

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10/A
(AMENDMENT NO. 4)

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

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AND ANALYSIS OF FINANCIAL CONDITION
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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 National Service Industries, Inc., (formerly 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 August 31, 2001 and 2000.

National Service Industries, Inc. Lighting Equipment and Chemicals Businesses Combined Statements of Income for the Years Ended August 31, 2001, 2000, and 1999.

National Service Industries, Inc. Lighting Equipment and Chemicals
Businesses Combined Statements of Parent's Equity and Comprehensive
Income for the Years Ended August 31, 2001, 2000 and 1999.

National Service Industries, Inc. Lighting Equipment and Chemicals
Businesses Combined Statements of Cash Flows for the Years Ended August
31, 2001, 2000 and 1999.

Report of Independent Public Accountants on Schedule II.

National Service Industries, Inc. Lighting Equipment and Chemicals
Businesses Schedule II -- Valuation and Qualifying Accounts for the
Years Ended August 31, 2001, 2000 and 1999.

(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.
10.20** -- L&C
Spinco, Inc.
Management
Compensation
and Incentive
Plan.

EXHIBIT NO. -

- 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)** --
Assumption
Letter of L&C
Spinco, Inc.,
with respect
to Employment
Letter
Agreement
between
National
Service
Industries,
Inc. and
James H.
Heagle.
- 10.22(d)** --
Employment
Letter
Agreement
between
National
Service
Industries,
Inc. and
James H.

Heagle, dated
March 28,
2000. 10.23 -
- 364-Day
Revolving
Credit
Agreement,
dated as of
October 3,
2001 among
L&C Spinco,
Inc., the
Subsidiary
Borrowers
from time to
time parties
thereto, the
Leaders from
time to time
parties
thereto, Bank
One, N.A., as
Administrative
Agent,
Wachovia
Bank, N.A.,
as
Syndication
Agent and
SunTrust Bank
as
Documentation
Agent. 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: October 29, 2001

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[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 OCTOBER 29, 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 73% of NSI's consolidated assets and 78% of NSI's consolidated revenues as of and for the fiscal year ended August 31, 2001. Following the distribution, NSI's operations will consist of the textile rental and envelope businesses. See "Spinco's Businesses" beginning on page 43.

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 76.

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 73% of NSI's consolidated assets and 78% of NSI's consolidated revenues as of and for the fiscal year ended August 31, 2001. 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. In anticipation of the expected dividend policies of the companies, NSI declared a quarterly dividend of \$.16 per share payable on October 31, 2001, which on an annual basis equals the \$.64 per share combined dividend expected to be paid by NSI and Spinco after the Distribution. However, no formal action has been taken with respect to future 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 32.

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, you can contact the Distribution Agent:
Wells Fargo Bank Minnesota, N.A.
Shareowner Services
Shareowner Relations Department
P.O. Box 64854
South St. Paul, Minnesota 55075-1139
Phone: 1-800-468-9716

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:
Wells Fargo Bank Minnesota, N.A.
Shareowner Services
Shareowner Relations Department
P.O. Box 64854
South St. Paul, Minnesota 55075-1139
Phone: 1-800-468-9716

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 73% of NSI's consolidated assets and 78% of NSI's consolidated revenues as of and for the fiscal year ended August 31, 2001. 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 2001, 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 2001, North American sales accounted for approximately 91% 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..... 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, N.A.
Transfer Agent and Registrar for the Spinco Shares.....	Wells Fargo Bank Minnesota, N.A.
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 temporary 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 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 53.

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 also entered into an unsecured credit facility and may establish a commercial paper program that will be supported by the credit facility. The credit facility contains, 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 30.

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. In anticipation of the expected dividend policies of the companies, NSI declared a quarterly dividend of \$.16 per share payable on October 31, 2001, which on an annual basis equals the \$.64 per share combined dividend expected to be paid by NSI and Spinco after the Distribution. However, no

formal action has been taken with respect to future 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 32.

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 76.

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 27% of NSI's consolidated assets and 22% of NSI's consolidated revenues as of and for the fiscal year ended August 31, 2001. 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 Spingo and the lighting equipment and chemicals industries, the amount of dividends that Spingo 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 Spingo Shares.

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

NSI and Spingo 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 Spingo 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 Spingo Shares by NSI stockholders will be tax-free. Neither NSI nor Spingo 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 Spingo 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 Spingo Shares on the Distribution Date and (2) NSI's adjusted tax basis in the Spingo Shares on the Distribution Date. The corporate level tax would be payable by NSI. However, Spingo 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 Spingo. In addition, under the applicable treasury regulations, each member of NSI's consolidated group (including Spingo) is severally liable for such tax liability.

Furthermore, if the Distribution does not qualify as tax-free, each NSI stockholder who receives Spingo Shares in the Distribution would be taxed as if he had received a cash dividend equal to the fair market value of his Spingo 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 Spingo 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, Spingo 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 successfully put in place 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 to 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 73% of NSI's consolidated assets and 78% of NSI's consolidated revenues as of and for the fiscal year ended August 31, 2001. 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 restricted 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 73.

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 restricted 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 27% of NSI's consolidated assets and 22% of NSI's consolidated revenues as of and for the fiscal year ended August 31, 2001. 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 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 86.

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.

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 annual 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 restricted 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 for personal injury or wrongful death arising from the installation of asbestos-containing insulation by a previously divested business of NSI, are pending or may be instituted against NSI or its various operating subsidiaries. Because Spinco and its subsidiaries are separate corporations which did not engage in the activities giving rise to these legal claims, 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.

Spinco and its lighting equipment subsidiary have assumed 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. Upon the execution of the supplemental indenture, Spinco and its principal operating subsidiaries became 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 August 31, 2001, NSI had \$105.1 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.

In October 2001, NSI, on behalf of Spinco, negotiated a \$240 million, 364-day committed credit facility with six domestic and international banks that will become effective and will replace NSI's existing \$250 million credit facility on the Distribution Date. The principal lighting equipment subsidiary and the principal chemicals subsidiary of Spinco are guarantors of the facility. The facility includes an option for additional lenders to enter the agreement to provide up to a total of \$300 million of commitments. The facility contains financial covenants including a leverage ratio of total indebtedness to EBITDA and an interest coverage ratio. Interest rates under the facility are based on the LIBOR rate or other rates, at Spinco's option. Spinco will pay an annual fee on the commitment based on Spinco's credit rating for unsecured long-term public debt. Spinco may also establish a commercial paper program that will be supported by this credit facility. Spinco will obtain funds for working capital and other general corporate purposes through borrowings under the credit facility, the Receivables 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 August 31, 2001, on a historical and pro forma basis, to give effect to the Distribution as if it had occurred on August 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 August 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, in October 2001 NSI, on behalf of Spinco, negotiated a \$240 million, 364-day committed credit facility with six domestic and international banks that will become effective and will replace NSI's existing \$250 million credit facility on the Distribution Date. 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) PRO HISTORICAL ADJUSTMENTS FORMA -----	
----- (IN THOUSANDS) DEBT:	
	Credit
line.....	
\$105,000 \$ -- \$ 105,000 Short-term secured	
borrowings.....	105,100 --
105,100 6% notes due February	
2009.....	159,690 --
159,690 8.375% notes due August	
2010.....	199,781 -- 199,781
	Other
notes.....	
39,259 -- 39,259 -----	
608,830 -- 608,830 EQUITY: NSI	
investment.....	
400,296 (400,296) -- 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).....	-- -- --
400,296 400,296 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.....	(16,998) -- (16,998) -----
----- Total	
equity.....	
383,298 -- 383,298 -----	
	Total
capitalization.....	
\$992,128 \$ -- \$ 992,128 =====	=====

(1) The NSI 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. In anticipation of the expected dividend policies of the companies, NSI declared a quarterly dividend of \$.16 per share payable on October 31, 2001, which on an annual basis equals the \$.64 per share combined dividend expected to be paid by NSI and Spinco after the Distribution.

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 had 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 August 31, 2001 would be the recording of common stock and additional paid-in-capital to reflect the capitalization of NSI's 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 each of the five years in the period ended August 31, 2001. 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.

YEAR ENDED AUGUST 31, -----	-----	-----	-----	-----	-----
2001	2000	1999	1998	1997	-----
----- (IN					
THOUSANDS, EXCEPT PER-SHARE DATA) Net					
sales.....					
	\$1,982,700	\$2,023,644	\$1,701,568		
	\$1,555,559	\$1,351,913	Net		
income.....					
	40,503	83,691	89,116	81,811	64,019 Total
assets at period end.....					
	1,330,575	1,422,880	1,337,038	700,112	
638,636 Long-term debt (including current					
portion) at year					
end.....					
	374,064	380,518	435,567	73,190	21,313 Pro
forma basic earnings per					
share.....	0.99	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 had 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 2001 COMPARED WITH FISCAL YEAR 2000 AND FISCAL YEAR 2000 COMPARED WITH FISCAL YEAR 1999

Revenues in 2001 were \$1.98 billion, or \$40.9 million lower than in 2000. The decrease was due to lower revenue in the lighting equipment segment. Spinco's businesses had revenues of \$2.02 billion for the fiscal year ended August 31, 2000. The revenue

increase in 2000 of \$322.1 million over 1999 resulted from 1999 acquisitions, primarily Holophane, as well as core growth in both business segments.

Net income in 2001 decreased \$43.2 million due to lower operating profit in both the lighting equipment and chemicals segments, as well as increased corporate and interest expenses. 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.

Lighting equipment segment sales decreased \$47.1 million, or 3.1%, to \$1.5 billion in 2001. This decrease is the result of the continuing decline in general economic conditions and a slowing in construction spending. Operating profit in 2001 decreased \$28.3 million, or 19.6%, due to the lower sales, higher excess and obsolete inventory costs, and higher employee medical and casualty insurance costs. Additionally in the fourth quarter of fiscal 2001, the lighting equipment segment incurred severance charges of \$1.6 million for the termination of 116 manufacturing and salaried employees, all of whom were terminated prior to the end of the fiscal year. As of August 31, 2001, \$0.2 million of the accrual had been paid to employees. Operating profit also included a loss on disposal of certain fixed assets of \$1.4 million. Lighting equipment segment sales grew \$299.8 million, or 24.7%, to \$1.5 billion in 2000. The growth in sales primarily related to the acquisitions of Holophane Corporation ("Holophane") and Peerless Corporation ("Peerless") late in fiscal 1999. These acquisitions contributed \$248.1 million of revenue that was not included in the prior year results. Excluding revenue related to these acquisitions, lighting equipment sales increased approximately \$51.7 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.

Chemical segment revenues for fiscal 2001 increased \$6.2 million to \$514.1 million. The increase was due to a \$6.8 million increase in sales volume of the retail channel and a \$5.9 million increase in the sales volume of the North American industrial and institutional channel, offset by a \$6.5 million decline in the revenue from operations in France and Australia, both of which were sold late in fiscal 2001. The decrease in international revenue was also attributable to unfavorable foreign currency fluctuations. Operating profit decreased \$26.2 million to \$22.5 million. The higher operating profit due to increased sales was more than offset by a loss on the sale of the segment's French and Australian operations, costs associated with the early termination of a purchase contract, and higher medical costs. The segment was also negatively impacted by costs incurred to integrate the chemical operations, increased energy costs, and up-front costs associated with developing new sales representatives. Additionally, in the fourth quarter of fiscal 2001, the segment recorded \$0.7 million of severance costs related to the termination of 18 manufacturing and salaried employees, all of whom were terminated by the end of the fiscal year. None of the accrual had been paid to employees as of August 31, 2001.

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 sold its French operations, as well as certain trademarks and formulas for a pretax loss of \$9.0 million. The combined pretax loss of \$14.6 million is included in "Loss on sale of businesses" in the "Combined Statements of Income."

Chemicals segment revenues for fiscal 2000 increased \$22.3 million, or 4.6%, to \$508.0 million. Increased revenues related primarily to growth in the retail channel and higher revenue in the institutional and industrial channels. Retail channel revenue increased \$7.8 million, or 10.8%, as a result of additional home center openings and increased volume through existing stores. The institutional and industrial channel revenue increase of \$14.5 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.

Allocated corporate expenses increased \$6.3 million in fiscal 2001 primarily due to an increase in employee medical and casualty insurance costs and higher costs related to strategic and operational initiatives. Interest expense in fiscal 2001 was \$5.4 million higher than the prior year due to an increase in the average debt levels and higher interest rates. Allocated corporate expenses in fiscal 2000 increased \$2.6 million over 1999, primarily due to higher costs related to strategic initiatives, partially offset by lower compensation expense. 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.

Combined income before taxes decreased \$66.1 million to \$69.2 million for fiscal 2001 due to the lower operating profits at the lighting equipment and chemicals segments, as well as higher corporate and interest expenses. 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. The provision for income taxes was 41.4%, 38.1%, and 37.5% in fiscal years 2001, 2000, and 1999, respectively. The increase in the 2001 effective tax rate was primarily the result of nondeductible losses associated with the chemicals segment's divestiture of its French operations. The increase in the 2000 effective tax rate primarily related 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. There were no acquisitions in fiscal 2001.

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. 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.

LIQUIDITY AND CAPITAL RESOURCES

FISCAL YEAR 2001 COMPARED WITH FISCAL YEAR 2000 AND FISCAL YEAR 2000 COMPARED WITH FISCAL YEAR 1999

Operating Activities

Operations provided cash of \$183.7 million in 2001, compared with \$64.0 million in 2000 and \$148.1 million in 1999. The increase in 2001 was the result of improvements in accounts receivable, inventory, and accounts payable partially offset by the decrease in net income. The decrease in 2000 related to the increase in receivables and inventory, a decrease in current liabilities, and an increase in income tax payments.

Investing Activities

Investing activities used cash of \$42.9 million in 2001, \$87.0 million in 2000, and \$554.4 million in 1999. The decrease in 2001 was due to the absence of acquisition spending and lower capital expenditures. The change in fiscal 2000 primarily related to a decrease in acquisition spending, offset somewhat by an increase in capital expenditures.

Acquisition spending during fiscal 2000 was \$16.2 million and related to the cash-out of remaining Holophane shares. Acquisition spending in 1999 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.

Capital expenditures were primarily related to the lighting equipment segment and were \$47.6 million in 2001 compared with \$62.9 million in 2000 and \$38.6 million in 1999. In 2001, the lighting equipment segment investments were made primarily in manufacturing cost improvements, new product tooling, and the completion of a new corporate headquarters. 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. In 2002, capital expenditures are expected to approximate \$56.1 million as the company continues to invest capital in technology and facilities. Contractual commitments for capital and acquisition spending for fiscal year 2002 approximate \$21.7 million.

Financing Activities

Financing activities used cash of \$132.1 million in 2001 and provided cash of \$22.6 million and \$390.2 million in 2000 and 1999, respectively. The change from 2000 to 2001 is due to the decrease in cash provided by net borrowings of \$120.6 million and an increase in the cash used for the net activity with NSI of \$34.1 million. 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.

In May 2001, NSI entered into a three-year agreement 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 August 31, 2001, net trade accounts receivable pledged as security for borrowings under the Receivables Facility totaled \$227.8 million. Outstanding borrowings at August 31, 2001 were \$105.1 million. Interest rates under the Receivables Facility vary with commercial paper rates plus an applicable margin and the interest rate was 3.90% at August 31, 2002. Effective on the Distribution Date, Spinco will assume all of NSI's borrowings and other obligations under the Receivables Facility.

In July 1999, NSI entered into a \$250.0 million, 364-day committed credit facility, which was renewed in June 2001 and expires in June 2002. The credit facility permits certain subsidiaries of NSI to borrow under such facility, and NSI guarantees these borrowings. 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 credit rating for unsecured long-term public debt. Outstanding borrowings under the facility at August 31, 2001 were \$105.0 million at an interest rate of 4.1 percent. No amounts were outstanding under the facility at August 31, 2000. This facility will be discontinued at the time of the Distribution.

In October 2001, NSI, on behalf of Spinco, negotiated a \$240.0 million, 364-day committed credit facility with six domestic and international banks that will become effective and will replace NSI's \$250.0 million credit facility at the Distribution Date. The facility includes an option for additional lenders to enter the agreement to provide up to a total of \$300.0 million of commitments. The facility contains financial covenants including a leverage ratio of total indebtedness to EBITDA and an interest coverage ratio. Interest rates under the facility are based on the LIBOR rate or other rates, at Spinco's option. Spinco will pay an annual fee on the commitment based on Spinco's credit rating for unsecured long-term public debt. The principal lighting equipment subsidiary and the principal chemicals subsidiary of Spinco are guarantors of the facility.

NSI's commercial paper program was discontinued in July 2001. Amounts outstanding under the commercial paper program were replaced by borrowings under the committed credit facility. The \$235.6 million outstanding under NSI's commercial paper program at August 31, 2000 had a weighted-average interest rate of 6.8%.

At August 31, 2001, NSI had uncommitted lines of credit totaling \$111.2 million for general operating purposes, of which \$16.8 million is designated as multi-currency. Outstanding borrowings under the uncommitted credit facilities at August 31, 2001 were \$24.7 million, at a weighted-average interest rate of 4.95%. At August 31, 2001, \$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%. In August 2000, NSI issued \$200.0 million in ten-year publicly traded notes bearing a coupon rate of 8.375%. The fair values of the \$160.0 million and \$200.0 million notes, based on quoted market prices, were approximately \$152.0 million and \$219.4 million, respectively, at August 31, 2001. Pursuant to a supplemental indenture

executed in contemplation of the Distribution, Spinco and its principal operating subsidiaries have become the obligors of the notes, and NSI, effective upon the completion of the Distribution, will be relieved of all obligations with respect to the notes. 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 average maturities.

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 August 31, 2001 and August 31, 2000 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. 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.

Management believes current cash balances, anticipated cash flows from operations, and available funds from the committed credit facility, the Receivables Facility, and the 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.

ACCOUNTING STANDARDS ADOPTED THIS FISCAL YEAR

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. NSI adopted EITF 00-10 in fiscal 2001. NSI has historically netted certain shipping and handling revenues charged to customers in costs and expenses. During 2001, the EITF also reached a final consensus on EITF Issue 00-22, "Accounting for 'Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future." Among other items, Issue 00-22 addresses how the seller of goods should classify offers to a customer for a rebate or refund of a determinable cash amount if the customer completes a specified cumulative level of revenue transactions. The EITF concluded that offers for cash rebates or refunds should be classified as a reduction in revenue. NSI adopted EITF 00-22 during fiscal 2001. NSI historically included rebates in costs and expenses. The adoption of these standards resulted in an immaterial offsetting reclassification between sales and operating expenses for all periods presented.

ACCOUNTING STANDARDS YET TO BE ADOPTED

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard ("SFAS") No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 prospectively prohibits the pooling of interests method of accounting for business combinations initiated after June 30, 2001. SFAS No. 142 requires companies to cease amortizing goodwill that existed at June 30, 2001 and establishes a new method of testing goodwill for impairment on an annual basis (or on an interim basis if an event occurs that might reduce the fair value of a reporting unit below its carrying value). Any goodwill resulting from acquisitions completed after June 30, 2001 will not be amortized. SFAS No. 142 also requires that an identifiable intangible asset which is determined to have an indefinite useful economic life not be amortized, but separately tested for impairment using a fair value-based approach.

Spinco will adopt SFAS 142 in the first quarter of fiscal 2002. As a result, the amortization of existing goodwill and those intangibles with indefinite useful lives will cease on August 31, 2001, which will result in an estimated decrease in amortization expense of approximately \$11.7 million during fiscal 2002. However, Spinco will be required to test its goodwill and intangibles with indefinite useful lives for impairment under the new standard beginning in the first quarter of fiscal 2002, which could have an adverse effect on Spinco's future results of operations if these assets are deemed impaired.

ENVIRONMENTAL MATTERS AND LITIGATION

See "Note 6: Commitments and Contingencies" in the "Notes to the Combined Financial Statements" beginning on page F-17 for a discussion of environmental and litigation matters.

OUTLOOK

Management continues to implement its growth plans. With both segments anticipating higher material, labor, and fuel costs, the economic slowdown may intensify pricing pressures and limit Spinco's ability to pass along these additional costs in the form of price increases. Management's current forecasts reflect a continuing weak economy in the near future, including a decline in non-residential construction, with a slight recovery expected to start in the late spring of next year.

