as the Trustee shall determine they are entitled to be paid under the Plans based on the most recent Participant Data furnished to the Trustee by the Company and any supplemental information furnished to the Trustee by a Participant or beneficiary upon which the Trustee may reasonably rely in making such determination. The Trustee shall have the power to interpret the provisions of the Plans and this Agreement in making its determination.

5.2 After a Change in Control, in the event the Internal Revenue Service issues a notice of deficiency to any Participant and/or beneficiary of a Plan stating that such Participant and/or beneficiary is subject to any tax by reason of any undistributed interest in this Trust, the Trustee, upon presentation of (i) a copy of such determination and (ii) written direction from the Participant and/or beneficiary, shall distribute to such Participant and/or beneficiary a lump sum cash payment equal to the amount included in such Participant's or beneficiary's gross income by reason of any interest in this Trust. The Trustee shall not be liable in any way for any payment made pursuant to any such written direction. Any benefit to which such Participant and/or beneficiary subsequently becomes entitled shall be offset in such manner as the Trustee shall determine in its discretion by the amount previously distributed pursuant to the preceding

provisions of this Section 5.2 determined on a present value basis pursuant to the applicable federal rate (as defined in Section 1274(d) of the Code) as in effect from time to time.

5.3 Payments to Participants and beneficiaries pursuant to Sections 5.1 and 5.2 of this Article 5 shall be made by the Trustee to the extent that funds in the Benefit Account for such purpose are sufficient to allow such payments. In any month in which the Trustee determines that one or more sub-accounts in the Benefit Account does not have sufficient funds to provide for the payment of all amounts otherwise payable to Participants and beneficiaries in such month under a Plan or Plans, the amount otherwise payable to each such Participant or beneficiary under such Plan or Plans during such month shall be multiplied by a fraction, the numerator of which is the amount of funds then available for the payment of benefits under such Plan or Plans and the denominator of which is the total of the benefits payable prior to such reduction during such month to all Participants and beneficiaries under such Plan or Plans.

ARTICLE 6: Management of Trust Assets.

6.1 Prior to a Change in Control, this Trust's assets shall be held, invested and reinvested by the Trustee in accordance with written investment guidelines provided by the Company from time to time. Except as mandated by law, the Trustee shall not be liable for following the investment guidelines from the Company prior to a Change in Control if there is a loss due to investments made in accordance with the investment guidelines provided by the Company. The Trustee may invest in and hold securities (including stock or rights to acquire stock) or obligations of the Company, if directed to do so in writing by the Company. In exercising the powers of the Company under this Section 6.1, the Company shall act by its Corporate Treasurer or his written designees, each of whom is fully authorized to exercise such

powers. The Trustee may, and shall, follow the written guidelines signed by said Corporate Treasurer or such designees.

6.2 In the absence of written investment guidelines provided by the Company, the Trustee shall invest the assets as if a Change in Control had occurred as provided in Section 6.3 and Article 9.

6.3 After the occurrence of a Change in Control, the Trustee shall have exclusive authority and discretion to manage and control this Trust's assets and may employ investment managers, including affiliates of the Trustee, to manage the investment of this Trust's assets. Pursuant to such authority and discretion, the Trustee may exercise, from time to time and at any time, the power:

(a) to invest and reinvest this Trust, without distinction between principal and income, in shares of stock (whether common or preferred) or other evidences of ownership, bonds, debentures, notes or other evidences of indebtedness, unsecured or secured by mortgages on real or personal property wherever situated (including any part interest in a bond and mortgage or note and mortgage whether insured or uninsured) and other property, or part interest in property, real or personal, foreign or domestic, and in order to reduce the rate of interest rate fluctuations, contracts, as either buyer or seller, for the future delivery of United States Treasury securities and comparable federal-government-backed securities;

(b) to sell, convey, redeem, exchange, grant options for the purchase or exchange of, or otherwise dispose of, any real or personal property, at public or private sale, for cash or upon credit, with or without security, without obligation on the part of any person

dealing with the Trustee to see to the application of the proceeds of or to inquire into the validity, expediency or propriety of any such disposition;

(c) to exercise, personally or by general or limited proxy, the right to vote any shares of stock, bonds or other securities held in this Trust, to delegate discretionary voting power to trustees of a voting trust for any period of time, and to exercise, personally or by power of attorney, any other right appurtenant to any securities or other property of this Trust;

(d) to join in or oppose any reorganization, recapitalization, consolidation, merger or liquidation, or any plan therefor, or any lease, mortgage or sale of the property of any organization the securities of which are held in this Trust; to pay from this Trust any assessments, charges or compensation specified in any plan of reorganization, recapitalization, consolidation, merger or liquidation; to deposit any property with any committee or depository; and to retain any property allotted to this Trust in any reorganization, recapitalization, consolidation, merger or liquidation;

(e) to exercise or sell any conversion or subscription or other rights appurtenant to any stock, security or other property held in this Trust;

(f) to borrow from any lender (including the Trustee in its individual capacity) money, in any amount and upon any reasonable terms and conditions, for purposes of this Agreement, and to pledge or mortgage any property held in this Trust to secure the repayment of any such loan;

(g) to compromise, settle or arbitrate any claim, debt, or obligation of or against this Trust; to enforce or abstain from enforcing any right, claim, debt or obligation

(subject to the provisions of Section 9.3), and to abandon any property determined by it to be worthless;

(h) to make loans of securities held in this Trust to registered brokers and dealers upon such terms and conditions as are permitted by applicable law and regulations, and in each instance to permit the securities so lent to be registered in the name of the borrower or a nominee of the borrower, provided that in each instance the loan is adequately secured and neither the borrower nor any affiliate of the borrower has discretionary authority or control with respect to the assets of this Trust involved in the transaction or renders investment advice with respect to those assets; and

(i) to invest and reinvest any property in this Trust in any other form or type of investment not specifically mentioned in this Section.

ARTICLE 7: Administrative Powers.

The Trustee shall have and in its sole and absolute discretion may exercise from time to time and at any time the following administrative powers and authority with respect to this Trust:

7.1 To hold property of this Trust in its own name or in the name of a nominee or nominees, without disclosure of this Trust, or in bearer form so that it will pass by delivery, but no such holding shall relieve the Trustee of its responsibility for the safe custody and disposition of this Trust in accordance with the provisions of this Agreement; the Trustee's books and records shall at all times show that such property is part of this Trust; and the Trustee shall be absolutely liable for any loss occasioned by the acts of its nominee or nominees with respect to securities registered in the name of the nominee or nominees.

7.2 To organize and incorporate under the laws of any state it may deem advisable one or more corporations (and to acquire an interest in any such corporation that it may have organized and incorporated) for the purpose of acquiring and holding title to any property, interests or rights that the Trustee is authorized to acquire under Article 6 hereof.