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 short-term secured borrowings and amounts outstanding under NSI's credit line, amounted to \$245.9 million at August 31, 2001. Based on outstanding borrowings at year-end, a 10% adverse change in market interest rates at August 31, 2001 would result in additional annual after-tax interest expense of approximately \$0.6 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 August 31, 2001 would decrease the fair value of these notes to approximately \$356.1 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 73% of NSI's consolidated assets and 78% of NSI's consolidated revenues as of and for the fiscal year ended August 31, 2001. 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 2001, 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 2001, North American sales accounted for approximately 91% 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 15.5%, 15.2% and 18.1% of total consolidated revenue during fiscal years 2001, 2000 and 1999, 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 2001. However, 12.6% of the 2001 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 year ended August 31, 2001, the main customer base for NSI's lighting equipment segment was electrical distributors, representing approximately 75% of revenue. For the year ended August 31, 2001, retail home centers and national accounts represented a combined 17% 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 year ended August 31, 2001, the main customer base for NSI's chemicals segment was the I&I market, representing approximately 83% 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 \$17.0 million, \$18.6 million and \$8.1 million on research and development activities for the lighting equipment and chemicals segments for the fiscal years ended August 31, 2001, 2000 and 1999, 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, Spingo 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 to 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-17 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 August 31, 2001 and August 31, 2000 were \$141.5 million and \$155.2 million, respectively. 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. Management 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, 2001, international sales represented approximately 10% and 16% 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, 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
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
	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 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" beginning on page F-17 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 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.

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.

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

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

Certegy, Inc. 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

After the Distribution, Spinco expects initially to compensate its directors as described below. Spinco will review its compensation arrangements for directors from time to time and may alter these arrangements after the Distribution.

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. Spinco expects to name its chief financial officer prior to the NSI board's approval of 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.
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.

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

----- John
K.

Morgan.....

47 President of
Holophane Mr.
Morgan has
served as
President of
Holophane since
June 2000 and
served as
Executive Vice
President of
the Lithonia
Lighting Group
from 1999 to
2001. He joined
Lithonia
Lighting in
1977 and held a
variety of
senior
management
positions prior
to 1999. James
H.

Heagle.....

57 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.

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.

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

----- Joseph G.
Parham, 52 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, 2001, August 31, 2000, and August 31, 1999, 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 four most highly compensated executives of NSI who are expected to become executive officers of Spinco following the Distribution (the "Named Executive Officers"). 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 restricted 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 FISCAL OTHER
 ANNUAL SARS PAYOUT
 COMPENSATION NAME
 AND PRINCIPAL
 POSITION YEAR SALARY
 (\$) BONUS (\$) (1)
 COMPENSATION (\$) (2) (3) (4)

 ----- James S.
 Balloun.....
 2001 850,000 0 4,800
 414,401 0 0
 Chairman, President
 and 2000 850,000 0
 4,800 312,489 0 0
 Chief Executive
 Officer 1999 850,000
 985,000 4,800
 100,000 1,045,657 0
 Kenneth W.
 Honeycutt.....
 2001 317,750 0 0
 64,600 163,170 7,710
 President of
 Lithonia Lighting
 2000 283,750 123,425
 0 6,000 560,000
 21,008 1999 229,167
 108,113 0 4,500
 490,000 20,160 John
 K.
 Morgan.....
 2001 317,750 0 0
 64,600 148,666
 12,825 President of
 Holophane 2000
 283,750 123,425 0
 6,000 518,000 22,931
 1999 222,500 98,503
 0 4,000 415,000
 22,882 James H.
 Heagle(5).....
 2001 325,000 0
 214,782 62,500
 63,915 0 President
 of Zep 2000 100,000
 59,940 1,600 10,000
 0 0 Chemical Group
 1999 0 0 0 0 0
 Joseph G. Parham,
 Jr.(6)..... 2001
 307,500 0 74,542
 62,500 0 4,464
 Senior Vice
 President, 2000
 87,500 39,945
 100,218 10,000 0 0
 Human Resources 1999
 0 0 0 0 0

-
- (1) Each amount shown includes an automobile allowance of \$400 per month. The amounts shown also include reimbursement of relocation expenses of \$209,982 in 2001 for Mr. Heagle and of \$69,742 in 2001 and \$98,818 in 2000 for Mr. Parham.
 - (2) The amounts shown for Mr. Balloun include long-term options for 119,401 shares for fiscal year 2001 and 162,489 shares for fiscal year 2000 granted in exchange for a portion of the respective 2000 and 1999 LTIP award payouts, as discussed in note 3 below. The options were valued for purposes of the exchange at \$8.19 and \$7.99, respectively, the approximate Black-Scholes value at the time of the exchange election as determined by an independent compensation consultant. The amounts shown for fiscal year 2001 also include performance-based restricted share awards, as follows: 45,000 shares for Mr. Balloun; 9,200 shares each for Mr. Honeycutt and Mr. Morgan; and 8,900 shares each for Mr. Heagle and Mr. Parham. No stock appreciation rights were granted during this period.
 - (3) Half of each amount was paid in shares of NSI stock (at a value of \$23.60 in 2001, \$19.9375 in 2000, and \$32.00 in 1999, except for Mr. Balloun at \$32.8125 in 1999 in connection with the exchange for options) and the remaining half was paid in cash. The amounts shown for Mr. Balloun for fiscal years 2000 and 1999 exclude \$978,297 and \$1,298,287, respectively, for that portion of the payout exchanged for long-term options in each year.
 - (4) The amounts shown for 2001 include matching 401(k) and profit-sharing contributions in the amounts of \$7,710 for Mr. Honeycutt and \$7,351 for Mr. Morgan and a matching 401(k) contribution of \$4,464 for Mr. Parham.
 - (5) Mr. Heagle commenced employment with NSI effective as of May 1, 2000.
 - (6) Mr. Parham commenced employment with NSI effective as of May 15, 2000.

OPTION GRANTS IN LAST FISCAL YEAR

The following table contains information concerning NSI stock options that were granted to the Named Executive Officers of Spinco during the fiscal year ended August 31, 2001, as disclosed in the Summary Compensation Table above. NSI did not award any stock appreciation rights or reprice any stock options during the year.

NUMBER OF OPTIONS/SARS GRANTED TO EXERCISE PRESENT EMPLOYEES PRICE VALUE (\$/SHARE) NAME FISCAL YEAR DATE(1)	% OF TOTAL SECURITIES GRANTED OR DATE SARS IN BASE EXPIRATION GRANTED YEAR (2)	
----- James S. Balloun(3).... 369,401 19.3125	19.9%	10/23/10
2,498,998 Kenneth W. Honeycutt... 55,400 3.0%	19.3125	10/23/10
374,781 John K. Morgan..... 55,400 3.0%	19.3125	10/23/10
374,781 James H. Heagle..... 53,600 2.9%	19.3125	10/23/10
362,604 Joseph G. Parham, Jr..... 53,600 2.9%	19.3125	10/23/10
362,604		

- (1) 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 has discretion, subject to limitations in the 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.
- (2) The amounts shown were calculated using a Black-Scholes option pricing model. The estimated values assume a risk-free rate of return of 6.1%, a dividend yield of 3.5%, an option term of ten years, and stock price volatility having a standard deviation of .3215. 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.
- (3) The amount shown for Mr. Balloun includes options granted in fiscal year 2001 in exchange for a portion of the 2000 LTIP payout, as described in note 2 to the Summary Compensation Table above, at an exercise price of \$19.4375 per share and expiring October 3, 2010.

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 during the 2001 fiscal year by the Named Executive Officers and the aggregate value of

unexercised stock options held by the Named Executive Officers as of August 31, 2001. No stock appreciation rights are held by any Named Executive Officer.

NUMBER OF
SECURITIES VALUE
OF UNEXERCISED
UNDERLYING
UNEXERCISED IN-
THE-MONEY SHARES
OPTIONS/SARS AT
OPTIONS/SARS AT
ACQUIRED ON VALUE
FISCAL YEAR-END
(#) FISCAL YEAR-
END (\$)(1)
EXERCISE REALIZED

- NAME (#) (\$)
EXERCISABLE
UNEXERCISABLE
EXERCISABLE
UNEXERCISABLE ----

James S. Balloun.....	0 0 754,390 387,500 497,007 1,071,875
Kenneth W. Honeycutt.....	
	0 0 27,359 61,025 3,788 237,528
John K. Morgan.....	
	920 5,474 16,000 60,900 0 237,528
James H. Heagle.....	0 0 2,500 61,100 3,531 240,404
Joseph G. Parham, Jr.....	
	0 0 2,500 61,100 1,188 233,372

(1) The amounts shown represent the aggregate excess of market value of shares under option as of August 31, 2001 (using the \$23.60 closing price on August 31, 2001) over the exercise price of the options.

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

The following table contains information concerning performance-based restricted share awards during the 2001 fiscal year to the Named Executive Officers.

PERFORMANCE OR OTHER PERIOD UNTIL NUMBER OF SHARES, UNITS MATURATION OR NAME OR OTHER RIGHTS (#)(1)(2) PAYOUT	-----
-----	James S.
Balloun.....	45,000 5 years
Kenneth W. Honeycutt.....	9,200 5 years
John K. Morgan.....	9,200 5 years
James H. Heagle.....	8,900 5 years
Joseph G. Parham, Jr.....	8,900 5 years

-
- (1) The amounts shown represent the total individual award of performance-based restricted shares on October 24, 2000. Performance-based restricted share awards are granted in 20 percent increments of the total shares awarded when NSI's stock price equals or exceeds certain stock price targets ranging from \$22.14 to \$38.50 for thirty consecutive calendar days. Shares vest ratably in four equal annual installments beginning one year from the date a stock price target is achieved and the shares are granted (the vesting start date). During the vesting period, participants have voting rights and receive dividends, but the shares may not be sold, assigned, transferred, pledged, or otherwise encumbered. If the stock price targets are not achieved on or before the fifth anniversary of the award date, the corresponding shares are forfeited. Additionally, granted but unvested shares are forfeited upon termination of employment, unless certain retirement criteria are met.
 - (2) The amounts shown include shares granted on January 19, 2001, when the share price target of \$22.14 was achieved, as follows: 9,000 shares for Mr. Balloun; 1,840 shares each for Mr. Honeycutt and Mr. Morgan; and 1,780 shares each for Mr. Heagle and Mr. Parham.

SPINCO LONG-TERM INCENTIVE PLAN

GENERAL

Spinco expects its board will adopt, with the approval of NSI 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 restricted 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, \$16,749 for Mr. Heagle, and \$27,333 for Mr. Parham).

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, 2001 were: Mr. Balloun, five years (ten years under the supplemental plan); and Mr. Heagle and Mr. Parham, one year each.

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, Heagle and Parham.

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 a 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. 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.

The employment agreement with Mr. Parham 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 company. Mr. Parham's employment is at will and may be terminated for any reason. If Mr. Parham'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. Parham 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 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 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 October 25, 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.....		
	981,931 2.3	Leslie M. Baker, Jr.
.....		4,000 * Peter C.
Browning.....		1,000
		* John L.
Clendenin.....		
	9,300 * James H.	
Heagle.....		
	19,034 * Kenneth W.	
Honeycutt.....		72,248
		* John K.
Morgan.....		
	57,863(5) * Joseph G. Parham, Jr.	
.....		18,073 * Ray M.
Robinson.....		
	4,000 * Kathy Brittain	
White.....		3,600 *
		Neil
Williams.....		
4,000 * All executive officers and directors as a group		
(12		
persons).....		
	1,517,903 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 18,385 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 and director 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. Honeycutt, 44,669 shares; Mr. Morgan, 34,082 shares; Messrs. Heagle and Parham, 15,900 shares each; Ms. White and Messrs. Baker, Robinson and Williams, 3,000 shares each; Mr. Clendenin, 6,000 shares and all current directors and executive officers as a group, 1,303,214 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 Achievement Incentive Plan, which vest 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. Heagle, 1,780 shares; Mr. Honeycutt, 1,840 shares; Mr. Morgan, 1,840 shares; Mr. Parham, 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 restricted share held. See "Relationship Between NSI and Spinco Following the Distribution -- Employee Benefits Agreement" beginning on page 27.
- (4) Based on an aggregate of 41,225,781 shares of NSI common stock issued and outstanding as of August 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 284 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 32.

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 80.

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 53.

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 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, 2001 and August 31, 2000, and for each of the three years in the period ended August 31, 2001, 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, 2001 and 2000 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, 2001. 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, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Atlanta, Georgia
October 12, 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,	-----	2001	2000	-----	---
-----	ASSETS	CURRENT	ASSETS:	Cash and cash	
equivalents.....				\$ 10,337	\$
1,510 Receivables, less reserves for doubtful accounts of					
\$8,195 in 2001 and \$6,570 in 2000					
.....		297,762	344,409		
Inventories, at the lower of cost (on a first-in, first-out					
basis) or market.....					
210,783		236,856	Deferred income		
taxes.....				16,326	15,631
Prepayments and other current					
assets.....		23,908	22,573	-----	---
-----	Total Current				
Assets.....				559,116	
620,979	-----	PROPERTY, PLANT, AND			
		EQUIPMENT, AT COST:			
Land.....					
16,009		15,090	Buildings and leasehold		
improvements.....				161,779	148,100
			Machinery and		
equipment.....				326,160	
300,946	-----	Total Property, Plant, and			
Equipment.....		503,948	464,136	Less --	
Accumulated depreciation and amortization.....					
255,525		219,108	-----	Property, Plant, and	
Equipment -- net.....				248,423	245,028
-----	OTHER ASSETS: Goodwill and other				
intangibles.....				468,944	497,324
Other.....					
54,092		59,549	-----	Total Other	
Assets.....				523,036	
556,873	-----	Total			
Assets.....					
\$1,330,575	\$1,422,880	=====	=====	LIABILITIES AND	
PARENT'S EQUITY	CURRENT	LIABILITIES:	Current maturities of		
long-term debt.....			\$ 357	\$ --	
		Commercial			
paper.....				--	
235,631	Credit				
line.....					
105,000	--	Short-term secured			
borrowings.....				105,100	--
payable.....				Notes	
24,666		20,285	Accounts		
payable.....				108,380	
103,672	Accrued salaries, commissions, and				
bonuses.....					
36,070	54,928	Current portion of			
self-insurance reserves.....				3,588	2,679
Accrued taxes					
payable.....				--	1,700
Other accrued					
liabilities.....				58,906	
46,699	-----	Total Current			
Liabilities.....				442,067	
465,594	-----	Long-Term Debt, less current			
maturities.....				373,707	380,518
-----	Deferred Income				
Taxes.....				31,759	36,902
-----	Self-Insurance Reserves, less current				
portion.....				14,350	10,942
Other Long-Term					
Liabilities.....				85,394	86,122
-----	Commitments and Contingencies (Note				
investment.....					
400,296	455,543	Accumulated other comprehensive			
income.....				(16,998)	(12,741)
-----	Total Parent's				
Equity.....				383,298	442,802
-----	Total Liabilities and Parent's				

Equity..... \$1,330,575 \$1,422,880

=====

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)

YEARS ENDED AUGUST 31, -----	2001	2000	1999	-----
SALES.....	\$1,982,700	\$2,023,644	\$1,701,568	COSTS AND EXPENSES:
				Cost of products
sold.....			1,140,391	
1,167,524	978,207	Selling and administrative		
expenses.....	684,939	657,742	564,042	
		Interest expense,		
net.....		48,696	43,299	
		12,697	Amortization	
expense.....		17,965		
	18,441	5,802	Loss on sale of	
businesses.....	14,557	--	--	
Restructuring expense, asset impairments, and other				
charges.....	4,083	--	--	Other expense (income),
net.....	2,917	1,347	(1,765)	--
				Total costs and
expenses.....	1,913,548			
1,888,353	1,558,983			
				Income before provision for income
taxes.....	69,152	135,291	142,585	Provision
for income taxes.....	28,649			
51,600	53,469			Net
income.....	\$			
40,503	\$ 83,691	\$ 89,116	=====	=====
			=====	=====
				PRO FORMA EARNINGS PER SHARE: Basic
earnings per share (Note 2).....	\$			
.99	n/a	n/a	=====	=====
				Basic
weighted average number of shares outstanding (Note				
2).....	41,068			
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)

ACCUMULATED OTHER TOTAL NSI COMPREHENSIVE PARENT'S COMPREHENSIVE INVESTMENT INCOME EQUITY INCOME ----- -----			
----- BALANCE AUGUST 31, 1998.....	\$425,002		
\$(11,315)	\$413,687	Net	
income.....			
89,116 -- 89,116	\$89,116		
Foreign currency translation adjustment.....			
-- 2,022	2,022	2,022	Minimum
pension liability.....	--		
(1) (1) (1) -----			
Comprehensive			
income.....	-- -- --		
\$91,137 =====	Net		
transactions with NSI.....			
(72,970) -- (72,970) -----			
----- BALANCE			
AUGUST 31, 1999.....			
441,148 (9,294)	431,854	Net	
income.....			
83,691 -- 83,691	\$83,691		
Foreign currency translation adjustment.....			
-- (3,448)	(3,448)	(3,448)	
Minimum pension			
liability.....	-- 1 1 1	---	
Comprehensive			
income.....	-- -- --		
\$80,244 =====	Net		
transactions with NSI.....			
(69,296) -- (69,296) -----			
----- BALANCE			
AUGUST 31, 2000.....			
455,543 (12,741)	442,802	Net	
income.....			
40,503 -- 40,503	\$40,503		
Foreign currency translation adjustment.....			
-- (2,374)	(2,374)	(2,374)	
Reclassification adjustment for translation loss included in net			
income.....	-- -- --		
503 503 503	Minimum pension		
liability.....	-- (2,386)		
(2,386) (2,386) -----			
Comprehensive			
income.....	-- -- --		
\$36,246 =====	Net		
transactions with NSI.....			
(95,750) -- (95,750) -----			
----- BALANCE			
AUGUST 31, 2001.....			
\$400,296 \$(16,998)	\$383,298		
=====	=====	=====	

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)

YEARS ENDED AUGUST 31, -----	-----	-----	-----
-----	2001	2000	1999
-----	-----	-----	-----
- CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Net			
income..... \$	40,503	\$ 83,691	\$ 89,116
Adjustments to reconcile			
net income to net cash provided by operating			
activities: Depreciation and			
amortization.....	62,911	58,485	
33,297 (Gain) loss on the sale of property, plant &			
equipment.....	(194)	(156)	69
Loss on sale of			
businesses.....	14,557	--	--
Provision for losses on accounts			
receivable.....	4,930	2,667	2,744
Restructuring			
expense, asset impairments, and other			
charges.....	4,083	--	--
Change in assets and liabilities net of			
effect of acquisitions and dispositions -			
Receivables.....	34,396	(37,464)	(16,047)
Inventories.....	23,189	(40,054)	10,920
Deferred income			
taxes.....	(4,433)	321	
Prepayments and other current			
assets.....	(1,806)	(3,335)	(3,940)
Accounts payable and accrued liabilities.....	5,137	(12,202)	43,383
Self-insurance reserves and			
other long-term			
liabilities.....	12,038	3,225	422
Net			
Cash Provided by Operating Activities.....	183,695	63,991	148,070
----- CASH			
PROVIDED BY (USED FOR) INVESTING ACTIVITIES			
Purchases of property, plant, and			
equipment.....	(47,611)	(62,913)	(38,555)
Proceeds from the sale of property, plant and			
equipment.....	1,837	1,866	378
Proceeds from the sale of			
businesses.....	1,632	--	--
Acquisitions.....	--	(16,214)	(514,370)
Change in other			
assets.....	1,238	(9,764)	
Net Cash			
Used for Investing Activities.....	(42,904)	(87,025)	(554,445)
----- CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES			
Net borrowings of notes			
payable.....	4,381	8,814	3,588
Issuances (repayments) of commercial paper, net			
(less than 90 days).....	(221,801)	(87,762)	352,265
Issuances of commercial			
paper (greater than 90			
days).....	1,370	194,953	--
Repayments of commercial paper			
(greater than 90			
days).....	(15,200)	(222,750)	--
Proceeds from credit line,			
net.....	105,000	--	--
Proceeds			
from short-term secured borrowings, net....	105,100	--	--
Proceeds from issuances of long-term			
debt.....	--	199,798	267,585
Repayments of			
long-term debt.....	(7,601)	(1,196)	(160,304)
Net activity with			
NSI.....	(103,386)	(69,296)	(72,970)
Net Cash Provided by (Used for) Financing			
Activities.....	(132,137)	22,561	390,164
----- Effect of Exchange Rate Changes on			
Cash.....	173	(271)	9

- -----	Net Change in Cash and Cash		
Equivalents.....	8,827	(744)	(16,202)
Cash and Cash Equivalents at Beginning of			
Year.....	1,510	2,254	18,456
- -----	Cash and Cash Equivalents at End of		
Year.....	\$ 10,337	\$ 1,510	\$ 2,254
=====	===== Supplemental Cash		
Flow Information: Income taxes paid during the			
year.....	\$ 32,659	\$ 55,302	\$ 29,333
Interest paid during the			
year.....	43,416	42,399	14,289

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 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 recently formed holding company, and then distributing all of the shares of common stock of L&C Spinco, Inc. to NSI's stockholders. L&C Spinco, Inc. was initially incorporated as an indirect wholly owned subsidiary of NSI and did not have any operations, assets, or liabilities until the contribution of the lighting and chemical businesses prior to the Distribution. 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.