7.3 To employ in the management of this Trust suitable agents, without liability for any loss occasioned by any such agents selected by the Trustee with the care, skill., prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

7.4 To make, execute and deliver, as Trustee, any deeds, conveyances, leases, mortgages, contracts, waivers or other instruments in writing that the Trustee may deem necessary or desirable in the exercise of its powers under this Agreement.

7.5 To draw upon any Letter of Credit provided pursuant to Section 4.3 and to make demand upon the issuer of any Letter of Credit to pay amounts directly to the Trust.

7.6 To do all other acts that the Trustee may deem necessary or proper to carry out any of the powers set forth in this Agreement or otherwise in the best interests of this Trust.

ARTICLE 8: Insurance and Annuity Contracts.

8.1 The Trustee, upon written direction of the Company prior to a Change in Control, shall pay from the Benefit Account such sums to such insurance company or companies as the Company may direct for the purpose of procuring participating or nonparticipating insurance and/or annuity contracts for the Plans (hereinafter referred to as "Contracts"). The

Company shall prepare, or cause to be prepared in such form as it shall prescribe, the application for any Contract to be applied for. The Trustee shall receive and hold in this Trust, subject to the provisions hereinafter set forth in this Article 8, all Contracts so obtained.

8.2 The Trustee shall be the complete and absolute owner of Contracts held in this Trust and, upon written direction of the Company prior to a Change in Control, shall have power, without the consent of any other person, to exercise any and all of the rights, options or privileges that belong to the absolute owner of any Contract held in this Trust or that are granted by the terms of any such Contract or by the terms of this Agreement. Prior to a Change in Control, the Trustee shall have no discretion with respect to the exercise of any of the foregoing powers or the taking of any other action permitted by any Contract held in this Trust, but shall exercise such powers or take such action only upon the written direction of the Company and the Trustee shall have no duty to exercise any of such powers or to take any such action unless and until it shall have received such direction. After a Change in Control, the Trustee shall exercise, without directions from the Company, any and all of the rights, options or privileges that belong to the absolute owner of any Contract held in this Trust or that are granted by the terms of any such Contract or by the terms of this Agreement. The Trustee, upon the written direction of the Company prior to a change in Control, shall deliver any Contract held in this Trust to such person or persons as may be specified in the direction,

8.3 The Trustee shall hold in this Trust the proceeds of any sale, assignment or surrender of any Contract held in this Trust and any and all dividends and other payments (including death benefits) of any kind received in respect of any Contract held in this Trust.

8.4 Upon the written direction of the Company prior to a Change in Control, the Trustee shall pay from the Benefit Account, premiums, assessments, dues, charges and interest, if any, upon any Contract held in this Trust. The Trustee shall have no duty to make any such payment unless and until it shall have received such direction. After a Change in Control, the Trustee shall pay from the Benefit Account premiums, assessments, dues, charges and interest, if any, upon any Contract held in this Trust, without direction from the Company.

8.5 No insurance company that may issue any Contract or Contracts held in this Trust shall be deemed to be a party to this Agreement for any purpose, or to be responsible in any way for the validity of this Agreement or to have any liability under this Agreement other than as stated in each Contract that it may issue. Any insurance company may deal with the Trustee as sole owner of any Contract issued by it and held in this Trust without inquiry as to the authority of the Trustee to act, and may accept and rely upon any written notice, instruction, direction, certificate or other communication from the Trustee believed by it to be genuine and to be signed by an officer of the Trustee and shall incur no liability or responsibility for so doing. Any sums paid out by any insurance company under any of the terms of a Contract issued by it and held in this Trust either to the Trustee, or, in accordance with the direction of the Trustee, to any other person or persons designated as payees in such Contract shall be a full and complete discharge of the liability to pay such sums, and the insurance company shall have no obligation to look to the disposition of any sums so paid. No insurance company shall be required to review the terms of this Agreement, to question any action of the Trustee or to ensure that any action of the Trustee is authorized by the terms of this Agreement.

8.6 Notwithstanding anything contained herein to the contrary, neither the Company nor the Trustee shall be liable for the refusal of any insurance company to issue or

change any Contract or Contracts or to take any other action requested by the Trustee; nor for the form, genuineness, validity, sufficiency or effect of any Contract or Contracts held in this Trust; nor for the act of any person or persons that may render any such Contract or Contracts null and void; nor for the failure of any insurance company to pay the proceeds and avails of any such Contract or Contracts as and when the same shall become due and payable; nor for any delay in payment resulting from any provision contained in any such Contract or Contracts; nor for the fact that for any reason whatsoever (other than their own negligence or willful misconduct) any Contract or Contracts shall lapse or otherwise become uncollectable.

ARTICLE 9: Trustee's Powers After a Change in Control.

9.1 After a Change in Control, the Trustee shall exercise for the sole benefit of Participants and their beneficiaries any of the powers set forth in Section 6.3 and Sections 8.2 through 8.6 without direction from the Company, including the power to negotiate for and purchase Contracts whose rates of return and maturity dates may reasonably be expected to permit the Trust to discharge any or all of the obligations of the Company and its Affiliates under the Plans.

9.2 (a) As soon as practicable following a Change in Control, the Trustee shall notify in writing each Participant and beneficiary of the amount of his or her benefit (accrued or contingent) under the Plans. Thereafter, the Trustee shall provide each Participant and his or her beneficiary by March 1 of each year, with an account statement (the "Account Statement") as of December 31 of the prior calendar year. The Account Statement shall contain a statement of the amount of benefit payments to which the Participant is or may be entitled, a summary of the assets of the Trust, and a statement notifying the Participant or beneficiary that he or she has the

right to receive or examine a copy of this Agreement and examine the Trustee's account filed with the Company pursuant to Section 14.1 of Article 14 hereof. In addition, the Trustee shall notify each Participant or beneficiary of any failure by the Company to provide the Participant Data referred to in Section 5.1 hereof or to make contributions pursuant to Articles 3 and 4.

(b) Within thirty (30) days after a Change in Control, the Company (or upon its failure, the Trustee) shall notify in writing all Participants and their beneficiaries who may be entitled to receive benefits under the Plans, of the Trustee's availability to aid them in pursuing any claims they may have against the Company under the terms of those Plans under which they are covered. The Company (or upon its failure, the Trustee) shall provide such notice by (1) personal delivery or (2) certified mail return receipt requested to all Participants and/or the beneficiaries described above to their last known address.

(c) As soon as practicable following the commencement of "Litigation" (as hereinafter defined) on behalf of any Plaintiff, the Trustee shall notify in writing each other Participant and beneficiary of the commencement of the Litigation, the nature of the claim, the judicial forum and any other information that the Trustee determines is relevant.

9.3 (a) If, after a Change in Control, a Plaintiff notifies the Trustee that the Company (or insurance company, contract administrator or any other party acting on the Company's behalf, if applicable) has refused to pay a claim under any of the Plans, then, unless the Trustee shall determine that the claim has no basis in law and fact, the Trustee:

(1) will promptly attempt to negotiate with the Company (or insurance company, contract administrator or any other party acting on the Company's

behalf, if applicable) to obtain payment, settlement, or other disposition of the claim, subject to the consent of the Plaintiff;

(2) will, if negotiations fail within ninety (90) days to result in a payment, settlement or other disposition agreeable to the Plaintiff, upon the receipt of written authorization from the Plaintiff in substantially the form attached hereto as Exhibit A, institute and maintain legal proceedings (hereinafter referred to as the "Litigation") against the Company or other appropriate person or entity to recover on the claim on behalf of the Plaintiff; and

(3) may, subject to the consent of the Plaintiff, settle or discontinue the Litigation.

(b) The Trustee shall direct the course of the Litigation and shall keep the Plaintiff informed of the progress of the Litigation as the Trustee deems appropriate, but no less frequently than quarterly. If, during the Litigation:

(1) the Plaintiff directs in writing that the Litigation on behalf of the Plaintiff be settled or discontinued, the Trustee shall take all appropriate action to follow such direction, provided that the written direction specifies the terms and conditions of the settlement or discontinuance, and further provided that the Plaintiff, if requested by the Trustee, shall execute and deliver to the Trustee a document in a form acceptable to the Trustee releasing and holding harmless the Trustee from any liability resulting from the Trustee's following such direction;

(2) the Plaintiff refuses to consent to the settlement or other disposition of the Litigation on terms recommended in writing by the Trustee or does not agree with the Trustee's conduct of the Litigation, the Trustee may proceed, in its sole and absolute discretion, to take such action as it deems appropriate in the Litigation, including entering into settlement or discontinuance of the Litigation; provided, however that the Trustee shall first afford the Plaintiff at least fourteen (14) days' advance notice of any decision to settle or otherwise discontinue the Litigation; provided, further, however, that the Trustee shall not be authorized to proceed in the Litigation on behalf of the Plaintiff after (i) the Plaintiff shall have revoked in writing the authorization of the Trustee to proceed on his behalf (in substantially the form attached hereto as Exhibit B) and shall have delivered such writing to the Trustee and (ii) the Plaintiff shall have appointed his own counsel, whose fees and expenses are to be paid by the Plaintiff and who shall appear in the Litigation on behalf of the Plaintiff in lieu of counsel retained by the Trustee. Thereafter, the Trustee shall have no obligation to proceed further on behalf of such Plaintiff or to pay from the Trustee Expense Account any costs or expenses incurred in the Litigation after the date of the delivery of such writing.

(c) The Trustee is empowered to retain, at the expense of this Trust and chargeable to the Trustee Expense Account, counsel and other appropriate experts, including actuaries and accountants, to aid it in making any determination under this Article 9 and to pursue or settle any Litigation. The Trustee shall have the discretion to determine the form and nature that any Litigation against the Company, or other appropriate person or entity, shall take, and the procedural rules and laws applicable to such Litigation shall supersede any inconsistent provision in this Agreement.

9.4 After a Change in Control, the Trustee shall bill the Company directly, on a monthly basis, for all fees and expenses described in Section 10.2. The Trustee may commence legal action against the Company to recover any amount not paid within thirty (30) days of the billing date. If the Company's failure to pay causes a reduction in the assets of the Trustee Expense Account contributed pursuant to Article 3 such that the Trustee Expense Account is insufficient to pay for all expenses that may be incurred in connection with the Litigation, the Trustee shall commence legal action as provided in Section 9.5.

9.5 Upon the occurrence of a Threatened Change in Control or after a Change in Control, if the Company fails to transfer to, and deposit in, the Trust the amounts required by Sections 3.4, 4.2 and 9.4, (i) within five (5) days of the demand by the Trustee, the Trustee shall commence legal action to compel the Company to pay such amounts to the Trust and (ii) the Company shall be required to contribute within 10 days of commencement of such action an additional amount to the Trust to pay for the costs and expenses, including legal fees, of such action. The Trustee shall have the power and authority to hire legal counsel of its choice to pursue such legal action against the Company and the costs of such legal counsel shall be paid from the Trust.

ARTICLE 10: Taxes, Expenses and Compensation of Trustee.

10.1 The Company shall pay any federal, state, local or other taxes imposed or levied with respect to the assets and/or income of this Trust or any part thereof under existing or future laws, and the Company, in its discretion, may contest the validity or amount of any tax, assessment, claim or demand respecting this Trust or any part thereof. To the extent not deducted and paid by the Company, the Trustee shall deduct and pay to the appropriate taxing

authorities any payroll taxes required to be withheld with respect to any payments made pursuant to this Trust.

10.2 The Trustee shall be reimbursed by the Company on a monthly basis, or on such other basis as the Trustee deems reasonable, for the fees and expenses set forth in Schedule 3 attached hereto and its reasonable expenses, including but not limited to the retention of legal counsel (including but not limited to legal counsel and other professionals retained pursuant to Article 11 and to legal counsel retained to represent the Trustee in any action brought by the Company or any Participant against the Trustee), accountants and actuaries and such other professionals as the Trustee determines are necessary or appropriate to enable it to perform its services as Trustee.

ARTICLE 11: General Duties of Trustee.

11.1 The Trustee shall discharge its duties under this Agreement solely in the interest of the Participants and their beneficiaries and (a) for the exclusive purpose of providing benefits to such Participants and their beneficiaries and defraying reasonable expenses of administering this Trust; and (b) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

11.2 (a) Except as restricted by securities or other laws, the Company shall notify the Trustee as soon as practical of any facts of which its officers have knowledge which have caused the commencement or termination of a Threatened Change in Control Period or the occurrence of a Change in Control.

(b) The Trustee is responsible for ascertaining whether a Threatened Change in Control Period has commenced and whether a Change in Control has occurred.

11.3 The Trustee may consult with counsel, who may be counsel for the Company prior to a Change in Control or for the Trustee in its individual capacity, and shall not be deemed imprudent by reason of its taking or refraining from taking any action in accordance with the opinion of counsel.

11.4 The Company may designate in writing, prior to a Change in Control, counsel to be retained by the Trustee after a Change in Control to enforce the rights of Participants and beneficiaries to benefits under the Plans. If the designated counsel declines to provide representation, or the Trustee is not satisfied with the quality of representation provided, the Trustee may dismiss the designated law firm and engage another qualified law firm for this purpose; provided, however, that the law firm so engaged may not be the same law firm which represents the Trustee with respect to its responsibilities as Trustee in its individual capacity under this Agreement. The Company may not dismiss or engage such counsel or cause the Trustee to engage or dismiss such counsel after a Change in Control.

ARTICLE 12: Indemnification.