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 a distribution agreement, a tax disaffiliation agreement, an employee benefits agreement, a lease agreement, and a 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, 2001, Spinco does not consider itself to have any significant concentrations of credit risk.

RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform with current year presentation.

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, 2001 and 2000:

2001	2000		(IN THOUSANDS)	Raw
				materials and
supplies.....			\$ 85,208	
			\$ 99,089	Work in
progress.....				
		18,262	19,677	Finished
goods.....				
	107,313	118,090		\$210,783
		\$236,856	=====	=====

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 (\$327.9 million in 2001 and \$341.4 million in 2000) 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	2001	2000	(IN YEARS)	-----	----
				(IN THOUSANDS)	Unamortizable
Goodwill.....				\$	
	3,460	\$ 3,460	n/a	Amortizable	
Goodwill.....					
	327,903	341,434	10-40	Trade names and	
Trademarks.....				74,681	
		84,747	30-40	Distribution	
Network.....					
	49,319	51,086	30	Other	
Intangibles.....					
	13,581	16,597	2-12	-----	----- Total
Goodwill and Intangibles.....					
	\$468,944	\$497,324	=====	=====	

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 period presented. Pro forma earnings per share information is unaudited and has been presented for the year ended August 31, 2001 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 \$17.0 million, \$18.6 million, and \$8.1 million during 2001, 2000, and 1999, 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 expense (income), net" in the Combined Statements of Income and were insignificant in 2001, 2000, and 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)

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, short-term secured borrowings and line of credit borrowings offset by interest income on cash and cash equivalents.

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

YEARS ENDED AUGUST 31, -----				
--- 2001 2000 1999 -----	(IN			
	THOUSANDS)	Interest		
expense.....				
	\$49,008	\$43,638	\$15,526	Interest
income.....				
	(312)	(339)	(2,829)	-----
				Interest expense,
net.....				\$48,696
	\$43,299	\$12,697	=====	=====

ACCOUNTING STANDARDS ADOPTED IN FISCAL 2001

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 adopted EITF 00-10 in fiscal 2001. Spinco has historically netted certain shipping and handling revenues charged to customers in costs and expenses. During 2001, the EITF also reached a final consensus on EITF Issue 00-22, "Accounting for 'Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future." Among other items, Issue 00-22 addresses how the seller of goods should classify offers to a customer for a rebate or refund of a determinable cash amount if the customer completes a specified cumulative level of revenue transactions. The EITF concluded that offers for cash rebates or refunds should be classified as a reduction in revenue. Spinco adopted EITF 00-22 during fiscal 2001. Spinco historically included

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)

rebates in costs and expenses. The adoption of these standards resulted in an immaterial reclassification between sales and operating expenses for all periods presented.

ACCOUNTING STANDARDS YET TO BE ADOPTED

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 prospectively prohibits the pooling of interests method of accounting for business combinations initiated after June 30, 2001. SFAS No. 142 requires companies to cease amortizing goodwill that existed at June 30, 2001 and establishes a new method of testing goodwill for impairment on an annual basis (or on an interim basis if an event occurs that might reduce the fair value of a reporting unit below its carrying value). Any goodwill resulting from acquisitions completed after June 30, 2001 will not be amortized. SFAS No. 142 also requires that an identifiable intangible asset which is determined to have an indefinite useful economic life not be amortized, but separately tested for impairment using a fair value-based approach.

Spinco will adopt SFAS 142 in the first quarter of fiscal 2002. As a result, the amortization of existing goodwill and those intangibles with indefinite useful lives will cease on August 31, 2001, which will result in an estimated decrease in amortization expense of approximately \$11.7 million during fiscal 2002. However, Spinco will be required to test its goodwill and intangibles with indefinite useful lives for impairment under the new standard beginning in the first quarter of fiscal 2002, which could have an adverse effect on Spinco's future results of operations if these assets are deemed impaired.

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.

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 following tables reflect the status of Spinco's pension plans at August 31, 2001 and 2000:

2001	2000	(IN THOUSANDS) CHANGE IN BENEFIT	
OBLIGATION: Benefit obligation at beginning of			
year.....	\$ 77,590	\$77,564	Service
cost.....		2,553	
	2,877	Interest	
cost.....		6,270	
	5,851	Actuarial (gain)	
loss.....		5,095	(5,273)
		Benefits	
paid.....		(3,699)	
		(3,553)	
Other.....			
(587)	124	Benefit obligation at end of	
year.....	\$ 87,222	\$77,590	=====
===== CHANGE IN PLAN ASSETS: Fair value of plan assets at			
beginning of year.....	\$ 86,917	\$82,057	Actual
return on plan assets.....		46	
	7,577	Employer	
contributions.....		1,138	
	2,021	Employee	
contributions.....		229	254
		Benefits	
paid.....		(3,699)	
		(3,553)	
Other.....			
(1,142)	(1,439)	Fair value of plan assets	
at end of year.....	\$ 83,489	\$86,917	
		===== FUNDED STATUS: Funded	
status.....		\$	
	(3,733)	\$ 9,327	Unrecognized actuarial (gain)
loss.....	11,164	(1,965)	Unrecognized
transition asset.....		(629)	(834)
		Unrecognized prior service	
cost.....		2,541	2,655
		Prepaid pension	
expense.....		\$ 9,343	\$
9,183	=====	=====	AMOUNTS RECOGNIZED IN THE COMBINED
BALANCE SHEETS CONSIST OF: Prepaid benefit			
cost.....		\$ 14,330	
	\$16,189	Accrued benefit	
liability.....		(10,570)	
		(7,246)	Intangible
asset.....		1,795	240
		Accumulated other comprehensive	
income.....		3,788	--
amount recognized at year-end.....		\$	Net
	9,343	\$ 9,183	=====

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 \$28.7 million, \$27.4 million, and \$17.4 million, respectively, as of August 31, 2001, and \$10.3 million, \$8.0 million, and \$1.1 million, respectively, as of August 31, 2000.

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 pension (benefit) cost for the fiscal years ended August 31, 2001, 2000, and 1999 included the following:

	2001	2000	1999	
				(IN THOUSANDS) Service
cost.....	\$ 2,553	\$ 2,877	\$ 1,908	Interest
cost.....	6,270	5,851	4,707	Expected return on plan assets..... (8,038)
	(7,511)	(6,063)		Amortization of prior service cost..... 418 386 391
				Amortization of transitional asset..... (140) (148) (149)
				Recognized actuarial loss..... (18) 53 227
				----- Net periodic pension cost..... \$
	1,045	\$ 1,508	\$ 1,021	=====
				=====

Weighted average assumptions in 2001 and 2000 included the following:

	2001	2000		
rate.....	7.7%	8.2%	Expected return on plan assets.....	9.3% 9.4%
			Rate of compensation increase.....	5.0% 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 \$4.3 million in 2001, \$4.7 million in 2000 and \$4.3 million in 1999.

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, 2001 and 2000, 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 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. 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.

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)

2001	2000	-----	-----	(IN THOUSANDS)	6% notes due February 2009 with an effective rate of 6.04%, net of unamortized discount of \$310 in 2001 and \$351 in 2000.....
\$159,690	\$159,649	8.375%	notes due August 2010 with an effective rate of 8.398%, net of unamortized discount of \$219 in 2001 and \$244 in 2000.....		
199,781	199,756	4.3% to 8.5%	other notes, payable in installments to		
2026.....	14,593	21,113	-----	-----	374,064 380,518 Less --
	Amounts payable within one year included in current liabilities.....				
	357	--	-----	\$373,707	\$380,518 =====
				=====	

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

FISCAL YEAR	AMOUNT	-----	-----	(IN THOUSANDS)
2002.....	\$ 357			
2003.....	341			
2004.....	2,687			
2005.....	--			
2006.....	--	2007 and		
beyond.....			370,679	
	-----	\$374,064	=====	

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 August 31, 2001, net trade accounts receivable pledged as security for the borrowings under the Receivables Facility totaled \$227.8 million. Outstanding borrowings under the Receivables Facility at August 31, 2001 were \$105.1 million. Interest rates under the Receivables Facility vary with commercial paper rates plus an applicable margin and the interest rate was 3.90% at August 31, 2001. Effective on the Distribution Date, Spinco will assume all of NSI's borrowings and other obligations under the Receivables Facility.

In July 1999, NSI entered into a \$250.0 million, 364-day committed credit facility, which was renewed in June 2001 and expires in June 2002. The credit facility permits certain subsidiaries of NSI to borrow under such facility, and NSI guarantees these borrowings. 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 its credit rating for unsecured long-term public debt. Outstanding borrowings under the facility at August 31, 2001 were \$105.0 million at an interest rate of 4.1 percent. No amounts were outstanding under the facility at August 31, 2000. This facility will be discontinued at the time of the Distribution.

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)

In October 2001, NSI, on behalf of Spinco, negotiated a \$240.0 million, 364-day committed credit facility with six domestic and international banks that will become effective and will replace NSI's \$250.0 million credit facility at the Distribution Date. The facility includes an option for additional lenders to enter the agreement to provide up to a total of \$300.0 million of commitments. The facility contains financial covenants including a leverage ratio of total indebtedness to EBITDA and an interest coverage ratio. Interest rates under the facility are based on the LIBOR rate or other rates, at Spinco's option. Spinco will pay an annual fee on the commitment based on Spinco's credit rating for unsecured long-term public debt. The principal lighting equipment subsidiary and the principal chemicals subsidiary of Spinco are guarantors of the facility.

NSI's commercial paper program was discontinued in July 2001. Amounts outstanding under the commercial paper program were replaced by borrowings under the committed credit facility. The \$235.6 million outstanding under NSI's commercial paper program at August 31, 2000 had a weighted-average interest rate of 6.8%.

At August 31, 2001, NSI had uncommitted lines of credit totaling \$111.2 million for general operating purposes, of which \$16.8 million is designated as multi-currency. Outstanding borrowings under the uncommitted credit facilities at August 31, 2001 were \$24.7 million, at a weighted-average interest rate of 4.95%. At August 31, 2001, \$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%. In August 2000, NSI issued \$200.0 million in ten-year publicly traded notes bearing a coupon rate of 8.375%. The fair values of the \$160.0 million and \$200.0 million notes, based on quoted market prices, were approximately \$152.0 million and \$219.4 million, respectively, at August 31, 2001. Pursuant to a supplemental indenture executed in contemplation of the Distribution, Spinco and its principal operating subsidiaries have become the obligors of the notes, and NSI, effective upon the completion of the Distribution, will be relieved of all obligations with respect to the notes. 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 average maturities.

NOTE 5: PARENT'S EQUITY AND RELATED MATTERS

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

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)

date. Certain of the long-term incentive programs also provide for awards of restricted shares of NSI's common stock.

Spinco recorded \$1.0 million, \$6.7 million and \$8.1 million of compensation expense related to long-term incentive programs in 2001, 2000 and 1999, 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. Spinco will multiply the number of shares purchasable under each converted stock option by a ratio determined at the time of Distribution, based on the respective fair values of NSI and Spinco, 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. 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, 2001, the number of shares of NSI common stock subject to options held by NSI employees was 4,532,387. The exercise prices of such options range from \$19.31 to \$46.63. 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 NSI'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 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'

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)

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:

2001	2000	1999	-----	-----	-----	(IN
						THOUSANDS)
						Reserve, beginning of
period.....			\$13,621	\$15,158		
			\$19,213			
Expense.....						
			11,254	5,055	2,618	
Payments.....						
(6,937)	(6,592)	(6,673)	-----	-----	-----	
						Reserve, end of
period.....						\$17,938
			\$13,621	\$15,158	=====	=====

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, 2001, are as follows: 2002 -- \$11.2 million; 2003 -- \$9.5 million; 2004 -- \$6.7 million; 2005 -- \$3.6 million; 2006 -- \$1.5 million; after 2006 -- \$7.1 million.

Total rent expense was \$12.3 million in 2001, \$14.5 million in 2000, and \$12.3 million in 1999.

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 higher than that reserved.

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

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 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 higher than that reserved due to the difficulty in estimating such costs, and potential changes in the status of government regulations.

Certain environmental laws can impose liability regardless of fault. The federal Superfund law is an example of such an environmental law. However, liability under Superfund is mitigated by the presence of other parties who will share in the costs associated with the clean-up of sites. The extent of liability is determined on a case-by-case basis taking into account many factors, including the number of other parties whose status or activities also subjects them to liability regardless of fault.

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 potentially responsible party ("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. Spinco is currently addressing questions raised by EPD regarding the CSR. Until the CSR is finalized and Spinco evaluates the necessity for and scope of any appropriate clean-up action, Spinco will not be able to determine whether clean-up will be required and what the costs of clean-up will be.

INDEMNIFICATIONS

As further discussed in Note 1, in connection with the Distribution, 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 Distribution. 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 Distribution is deemed to be taxable, or if any of the internal reorganization steps taken to effect the Distribution are not deemed to be on a tax free basis.

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 7: ACQUISITIONS AND DISPOSITIONS

Spinco made no acquisitions in fiscal 2001.

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 the 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 Statements 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.

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 =====

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 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 -----	(IN THOUSANDS)	Pro Forma Information
	(Unaudited)	
Sales.....		\$1,905,330 Net
income.....		\$ 84,969

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

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 sold its French operations, as well as certain trademarks and formulas for a pretax loss of \$9.0 million. The combined pretax loss of \$14.6 million is included in "Loss on sale of businesses" in the "Combined Statements of Income."

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.

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 provision for income taxes consists of the following components:

2001	2000	1999	-----	-----
- (IN THOUSANDS)				
Provision for current Federal taxes.....				
\$29,171	\$40,527	\$34,958		
Provision for current state taxes.....				
1,744	2,134	2,132	Provision for current foreign taxes.....	5,058
4,657	2,373		Provision for deferred taxes.....	
(7,324)	4,282	14,006	-----	-----
----- Total provision for income taxes.....				
\$28,649	\$51,600	\$53,469		
=====	=====	=====		

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

2001	2000	1999	-----	-----	-----	(IN THOUSANDS)
Federal income tax computed at statutory rate.....						
\$24,203	\$47,352	\$49,905				
State income tax, net of Federal income tax benefit.....						
1,342	3,518	3,638	Foreign and other, net.....	3,104	730	(74)
----- Total provision for income taxes.....						
\$28,649	\$51,600	\$53,469				
=====	=====	=====				

Components of the net deferred income tax liability at August 31, 2001 and 2000 include:

2001	2000	-----	-----	(IN THOUSANDS)	DEFERRED TAX LIABILITIES:
Depreciation.....					
\$ 11,583	\$ 9,598				
Pension.....					
4,468	4,160				
Intangibles.....					
48,614	54,565				
Other.....					
2,613	2,751	-----	-----	Total deferred tax liabilities.....	67,278 71,074 -----
DEFERRED TAX ASSETS: Self-insurance.....					
(6,898)	(9,607)	Deferred compensation.....			
(23,025)	(23,520)				
Bonuses.....					
(35)	(5,765)	Foreign tax losses.....			(969)
(643)		Restructuring and other accruals not yet deductible.....	(12,804)	(4,425)	Other assets.....
(8,114)	(5,843)	-----	-----	Total deferred tax assets.....	(51,845) (49,803) -
----- Net deferred tax liability.....					
\$ 15,433	\$ 21,271				
=====	=====				

	\$1,215,837	\$121,755	
	\$1,073,936	\$20,351	\$
	2,322	\$541,649	
Chemicals.....			
	485,731	45,206	233,461
	6,681	3,480	10,980 ---

	-----	1,701,568	
	166,961	1,307,397	
	27,032	5,802	552,629
Corporate.....			
--	(11,679)	29,641	463
	--	296 Interest	
		Expense,	
net.....			
--	(12,697)	--	--

	\$1,701,568	\$142,585	
	\$1,337,038	\$27,495	\$
	5,802	\$552,925	
	=====	=====	
	=====	=====	
	=====	=====	

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:

2001	2000	1999	-----	-----	-----
--- (IN THOUSANDS) SALES(1) United					
States.....					
	\$1,749,498	\$1,786,901	\$1,545,245		
Canada.....					
	105,825	102,821	84,692	European	
countries.....					72,568
		80,785	46,728		
Other.....					
	54,809	53,137	24,903	-----	-----
		\$1,982,700	\$2,023,644	\$1,701,568	
	=====	=====	=====	OPERATING	
				PROFIT (LOSS) United	
States.....				\$	
	75,523	\$ 127,783	\$ 139,733		
Canada.....					
	5,394	6,342	1,170	European	
countries(2).....					(8,490)
		(891)	934		
Other(3).....					
	(3,275)	2,057	748	-----	-----
		\$ 69,152	\$ 135,291	\$ 142,585	
	=====	=====	=====	LONG-LIVED	
				ASSETS(4) United	
States.....				\$	
	730,590	\$ 746,548	\$ 731,420		
Canada.....					
	13,434	15,196	14,719	European	
countries.....					18,279
		26,041	32,491		
Other.....					
	9,156	14,116	14,207	-----	-----
		\$ 771,459	\$ 801,901	\$ 792,837	
	=====	=====	=====		

- (1) Sales are attributed to each country based on the selling location.
- (2) Fiscal 2001 operating loss includes a \$9,000 loss on the sale of the chemical segment's French operations.
- (3) Fiscal 2001 operating loss includes a \$5,557 loss on the sale of the chemical segment's Australian operations.
- (4) Long-lived assets include net property, plant, and equipment, goodwill and intangibles, and other long-term assets.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE II

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, 2001 and 2000 and for each of the three years in the period ended August 31, 2001, included in this information statement, and have issued our report thereon dated October 12, 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, 2001, 2000 and 1999 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
October 12, 2001

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, 2001, 2000, AND 1999
(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, 2001: Reserve				
for doubtful accounts.....				
\$6,570 4,930 -- 3,305 \$8,195				
=====				
===== Reserve for estimated				
returns, allowances, and				
warranty				
costs.....				
\$4,006 27,383 -- 27,310 \$4,079				
=====				
===== 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 =====				
=====				

(1) Recoveries credited to the reserve and reserves recorded in acquisitions.

364-DAY REVOLVING CREDIT AGREEMENT

DATED AS OF OCTOBER 3, 2001

AMONG

L & C SPINCO, INC.,

THE SUBSIDIARY BORROWERS
FROM TIME TO TIME PARTIES HERETO,

THE LENDERS FROM TIME TO TIME PARTIES HERETO,

BANK ONE, NA (MAIN OFFICE CHICAGO),
as Administrative Agent

and

WACHOVIA BANK, N.A.
as Syndication Agent

and

SUNTRUST BANK
as Documentation Agent

=====

BANC ONE CAPITAL MARKETS, INC.,
as Lead Arranger and Sole Book Runner

=====

SIDLEY AUSTIN BROWN & WOOD
Bank One Plaza
10 South Dearborn Street
Chicago, Illinois 60603

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364-DAY REVOLVING CREDIT AGREEMENT

This 364-Day Revolving Credit Agreement, dated as of October 3, 2001, is among L & C SPINCO, INC., a Delaware corporation, L & C LIGHTING GROUP, INC., a Delaware corporation, THE ZEP GROUP, INC., a Delaware corporation, and one or more other Subsidiary Borrowers from time to time parties hereto (whether now existing or hereafter formed), the institutions from time to time parties hereto as Lenders (whether by execution of this Agreement or an assignment pursuant to Section 13.3), BANK ONE, NA, a national banking association having its principal office in Chicago, Illinois, as Swing Line Lender, LC Issuer and Administrative Agent, WACHOVIA BANK, N.A., as Syndication Agent, and SUNTRUST BANK, as Documentation Agent. The parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.1. CERTAIN DEFINED TERMS. As used in this Agreement:

"ACCOUNTING CHANGES" is defined in Section 10.8 hereof.

"ACQUISITION" means any transaction, or any series of related transactions, consummated on or after the Effective Date, by which the Company or any of its Subsidiaries (i) acquires any going business or all or substantially all of the assets of any firm, corporation or limited liability company, or division thereof, whether through purchase of assets, merger or otherwise or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage of voting power) of the outstanding ownership interests of a partnership, limited liability company or any Person.

"ADMINISTRATIVE AGENT" means Bank One in its capacity as contractual representative of the Lenders pursuant to Article XI, and not in its individual capacity as a Lender, and any successor Administrative Agent appointed pursuant to Article XI.

"ADVANCE" means a borrowing hereunder consisting of the aggregate amount of several Loans (i) made by some or all of the Lenders on the same Borrowing Date, or (ii) converted or continued by the Lenders on the same date of conversion or continuation, consisting, in either case, of the aggregate amount of the several Loans of the same Type and, in the case of Eurodollar Loans, for the same Interest Period. The term "Advance" shall include Swing Line Loans unless otherwise expressly provided.

"AFFECTED LENDER" is defined in Section 2.20.

"AFFILIATE" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if the controlling Person is the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of twenty percent (20%) or more of any class of voting securities (or other voting interests) of the controlled Person or possesses, directly or

indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of voting securities, by contract or otherwise.

"AGENT" means any of the Administrative Agent, the Syndication Agent or the Documentation Agent, as appropriate, and "Agents" means, collectively, the Administrative Agent, the Syndication Agent and the Documentation Agent.

"AGGREGATE COMMITMENT" means the aggregate of the Commitments of all the Lenders, as may be adjusted from time to time pursuant to the terms hereof. The initial Aggregate Commitment is Two Hundred Forty Million and 00/100 Dollars (\$240,000,000).

"AGGREGATE OUTSTANDING CREDIT EXPOSURE" means, at any time, the aggregate of the Outstanding Credit Exposure of all the Lenders.

"AGREEMENT" means this 364-Day Revolving Credit Agreement, as it may be amended, restated, supplemented or otherwise modified and as in effect from time to time.

"AGREEMENT ACCOUNTING PRINCIPLES" means generally accepted accounting principles as in effect in the United States from time to time, applied in a manner consistent with that used in preparing the financial statements of the Company referred to in Section 5.4; provided, however, that except as provided in Section 10.8, with respect to the calculation of financial ratios and other financial tests required by this Agreement, "Agreement Accounting Principles" means generally accepted accounting principles as in effect in the United States as of the Effective Date, applied in a manner consistent with that used in preparing the financial statements of the Company referred to in Section 5.4 hereof.

"ALTERNATE BASE RATE" means, for any day, a fluctuating rate of interest per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of (a) the Federal Funds Effective Rate for such day and (b) one-half of one percent (0.5%) per annum.

"APPLICABLE FACILITY FEE RATE" means, at any time, the percentage rate per annum at which Facility Fees are accruing on the Aggregate Commitment at such time as set forth in the Pricing Schedule.

"APPLICABLE MARGIN" means, with respect to Advances of any Type at any time, the percentage rate per annum which is applicable at such time with respect to Advances of such Type as set forth in the Pricing Schedule.

"APPLICABLE UTILIZATION FEE RATE" means, at any time, the percentage rate per annum at which Utilization Fees accrue on the Aggregate Outstanding Credit Exposure at such time as set forth in the Pricing Schedule.

"ARRANGER" means Banc One Capital Markets, Inc., a Delaware corporation, and its successors, in its capacity as Lead Arranger and Sole Book Runner.

"ARTICLE" means an article of this Agreement unless another document is specifically referenced.

"ASSIGNMENT AGREEMENT" is defined in Section 13.3.1.

"ASSUMPTION LETTER" means a letter of a Subsidiary of the Company addressed to the Administrative Agent and the Lenders, and acknowledged by the Administrative Agent, in substantially the form of Exhibit I hereto, pursuant to which such Subsidiary agrees to become a "Subsidiary Borrower" and agrees to be bound by the terms and conditions hereof.

"AUTHORIZED OFFICER" means any of the chief executive officer, president, chief operating officer, chief financial officer, or treasurer of the Company, acting singly.

"AVAILABLE AGGREGATE COMMITMENT" means, at any time, the Aggregate Commitment then in effect minus the Aggregate Outstanding Credit Exposure at such time.

"BANK ONE" means Bank One, NA, a national banking association having its principal office in Chicago, Illinois, in its individual capacity, and its successors.

"BORROWER" means, as applicable, any of the Company or any of the Subsidiary Borrowers, together with their respective permitted successors and assigns, and "BORROWERS" means, collectively, the Company and the Subsidiary Borrowers.

"BORROWING DATE" means a date on which an Advance is made hereunder.

"BORROWING NOTICE" is defined in Section 2.9.1.

"BUSINESS DAY" means (i) with respect to any borrowing, payment or rate selection of Eurodollar Advances, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago, Illinois for the conduct of substantially all of their commercial lending activities, interbank wire transfers can be made on the Fedwire system and dealings in Dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago, Illinois for the conduct of substantially all of their commercial lending activities and interbank wire transfers can be made on the Fedwire system.

"BUYING LENDER" is defined in Section 2.24.2.

"CAPITALIZED LEASE" of a Person means any lease of Property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"CAPITALIZED LEASE OBLIGATIONS" of a Person means the amount of the obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"CAPITAL STOCK" means (i) in the case of a corporation, corporate stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a partnership, partnership interests (whether general or limited) and (iv) any other interest or participation that confers on a

Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"CASH EQUIVALENT INVESTMENTS" means, as to any Person, (i) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) having maturities of not more than one year from the date of acquisition, (ii) time deposits and certificates of deposit of any investment grade commercial bank having, or which is the principal banking subsidiary of an investment grade bank holding company organized under the laws of the United States, any State thereof, the District of Columbia or any foreign jurisdiction having capital, surplus and undivided profits aggregating in excess of \$500,000,000, with maturities of not more than one year from the date of acquisition by such Person, (iii) repurchase obligations with a term of not more than ninety (90) days for underlying securities of the types described in clause (i) above entered into with any bank meeting the qualifications specified in clause (ii) above, provided that such repurchase obligations are secured by a first priority security interest in such underlying securities which have, on the date of purchase thereof, a fair market value of at least 100% of the amount of the repurchase obligations, (iv) commercial paper issued by any Person incorporated in the United States rated at least A-1 by S&P or P-1 by Moody's and in each case maturing not more than 270 days after the date of acquisition by such Person, (v) investments in money market funds substantially all of the assets of which are comprised of securities of the types described in clauses (i) through (iv) above, and (vi) demand deposit accounts maintained in the ordinary course of business.

"CHANGE" is defined in Section 3.2.

"CHANGE IN CONTROL" means (i) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of thirty percent (30%) or more of the outstanding shares of voting stock of the Company; or (ii) the majority of the Board of Directors of the Company fails to consist of Continuing Directors.

"CLOSING DATE" means the date on which the initial Credit Extensions are made hereunder, subject to the satisfaction in full of the conditions precedent to such Credit Extensions set forth in Article V hereof and the consummation of the Spin-Off.

"CODE" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time, and any rule or regulation issued thereunder.

"COLLATERAL SHORTFALL AMOUNT" means, as of any date of determination, an amount equal to the difference of (x) the amount of LC Obligations at such time, less (y) the amount on deposit in the Facility LC Collateral Account at such time which is free and clear of all rights and claims of third parties and has not been applied against the Obligations in accordance with the terms and conditions of this Agreement.

"COMBINED BALANCE SHEETS" means the audited combined balance sheets of the Company and its Subsidiaries as of August 31, 2000, a copy of which is attached to the Form 10.

"COMMITMENT" means, for each Lender, the obligation of such Lender to make Revolving Loans to, and participate in Facility LCs issued upon the application of, a Borrower in an aggregate amount not exceeding the amount set forth on the Commitment Schedule or in an Assignment Agreement executed pursuant to Section 13.3, as it may be modified as a result of any assignment that has become effective pursuant to Section 13.3.2 or as otherwise modified from time to time pursuant to the terms hereof.

"COMMITMENT INCREASE NOTICE" is defined in Section 2.24.1.

"COMMITMENT SCHEDULE" means the Schedule identifying each Lender's Commitment as of the Effective Date attached hereto and identified as such.

"COMMITMENT TERMINATION DATE" means the earlier to occur of (i) the Revolving Loan Termination Date, (ii) the Spin-Off Termination Date and (iii) the date the Aggregate Commitment is reduced to zero or otherwise terminated pursuant to the terms hereof, including, without limitation, pursuant to Sections 2.3 and 2.6 and Article VIII hereof.

"COMPANY" means L & C Spinco, Inc., a Delaware corporation, and its permitted successors and assigns (including, without limitation, a debtor-in-possession on its behalf).

"CONSOLIDATED NET INCOME" means, with reference to any period, the net after-tax income (or loss) of the Company and its Subsidiaries calculated on a consolidated basis for such period determined in accordance with Agreement Accounting Principles, excluding minority interests and including only dividends actually received by the Company from any entity which is not a Subsidiary.

"CONSOLIDATED NET WORTH" means at any time the consolidated stockholders' equity of the Company and its Subsidiaries calculated on a consolidated basis as of such time in accordance with Agreement Accounting Principles.

"CONSOLIDATED TOTAL ASSETS" means the total amount of all assets of the Company and its consolidated Subsidiaries, and including amounts attributable to minority interests in Affiliates of the Company to the extent deducted in calculating the Consolidated Total Assets of the Company and its Subsidiaries but only to the extent such Affiliate shall be a Guarantor hereunder, calculated on a consolidated basis as of such time in accordance with Agreement Accounting Principles.

"CONTINUING DIRECTOR" means, with respect to any Person as of any date of determination, any member of the board of directors of such Person who (i) was a member of such board of directors on the Closing Date, or (ii) was nominated for election or elected to such board of directors with the approval of the required majority of the Continuing Directors who were members of such board at the time of such nomination or election; provided that any individual who is so elected or nominated in connection with a merger, consolidation, acquisition or similar transaction shall not be a Continuing Director unless such individual was a Continuing Director prior thereto.

"CONTRACTUAL OBLIGATION" means, for any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking under which such Person is obligated or by which it or any of the property owned by it is bound.

"CONTROLLED GROUP" means all members of a controlled group of corporations or other business entities and all trades or businesses (whether or not incorporated) under common control which, together with the Company or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"CONVERSION/CONTINUATION NOTICE" is defined in Section 2.10.

"CONVERSION DATE" is defined in Section 2.3.3.

"CONVERTED LOAN TERMINATION DATE" means the date that is the first anniversary of the Conversion Date (or, if such date is not a Business Day, the immediately preceding Business Day).

"CREDIT EXTENSION" means the making of an Advance or the issuance of a Facility LC hereunder.

"CREDIT EXTENSION DATE" means the Borrowing Date for an Advance or the issuance date for a Facility LC.

"DEFAULT" means an event described in Article VII.

"DESIGNATED LENDER" means, with respect to each Designating Lender, each Eligible Designee designated by such Designating Lender pursuant to Section 13.1.2.

"DESIGNATING LENDER" means, with respect to each Designated Lender, the Lender that designated such Designated Lender pursuant to Section 13.1.2.

"DESIGNATION AGREEMENT" is defined in Section 13.1.2.

"DISQUALIFIED STOCK" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is ninety-one (91) days after the Revolving Loan Termination Date.

"DOL" means the United States Department of Labor and any successor department or agency.

"DOCUMENTATION AGENT" means SunTrust Bank in its capacity as the documentation agent for the Lenders pursuant to Article XI, and not in its individual capacity as a Lender, and any successor Documentation Agent appointed pursuant to Article XI.

"DOLLARS" and "\$" means the lawful currency of the United States of America.

"DOMESTIC SUBSIDIARY" means a Subsidiary of the Company organized under the laws of a jurisdiction located in the United States of America.

"EBIT" means, for any period for the Company and its consolidated Subsidiaries, the sum of the amounts for such period, without duplication, calculated in each case in accordance with Agreement Accounting Principles, of (i) Net Income, plus (ii) Interest Expense to the extent deducted in computing Net Income, plus (iii) charges against income for foreign, federal, state and local taxes to the extent deducted in computing Net Income, plus (iv) any other non-recurring non-cash charges to the extent deducted in computing Net Income, minus (v) any non-recurring non-cash credits to the extent added in computing Net Income.

"EBITDA" means, for any period for the Company and its consolidated Subsidiaries, the sum of the amounts for such period, without duplication, calculated in each case in accordance with Agreement Accounting Principles, of (i) EBIT, plus (ii) depreciation expense to the extent deducted in computing Net Income, plus (iii) amortization expense, including, without limitation, amortization of goodwill and other intangible assets to the extent deducted in computing Net Income.

"EFFECTIVE COMMITMENT AMOUNT" is defined in Section 2.24.1.

"EFFECTIVE DATE" means October 3, 2001.

"ELIGIBLE DESIGNEE" means a special purpose corporation, partnership, trust, limited partnership or limited liability company that is administered by a Lender or an Affiliate of a Lender and (i) is organized under the laws of the United States of America or any state thereof, (ii) is engaged primarily in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business and (iii) issues (or the parent of which issues) commercial paper rated at least A-1 or the equivalent thereof by S&P or the equivalent thereof by Moody's.

"ENVIRONMENTAL LAWS" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to (i) the protection of the environment, (ii) the effect of the environment on human health, (iii) emissions, discharges or releases of pollutants, contaminants, hazardous substances or wastes into surface water, ground water or land, or (iv) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous substances or wastes or the clean-up or other remediation thereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, including (unless the context otherwise requires) any rules or regulations promulgated thereunder.

"EURODOLLAR ADVANCE" means an Advance which, except as otherwise provided in Section 2.12, bears interest at a Eurodollar Rate requested by a Borrower pursuant to Sections 2.9 and 2.10.

"EURODOLLAR BASE RATE" means, with respect to a Eurodollar Advance for the relevant Interest Period, the applicable British Bankers' Association Interest Settlement Rate for deposits

in Dollars appearing on Reuters Screen FRBD as of 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Interest Period, and having a maturity equal to such Interest Period, provided that, (i) if Reuters Screen FRBD is not available to the Administrative Agent for any reason, the applicable Eurodollar Base Rate for the relevant Interest Period shall instead be the applicable British Bankers' Association Interest Settlement Rate for deposits in Dollars as reported as of 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Interest Period by any other generally recognized financial information service selected by the Administrative Agent, and having a maturity equal to such Interest Period, and (ii) if no such British Bankers' Association Interest Settlement Rate is available to the Administrative Agent, the applicable Eurodollar Base Rate for the relevant Interest Period shall instead be the rate determined by the Administrative Agent to be the rate at which Bank One or one of its affiliate bank offers to place deposits in Dollars with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Interest Period, in the approximate amount of Bank One's relevant Eurodollar Loan and having a maturity equal to such Interest Period.

"EURODOLLAR LOAN" means a Loan which, except as otherwise provided in Section 2.12, bears interest at a Eurodollar Rate requested by a Borrower pursuant to Sections 2.9 and 2.10.

"EURODOLLAR RATE" means, with respect to a Eurodollar Advance for the relevant Interest Period, the sum of (i) the quotient of (a) the Eurodollar Base Rate applicable to such Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, plus (ii) the then Applicable Margin, changing as and when the Applicable Margin changes.

"EXCLUDED TAXES" means, in the case of each Lender or applicable Lending Installation and each Agent, taxes imposed on its overall net income, and franchise or branch office taxes imposed on it, by (i) the jurisdiction under the laws of which such Lender or Agent is incorporated or organized or any political combination or subdivision or taxing authority thereof or (ii) the jurisdiction in which such Agent's or Lender's principal executive office or such Lender's applicable Lending Installation is located or in which, other than as a result of the transaction evidenced by this Agreement, such Agent or Lender otherwise is, or at any time was, engaged in business (or any political combination or subdivision or taxing authority thereof).

"EXHIBIT" refers to an exhibit to this Agreement, unless another document is specifically referenced.

"EXISTING CREDIT AGREEMENT" means that certain Credit Agreement dated as of July 15, 1999 among National Service Industries, Inc., the subsidiary borrowers parties thereto, the lenders parties thereto, and Bank One, NA, as administrative agent, as the same has been amended, restated, supplemented or otherwise modified from time to time.

"EXTENSION REQUEST" is defined in Section 2.23.

"FACILITY FEE" is defined in Section 2.6.1.

"FACILITY LC" is defined in Section 2.21.1.

"FACILITY LC APPLICATION" is defined in Section 2.21.3.

"FACILITY LC COLLATERAL ACCOUNT" is defined in Section 2.21.11.

"FEDERAL FUNDS EFFECTIVE RATE" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 a.m. (Chicago time) on such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by the Administrative Agent in its sole discretion.

"FINANCIAL CONTRACT" of a Person means (i) any exchange-traded or over-the-counter futures, forward, swap or option contract or other financial instrument with similar characteristics or (ii) any agreements, devices or arrangements providing for payments related to fluctuations of interest rates, exchange rates, forward rates or commodity prices, including, but not limited to, interest rate swap or exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, forward rate currency, interest rate options puts or warrants.

"FLOATING RATE" means, for any day, a rate per annum equal to the Alternate Base Rate for such day, changing when and as the Alternate Base Rate changes.

"FLOATING RATE ADVANCE" means an Advance which, except as otherwise provided in Section 2.12, bears interest at the Floating Rate.

"FLOATING RATE LOAN" means a Loan or portion thereof, which, except as otherwise provided in Section 2.12, bears interest at the Floating Rate.

"FOREIGN PENSION PLAN" means any employee benefit plan as described in Section 3(3) of ERISA for which the Company or any member of its Controlled Group is a sponsor or administrator and which (i) is maintained or contributed to for the benefit of employees of the Company, any of its respective Subsidiaries or any member of its Controlled Group, (ii) is not covered by ERISA pursuant to Section 4(b)(4) of ERISA, and (iii) under applicable local law, is required to be funded through a trust or other funding vehicle.

"FOREIGN SUBSIDIARY" means a Subsidiary of the Company which is not a Domestic Subsidiary.

"FORM 10" means the Form 10 General Report for Registration of Securities Pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934 filed on July 3, 2001 by the Company (File No. 0001144215) with the Commission in connection with the Spin-Off, together with all exhibits and appendices thereto, as amended prior to the Closing Date.

"GUARANTOR" means the Company and each Material Subsidiary of the Company (other than an SPV) that is a Domestic Subsidiary as of the Closing Date and each other Subsidiary that

has become a guarantor of the Obligations hereunder in accordance with the terms of Section 6.10.

"GUARANTY" means that certain Guaranty (and any and all supplements thereto) executed from time to time by each Guarantor (other than the Company) in favor of the Administrative Agent for the benefit of itself and the Lenders, in substantially the form of Exhibit H attached hereto, as amended, restated, supplemented or otherwise modified from time to time.

"INDEBTEDNESS" of a Person means, without duplication, (a) Indebtedness For Borrowed Money and (b) any other obligation or other financial accommodation which in accordance with Agreement Accounting Principles would be shown as a liability on the consolidated balance sheet of such Person (other than current accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade).