12.1 The Company agrees, to the extent permitted by law, to indemnify and hold the Trustee harmless from and against any liability that the Trustee may incur in the administration of this Trust (including attorneys' fees and expenses), unless arising from the Trustee's own gross negligence, willful misconduct, or willful breach of the provisions of its obligations under this Agreement. The Trustee shall not be required to give any bond or any

other security for the faithful performance of its duties under this Agreement, except as required by law.

12.2 Any amount payable to the Trustee under this Article 12 and not previously paid by the Company shall be paid by the Company promptly upon written demand therefor by the Trustee or, if the Company fails to make payment within fifteen (15) days after such written demand, from the Trustee Expense Account, and, if the Trustee Expense Account is insufficient, then from the Benefit Account.

In the event that payment is made hereunder to the Trustee from the Trustee Expense Account, the Trustee shall promptly notify the Company in writing of the amount of such payment. The Company agrees that, upon receipt of such notice, it will deliver to the Trustee to be held in this Trust an amount in cash (or in marketable securities or in some combination thereof) equal to any payments made from this Trust to the Trustee pursuant to this Article 12. The failure of the Company to transfer any such amount shall not in any way impair the Trustee's right to indemnification, reimbursement and payment pursuant to this Article 12. The provisions of this Article 12 shall survive the termination of this Agreement.

12.3 Nothing in this Article 12 shall require the Company to indemnify the Trustee with respect to any Letter of Credit (as described in Section 4.3) which the Trustee or any affiliate may issue in its commercial capacity, nor may any assets of the Trust be used to repay the Trustee or any affiliate for amounts the Trustee or any affiliate may pay pursuant to any Letter of Credit.

ARTICLE 13: No Duty to Advance Funds.

Nothing contained in this Agreement shall require the Trustee to risk or expend its own funds in the performance of the duties of the Trustee hereunder. In the acceptance and performance of its duties hereunder, the Trustee acts solely as trustee and not in its individual capacity, and all persons, other than the Company, having any claim against the Trustee related to this Agreement or the actions or agreements of the Trustee contemplated hereby shall look solely to this Trust for the payment or satisfaction thereof unless the Trustee has failed to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. Without limiting the foregoing, the Trustee shall not be liable in its individual capacity for the payment of the fees and expenses of counsel and other professionals retained by the Trustee in accordance with Articles 9, 10 and 11 hereof. The provisions of this Article 13 shall not limit in any way the obligations and responsibilities of the Trustee or any affiliate pursuant to a Letter of Credit (as described in Section 4.3) and the rights of the Trustee to draw upon any Letter of Credit issued by the Trustee or any affiliate shall be as provided in such Letter of Credit.

ARTICLE 14: Accounts.

14.1 (a) The Trustee shall keep accurate and detailed accounts of all its receipts, investments and disbursements under this Agreement on a fiscal year basis ending on each August 31 and for purposes of the Account Statement pursuant to Section 9.2. Such person or persons as the Company shall designate shall be allowed to inspect the books of account

relating to this Trust upon request at any reasonable time during the business hours of the Trustee.

(b) Within sixty (60) days after the close of each fiscal year, the Trustee shall transmit to the Company, and certify the accuracy of, a written statement of the assets and liabilities of this Trust, showing the current value of each asset at that date, and a written account of all the Trustee's transactions relating to this Trust during the period from the last previous accounting to the close of that year. For the purposes of this subsection, the date of the Trustee's resignation or removal as provided in Article 16 hereof or the date of termination of this Trust as provided in Article 17 hereof shall be deemed to be the close of a year.

(c) Unless the Company shall have filed with the Trustee written exceptions or objections to any such statement and account within one-hundred and twenty (120) days after receipt thereof, the Company shall be deemed to have approved such statement and account, and in such case or upon the written approval by the Company of any such statement and account, the Trustee shall, to the extent permitted by law, be forever released and discharged with respect to all matters and things contained in such statement and account as though it had been settled by decree of a court of competent jurisdiction in an action or proceeding to which the Company and all persons having any beneficial interest in this Trust were parties.

14.2 The Trustee shall determine the fair market value of this Trust on a quarterly basis. If there is a diminution in value of the Trustee Expense Account below any required amounts described in Section 3.1, the Company shall provide the Trustee with sufficient funds to make up for any such diminution in value within fifteen (15) days after written demand

by the Trustee for such payment. At any time other than during a Threatened Change in Control Period or after the occurrence of a Change in Control, if the Company fails to comply with the Trustee's written demand within fifteen (15) days to provide the Trustee with sufficient funds to make up for any diminution in value below any required amounts described in Section 3.1 in the Trustee Expense Account, the Trustee may resign as Trustee upon six (6) months written notice in accordance with Section 16.1. The Trustee will have no duty to find or secure the appointment of a successor upon its resignation pursuant to this Section, nor shall its resignation or the termination of any further duties be contingent upon the appointment and qualification of a successor. Notwithstanding the foregoing, no resignation pursuant to the foregoing provisions of this Section 14.2 may take effect during a Threatened Change in Control Period or after the occurrence of a Change in Control.

14.3 Nothing contained in this Agreement or in the Plans shall deprive the Trustee of the right to have a judicial settlement of its accounts. In any proceeding for a judicial settlement of the Trustee's accounts or for instructions in connection with this Trust, the only other necessary party thereto in addition to the Trustee shall be the Company. If the Trustee so elects, it may bring in as a party or parties defendant any other person or persons. No person interested in this Trust, other than the Company or at least twenty-five percent (25%) of the Participants and beneficiaries, shall have a right to compel an accounting, judicial or otherwise, by the Trustee, and each such person shall be bound by all accountings by the Trustee to the Company, as herein provided, as if the account had been settled by decree of a court of competent jurisdiction in an action or proceeding to which such person was a party.

ARTICLE 15: Administration of the Plans; Communications.

15.1 The Company shall administer the Plans as provided therein and subject to Section 6.3, Article 5 and of Article 9 hereof, or subject to any other delegation by the Company and assumption by the Trustee of the duties of administering the Plans, the Trustee shall not be responsible in any respect for administering the Plans nor shall the Trustee be responsible for the adequacy of this Trust to meet and discharge all payments and liabilities under the Plans. The Trustee shall be fully protected in relying upon any written notice, instruction, direction or other communication consistent with the terms of this Agreement signed by an officer of the Company designated pursuant to this Agreement. The Company, from time to time, shall furnish the Trustee with the names and specimen signatures of the designated officers of the Company and shall promptly notify the Trustee of the termination of office of any designated officer of the Company and the appointment of a successor thereto. Until notified to the contrary, the Trustee shall be fully protected in relying upon the most recent list of the designated officers of the Company furnished to it by the Company.