"INDEBTEDNESS FOR BORROWED MONEY" of a Person means, without duplication, (a) the obligations of such Person (i) for borrowed money or which has been incurred in connection with the acquisition of property or assets (other than current accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (ii) under or with respect to notes payable and drafts accepted which represent extensions of credit (whether or not representing obligations for borrowed money) to such Person, (iii) constituting reimbursement obligations with respect to letters of credit issued for the account of such Person or (iv) for the deferred purchase price of property or services (other than current accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (b) the Indebtedness For Borrowed Money of others, whether or not assumed, secured by Liens on property of such Person or payable out of the proceeds of, or production from, property or assets now or hereafter owned or acquired by such Person, (c) the Capitalized Lease Obligations of such Person, (d) the obligations of such Person under guaranties by such Person of any Indebtedness For Borrowed Money (other than obligations for borrowed money incurred to finance the purchase of property leased to such Person pursuant to a Capitalized Lease of such Person) of any other Person, (e) all Receivable Facility Attributed Indebtedness of such Person, (f) all Off-Balance Sheet Liabilities of such Person, and (g) all Disqualified Stock.

"INTEREST EXPENSE" means, for any period for any group of Persons, the total gross interest expense of such group of Persons, whether paid or accrued, including, without duplication, the interest component of Capitalized Leases, commitment and letter of credit fees, the discount or implied interest component of Off-Balance Sheet Liabilities, capitalized interest expense, pay-in-kind interest expense, amortization of debt discount and net payments (if any) pursuant to Financial Contracts relating to interest rate protection, all as determined on a consolidated basis in conformity with Agreement Accounting Principles.

"INTEREST EXPENSE COVERAGE RATIO" is defined in Section 6.19.2.

"INTEREST PERIOD" means, with respect to a Eurodollar Advance, a period of seven days or one, two, three or six months or such other period agreed to by the Lenders and the Borrowers, commencing on a Business Day selected by the applicable Borrower pursuant to this Agreement. Such Interest Period shall end on but exclude the day which corresponds numerically to such date seven days or one, two, three or six months or such other agreed upon

period thereafter, provided, however, that if there is no such numerically corresponding day in such seventh day or next, second, third or sixth succeeding month or such other succeeding period, such Interest Period shall end on the last Business Day of such seventh day or next, second, third or sixth succeeding month or such other succeeding period. If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day, provided, however, that if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day.

"IRS" means the United States Internal Revenue Service and any successor agency.

"LC FEE" is defined in Section 2.21.4.

"LC ISSUER" means Bank One (or any Affiliate of Bank One designated by Bank One) or any of the other Lenders, as applicable, in its respective capacity as issuer of Facility LCs hereunder.

"LC Obligations" means, at any time, the sum, without duplication, of (i) the aggregate undrawn stated amount of all Facility LCs outstanding at such time plus (ii) the aggregate unpaid amount at such time of all Reimbursement Obligations.

"LC PAYMENT DATE" is defined in Section 2.21.5.

"LENDERS" means the lending institutions listed on the signature pages of this Agreement and their respective successors and assigns. Unless otherwise specified, the term "Lender" includes Bank One in its capacity as Swing Line Lender.

"LENDER INCREASE NOTICE" is defined in Section 2.24.1.

"LENDING INSTALLATION" means, with respect to a Lender or the Agents, the office, branch, subsidiary or affiliate of such Lender or Agent listed on the signature pages hereof, or on the administrative information sheets provided to the Administrative Agent in connection herewith, or on a Schedule or otherwise selected by such Lender or Agent pursuant to Section 2.18.

"LEVERAGE RATIO" is defined in Section 6.19.1.

"LIEN" means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement, and, in the case of stock, stockholders agreements, voting trust agreements and all similar arrangements).

"LOAN" means a Revolving Loan or a Swing Line Loan, as applicable.

"LOAN DOCUMENTS" means this Agreement, the Facility LC Applications, the Guaranty, each Assumption Letter executed hereunder, and all other documents, instruments, notes (including any Notes issued pursuant to Section 2.14 (if requested)) and agreements executed in

connection herewith or therewith or contemplated hereby or thereby, as the same may be amended, restated or otherwise modified and in effect from time to time.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (i) the business, financial condition, operations or properties of the Company and its Subsidiaries taken as a whole, (ii) the ability of the Company or any of its Subsidiaries to perform its respective obligations under the Loan Documents to which it is a party, or (iii) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Agents, the LC Issuers or the Lenders thereunder.

"MATERIAL INDEBTEDNESS" is defined in Section 7.5.

"MATERIAL SUBSIDIARY" means each Borrower (other than the Company) and any other Subsidiary of the Company that at any time has (i) assets with a total book value equal to or greater than five percent (5%) of the aggregate book value of the Consolidated Total Assets of the Company and its Subsidiaries or (ii) Consolidated Net Worth that is equal to or greater than five percent (5%) of the Consolidated Net Worth of the Company and its Subsidiaries, or (iii) assets that contributed five percent (5%) or more of the Company's Consolidated Net Income, in each case as reported in the most recent annual audited financial statements delivered to the Lenders pursuant to Section 6.1(i) (or, prior to the delivery of the first of such annual audited financial statements, as reported in the Combined Balance Sheets).

"MODIFY" AND "MODIFICATION" are defined in Section 2.21.1.

"MOODY'S" means Moody's Investors Service, Inc. and any successor thereto.

"MOODY'S RATING" is defined in the Pricing Schedule.

"MULTIEMPLOYER PLAN" means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which the Company or any member of its Controlled Group is a party to which more than one employer is obligated to make contributions.

"NET INCOME" means, for any period for any group of Persons, the net earnings (or loss) after taxes of such group of Persons on a consolidated basis for such period taken as a single accounting period determined in conformity with Agreement Accounting Principles.

"NET WORTH CONDITION" means the requirement that, as of the Spin-Off Date and after the consummation of the Spin-Off Transactions (including as of and after taking into account any post-Spin-Off adjustments or other transactions between the Company or any of its Subsidiaries and NSI), the Consolidated Net Worth of the Company and its Subsidiaries shall not be less than the amount set forth in Section 6.19.3.

"NON-U.S. LENDER" is defined in Section 3.5(iv).

"NOTE" is defined in Section 2.14.

"NOTICE TO CONVERT" is defined in Section 2.3.3.

"NSI" means National Service Industries, Inc., a Delaware corporation.

"OBLIGATIONS" means all Loans, Reimbursement Obligations, advances, debts, liabilities, obligations, covenants and duties owing by the Borrowers to any of the Agents, any LC Issuer, any Lender, the Arranger, any affiliate of the Agents, any LC Issuer, or any Lender, the Arranger, or any indemnitee under the provisions of Section 10.6 or any other provisions of the Loan Documents, in each case of any kind or nature, present or future, arising under this Agreement or any other Loan Document, whether or not evidenced by any note, guaranty or other instrument, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, foreign exchange risk, guaranty, indemnification, or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired. The term includes, without limitation, all interest, charges, expenses, fees, attorneys' fees and disbursements, paralegals' fees (in each case whether or not allowed), and any other sum chargeable to the Company or any of its Subsidiaries under this Agreement or any other Loan Document.

"OFF-BALANCE SHEET LIABILITY" of a Person means (i) Receivables Facility Attributed Indebtedness and any repurchase obligation or liability of such Person or any of its Subsidiaries with respect to Receivables or notes receivable sold by such Person or any of its Subsidiaries (calculated to include the unrecovered investment of purchasers or transferees of Receivables or any other obligation of the Company or such transferor to purchasers/transferees of interests in Receivables or notes receivable or the agent for such purchasers/transferees), (ii) any liability under any sale and leaseback transaction which is not a Capitalized Lease, (iii) any liability under any financing lease or Synthetic Lease or "tax ownership operating lease" transaction entered into by such Person, including any Synthetic Lease Obligations, or (iv) any obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the consolidated balance sheets of such Person, but excluding from this clause (iv) Operating Leases.

"OPENING BALANCE SHEET DELIVERY DATE" means the date, which date shall occur no later than ninety (90) days after the Spin-Off Date, on which the Administrative Agent receives the Opening Pro Forma Balance Sheet pursuant to Section 6.1(iv).

"OPENING PRO FORMA BALANCE SHEET" means the opening consolidated pro forma balance sheet of the Company and its consolidated Subsidiaries (which shall be based on the actual October 31, 2001 financial statements of the Company and its Subsidiaries and shall give pro forma effect to the consummation of the Spin-Off) delivered pursuant to Section 6.01(iv).

"OPERATING LEASE" of a Person means any lease of Property (other than a Capitalized Lease) by such Person as lessee which has an original term (including any required renewals and any renewals effective at the option of the lessor) of one year or more.

"ORIGINATOR" means the Company and/or any of its Subsidiaries in their respective capacities as parties to any Receivables Purchase Documents, as sellers or transferors of any Receivables and Related Security in connection with a Permitted Receivables Transfer.

"OTHER TAXES" is defined in Section 3.5(ii).

"OUTSTANDING CREDIT EXPOSURE" means, as to any Lender at any time, the sum of (i) the aggregate principal amount of its Revolving Loans outstanding at such time, plus (ii) an amount equal to its Pro Rata Share of the obligations to purchase participations in Swing Line Loans, plus (iii) an amount equal to its Pro Rata Share of the LC Obligations at such time.

"PARTICIPANTS" is defined in Section 13.2.1.

"PAYMENT DATE" means the last day of each March, June, September and December, the Commitment Termination Date and, if applicable, the Converted Loan Termination Date.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"PERFORMANCE LC" means a Facility LC that is a documentary letter of credit which is drawable upon presentation of documents evidencing the sale or shipment of goods purchased by the Company or a Subsidiary in the ordinary course of business.

"PERMITTED LIENS" means the Liens expressly permitted under clauses (i) through (xv) of Section 6.13.

"PERMITTED RECEIVABLES TRANSFER" means (i) a sale or other transfer by an Originator to a SPV of Receivables and Related Security for fair market value and without recourse (except for limited recourse typical of such structured finance transactions), and/or (ii) a sale or other transfer (including the grant of Liens) by a SPV to (a) purchasers of, lenders on or other investors in such Receivables and Related Security (or interests therein) or (b) any other Person (including a SPV) in a transaction in which purchasers or other investors purchase or are otherwise transferred such Receivables and Related Security (or interests therein including Liens), in each case pursuant to and in accordance with the terms of the Receivables Purchase Documents.

"PERMITTED REFINANCING INDEBTEDNESS" means any replacement, renewal, refinancing or extension of any Indebtedness permitted by this Agreement that (i) does not exceed the aggregate principal amount (plus accrued interest and any applicable premium and associated fees and expenses) of the Indebtedness being replaced, renewed, refinanced or extended, (ii) does not have a Weighted Average Life to Maturity at the time of such replacement, renewal, refinancing or extension that is less than the Weighted Average Life to Maturity of the Indebtedness being replaced, renewed, refinanced or extended, and (iii) does not rank at the time of such replacement, renewal, refinancing or extension senior to the Indebtedness being replaced, renewed, refinanced or extended.

"PERSON" means any natural person, corporation, firm, joint venture, partnership, limited liability company, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

"PLAN" means an employee benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which the Company or any member of its Controlled Group may have any liability.

"PRICING SCHEDULE" means the Schedule identifying the Applicable Margin, Applicable Facility Fee Rate and Applicable Utilization Rate attached hereto identified as such.

"PRIME RATE" means a rate per annum equal to the prime rate of interest announced from time to time by Bank One or its parent (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"PRO FORMA FINANCIAL STATEMENTS" shall have the meaning given such term in Section 5.4(b).

"PROJECTIONS" shall have the meaning given such term in Section 5.4(b).

"PROPERTY" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

"PROPOSED NEW LENDER" is defined in Section 2.24.1.

"PRO RATA SHARE" means, with respect to a Lender, a portion equal to a fraction the numerator of which is such Lender's Commitment at such time (in each case, as adjusted from time to time in accordance with the provisions of this Agreement) and the denominator of which is the Aggregate Commitment at such time, or, if the Aggregate Commitment has been terminated, a fraction the numerator of which is such Lender's Outstanding Credit Exposure at such time and the denominator of which is the sum of the Aggregate Outstanding Credit Exposure at such time.

"PURCHASE PRICE" means the total consideration and other amounts payable in connection with any Acquisition, including, without limitation, any portion of the consideration payable in cash, the value of any Capital Stock or other equity interests of the Company or any Subsidiary issued as consideration for such Acquisition, all Indebtedness, liabilities and contingent obligations incurred or assumed in connection with such Acquisition and all transaction costs and expenses incurred in connection with such Acquisition.

"PURCHASERS" is defined in Section 13.3.1.

"RECEIVABLE(S)" means and includes all of applicable Originator's or SPV's presently existing and hereafter arising or acquired accounts, accounts receivable, and all present and future rights of such Originator or SPV, as applicable, to payment for goods sold or leased or for services rendered (except those evidenced by instruments or chattel paper), whether or not they have been earned by performance, and all rights in any merchandise or goods which any of the same may represent, and all rights, title, security, contracts, books and records, and guaranties with respect to each of the foregoing, including, without limitation, any right of stoppage in transit.

"RECEIVABLES AND RELATED SECURITY" means the Receivables and the related security and collections with respect thereto which are sold or transferred by any Originator or SPV in connection with any Permitted Receivables Transfer.

"RECEIVABLES FACILITY ATTRIBUTED INDEBTEDNESS" means the amount of obligations outstanding under a receivables purchase facility on any date of determination that would be characterized as principal if such facility were structured as a secured lending transaction rather than as a purchase.

"RECEIVABLES FACILITY FINANCING COSTS" means such portion of the cash fees, service charges, and other costs, as well as all collections or other amounts retained by purchasers of receivables pursuant to a receivables purchase facility, which are in excess of amounts paid to the Company and its consolidated Subsidiaries under any receivables purchase facility for the purchase of receivables pursuant to such facility and are the equivalent of the interest component of the financing if the transaction were characterized as an on-balance sheet transaction.

"RECEIVABLES PURCHASE DOCUMENTS" means any series of receivables purchase or sale, credit or servicing agreements generally consistent with terms contained in comparable structured finance transactions pursuant to which an Originator or Originators sell or transfer to SPVs all of their respective right, title and interest in and to certain Receivables and Related Security for further sale or transfer (or granting of Liens) to other purchasers of or investors in such assets or interests therein (and the other documents, instruments and agreements executed in connection therewith), as any such agreements may be amended, restated, supplemented or otherwise modified from time to time, or any replacement or substitution therefor.

"RECEIVABLES PURCHASE FINANCING" means any financing consisting of a securitization facility made available to the Company or any of its consolidated Subsidiaries, whereby the Receivables and Related Security (or interests therein) of the Originators are transferred to one or more SPVs, and thereafter to certain investors (or are used as collateral to enable one or more SPVs to obtain loans from certain investors), pursuant to the terms and conditions of the Receivables Purchase Documents.

"REDEEMABLE PREFERRED STOCK" means, for any Person, any preferred stock issued by such Person which is at any time prior to the Commitment Termination Date, or, if the Company has elected to convert the Advances hereunder to a term loan pursuant to Section 2.3.3, until the Converted Loan Termination Date, either (i) mandatorily redeemable (by required sinking fund or similar payments or otherwise) or (ii) redeemable at the option of the holder thereof.

"REGULATION D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

"REGULATION T" means Regulation T of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by and to brokers and dealers of securities for the purpose of purchasing or carrying margin stock (as defined therein).

"REGULATION U" means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks, non-banks and non-broker lenders for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

"REGULATION X" means Regulation X of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official

interpretation of said Board of Governors relating to the extension of credit by foreign lenders for the purpose of purchasing or carrying margin stock (as defined therein).

"REIMBURSEMENT OBLIGATIONS" means with respect to any LC Issuer, at any time, the aggregate of all obligations of the Borrowers then outstanding under Section 2.21 to reimburse such LC Issuer for amounts paid by such LC Issuer in respect of any one or more drawings under Facility LCs issued by such LC Issuer; or, as the context may require, all such Reimbursement Obligations then outstanding to reimburse all of the LC Issuers.

"REPORTABLE EVENT" means a reportable event, as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC has by regulation or otherwise waived the requirement of Section 4043(a) of ERISA that it be notified within thirty (30) days of the occurrence of such event, provided, however, that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"REQUIRED LENDERS" means Lenders in the aggregate having fifty-one percent (51%) or more of the Aggregate Commitment or, if the Aggregate Commitment has been terminated, Lenders in the aggregate holding fifty-one percent (51%) or more of the Aggregate Outstanding Credit Exposure.

"RESERVE REQUIREMENT" means, with respect to an Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on "Eurocurrency liabilities" (as defined in Regulation D).

"RESPONSE DATE" is defined in Section 2.23.

"REVOLVING LOAN" means, with respect to a Lender, such Lender's loan made pursuant to its commitment to lend set forth in Section 2.1 (and any conversion or continuation thereof).

"REVOLVING LOAN TERMINATION DATE" means October 1, 2002, or any later date as may be specified as the Revolving Loan Termination Date in accordance with Section 2.23.

"RISK BASED CAPITAL GUIDELINES" is defined in Section 3.2.

"S&P" means Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto.

"S&P RATING" is defined in the Pricing Schedule.

"SCHEDULE" refers to a specific schedule to this Agreement, unless another document is specifically referenced.

"SECTION" means a numbered section of this Agreement, unless another document is specifically referenced.

"SELLING LENDER" is defined in Section 2.24.2.

"SETTLEMENT DATE" is defined in Section 2.24.2.

"SINGLE EMPLOYER PLAN" means a Plan maintained by the Company or any member of its Controlled Group for employees of the Company or any member of its Controlled Group.

"SOLVENT" means, when used with respect to any Person, that at the time of determination:

(i) the fair value of its assets (both at fair valuation and at present fair saleable value) is equal to or in excess of the total amount of its liabilities, including, without limitation, contingent liabilities; and

(ii) it is then able and expects to be able to pay its debts as they mature; and

(iii) it has capital sufficient to carry on its business as conducted and as proposed to be conducted.

With respect to contingent liabilities (such as litigation, guarantees and pension plan liabilities), such liabilities shall be computed at the amount which, in light of all the facts and circumstances existing at the time, represent the amount which can be reasonably be expected to become an actual or matured liability.

"SPIN-OFF" means the distribution by NSI to its stockholders in a tax-free transaction of all of the outstanding capital stock of the Company such that the Company will become a separate publicly-held corporation owned directly by the stockholders of NSI to whom such distribution is made, in connection with which the Company shall have received an opinion of counsel in form and substance reasonably acceptable to the Administrative Agent concluding that the Spin-Off will be treated as a tax-free distribution by NSI under Section 355 of the Code (the "TAX OPINION").

"SPIN-OFF DATE" means the date on which the Spin-Off Transactions are consummated as contemplated by and in accordance with the Form 10.

"SPIN-OFF TERMINATION DATE" means December 31, 2001, but only if the Spin-Off Date has not occurred prior to such date.

"SPIN-OFF TRANSACTIONS" means the series of transactions contemplated by and described in the Form 10, including, but not limited to the Spin-Off.

"SPV" means any special purpose entity established for the purpose of purchasing receivables in connection with a Receivables Purchase Financing permitted under the terms of this Agreement.

"STANDBY LC" means any Facility LC other than a Performance LC.

"STOCKHOLDERS' EQUITY" means, at any time, the shareholders' equity of the Company and its consolidated Subsidiaries, as set forth or reflected on the most recent consolidated balance sheet of the Company and its consolidated Subsidiaries delivered pursuant to Section 6.1(i) and (ii), as applicable, but excluding any Redeemable Preferred Stock of the Company or any of its consolidated Subsidiaries.

"SUBSIDIARY" of a Person means (i) any corporation more than fifty percent (50%) of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, limited liability company, association, joint venture or similar business organization more than fifty percent (50%) of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of the Company.

"SUBSIDIARY BORROWER" means each of the Company's Subsidiaries listed on Schedule 1.1, and any other Subsidiaries of the Company duly designated by the Company pursuant to Section 2.22 to request Credit Extensions hereunder, which Subsidiary shall have delivered to the Administrative Agent an Assumption Letter in accordance with Section 2.22 and such other documents as may be required pursuant to this Agreement, in each case, together with its respective successors and assigns, including a debtor-in-possession on behalf of such Subsidiary Borrower.