15.2 Any action required by any provision of this Agreement to be taken by the Board shall be evidenced by a resolution of such Board certified to the Trustee by the Secretary or an Assistant Secretary of the Company under its corporate seal, and the Trustee shall be fully protected in relying upon any resolution so certified to it. Unless other evidence with respect thereto has been specifically prescribed in this Agreement, any other action of the Company, under any provision of this Agreement, including any approval of or exceptions to the Trustee's accounts, shall be evidenced by a certificate signed by an officer of the Company, and the Trustee shall be fully protected in relying upon such certificate. The Trustee may accept a certificate signed by an officer of the Company as proof of any fact or matter that it deems

necessary or desirable to have established in the administration of this Trust (unless other evidence of such fact or matter is expressly prescribed herein), and the Trustee shall be fully protected in relying upon the statements in the certificate.

15.3 The Trustee shall be entitled conclusively to rely upon any written notice, instruction, direction, certificate or other communication consistent with the terms of this Agreement believed by it to be genuine and to be signed by the proper person or persons.

15.4 Until written notice is given to the contrary, communications to the Trustee shall be sent to it at its office _____, Winston-Salem, North Carolina, Attention: _____, facsimile _____, copy to _____ (or such other individuals as may be designate in writing by the Trustee); communications to the Company shall be sent to it at its office at 1420 Peachtree Street, N.E., Atlanta, Georgia, Attention: Ken Murphy, facsimile 404-853-1015, with a copy to William J. Vesely, Jr., Kilpatrick Stockton LLP, facsimile 404-815-6555 (or to such other individuals or addresses as may be designated by the Company).

ARTICLE 16: Resignation or Removal of Trustee.

16.1 The Trustee may resign at any time, other than during a Threatened Change in Control Period or upon the occurrence of a Change in Control, upon six (6) months written notice to the Company or such shorter period as is acceptable to the Company (hereinafter referred to as the "Resignation Period") and immediately after the Resignation Period shall have no further duties hereunder. The Trustee will have no duty to find or secure the appointment of a successor upon its resignation pursuant to this Section nor shall its resignation or its termination of any further duties be contingent upon the appointment and

qualification of a successor. Promptly after receipt of such notice, the Company shall appoint a successor trustee, such trustee to become Trustee upon its acceptance of this Trust.

16.2 During a Threatened Change in Control Period or after the occurrence of a Change in Control, the Trustee may resign only under one of the following circumstances:

(a) A final decision of a court of competent jurisdiction removing the Trustee by reason of such court's determination of the existence of a conflict of interest which prevents the Trustee from properly performing its duties hereunder. The Trustee agrees to use its best efforts to avoid any such conflict. For the purpose of this Agreement, the decision of a court shall not be deemed to be final unless the decision is not appealable, or no appeal has been taken from the decision and the time for an appeal has expired. Notwithstanding the foregoing provisions of this subsection (a), such resignation shall not be effective unless the Trustee has obtained the agreement of a bank to act as successor trustee which bank (1) is among the 100 largest banks in the United States, as measured by assets, and (2) served or then currently serves as the trustee for similar trusts and understands its obligations under such similar trusts. In any event, the Trustee shall continue to be custodian of this Trust until the new trustee is in place, and the Trustee shall be entitled to expenses and fees through the later of the effective date of its resignation as Trustee or the end of its custodianship of this Trust's assets.

(b) The Trustee has exhausted all of its legal remedies and has been unsuccessful in such litigation to require the Company to remit to the Trustee such amounts as are billed pursuant to Section 9.4 and the assets of the Trust have been exhausted. In such event, the Trustee shall have the right to resign immediately as Trustee, and immediately upon such resignation shall have no further duties hereunder. The Trustee will have no duty to find or

secure the appointment of a successor upon its resignation pursuant to this subsection, nor shall its resignation or the termination of any further duties be contingent upon the appointment and qualification of a successor. In any event, the Trustee shall continue to be custodian of this Trust until the new trustee is in place, and the Trustee shall be entitled to expenses and fees through the later of the effective date of its resignation as Trustee or the end of its custodianship of this Trust's assets.

16.3 Other than during a Threatened Change in Control Period or after the occurrence of a Change in Control, the Company may remove the Trustee upon thirty (30) days written notice to the Trustee, or upon shorter notice if acceptable to the Trustee. Such removal shall become effective, however only upon the occurrence of all of the following events:

- successor trustee; (a) The appointment by the Company of a
- trustee; and (b) The acceptance of the trust by the successor
- successor trustee. (c) The delivery of this Trust's assets to the

16.4 Each successor trustee shall have the powers and duties conferred upon the Trustee in this Agreement, and the term "Trustee" as used in this Agreement shall be deemed to include any successor trustee. Upon designation or appointment of a successor trustee, the Trustee shall transfer and deliver this Trust to the successor trustee, reserving such reasonable sums as the Trustee shall deem necessary to defray its expenses in settling its accounts, to pay any of its compensation due and unpaid and to discharge any obligation of this Trust for which the Trustee may be liable. If the sums so reserved are not sufficient for these purposes, the Trustee shall be entitled to recover the amount of any deficiency from either the Company or the

successor trustee, or both. When this Trust shall have been transferred and delivered to the successor trustee and the accounts of the Trustee have been settled as provided in Article 14 hereof, the Trustee shall be released and discharged from all further accountability or liability for this Trust and shall not be responsible in any way for the further disposition of this Trust or any part thereof.

16.5 Notwithstanding anything to the contrary, in the event it resigns or is removed, the Trustee shall have a right to have its accounts settled as provided in Article 14 hereof.

ARTICLE 17: Amendment of Agreement; Termination of Trust.

17.1 Subject to Section 17.2, the Company expressly reserves the right at any time, other than during a Threatened Change in Control Period or after the occurrence of a Change in Control, to amend in writing or terminate this Agreement and this Trust created thereby to any extent that it may deem advisable. No amendment shall be made without the Trustee's consent thereto in writing (whose consent shall not be unreasonably withheld) if, and to the extent that, the effect of such amendment is to materially increase the Trustee's responsibilities hereunder. Such proposed amendment shall be delivered to the Trustee as a written instrument of amendment, duly executed and acknowledged by the Company. The Company also shall deliver to the Trustee a copy of any modifications or amendments to the Plans. The Trustee's consent shall not be required for the termination of this Trust pursuant to this Section 17.1, its removal as Trustee, the amendment of any of the Plans, or the increase in the number of Participants.

17.2 Notwithstanding anything contained herein to the contrary, other than as provided in Section 17.3 and Section 17.5, the provisions of this Agreement and this Trust created thereby shall not be amended or terminated by the Company or the Trustee during a Threatened Change in Control Period or after the occurrence of a Change in Control.

17.3 Notwithstanding anything contained in this Agreement to the contrary, upon a Change in Control the Benefit Account and the assets of this Trust and income attributable thereto, including all rights under any Letters of Credit, with respect to all Participants and their beneficiaries and the Plans (the "Transferred Plans") shall be transferred (the "Transfer") and delivered to the trustee of the Executive Benefit Trust (which is not a grantor trust within the meaning of Section 671 of the Code and which is irrevocable) and upon the Transfer the Trustee shall have no responsibility under this Agreement for payments to be made to Participants and their beneficiaries with respect to the Transferred Plans.

17.4 In the event the Company terminates this Trust other than during a Threatened Change in Control Period or after the occurrence of a Change in Control, the Trustee shall reserve such sums it deems necessary to pay its fees and expenses, and shall distribute all remaining assets of this Trust in accordance with the written directions of the Company, and the Trustee shall provide the Company with a final written accounting to the Company in accordance with Article 14 hereof.

17.5 After the occurrence of a Change in Control, this Trust shall be terminated only upon the first to occur of (a) the transfer of the Benefit Account and the assets of this Trust to the Executive Benefit Trust, the resolution of all Litigation to the satisfaction of the Plaintiff and his or her beneficiaries and Trustee and the payments of all amounts due to the Trustee and

all costs and expenses chargeable to this Trust, or (b) the twenty-first anniversary of the death of the last survivor of the Participants or their beneficiaries who are in being on the date of this Agreement. Upon termination of this Trust, the Trustee shall have a right to have its account settled as provided in Article 14 hereof. Promptly upon termination of this Trust, and after payment of all fees, expenses and indemnities due to or incurred by the Trustee hereunder, any remaining portion of this Trust shall be paid to the Company.

ARTICLE 18: Prohibition of Diversion.

18.1 Except as provided in Sections 3.3, 4.2, 17.4 and 18.2 of this Article 18, at no time prior to the satisfaction of all liabilities with respect to Participants and their beneficiaries under this Trust shall any part of the corpus and/or income of this Trust be used for, or diverted to, purposes other than for the exclusive benefit of such Participants and their beneficiaries, and the assets of this Trust shall never inure to the benefit of the Company and shall be held for the exclusive purposes of providing benefits to Participants in the Plans and their beneficiaries and defraying reasonable expenses of administering the Plans or performing any of the Trustee's duties under this Agreement.

18.2 Notwithstanding any provision of this Agreement to the contrary, the assets of this Trust shall be subject to, and available for satisfaction of, claims of the general creditors of the Company and its Affiliates in the event of the insolvency of the Company or its Affiliates or commencement of a case under the Bankruptcy Code against the Company or an Affiliate as provided for herein. The Board and the chief executive officer of the Company or any Affiliate shall notify the Trustee in writing in the event of (i) the insolvency of the Company or any Affiliate or (ii) the beginning of proceedings under the Bankruptcy Code of 1978, as

amended from time to time (the "Bankruptcy Code"), by any person in respect of the Company or any Affiliate. Upon receipt of such notice or any other written allegation, or if the Trustee has actual knowledge of the insolvency of, or of the commencement of a case under the Bankruptcy Code in respect of, the Company or any Affiliate, the Trustee shall suspend all payments of benefits from the Trust with respect to Participants and beneficiaries and shall hold the assets of the Trust for the benefit of the general creditors of the Company or its Affiliates. In the case where the Trustee receives such notice or written allegation, or has actual knowledge, of the insolvency of the Company or any Affiliate, the Trustee shall in its discretion make an independent determination or promptly seek a judicial determination regarding the insolvency of the Company or any Affiliate. In the case where the Trustee receives such notice or written allegation, or has actual knowledge, that a case under the Bankruptcy Code has been initiated, the Trustee shall dispose of the Trust in accordance with the decision of a court of competent jurisdiction. The Trustee shall resume payments under the terms of the Agreement only after determining that the Company or any Affiliate is not insolvent (or is no longer insolvent, if the Trustee initially determined the Company or any Affiliate to be insolvent) or upon receiving a judicial decision from a court of competent jurisdiction to that effect. The Board and the chief executive officer shall have the duty to inform the Trustee of the discontinuance of the insolvency of the Company or any Affiliate. For purposes of this Agreement, the Company or any Affiliate shall be considered insolvent if its respective assets are insufficient to meet current financial obligations as they come due. Provided that there are sufficient assets, if the Trustee discontinues the payment of benefits from the Trust and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due Participants or their beneficiaries under the terms of the Plan(s) for the period of

such discontinuance, less the aggregate amount of any payments made to Participants or their beneficiaries by the Company (or an Affiliate) in lieu of payments provided for hereunder during any such period of discontinuance.

ARTICLE 19: Prohibition of Assignment of Interest.

No interest, right or claim in or to any part of this Trust or any payment therefrom shall be assignable, transferable or subject to sale, mortgage, pledge, hypothecation, commutation, anticipation, garnishment, attachment, execution or levy of any kind, and the Trustee shall not recognize any attempt to assign, transfer, sell, mortgage, pledge, hypothecate, commute or anticipate the same, except to the extent required by law.

ARTICLE 20: Miscellaneous.

20.1 This Agreement shall be interpreted, construed and enforced, and this Trust hereby created shall be administered, in accordance with the laws of the United States and of the State of Georgia without regard to the conflicts of laws principles thereof. Nothing in this Agreement shall be construed to subject this Trust created hereunder to the Employee Retirement Income Security Act of 1974, as amended.

20.2 The Company shall, at any time and from time to time, upon the reasonable request of the Trustee, execute and deliver such further instruments and do such further acts as may be necessary or proper to effectuate the purpose of this Agreement.

20.3 The titles to Articles of this Agreement are placed herein for convenience of reference only, and this Agreement is not to be construed by reference thereto.

20.4 This Agreement shall bind and inure to the benefit of the successors and assigns of the Company and the Trustee, respectively and the Plans.

20.5 This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original but all of which together shall constitute but one instrument, which may be sufficiently evidenced by any counterpart.

20.6 If any provision of this Agreement is determined to be invalid or unenforceable the remaining provisions shall not for that reason alone also be determined to be invalid or unenforceable.

20.7 Each Participant and his beneficiaries is an intended beneficiary under this Trust, and shall be entitled to enforce all terms and provisions hereof with the same force and effect as if such person had been a party hereto.

[Execution Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Assumption and Amendment Agreement to be executed in their respective names by their duly authorized officers under their corporate seals as of the day and year first above written.

L & C SPINCO, INC.

By _____

ATTEST:

Secretary

WACHOVIA BANK, N.A.

By _____

ATTEST:

Secretary

The undersigned, National Service Industries, Inc., hereby consents to the transfer and assumption of the Prior Trust by L & C Spinco, Inc., as of this ____ day of _____, 2001.

NATIONAL SERVICE INDUSTRIES, INC.