"SUBSTANTIAL PORTION" means, with respect to the Property of the Company and its Subsidiaries, Property which (i) represents more than twenty percent (20%) of the consolidated assets of the Company and its Subsidiaries as would be shown in the consolidated financial statements of the Company and its Subsidiaries as at the end of the four fiscal quarter period ending with the fiscal quarter immediately prior to the fiscal quarter in which such determination is made, or (ii) is responsible for providing more than twenty percent (20%) of the Consolidated Net Income of the Company and its Subsidiaries as reflected in the financial statements referred to in clause (i) above.

"SWING LINE BORROWING NOTICE" is defined in Section 2.2.2.

"SWING LINE COMMITMENT" means the obligation of the Swing Line Lender to make Swing Line Loans up to a maximum principal amount of \$20,000,000 at any one time outstanding.

"SWING LINE LENDER" means Bank One or such other Lender which may succeed to its rights and obligations as Swing Line Lender pursuant to the terms of this Agreement.

"SWING LINE LOAN" means a Loan made available to the Borrowers by the Swing Line Lender pursuant to Section 2.2.

"SYNDICATION AGENT" means Wachovia Bank, N.A. in its capacity as the syndication agent for the Lenders pursuant to Article XI, and not in its individual capacity as a Lender, and any successor Syndication Agent appointed pursuant to Article XI.

"SYNTHETIC LEASE" means any so-called "synthetic", off-balance sheet or tax retention lease, or any other agreement for the use or possession of property creating obligations that are not treated as a capital lease under Agreement Accounting Principles, but that is treated as a financing under the Code.

"SYNTHETIC LEASE OBLIGATIONS" means, collectively, the payment obligations of the Company or any of its Subsidiaries pursuant to a Synthetic Lease.

"TAXES" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and any and all liabilities with respect to the foregoing, but excluding Excluded Taxes.

"TAX OPINION" is defined in the definition of "Spin-Off" above.

"TRANSACTION DOCUMENTS" means the Loan Documents and the documents executed and delivered by NSI, the Company or any of their respective Subsidiaries in connection with the Spin-Off, including, without limitation, the Form 10.

"TRANSFeree" is defined in Section 13.4.

"TYPE" means, with respect to any Advance, its nature as a Floating Rate Advance or a Eurodollar Advance.

"UNFUNDED LIABILITIES" means the amount (if any) by which the present value of all vested and unvested accrued benefits under all Single Employer Plans exceeds the fair market value of all such Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plans using PBGC actuarial assumptions for single employer plan terminations.

"UNMATURED DEFAULT" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

"UTILIZATION FEE" is defined in Section 2.6.2.

"WEIGHTED AVERAGE LIFE TO MATURITY" means when applied to any Indebtedness at any date, the number of years obtained by dividing (i) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by (ii) the then outstanding principal amount of such Indebtedness.

"WHOLLY-OWNED SUBSIDIARY" of a Person means (i) any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such Person or one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person, or (ii) any partnership, limited liability company, association, joint venture or similar business organization 100% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled;

provided that in the case of clause (i) or (ii) above, there shall be excluded (x) directors' qualifying shares, (y) nominal ownership interests in Foreign Subsidiaries required to be held by third parties under the laws of the foreign jurisdiction in which such Foreign Subsidiary is organized, or (z) Disqualified Stock or Redeemable Preferred Stock.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

Any accounting terms used in this Agreement which are not specifically defined herein shall have the meanings customarily given them in accordance with Agreement Accounting Principles.

1.2. REFERENCES. Any references to the Company's Subsidiaries shall not in any way be construed as consent by the Administrative Agent or any Lender to the establishment, maintenance or acquisition of any Subsidiary, except as may otherwise be permitted hereunder. All representations and warranties made on and as of the Closing Date with respect to the Borrowers shall also be and be deemed to include a reference to the Borrowers after taking into effect the consummation of the Spin-Off.

1.3. SUPPLEMENTAL DISCLOSURE. At any time at the reasonable request of the Administrative Agent (which shall not be done more frequently than on a quarterly basis in the absence of a Default) and at such additional times as the Company determines, the Company shall supplement each schedule or representation herein or in the other Loan Documents with respect to any matter hereafter arising which, if existing or occurring at the Effective Date, would have been required to be set forth as an exception to such representation or which is necessary to correct any information in such representation which has been rendered materially inaccurate thereby. Notwithstanding that any such supplement to such representation may disclose the existence or occurrence of events, facts or circumstances which are either prohibited by the terms of this Agreement or any other Loan Documents or which result in the material breach of any representation or warranty, such supplement to such representation shall not be deemed either an amendment thereof or a waiver of such breach unless expressly consented to in writing by Administrative Agent and the requisite number of Lenders under Section 8.2, and no such amendments, except as the same may be consented to in a writing which expressly includes a waiver, shall be or be deemed a waiver by the Administrative Agent or any Lender of any Default disclosed therein. Any items disclosed in any such supplemental disclosures shall be included in the calculation of any limits, baskets or similar restrictions contained in this Agreement or any of the other Loan Documents.

ARTICLE II

THE CREDITS

2.1. Commitment. From and including the Closing Date and prior to the Commitment Termination Date, upon the satisfaction of the conditions precedent set forth in Section 4.1, 4.2 and 4.3, as applicable, each Lender severally and not jointly agrees, on the terms and conditions set forth in this Agreement, to (i) make Revolving Loans to the Borrowers in Dollars and (ii) participate in Facility LCs issued upon the request of the Borrowers in Dollars, from time to time

in amounts not to exceed in the aggregate at any one time outstanding of its Pro Rata Share of the Available Aggregate Commitment; provided that at no time shall the Aggregate Outstanding Credit Exposure hereunder exceed the Aggregate Commitment. Subject to the terms of this Agreement, the Borrowers may borrow, repay and reborrow Revolving Loans at any time prior to the Commitment Termination Date. The Commitments to lend hereunder shall expire automatically on the Commitment Termination Date. The LC Issuers will issue Facility LCs hereunder on the terms and conditions set forth in Section 2.21.

2.2. Swing Line Loans.

2.2.1. Amount of Swing Line Loans. Upon the satisfaction of the conditions precedent set forth in Section 4.2 and, if such Swing Line Loan is to be made on the date of the initial Advance hereunder, the satisfaction of the conditions precedent set forth in Section 4.1 and 4.3 as well, from and including the Closing Date and prior to the Commitment Termination Date, the Swing Line Lender agrees, on the terms and conditions set forth in this Agreement, to make Swing Line Loans, in Dollars, to the Borrowers from time to time in an aggregate principal amount not to exceed the Swing Line Commitment, provided that the Aggregate Outstanding Credit Exposure shall not at any time exceed the Aggregate Commitment, and provided further that at no time shall the sum of (i) the Swing Line Lender's share of the obligations to participate in the Swing Line Loans, plus (ii) the outstanding Revolving Loans made by the Swing Line Lender pursuant to Section 2.1, exceed the Swing Line Lender's Commitment at such time. Subject to the terms of this Agreement, the Borrowers may borrow, repay and reborrow Swing Line Loans at any time prior to the Commitment Termination Date.

2.2.2. Borrowing Notice. The applicable Borrower shall deliver to the Administrative Agent and the Swing Line Lender irrevocable notice (a "SWING LINE BORROWING NOTICE") not later than 11:00 a.m. (Chicago time) on the Borrowing Date of each Swing Line Loan, specifying (i) the applicable Borrowing Date (which date shall be a Business Day), and (ii) the aggregate amount of the requested Swing Line Loan which shall be an amount not less than \$1,000,000 and integral multiples of \$500,000 in excess thereof. Each Swing Line Loan shall bear interest on the outstanding principal amount thereof, for each day from and including the day such Swing Line Loan is made to but excluding the date it is paid, at a rate per annum equal to the Alternate Base Rate.

2.2.3. Making of Swing Line Loans. Promptly after receipt of a Swing Line Borrowing Notice, the Administrative Agent shall notify each Lender by fax, or other similar form of transmission, of the requested Swing Line Loan. Not later than 2:00 p.m. (Chicago time) on the applicable Borrowing Date, the Swing Line Lender shall make available the Swing Line Loan, in funds immediately available in Chicago, to the Administrative Agent at its address specified pursuant to Article XIV. The Administrative Agent will promptly make the funds so received from the Swing Line Lender available to the applicable Borrower on the Borrowing Date at the Administrative Agent's aforesaid address.

2.2.4. Repayment of Swing Line Loans. Each Swing Line Loan shall be paid in full by the Borrowers on or before the fifth (5th) Business Day after the Borrowing Date for such Swing Line Loan. In addition, the Swing Line Lender (i) may at any time in its sole discretion with respect to any outstanding Swing Line Loan, or (ii) shall on the fifth (5th) Business Day after the

Borrowing Date of any Swing Line Loan, require each Lender (including the Swing Line Lender) to make a Revolving Loan in the amount of such Lender's Pro Rata Share of such Swing Line Loan (including, without limitation, any interest accrued and unpaid thereon), for the purpose of repaying such Swing Line Loan. Not later than 12:00 noon (Chicago time) on the date of any notice received pursuant to this Section 2.2.4, each Lender shall make available its required Revolving Loan, in funds immediately available in Chicago to the Administrative Agent at its address specified pursuant to Article XIV. Revolving Loans made pursuant to this Section 2.2.4 shall initially be Floating Rate Loans and thereafter may be continued as Floating Rate Loans or converted into Eurodollar Loans in the manner provided in Section 2.10 and subject to the other conditions and limitations set forth in this Article II. Unless a Lender shall have notified the Swing Line Lender, prior to its making any Swing Line Loan, that any applicable condition precedent set forth in Sections 4.1, 4.2 or 4.3 had not then been satisfied, such Lender's obligation to make Revolving Loans pursuant to this Section 2.2.4 to repay Swing Line Loans shall be unconditional, continuing, irrevocable and absolute and shall not be affected by any circumstances, including, without limitation, (a) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against any Agent, the Swing Line Lender or any other Person, (b) the occurrence or continuance of a Default or Unmatured Default, (c) any adverse change in the condition (financial or otherwise) of any Borrower, or (d) any other circumstances, happening or event whatsoever. In the event that any Lender fails to make payment to the Administrative Agent of any amount due under this Section 2.2.4, the Administrative Agent shall be entitled to receive, retain and apply against such obligation the principal and interest otherwise payable to such Lender hereunder until the Administrative Agent receives such payment from such Lender or such obligation is otherwise fully satisfied. In addition to the foregoing, if for any reason any Lender fails to make payment to the Administrative Agent of any amount due under this Section 2.2.4, such Lender shall be deemed, at the option of the Administrative Agent, to have unconditionally and irrevocably purchased from the Swing Line Lender, without recourse or warranty, an undivided interest and participation in the applicable Swing Line Loan in the amount of such Revolving Loan, and such interest and participation may be recovered from such Lender together with interest thereon at the Federal Funds Effective Rate for each day during the period commencing on the date of demand and ending on the date such amount is received. On the Commitment Termination Date, the Borrowers shall repay in full the outstanding principal balance of the Swing Line Loans.

2.3. Required Payments; Termination.

2.3.1. Required Payments. This Agreement shall be effective until the Commitment Termination Date, or, if the Company has elected to convert the Advances hereunder to a term loan pursuant to Section 2.3.3, until the Converted Loan Termination Date. Any outstanding Advances and all other unpaid Obligations shall be paid in full by the Borrowers on the Commitment Termination Date, or, if the Borrowers have elected to convert the Advances hereunder to a term loan pursuant to Section 2.3.3, the Converted Loan Termination Date.

2.3.2. Termination. Notwithstanding the termination of this Agreement on the Commitment Termination Date or the Converted Loan Termination Date, as applicable, until all of the Obligations (other than contingent indemnity obligations) shall have been fully paid and satisfied and all financing arrangements among the Borrowers and the Lenders hereunder and under the other Loan Documents shall have been terminated, all of the rights and remedies under

this Agreement and the other Loan Documents shall survive and the Administrative Agent shall be entitled to retain its security interest in and to all existing and future collateral (if any).

2.3.3. Conversion to Term Loan. Provided (i) the Spin-Off Transactions have been consummated and evidence of the same shall have been delivered to the Lenders and (ii) no Default or Unmatured Default shall be continuing, from and after the Closing Date to and including the Commitment Termination Date, at the Company's option upon written notice (a "NOTICE TO CONVERT") to the Administrative Agent (which shall promptly notify all of the Lenders), the Company, on behalf of all of the Borrowers, may convert the then outstanding aggregate principal amount of the Advances hereunder to a term loan. The Notice to Convert shall (i) expressly state the date on which such conversion shall occur (such date being the "CONVERSION DATE"), which date shall be a Business Day occurring on or before the Commitment Termination Date, (ii) be irrevocable once given and (iii) constitute a representation and warranty by the Borrowers that the conditions contained in Section 4.2 have been satisfied as of the date of such Notice to Convert and as of the Conversion Date. Upon delivery of such Notice to Convert, (i) the Borrowers' option to request extensions of the Revolving Loan Termination Date under Section 2.23 and to borrow and reborrow Revolving Loans hereunder shall terminate, (ii) the Aggregate Commitment shall be reduced to zero, and (iii) the aggregate principal balance of all Revolving Loans hereunder shall be due and payable on the earlier of (a) the Converted Loan Termination Date and (b) the date on which all Loans shall become due and payable under Article VIII.

2.4. Revolving Loans. Each Advance hereunder (other than any Swing Line Loan) shall consist of Revolving Loans made from the several Lenders ratably in proportion to the ratio that their respective Commitments bear to the Aggregate Commitment.

2.5. Types of Advances. The Advances may be Revolving Loans consisting of Floating Rate Advances or Eurodollar Advances, or a combination thereof, selected by the applicable Borrower in accordance with Sections 2.9 and 2.10, or Swing Line Loans selected by the applicable Borrower in accordance with Section 2.2.

2.6. Facility Fee; Utilization Fee; Reductions in Aggregate Commitment.

2.6.1. Facility Fee. The Borrowers agree to pay to the Administrative Agent for the account of each Lender a facility fee (the "FACILITY FEE") at a per annum rate equal to the Applicable Facility Fee Rate on the average daily amount of such Lender's Commitment (regardless of usage) (or, from and after the Commitment Termination Date, such Lender's average daily Outstanding Credit Exposure) from and including the Effective Date to and including the date on which this Agreement is terminated in full and all Obligations hereunder have been paid in full pursuant to Section 2.3, payable quarterly in arrears on each Payment Date hereafter and until all Obligations hereunder have been paid in full.

2.6.2. Utilization Fee. If, on any date prior to the Conversion Date, the Aggregate Outstanding Credit Exposure of all the Lenders hereunder exceeds thirty-three and one-third percent (33 1/3%) of the Aggregate Commitment hereunder (or, if the Commitments have been terminated, the Aggregate Commitment in effect immediately prior to such termination), the Borrowers will pay to the Administrative Agent for the ratable benefit of the Lenders a

utilization fee (the "UTILIZATION FEE") at a per annum rate equal to the Applicable Utilization Fee Rate on the Aggregate Outstanding Credit Exposure on such date, payable quarterly in arrears on each Payment Date and on the date this Agreement is terminated in full and all Obligations hereunder have been paid in full pursuant to Section 2.3. From and after the Conversion Date, for any period during which the Aggregate Outstanding Credit Exposure of all the Lenders hereunder (other than contingent indemnity obligations) exceeds thirty-three and one-third percent (33 1/3%) of the Aggregate Commitment as in effect immediately prior to the conversion of the Advances hereunder to a term loan on the Conversion Date, the Borrowers will pay to the Administrative Agent for the ratable benefit of the Lenders a Utilization Fee at a per annum rate equal to the Applicable Utilization Fee Rate on the Aggregate Outstanding Credit Exposure on such date, payable quarterly in arrears on each Payment Date and on the date this Agreement is terminated in full and all Obligations hereunder (other than contingent indemnity obligations) have been paid in full pursuant to Section 2.3.

2.6.3. Reductions in Aggregate Commitment. The Borrowers may permanently reduce the Aggregate Commitment in whole, or in part ratably among the Lenders in a minimum amount of \$5,000,000 (and in multiples of \$1,000,000 if in excess thereof), upon at least three (3) Business Days' prior written notice to the Administrative Agent of such reduction, which notice shall specify the amount of any such reduction; provided, however, that the amount of the Aggregate Commitment may not be reduced below the Aggregate Outstanding Credit Exposure. All accrued Facility Fees shall be payable on the effective date of any termination of all or any part of the obligations of the Lenders to make Credit Extensions hereunder.

2.7. Minimum Amount of Each Advance. Each Eurodollar Advance shall be in the minimum amount of \$5,000,000 (and in multiples of \$1,000,000 if in excess thereof), and each Floating Rate Advance shall be in the minimum amount of \$1,000,000 (and in multiples of \$250,000 if in excess thereof), provided, however, that any Floating Rate Advance may be in the amount of the Available Aggregate Commitment.

2.8. Optional Principal Payments. The Borrowers may from time to time pay, without penalty or premium, all outstanding Floating Rate Advances, or any portion of the outstanding Floating Rate Advances, in a minimum aggregate amount of \$1,000,000 or any integral multiple of \$250,000 in excess thereof, upon prior notice to the Administrative Agent at or before 12:00 noon (Chicago time) one (1) Business Day prior to the date of such payment. The Borrowers may from time to time pay, subject to the payment of any funding indemnification amounts required by Section 3.4 but without penalty or premium, all outstanding Eurodollar Advances, or, in a minimum aggregate amount of \$5,000,000 or any integral multiple of \$1,000,000 in excess thereof, any portion of the outstanding Eurodollar Advances upon five (5) Business Days' prior notice to the Administrative Agent. The Borrowers may at any time pay, without penalty or premium, all outstanding Swing Line Loans, or, in a minimum amount of \$1,000,000 and increments of \$500,000 in excess thereof, any portion of the outstanding Swing Line Loans, with notice to the Administrative Agent and the Swing Line Lender by 12:00 noon (Chicago time) on the date of repayment.

2.9. Method of Selecting Types and Interest Periods for New Advances.

2.9.1. Method of Selecting Types and Interest Periods for New Advances. Other than with respect to Swing Line Loans (which shall be governed by Section 2.2), the applicable Borrower shall select the Type of Advance and, in the case of each Eurodollar Advance, the Interest Period applicable thereto from time to time; provided that there shall be no more than ten (10) Interest Periods in effect with respect to all of the Revolving Loans at any time, unless such limit has been waived by the Administrative Agent in its sole discretion. The applicable Borrower shall give the Administrative Agent irrevocable notice (a "BORROWING NOTICE") not later than 10:00 a.m. (Chicago time) on the Borrowing Date of each Floating Rate Advance, and three (3) Business Days before the Borrowing Date for each Eurodollar Advance, specifying:

- (i) the Borrowing Date, which shall be a Business Day, of such Advance,
- (ii) the aggregate amount of such Advance,
- (iii) the Type of Advance selected, and
- (iv) in the case of each Eurodollar Advance, the Interest Period applicable thereto.

2.9.2. Method of Borrowing. On each Borrowing Date, each Lender shall make available its Loan or Loans, if any, not later than noon, Chicago time, in Federal or other funds immediately available to the Administrative Agent, in Chicago, Illinois at its address specified in or pursuant to Article XIV. Unless the Administrative Agent determines that any applicable condition specified in Article IV has not been satisfied, the Administrative Agent will make the funds so received from the Lenders available to the applicable Borrower at the Administrative Agent's aforesaid address by not later than 2:30 p.m. (Chicago time). Notwithstanding the foregoing provisions of this Section 2.9.2, to the extent that a Loan made by a Lender matures on the Borrowing Date of a requested Loan, such Lender shall apply the proceeds of the Loan it is then making to the repayment of principal of the maturing Loan.

2.10. Conversion and Continuation of Outstanding Advances; No Conversion or Continuation of Eurodollar Advances After Default. Floating Rate Advances shall continue as Floating Rate Advances unless and until such Floating Rate Advances are converted into Eurodollar Advances pursuant to this Section 2.10 or are repaid in accordance with Section 2.8. Each Eurodollar Advance shall continue as a Eurodollar Advance until the end of the then applicable Interest Period therefor, at which time such Eurodollar Advance shall be automatically converted into a Floating Rate Advance unless (x) such Eurodollar Advance is or was repaid in accordance with Section 2.8 or (y) the applicable Borrower shall have given the Administrative Agent a Conversion/Continuation Notice (as defined below) requesting that, at the end of such Interest Period, such Eurodollar Advance continue as a Eurodollar Advance for the same or another Interest Period or be converted into a Floating Rate Advance. Subject to the terms of Section 2.7, the Borrowers may elect from time to time to convert all or any part of an Advance of any Type into any other Type or Types of Advances; provided that any conversion of any Eurodollar Advance shall be made on, and only on, the last day of the Interest Period applicable thereto. Notwithstanding anything to the contrary contained in this Section 2.10, no Advance may be converted or continued as a Eurodollar Advance (except with the consent of the Required Lenders) when any Default or Unmatured Default is continuing. The applicable Borrower shall give the Administrative Agent irrevocable notice (a "CONVERSION/CONTINUATION

NOTICE") of each conversion of an Advance or continuation of a Eurodollar Advance not later than 10:00 a.m. (Chicago time) at least one (1) Business Day, in the case of a conversion into a Floating Rate Advance, or three (3) Business Days, in the case of a conversion into or continuation of a Eurodollar Advance, prior to the date of the requested conversion or continuation, specifying:

- (i) the requested date, which shall be a Business Day, of such conversion or continuation,
- (ii) the aggregate amount and Type of the Advance which is to be converted or continued, and
- (iii) the amount of such Advance which is to be converted into or continued as a Eurodollar Advance and the duration of the Interest Period applicable thereto.

Promptly after receipt of any Conversion/Continuation Notice, the Administrative Agent shall provide the Lenders with notice thereof.

2.11. Changes in Interest Rate, etc. Each Floating Rate Advance shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Advance is made or is automatically converted from a Eurodollar Advance into a Floating Rate Advance pursuant to Section 2.10, to but excluding the date it is paid or is converted into a Eurodollar Advance pursuant to Section 2.10 hereof, at a rate per annum equal to the Floating Rate for such day. Changes in the rate of interest on that portion of any Advance maintained as a Floating Rate Advance will take effect simultaneously with each change in the Alternate Base Rate. Each Eurodollar Advance shall bear interest on the outstanding principal amount thereof from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined by the Administrative Agent as applicable to such Eurodollar Advance based upon the applicable Borrower's selections under Sections 2.9 and 2.10 and otherwise in accordance with the terms hereof. Prior to the Commitment Termination Date, no Interest Period may end after the earlier of (a) the Revolving Loan Termination Date and (b) the Conversion Date; and, if the Borrowers have elected to convert the Advances to a term loan pursuant to Section 2.3.3, from and after the Conversion Date, no Interest Period may end after the Converted Loan Termination Date.

2.12. Rates Applicable After Default. During the continuance of a Default (including the Borrowers' failure to pay any Loan at maturity) the Required Lenders may, at their option, by notice to the Borrowers (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.2 requiring unanimous consent of the Lenders to changes in interest rates), declare that (i) the Advances, all fees or any other Obligations hereunder shall bear interest at the Floating Rate plus 2% per annum and (ii) the LC Fee shall be increased by 2% per annum, provided that, during the continuance of a Default under Section 7.6 or 7.7, such interest rate and such increase in the LC Fee set forth above shall be applicable to all Credit Extensions, Advances, fees and other Obligations hereunder without any election or action on the part of the Administrative Agent, any LC Issuer or any Lender.

2.13. Method of Payment. All payments of the Obligations hereunder shall be made, without setoff, deduction, or counterclaim, in immediately available funds to the Administrative Agent at the Administrative Agent's address specified pursuant to Article XIV, or at any other Lending Installation of the Administrative Agent specified in writing by the Administrative Agent to the Company, by 12:00 noon (Chicago time) on the date when due and shall (except (i) in the case of Reimbursement Obligations for which the applicable LC Issuer has not been fully indemnified by the Lenders or (ii) with respect to repayments of Swing Line Loans) be applied ratably by the Administrative Agent among the Lenders. Each payment delivered to the Administrative Agent for the account of any Lender shall be delivered promptly by the Administrative Agent to such Lender in the same type of funds that the Administrative Agent received at such Lender's address specified pursuant to Article XIV or at any Lending Installation specified in a notice received by the Administrative Agent from such Lender. Each reference to the Administrative Agent in this Section 2.13 shall also be deemed to refer, and shall apply equally, to the applicable LC Issuer, in the case of payments required to be made by the applicable Borrower to such LC Issuer pursuant to Section 2.21.6. The Administrative Agent is hereby authorized to charge the account of the Borrowers maintained with Bank One or any of its Affiliates for each payment of principal, interest and fees as it becomes due hereunder.

2.14. Noteless Agreement; Evidence of Indebtedness.

(i) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrowers to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(ii) The Administrative Agent shall also maintain accounts in which it will record (a) the date and the amount of each Revolving Loan made hereunder and Type thereof and the Interest Period, if any, applicable thereto, (b) the amount of any principal or interest due and payable or to become due and payable from any Borrower to each Lender hereunder, (c) the effective date and amount of each Assignment Agreement delivered to and accepted by it and the parties thereto pursuant to Section 13.3, (d) the original stated amount of each Facility LC and the amount of LC Obligations outstanding at any time, (e) the amount of any sum received by the Administrative Agent hereunder from the Borrowers and each Lender's share thereof, and (f) all other appropriate debits and credits as provided in this Agreement, including, without limitation, all fees, charges, expenses and interest.

(iii) The entries maintained in the accounts maintained pursuant to clauses (i) and (ii) above shall be prima facie evidence of the existence and amounts of the Obligations therein recorded in the absence of manifest error; provided, however, that the failure of the Administrative Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrowers to repay the Obligations in accordance with their terms.

(iv) Any Lender may request that its Loans be evidenced by a promissory note or, in the case of the Swing Line Lender, promissory notes representing its Revolving Loans and Swing Line Loans, respectively, substantially in the form of Exhibit E, with appropriate changes for notes evidencing Swing Line Loans (each, a "NOTE"). In such event, the Borrowers shall

prepare, execute and deliver to such Lender such Note or Notes payable to the order of such Lender. Thereafter, the Loans evidenced by each such Note and interest thereon shall at all times (including after any assignment pursuant to Section 13.3) be represented by one or more Notes payable to the order of the payee named therein or any assignee pursuant to Section 13.3, except to the extent that any such Lender or assignee subsequently returns any such Note for cancellation and requests that such Loans once again be evidenced as described in clauses (i) and (ii) above.

2.15. Telephonic Notices. The Borrowers hereby authorize the Lenders and the Administrative Agent to extend, convert or continue Advances, effect selections of Types of Advances and transfer funds based on telephonic notices made by any person or persons the Administrative Agent or any Lender in good faith believes to be acting on behalf of a Borrower, it being understood that the foregoing authorization is specifically intended to allow Borrowing Notices and Conversion/Continuation Notices to be given telephonically. The Borrowers agree to deliver promptly to the Administrative Agent a written confirmation, signed by an Authorized Officer, if such confirmation is requested by the Administrative Agent or any Lender, of each telephonic notice. If the written confirmation differs in any material respect from the action taken by the Administrative Agent and the Lenders, the records of the Administrative Agent and the Lenders shall govern absent manifest error.

2.16. Interest Payment Dates; Interest and Fee Basis. Interest accrued on each Floating Rate Advance and Swing Line Loan shall be payable in arrears on each Payment Date, commencing with the first such date to occur after the Closing Date, on any date on which the Floating Rate Advance or Swing Line Loan is prepaid, whether due to acceleration or otherwise, and at maturity. Interest accrued on that portion of the outstanding principal amount of any Floating Rate Advance converted into a Eurodollar Advance on a day other than a Payment Date shall be payable on the date of conversion. Interest accrued on each Eurodollar Advance shall be payable on the last day of its applicable Interest Period, on any date on which the Eurodollar Advance is prepaid, whether by acceleration or otherwise, and at maturity; provided, that interest accrued on each Eurodollar Advance having an Interest Period longer than three (3) months shall also be payable on the last day of each three-month interval during such Interest Period. Interest on Eurodollar Advances and Swing Line Loans and LC Fees, Facility Fees and Utilization Fees shall be calculated for actual days elapsed on the basis of a 360-day year; interest on Floating Rate Advances shall be calculated for actual days elapsed on the basis of a 365/366-day year. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to 12:00 noon (Chicago time) at the place of payment. If any payment of principal or interest on an Advance, any fees or any other amounts payable to any Agent or any Lender hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest, fees and commissions in connection with such payment.

2.17. Notification of Advances, Interest Rates, Prepayments and Commitment Reductions. Promptly after receipt thereof, the Administrative Agent will notify each Lender of the contents of each Aggregate Commitment reduction notice, Borrowing Notice, Swing Line Borrowing Notice, Conversion/Continuation Notice, and repayment notice received by it hereunder. Promptly after notice from the applicable LC Issuer, the Administrative Agent will

notify each Lender of the contents of each request for issuance of a Facility LC hereunder. The Administrative Agent will notify each Lender of the interest rate applicable to each Eurodollar Advance promptly upon determination of such interest rate and will give each Lender prompt notice of each change in the Alternate Base Rate.

2.18. Lending Installations. Subject to the provisions of Section 3.6, each Lender may book its Loans and its participation in any LC Obligations and the LC Issuers may book the Facility LCs at any Lending Installation selected by such Lender or the applicable LC Issuer, as the case may be, and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Loans, Facility LCs, participations in LC Obligations and any Notes issued hereunder shall be deemed held by each Lender or the applicable LC Issuer, as the case may be, for the benefit of any such Lending Installation. Subject to the provisions of Section 3.6, each Lender and each LC Issuer may, by written notice to the Administrative Agent and the Company in accordance with Article XIV, designate replacement or additional Lending Installations through which Loans will be made by it or Facility LCs will be issued by it and for whose account Loan payments or payments with respect to Facility LCs are to be made.

2.19. Non-Receipt of Funds by the Administrative Agent. Unless a Borrower or a Lender, as the case may be, notifies the Administrative Agent prior to the time on which it is scheduled to make payment to the Administrative Agent of (i) in the case of a Lender, the proceeds of a Loan or (ii) in the case of a Borrower, a payment of principal, interest or fees to the Administrative Agent for the account of the Lenders, that it does not intend to make such payment, the Administrative Agent may assume that such payment has been made. The Administrative Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Lender or Borrower, as the case may be, has not in fact made such payment to the Administrative Agent, the recipient of such payment shall, on demand by the Administrative Agent, repay to the Administrative Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Administrative Agent until the date the Administrative Agent recovers such amount at a rate per annum equal to (x) in the case of payment by a Lender, the Federal Funds Effective Rate for such day for the first three (3) days and, thereafter, the interest rate applicable to the relevant Loan or (y) in the case of payment by a Borrower, the interest rate applicable to the relevant Loan, including the interest rate applicable pursuant to Section 2.12.

2.20. Replacement of Lender. The Borrowers shall have the right, in their sole discretion, at any time and from time to time to terminate or replace the Commitment of any Lender (an "AFFECTED LENDER"), in whole, upon at least thirty (30) days' prior notice to the Administrative Agent and such Lender, (a) if such Lender has failed or refused to make available the full amount of any Revolving Loans as required by its Commitment hereunder, (b) if such Lender has been merged or consolidated with, or transferred all or substantially all of its assets to, or otherwise been acquired by any other Person, or (c) if such Lender has demanded that the Borrowers make any additional payment to any Lender pursuant to Section 3.1, 3.2 or 3.5, or if such Lender's obligation to make or continue, or convert Floating Rate Advances into, Eurodollar Advances has been suspended pursuant to Section 3.3; provided, however that no such Commitment termination shall reduce the Aggregate Commitment by more than fifteen

percent (15%) thereof; provided further, that no Default or Unmatured Default shall have occurred and be continuing at the time of such termination or replacement, and that, concurrently with such termination or replacement, (i) if the Affected Lender is being replaced, another bank or other entity which is reasonably satisfactory to the Borrowers and the Administrative Agent shall agree, as of such date, to purchase for cash the Advances and other Obligations due to the Affected Lender pursuant to an Assignment Agreement substantially in the form of Exhibit C and to become a Lender for all purposes under this Agreement and to assume all obligations of the Affected Lender to be terminated as of such date and to comply with the requirements of Section 13.3 applicable to assignments, (ii) the Borrowers shall pay to such Affected Lender in immediately available funds on the day of such replacement (A) all interest, fees and other amounts then accrued but unpaid to such Affected Lender by the Borrowers hereunder to and including the date of termination, including without limitation payments due to such Affected Lender under Sections 3.1, 3.2 and 3.5, to the extent applicable, and (B) an amount, if any, equal to the payment which would have been due to such Lender on the day of such replacement under Section 3.4 had the Loans of such Affected Lender been prepaid on such date rather than sold to the replacement Lender, and (iii) if the Affected Lender is being terminated, the Borrowers shall pay to such Affected Lender all Obligations due to such Affected Lender (including the amounts described in the immediately preceding clauses (i) and (ii) plus the outstanding principal balance of such Affected Lender's Credit Extensions).

2.21. Facility LCs.

2.21.1. Issuance; Transitional Facility LCs.

(i) Issuance. The LC Issuers hereby agree, on the terms and conditions set forth in this Agreement, to issue standby and performance letters of credit in Dollars (each, together with the letters of credit deemed issued by the LC Issuers hereunder pursuant to Section 2.21.1(ii), a "FACILITY LC") and to renew, extend, increase, decrease or otherwise modify each Facility LC ("MODIFY," and each such action a "MODIFICATION"), from time to time from and including the Closing Date and prior to the Revolving Loan Termination Date upon the request of any Borrower; provided that immediately after each such Facility LC is issued or Modified, (i) the aggregate amount of the outstanding LC Obligations shall not exceed \$75,000,000 and (ii) the Aggregate Outstanding Credit Exposure shall not exceed the Aggregate Commitment. Any Facility LC (x) may contain customary "evergreen" provisions pursuant to which the expiry date is automatically extended for a specific time period unless the LC Issuer gives notice to the beneficiary of such Facility LC at least a specified time prior to the expiry date then in effect and/or (y) may have an expiration date more than one year from the date of issuance if required under related industrial revenue bond documents and agreed to by the LC Issuer; provided that no Facility LC shall have an expiry date later than the first anniversary of the then effective Revolving Loan Termination Date.

(ii) Transitional Provision. Schedule 2.21 contains a schedule of certain letters of credit issued for the account of the Borrowers prior to the Closing Date. Subject to the satisfaction of the conditions contained in Sections 4.1, 4.2 and 4.3, from and after the Closing Date such letters of credit shall be deemed to be Facility LCs issued pursuant to this Section 2.21.

2.21.2. Participations. On the Closing Date, with respect to the Facility LCs identified on Schedule 2.21, and upon the issuance or Modification by the applicable LC Issuer of a Facility LC in accordance with this Section 2.21, such LC Issuer shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably sold to each Lender, and each Lender shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from such LC Issuer, a participation in such Facility LC (and each Modification thereof) and the related LC Obligations in proportion to its Pro Rata Share.

2.21.3. Notice. Subject to Section 2.21.1, the applicable Borrower shall give the applicable LC Issuer notice prior to 10:00 a.m. (Chicago time) at least five (5) Business Days prior to the proposed date of issuance or Modification of each Facility LC, specifying the beneficiary, the proposed date of issuance (or Modification) and the expiry date of such Facility LC, and describing the proposed terms of such Facility LC and the nature of the transactions proposed to be supported thereby. Upon receipt of such notice, the applicable LC Issuer shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Lender, of the contents thereof and of the amount of such Lender's participation in such proposed Facility LC. The issuance or Modification by any LC Issuer of any Facility LC shall, in addition to the conditions precedent set forth in Article IV (the satisfaction of which such LC Issuer shall have no duty to ascertain), be subject to the conditions precedent that such Facility LC shall be satisfactory to such LC Issuer and that the applicable Borrower shall have executed and delivered such application agreement and/or such other instruments and agreements relating to such Facility LC as the applicable LC Issuer shall have reasonably requested (each, a "FACILITY LC APPLICATION"). In the event of any conflict between the terms of this Agreement and the terms of any Facility LC Application, the terms of this Agreement shall control.

2.21.4. LC Fees. With respect to each Standby LC, the Borrowers shall pay to the Administrative Agent, for the account of the Lenders ratably in accordance with their respective Pro Rata Shares, a letter of credit fee at a per annum rate equal to the Applicable Margin for Eurodollar Loans in effect from time to time on the average daily undrawn stated amount under such Standby LC, such fees to be payable in arrears on each Payment Date (each such fee described in this sentence being an "LC FEE"). The Borrowers shall also pay to each LC Issuer for its own account (x) at the time of such LC Issuer's issuance of any Standby LC, a fronting fee equal to 0.125% per annum on the initial stated amount available for drawing under each such Facility LC issued by such LC Issuer, and (y) other customary, documentary and processing charges in connection with the issuance or Modification of and draws under Facility LCs in accordance with the applicable LC Issuer's standard schedule for such charges as in effect from time to time.

2.21.5. Administration; Reimbursement by Lenders. Upon receipt from the beneficiary of any Facility LC of any demand for payment under such Facility LC, the applicable LC Issuer shall notify the Administrative Agent and the Administrative Agent shall promptly notify the Company and each other Lender as to the amount to be paid by such LC Issuer as a result of such demand and the proposed payment date (the "LC PAYMENT DATE"). The responsibility of each LC Issuer to the Borrowers and each Lender shall be only to determine that the documents (including each demand for payment) delivered under each Facility LC issued by such LC Issuer in connection with such presentment shall be in conformity in all material respects with such Facility LC. Each LC Issuer shall endeavor to exercise the same care in the issuance and

administration of the Facility LCs issued by such LC Issuer as it does with respect to letters of credit in which no participations are granted, it being understood that in the absence of any gross negligence or willful misconduct by the applicable LC Issuer, each Lender shall be unconditionally and irrevocably liable without regard to the occurrence of any Default, the Commitment Termination Date or any condition precedent whatsoever, to reimburse such LC Issuer on demand for (i) such Lender's Pro Rata Share of the amount of each payment made by such LC Issuer under each Facility LC issued by such LC Issuer to the extent such amount is not reimbursed by the Borrowers pursuant to Section 2.21.6 below, plus (ii) interest on the foregoing amount to be reimbursed by such Lender, for each day from the date of the applicable LC Issuer's demand for such reimbursement (or, if such demand is made after 11:00 a.m. (Chicago time) on such date, from the next succeeding Business Day) to the date on which such Lender pays the amount to be reimbursed by it, at a rate of interest per annum equal to the Federal Funds Effective Rate for the first three days and, thereafter, at a rate of interest equal to the rate applicable to Floating Rate Advances.

2.21.6. Reimbursement by the Borrowers. The Borrowers shall be irrevocably and unconditionally obligated to reimburse the LC Issuers on or before the applicable LC Payment Date for any amounts to be paid by any LC Issuer upon any drawing under any Facility LC issued by such LC Issuer, without presentment, demand, protest or other formalities of any kind; provided that neither any Borrower nor any Lender shall hereby be precluded from asserting any claim for direct (but not consequential) damages suffered by such Borrower or such Lender to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the applicable LC Issuer in determining whether a request presented under any Facility LC issued by it complied with the terms of such Facility LC or (ii) the applicable LC Issuer's failure to pay under any Facility LC issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. Commencing on the date that the Administrative Agent gives notice to the Company by 11:00 a.m. (Chicago time) as required under Section 2.21.5 of the applicable LC Payment Date, all such amounts paid by any LC Issuer and remaining unpaid by the Borrowers shall bear interest, payable on demand, for each day from and including such LC Payment Date until paid at a rate per annum equal to (x) the rate applicable to Floating Rate Advances for such day if such day falls on or before the applicable LC Payment Date and (y) the sum of 2% plus the rate applicable to Floating Rate Advances for such day if such day falls after such LC Payment Date. Each LC Issuer will pay to each Lender ratably in accordance with its Pro Rata Share all amounts received by it from the Borrowers for application in payment, in whole or in part, of the Reimbursement Obligation in respect of any Facility LC issued by such LC Issuer, but only to the extent such Lender has made payment to such LC Issuer in respect of such Facility LC pursuant to Section 2.21.5. Subject to the terms and conditions of this Agreement (including without limitation the submission of a Borrowing Notice in compliance with Section 2.9 and the satisfaction of the applicable conditions precedent set forth in Article IV), the applicable Borrower may request an Advance hereunder for the purpose of satisfying any Reimbursement Obligation.