By _____

STATE OF _____)
: SS.:
COUNTY OF _____)

On this _____ day of _____, 2001, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he resides _____ at _____, and that he is _____ of Wachovia Bank, N.A., one of the entities described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

STATE OF GEORGIA)
: SS.:
COUNTY OF FULTON)

On this ____ day of _____ 2001, before me personally came _____, to me, known, who, being by me duly sworn, did depose and say that he is _____ of L & C Spinco, Inc., one of the entities described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instruments is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

Schedule 1

THE PLANS

The following Company plans and agreements (collectively referred to as the "Plans") are subject to this Trust:

1. Executives' Deferred Compensation Plan
2. Supplemental Retirement Plan for Executives
3. Senior Management Benefit Plan
4. Supplemental Deferred Savings Plan
5. Long Term Incentive Plan
6. Severance Protection Agreements with:
 - (i) Balloun
 - (ii) Hattox
 - (iii) Murphy
 - (iv) Parham
 - (v) Heagle
 - (vi) Searle
 - (vii) Honeycutt
 - (viii) Morgan

Schedule 2

PARTICIPATING AFFILIATES

L & C Lighting Group, Inc.

The Zep Group, Inc.

Schedule 3

Fee Schedule

EXHIBIT A

Authorization Pursuant to Article 9.3 of
L & C Spinco, Inc.
Benefits Protection Trust

TO: WACHOVIA BANK, N.A.

This is to authorize the Wachovia Bank, N.A., as Trustee of L & C Spinco, Inc. Benefits Protection Trust (the "Trust") to institute and maintain legal proceedings against the Company (as defined in this Trust) or other appropriate person or entity to assert the following claim(s) on my behalf: (nature of claim]. The Trustee shall have the powers and be subject to the procedures set forth in Article 9 of this Trust (a copy of which I have already received and reviewed).

Any proceedings by the Trustee under this authorization may be initiated in my name as a plaintiff (or as a member of a class) or in the name of the Trustee, or both, as the Trustee determines is necessary or appropriate at the time proceedings are commenced.

Participant or Beneficiary

EXHIBIT B

Revocation of Authorization Under
Article 9.3 of L & C Spinco, Inc.
Benefits Protection Trust

TO: WACHOVIA BANK, N.A.

This is to notify you that I revoke any prior authorization I have given to you as Trustee of L & C Spinco, Inc. Benefits Protection Trust (the "Trust") to maintain legal proceedings against the Company as defined in this Trust), or otherwise to assert the following claims(s) on my behalf: (nature of claim(s)].

I understand that this Revocation of Authorization is conditioned upon, and shall not be effective until, the appointment by me of my own counsel and the appearance of that counsel in any legal proceeding on my behalf in lieu of counsel retained by the Trustee. I understand further that, upon the occurrence of these conditions, the Trustee shall have no obligation to proceed further on my behalf, or to pay any costs or expenses incurred after the delivery of this Revocation of Authorization.

Participant or Beneficiary

_____, 2001

Mr. Brock A. Hattox

Dear Brock:

This letter will confirm several matters relating to your employment arrangements with National Service Industries, Inc. ("NSI") which were recently approved by NSI. The additional benefits described below are effective July 24, 2001.

Supplemental Retirement Plan for Executives (SERP) - Appendix E to the SERP covering you will be amended to provide that if you terminate employment on or after attaining age 55 (a) you will be eligible for Early Retirement under the SERP and your benefits will be determined as if you had completed an additional 5 years of service (not to exceed 20 years total) and (b) you will be treated as if you were 5 years older (not to exceed age 65). A revised Appendix E to reflect such changes is attached.

Stock Options - The agreements evidencing the Stock Options granted to you in 1996 for _____ shares ("1996 Options") and granted to you in 2000 for _____ shares in exchange for surrendered aspiration awards ("2000 Options") will be amended (a) to add provisions for continuing vesting and exercisability if you terminate employment after age 55 which are similar to the provisions in the agreements for the regular option grants to executive officers made in 1998 and later years and (b) to amend the 2000 Options to provide that they will be exercisable until the earlier of 5 years from the date of termination or the end of the remaining exercise term (rather than the later of seven years from the grant date or 5 years from termination). The agreements evidencing the amendments of the options will be forwarded to you shortly.

As you are aware, effective _____, 2001, NSI is spinning-off its lighting and chemicals businesses which are currently held in L&C Spinco, Inc. ("Spinco"), and certain executives of NSI, including yourself, will become executives of Spinco. Pursuant to an Employee Benefits Agreement between NSI and Spinco, the obligations set forth in this letter will be transferred to, and assumed by, Spinco and its plans.

Please confirm your acceptance of the terms of this letter by signing and dating the additional enclosed copy of this letter and returning it to the undersigned.

Sincerely,

NATIONAL SERVICE INDUSTRIES, INC.

By: _____

Mr. Brock A. Hattox
_____, 2001
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Accepted and Agreed to
this ___ day of _____, 2001

Brock A. Hattox

_____, 2001

Mr. James H. Heagle

Dear Mr. Heagle:

The terms of your employment with National Service Industries, Inc. ("NSI") are currently covered a letter agreement ("Agreement") dated March 28, 2000, between you and NSI. As you are aware, effective _____, 2001, NSI is spinning-off the lighting and chemicals businesses currently held by NSI's subsidiary, L & C Spinco, Inc. ("Spinco"). In connection with the spin-off, you will become an employee of Spinco or one of its affiliates. Spinco hereby agrees to assume the Agreement and to perform all of the obligations of NSI under the Agreement.

Sincerely,

L & C SPINCO, INC.

By: _____

March 28, 2000

Mr. James H. Heagle
520 Salem Heights Drive
Gibsonia, Pennsylvania 15044

Dear Jim:

This letter will confirm the terms of your employment by National Service Industries, Inc. ("NSI"), effective May 1, 2000 (the "Effective Date"). We are enthusiastic about your decision to join NSI and look forward to working with you to build a bigger, stronger NSI.

The terms of your employment will be as follows:

1. Title and Duties - As President, NSI Chemicals, you will report to George Gilmore, Executive Vice President and Group President. You will have responsibility for NSI Chemicals business and any other duties consistent with your position which may be assigned to you by Mr. Gilmore. You will devote substantially all of your working time and attention to the business and affairs of NSI Chemicals.

2. Base Salary - Your base salary will be Twenty-five Thousand Dollars (\$25,000) per month or the equivalent annual rate of Three Hundred Thousand Dollars (\$300,000), subject to review for increases. In addition, you will receive a signing bonus of Ten Thousand Dollars (\$10,000) payable within thirty (30) days after the Effective Date.

3. Annual Incentive Compensation - You will participate in the NSI Management Compensation and Incentive Plan (the "AIP") for the fiscal year beginning September 1, 2000 with a target bonus equal to 45% of your base salary. You will participate in the AIP for the fiscal year ending August 31, 2000 on a pro rata basis for the period of your employment.

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J.H. Heagle
March 28, 2000

4. Long-Term Achievement Incentive Plan - You will receive a grant of employee stock options for ten thousand (10,000) shares of stock under our current long-term incentive plan upon your arrival at NSI. You will also be entitled to participate in the current long-term incentive plan on a prorated basis for the number of months you are employed with NSI during the remainder of the three-year cycle ending August 31, 2001 and the remainder of the three-year cycle ending August 31, 2002 based on the performance of NSI's Chemical Group. In addition, you will participate in the Plan for the three-year cycle beginning September 1, 2000 on a comparable basis with operating unit presidents. This Plan provides for annual grants of stock options and annual "aspiration awards" having a total value equal to 160% of salary at commitment (or target) level performance. Stock options represent 30% of total value (or 48% of salary) and aspiration awards represent 70% of total value (or 112% of salary) at commitment level performance. The payout for aspiration awards for aspiration level performance is equal to five times the value of the payout for commitment level performance (or 560% of salary). Failure to achieve threshold level performance will result in no payout.

5. Retirement Plans - Upon satisfying the eligibility requirements, you will be eligible to participate in NSI's tax-qualified retirement plans, NSI Pension Plan C, and the NSI 401(k) Plan for Corporate Office Employees. In addition, upon employment, you will become a participant in the Supplemental Pension Plan for National Service Industries, Inc. (the "SPP").

6. Medical, Life Insurance, and Other Employee Benefits - You will be covered by, or eligible to participate in, the medical, dental, life insurance, disability, deferred compensation, and other benefit programs generally made available by NSI to its operating unit presidents and their families, including a car allowance of Four Hundred Dollars (\$400) per month. We will reimburse you for your COBRA expenses until you are covered under our program. You will be eligible to participate in NSI's financial planning program. You will also be entitled to four (4) weeks vacation per calendar year.

7. Relocation Expenses - NSI will pay the following relocation expenses:

- (a) your expenses for moving your household effects to Atlanta;
- (b) rent for an apartment and storage of your personal effects in Atlanta, pending your move into your new home in Atlanta on or before February 1, 2001;

- (c) brokerage and closing costs (up to two points) you incur in connection with the sale of your home in Gibsonia and the purchase of a home in Atlanta;
- (d) reasonable travel expenses to and from Gibsonia for you and your wife and children until you have moved your residence to Atlanta; and
- (e) a one-time payment of one month's salary for your assistance in the relocation.

The foregoing payments will be "grossed up" so that, to the extent reasonably practicable, they will represent your after-tax cost for covered expenses. In addition to the foregoing, we will assist you in obtaining a bridge loan should you purchase a home in Atlanta before selling your home in Gibsonia. As we discussed, you will put your home in Gibsonia on the market within ninety (90) days after the Effective Date. If you have not sold your home by February 1, 2001, NSI will engage a home buying service to purchase your home.

8. Employment at Will/Severance Payment/Change in Control - Your employment will be at will and may be terminated by either NSI or you at any time for any reason, with or without notice. Except in the event of termination in connection with a Change in Control of NSI (as defined in the Severance Protection Agreement that will cover you), you will be entitled to the following severance payment:

- If your employment is terminated for any reason other than voluntary termination, termination upon death or Disability (as defined below), or termination by NSI for Cause (as defined below), you will receive a severance payment (payable in semi-monthly installments) equal to your then current salary for a period of twelve (12) months, subject to your execution of a release and severance agreement in a form acceptable to both parties.

For purposes of entitlement to a severance benefit, "Cause" shall mean any act(s) on your part that constitutes fraud, a felony involving dishonesty, a breach of fiduciary duty, insubordination, or gross malfeasance or habitual neglect of your duties for NSI, and "Disability" shall mean a physical or mental infirmity which impairs your ability to substantially perform your duties as President, NSI Chemicals with or without reasonable accommodation for a period of one hundred eighty (180) consecutive days.

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J.H. Heagle
March 28, 2000

With respect to Change in Control situations, you will be covered by a Severance Protection Agreement with the same provisions as are applicable to NSI's operating unit presidents. In the event of your termination in connection with a Change in Control that entitles you to benefits under the Severance Protection Agreement, you will receive the greater of the payments and benefits provided under the Severance Protection Agreement (after consideration of any tax penalties) or the severance payments described above.

9. Relocation of Residence to Atlanta - You will relocate your residence to Atlanta and complete the move of your family on or before February 1, 2001.

The base salary, annual incentive, long-term incentives, nonqualified retirement benefits, and any severance payments will be structured to ensure the tax deductibility to NSI of the payments and benefits under the Internal Revenue Code of 1986. We can provide additional information on these issues if you so desire.

We will prepare an SPP amendment and Severance Protection Agreement to evidence the arrangements set forth in this letter.

We are delighted you are joining NSI and we look forward to a long and mutually satisfactory relationship. This letter outlines your employment relationship with NSI; if you agree with the employment terms as outlined above, please sign and date both copies of this letter agreement and return one copy to me at your earliest convenience.

Sincerely,

George H. Gilmore Jr.

ACCEPTED AND AGREED TO THIS

____ DAY OF _____, 2000

James H. Heagle

Subsidiaries

Name of Subsidiary

Jurisdiction of Formation

Name of Subsidiary	Jurisdiction of Formation
C&G Carrandini	Spain
Caslight de Mexico SA de CV	Mexico
Graham International BV	Netherlands
Holophane Alumbrado Iberica SL	Spain
Holophane Canada, Inc.	Ontario, Canada
Holophane Europe Ltd.	United Kingdom
Holophane Foundation	U.S.A.-New York
Holophane Lichttechnik GmbH	Germany
Holophane Lighting Ltd.	United Kingdom
Holophane SA de CV	Mexico
HSA Acquisition Corporation	U.S.A.-Ohio
ID Limited	Isle of Man
Kem Europa B.V.	Netherlands
L&C Lighting Group, Inc.	U.S.A.-Delaware
LHP Enterprises, Inc.	U.S.A.-Delaware
Lithonia Lighting Mexiso SA de CV	Mexico
Lithonia Lighting SA de CV	Mexico
LL do Brasil Ltda	Brazil
Luxfab Limited	United Kingdom
Jim H. McClung Lighting Research Foundation, Inc.	U.S.A.-Georgia
National Service Industries Canada LP	Alberta, Canada
NSI Chile Ltda	Chile
NSI Funding	U.S.A.-Delaware
NSI Holdings Inc.	Quebec, Canada
NSI Insurance Ltd.	Bermuda
NSI Leasing, Inc.	U.S.A.-Delaware
Productos Lithonia Lighting de Mexico SA de CV	Mexico
Selig Company of Puerto Rico	Puerto Rico
The Zep Group, Inc.	U.S.A.-Delaware

Name of Subsidiary	Jurisdiction of Formation
Zep Belgium SA	Belgium
Zep Enterprises, Inc.	U.S.A.-Delaware
Zep Europe BV	Netherlands
ZEP Industries B.V.	Netherlands
Zep Industries SA	Switzerland
Zep Italia SRL	Italy
Zep KEM Italia SRL	Italy
ZEP Manufacturing B.V.	Netherlands