2.21.7. Obligations Absolute. The Borrowers' obligations under this Section 2.21 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which any Borrower may have or have had against any LC Issuer, any Lender or any beneficiary of a Facility LC. The Borrowers further agree with the LC Issuers and the Lenders that the LC Issuers and the Lenders shall not be responsible for, and no

Borrower's Reimbursement Obligation in respect of any Facility LC shall be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among any Borrower, any of its Affiliates, the beneficiary of any Facility LC or any financing institution or other party to whom any Facility LC may be transferred or any claims or defenses whatsoever of any Borrower or of any of its Affiliates against the beneficiary of any Facility LC or any such transferee. No LC Issuer shall be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Facility LC. The Borrowers agree that any action taken or omitted by any LC Issuer or any Lender under or in connection with each Facility LC and the related drafts and documents, if done without gross negligence or willful misconduct, shall be binding upon the Borrowers and shall not put any LC Issuer or any Lender under any liability to the Borrowers. Nothing in this Section 2.21.7 is intended to limit the right of the Borrowers to make a claim against any LC Issuer for damages as contemplated by the proviso to the first sentence of Section 2.21.6.

2.21.8. Actions of LC Issuers. Each LC Issuer shall be entitled to rely, and shall be fully protected in relying, upon any Facility LC, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, teletype, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by such LC Issuer. Each LC Issuer shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first have received such advice or concurrence of the Required Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Notwithstanding any other provision of this Section 2.21, each LC Issuer shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Lenders and any future holders of a participation in any Facility LC.

2.21.9. Indemnification. The Borrowers hereby agree to indemnify and hold harmless each Lender, each LC Issuer and the Administrative Agent, and their respective directors, officers, agents and employees from and against any and all claims and damages, losses, liabilities, costs or expenses which such Lender, such LC Issuer or the Administrative Agent may incur (or which may be claimed against such Lender, such LC Issuer or the Administrative Agent by any Person whatsoever) by reason of or in connection with the issuance, execution and delivery or transfer of or payment or failure to pay under any Facility LC or any actual or proposed use of any Facility LC, including, without limitation, any claims, damages, losses, liabilities, costs or expenses which any LC Issuer may incur by reason of or in connection with (i) the failure of any other Lender to fulfill or comply with its obligations to such LC Issuer hereunder (but nothing herein contained shall affect any rights the Borrowers may have against any defaulting Lender) or (ii) by reason of or on account of such LC Issuer issuing any Facility LC which specifies that the term "Beneficiary" included therein includes any successor by operation of law of the named Beneficiary, but which Facility LC does not require that any drawing by any such successor Beneficiary be accompanied by a copy of a legal document,

satisfactory to such LC Issuer, evidencing the appointment of such successor Beneficiary; provided that the Borrowers shall not be required to indemnify any Lender, any LC Issuer or the Administrative Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (x) the willful misconduct or gross negligence of the applicable LC Issuer in determining whether a request presented under any Facility LC issued by such LC Issuer complied with the terms of such Facility LC or (y) any LC Issuer's failure to pay under any Facility LC issued by such LC Issuer after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. Nothing in this Section 2.21.9 is intended to limit the obligations of the Borrowers under any other provision of this Agreement.

2.21.10. Lenders' Indemnification. Each Lender shall, ratably in accordance with its Pro Rata Share, indemnify each LC Issuer, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrowers) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct or the applicable LC Issuer's failure to pay under any Facility LC issued by such LC Issuer after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC) that such indemnitees may suffer or incur in connection with this Section 2.21 or any action taken or omitted by such indemnitees hereunder.

2.21.11. Facility LC Collateral Account.

(i) Each Borrower agrees that it will, as required by Section 8.1 and until the final expiration date of any Facility LC and thereafter as long as any amount is payable to the LC Issuers or the Lenders in respect of any Facility LC, maintain a special collateral account pursuant to arrangements satisfactory to the Administrative Agent (the "FACILITY LC COLLATERAL ACCOUNT") at the Administrative Agent's office at the address specified pursuant to Article XIV, in the name of such Borrower but under the sole dominion and control of the Administrative Agent, for the benefit of the Lenders and in which such Borrower shall have no interest other than as set forth in this Section 2.21.11. Each Borrower hereby pledges, assigns and grants to the Administrative Agent, on behalf of and for the ratable benefit of the Lenders and the LC Issuers, a security interest in all of such Borrower's right, title and interest in and to all funds which may from time to time be on deposit in the Facility LC Collateral Account to secure the prompt and complete payment and performance of the Obligations. The Administrative Agent will invest any funds on deposit from time to time in the Facility LC Collateral Account in certificates of deposit of Bank One having a maturity not exceeding 30 days. Nothing in this Section 2.21.11 shall either obligate the Administrative Agent to require the Borrowers to deposit any funds in the Facility LC Collateral Account or limit the right of the Administrative Agent to release any funds held in the Facility LC Collateral Account in each case other than as required by clause (iv) below.

(ii) If at any time while any Default is continuing, the Administrative Agent determines that the Collateral Shortfall Amount at such time is greater than zero, the Administrative Agent may make demand on the Borrowers to pay, and the Borrowers will, forthwith upon such demand and without any further notice or act, pay to the Administrative Agent the Collateral Shortfall Amount, which funds shall be deposited in the Facility LC Collateral Account.

(iii) The Administrative Agent may at any time or from time to time after funds are deposited in the Facility LC Collateral Account, apply such funds to the payment of the Obligations as shall from time to time have become due and payable by any Borrower to the Lenders or the LC Issuers under the Loan Documents.

(iv) If any Default is continuing, neither the Borrowers nor any Person claiming on behalf of or through the Borrowers shall have any right to withdraw any of the funds held in the Facility LC Collateral Account. After all of the Obligations have been indefeasibly paid in full (other than contingent indemnity obligations) and the Aggregate Commitment has been terminated, any funds remaining in the Facility LC Collateral Account shall be returned by the Administrative Agent to the Borrowers or paid to whomever may be legally entitled thereto at such time.

2.21.12. Rights as a Lender. In its capacity as a Lender, each LC Issuer shall have the same rights and obligations as any other Lender.

2.22. Subsidiary Borrowers. The Company may at any time or from time to time, add as a party to this Agreement any Wholly-Owned Subsidiary to be a Subsidiary Borrower hereunder by the execution and delivery to the Administrative Agent and the Lenders of (a) a duly completed Assumption Letter by such Subsidiary, with the written consent of the Borrowers at the foot thereof, (b) such guaranty and subordinated intercompany indebtedness documents and, if applicable, security documents as may be reasonably required by the Administrative Agent and such other opinions, agreements, documents, certificates or other items as may be required by Section 4.3, such documents with respect to any additional Subsidiaries to be substantially similar in form and substance to the Loan Documents executed on or about the date hereof by the Subsidiaries parties hereto as of the Closing Date. No Foreign Subsidiary may be a Subsidiary Borrower. Upon such execution, delivery and consent such Subsidiary shall for all purposes be a party hereto as a Subsidiary Borrower as fully as if it had executed and delivered this Agreement. So long as the principal of and interest on any Credit Extensions made to any Subsidiary Borrower under this Agreement shall have been repaid or paid in full, all Facility LCs issued for the account of such Subsidiary Borrower have expired or been returned and terminated and all other Obligations (other than contingent indemnity obligations) of such Subsidiary Borrower under this Agreement shall have been fully performed, the Company may, by not less than five (5) Business Days' prior notice to the Administrative Agent (which shall promptly notify the Lenders thereof), terminate such Subsidiary Borrower's status as a "Subsidiary Borrower" or "Borrower," and such Subsidiary Borrower shall be released from any future liability (other than contingent indemnity obligations) as a "Subsidiary Borrower" or "Borrower" hereunder or under the other Loan Documents. The Administrative Agent shall give the Lenders written of the addition of any Subsidiary Borrowers to this Agreement.

2.23. Extension of Revolving Loan Termination Date. The Company, on behalf of all of the Borrowers, may request extensions of the Revolving Loan Termination Date by submitting a request for an extension to the Administrative Agent (each, an "EXTENSION REQUEST") no more than sixty (60) and no less than forty-five (45) days prior to the then effective Revolving Loan Termination Date, which Extension Request shall specify (i) the new Revolving Loan Termination Date requested by the Borrowers, which new Revolving Loan Termination Date shall be a date not later than 364 days after the then current Revolving Loan Termination Date

and (ii) the date (which must be not more than thirty (30) days nor less than fifteen (15) days prior to the then effective Revolving Loan Termination Date) as of which the Lenders must respond to the Extension Request (the "RESPONSE DATE"). Promptly upon receipt of an Extension Request, the Administrative Agent shall notify each Lender thereof and shall request each Lender to approve the Extension Request. Each Lender approving the Extension Request shall deliver its written consent no later than the Response Date (and the failure to provide such written consent by such date shall be deemed to be a decision not to extend). The Commitment of each Lender that declines to extend with respect to the Aggregate Commitment may, at the option of the Company, be replaced in accordance with Section 13.3 (but only to the extent a replacement Lender is then available) or the Aggregate Commitment reduced. All Obligations due to each Lender that declines to extend its Commitment under this Section 2.23 shall be paid in full by the Borrowers to the Administrative Agent for the account of each such Lender on the then effective Revolving Loan Termination Date (without giving effect to any such requested extension thereto). The Required Lenders and the Borrowers must agree to any extension with respect to the Revolving Loan Termination Date for any such extension to become effective, and the Administrative Agent shall promptly notify the Borrowers and each Lender of any new Revolving Loan Termination Date.

2.24. Increase of Commitments.

(i) At any time prior to the Conversion Date, the Company may request that the Aggregate Commitment be increased; provided that, without the prior written consent of all of the Lenders, (a) the Aggregate Commitment shall at no time exceed \$300,000,000 minus the aggregate amount of all reductions in the Aggregate Commitment previously made pursuant to Section 2.6.3; and (b) each such request shall be in a minimum amount of at least \$25,000,000 and increments of \$5,000,000 in excess thereof. Such request shall be made in a written notice given to the Administrative Agent and the Lenders by the Company not less than twenty (20) Business Days prior to the proposed effective date of such increase, which notice (a "COMMITMENT INCREASE NOTICE") shall specify the amount of the proposed increase in the Aggregate Commitment and the proposed effective date of such increase. In the event of such a Commitment Increase Notice, each of the Lenders shall be given the opportunity to participate in the requested increase ratably in proportions that their respective Commitments bear to the Aggregate Commitment. No Lender shall have any obligation to increase its Commitment pursuant to a Commitment Increase Notice. On or prior to the date that is fifteen (15) Business Days after receipt of the Commitment Increase Notice, each Lender shall submit to the Administrative Agent a notice indicating the maximum amount by which it is willing to increase its Commitment in connection with such Commitment Increase Notice (any such notice to the Administrative Agent being herein a "LENDER INCREASE NOTICE"). Any Lender which does not submit a Lender Increase Notice to the Administrative Agent prior to the expiration of such fifteen (15) Business Day period shall be deemed to have denied any increase in its Commitment. In the event that the increases of Commitments set forth in the Lender Increase Notices exceed the amount requested by the Company in the Commitment Increase Notice, the Administrative Agent and the Arranger shall have the right, in consultation with the Company, to allocate the amount of increases necessary to meet the Company's Commitment Increase Notice. In the event that the Lender Increase Notices are less than the amount requested by the Company, not later than three (3) Business Days prior to the proposed effective date the Company may notify the Administrative Agent of any financial institution that shall have agreed

to become a "Lender" party hereto (a "PROPOSED NEW LENDER") in connection with the Commitment Increase Notice. Any Proposed New Lender shall be consented to by the Administrative Agent (which consent shall not be unreasonably withheld). If the Company shall not have arranged any Proposed New Lender(s) to commit to the shortfall from the Lender Increase Notices, then the Company shall be deemed to have reduced the amount of its Commitment Increase Notice to the aggregate amount set forth in the Lender Increase Notices. Based upon the Lender Increase Notices, any allocations made in connection therewith and any notice regarding any Proposed New Lender, if applicable, the Administrative Agent shall notify the Company and the Lenders on or before the Business Day immediately prior to the proposed effective date of the amount of each Lender's and Proposed New Lenders' Commitment (the "EFFECTIVE COMMITMENT AMOUNT") and the amount of the Aggregate Commitment, which amounts shall be effective on the following Business Day. Any increase in the Aggregate Commitment shall be subject to the following conditions precedent: (A) the Company shall have obtained the consent thereto of each Guarantor and its reaffirmation of the Loan Document(s) executed by it, which consent and reaffirmation shall be in writing and in form and substance reasonably satisfactory to the Administrative Agent, (B) as of the date of the Commitment Increase Notice and as of the proposed effective date of the increase in the Aggregate Commitment all representations and warranties shall be true and correct in all material respects as though made on such date and no event shall have occurred and then be continuing which constitutes a Default or Unmatured Default, (C) the Borrowers, the Administrative Agent and each Proposed New Lender or Lender that shall have agreed to provide a "Commitment" in support of such increase in the Aggregate Commitment shall have executed and delivered a "Commitment and Acceptance" substantially in the form of Exhibit J hereto, (D) counsel for the Borrowers and for the Guarantors shall have provided to the Administrative Agent supplemental opinions in form and substance reasonably satisfactory to the Administrative Agent and (E) the Borrowers and the Proposed New Lender shall otherwise have executed and delivered such other instruments and documents as may be required under Article IV or that the Administrative Agent shall have reasonably requested in connection with such increase. If any fee shall be charged by the Lenders in connection with any such increase, such fee shall be in accordance with then prevailing market conditions, which market conditions shall have been reasonably documented by the Administrative Agent to the Company. Upon satisfaction of the conditions precedent to any increase in the Aggregate Commitment, the Administrative Agent shall promptly advise the Company and each Lender of the effective date of such increase. Upon the effective date of any increase in the Aggregate Commitment that is supported by a Proposed New Lender, such Proposed New Lender shall be a party to this Agreement as a Lender and shall have the rights and obligations of a Lender hereunder and thereunder. Nothing contained herein shall constitute, or otherwise be deemed to be, a commitment on the part of any Lender to increase its Commitment hereunder at any time.

(ii) For purposes of this clause (ii), (A) the term "Buying Lender(s)" shall mean (1) each Lender the Effective Commitment Amount of which is greater than its Commitment prior to the effective date of any increase in the Aggregate Commitment, and (2) each Proposed New Lender that is allocated an Effective Commitment Amount in connection with any Commitment Increase Notice and (b) the term "Selling Lender(s)" shall mean each Lender whose Commitment is not being increased from that in effect prior to such increase in the Aggregate Commitment. Effective on the effective date of any increase in the Aggregate Commitment pursuant to clause (i) above, each Selling Lender hereby sells, grants, assigns and conveys to

each Buying Lender, without recourse, warranty, or representation of any kind, except as specifically provided herein, an undivided percentage in such Selling Lender's right, title and interest in and to its outstanding Loans in the respective dollar amounts and percentages necessary so that, from and after such sale, each such Selling Lender's outstanding Loans shall equal such Selling Lender's Pro Rata Share (calculated based upon the Effective Commitment Amounts) of the outstanding Loans. Effective on the effective date of the increase in the Aggregate Commitment pursuant to clause (i) above, each Buying Lender hereby purchases and accepts such grant, assignment and conveyance from the Selling Lenders. Each Buying Lender hereby agrees that its respective purchase price for the portion of the outstanding Loans purchased hereby shall equal the respective dollar amount necessary so that, from and after such payments, each Buying Lender's outstanding Loans shall equal such Buying Lender's Pro Rata Share (calculated based upon the Effective Commitment Amounts) of the outstanding Loans. Such amount shall be payable on the effective date of the increase in the Aggregate Commitment by wire transfer of immediately available funds to the Administrative Agent. The Administrative Agent, in turn, shall wire transfer any such funds received to the Selling Lenders, in same day funds, for the sole account of the Selling Lenders. Each Selling Lender hereby represents and warrants to each Buying Lender that such Selling Lender owns the Loans being sold and assigned hereby for its own account and has not sold, transferred or encumbered any or all of its interest in such Loans, except for participations which will be extinguished upon payment to Selling Lender of an amount equal to the portion of the outstanding Loans being sold by such Selling Lender. Each Buying Lender hereby acknowledges and agrees that, except for each Selling Lender's representations and warranties contained in the foregoing sentence, each such Buying Lender has entered into its Commitment and Acceptance with respect to such increase on the basis of its own independent investigation and has not relied upon, and will not rely upon, any explicit or implicit written or oral representation, warranty or other statement of the Lenders or the Administrative Agent concerning the authorization, execution, legality, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or the other Loan Documents. The Borrowers hereby agree to compensate each Selling Lender for all losses, expenses and liabilities incurred by each Lender in connection with the sale and assignment of any Loan hereunder on the terms and in the manner as set forth in Section 3.4.

2.25. Interest. In no event shall the amount of interest, and all charges, amounts or fees contracted for, charged or collected pursuant to this Agreement, the Notes or the other Loan Documents and deemed to be interest under applicable law (collectively, "INTEREST") exceed the highest rate of interest allowed by applicable law (the "MAXIMUM RATE"), and in the event any such payment is inadvertently received by the Administrative Agent or any Lender then the excess sum (the "EXCESS") shall be credited as a payment of principal, unless the relevant Borrower shall notify the Administrative Agent in writing that it elects to have the Excess returned forthwith. It is the express intent hereof that no Borrower pay, and the Administrative Agent and the Lenders not receive, directly or indirectly in any manner whatsoever, interest in excess of that which may legally be paid by such Borrower under applicable law. The right to accelerate maturity of any of the Obligations does not include the right to accelerate any interest that has not otherwise accrued on the date of such acceleration, and the Administrative Agent and the Lenders do not intend to collect any unearned interest in the event of any such acceleration. All monies paid to the Administrative Agent or the Lenders hereunder or under any of the Notes or the other Loan Documents, whether at maturity or by prepayment, shall be subject to rebate of unearned interest as and to the extent required by applicable law. By the

execution of this Agreement, each Borrower covenants, to the fullest extent permitted by law that (i) the credit or return of any Excess shall constitute the acceptance by such Borrower of such Excess, and (ii) such Borrower shall not seek or pursue any other remedy, legal or equitable, against the Administrative Agent or any Lender, based in whole or in part upon contracting for charging or receiving any Interest in excess of the Maximum Rate. For the purpose of determining whether or not any Excess has been contracted for, charged or received by the Administrative Agent or any Lender, all interest at any time contracted for, charged or received from such Borrower in connection with this Agreement, the Notes or any of the other Loan Documents shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread in equal parts throughout the full term of the Commitments. Each Borrower, the Administrative Agent and each Lender shall, to the maximum extent permitted under applicable law, (i) characterize any non-principal payment as an expense, fee or premium rather than as Interest and (ii) exclude voluntary prepayments and the effects thereof. The provisions of this Section shall be deemed to be incorporated into each Note and each of the other Loan Documents (whether or not any provision of this Section is referred to therein). All such Loan Documents and communications relating to any Interest owed by any Borrower and all figures set forth therein shall, for the sole purpose of computing the extent of obligations hereunder and under the Notes and the other Loan Documents be automatically recomputed by such Borrower, and by any court considering the same, to give effect to the adjustments or credits required by this Section.

ARTICLE III

YIELD PROTECTION; TAXES

3.1. Yield Protection. If, on or after the Effective Date, the adoption of any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any change in any such law, rule, regulation, policy, guideline or directive or in the interpretation or administration thereof by any governmental or quasi-governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender or applicable Lending Installation or any LC Issuer with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

- (i) subjects any Lender or any applicable Lending Installation or any LC Issuer to any Taxes, or changes the basis of taxation of payments (other than with respect to Excluded Taxes) to any Lender or any LC Issuer in respect of its Eurodollar Loans, Facility LCs or participations therein, or
- (ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any applicable Lending Installation or any LC Issuer (other than reserves and assessments taken into account in determining the interest rate applicable to Eurodollar Advances), or
- (iii) imposes any other condition the result of which is to increase the cost to any Lender or any applicable Lending Installation or any LC Issuer of making,

funding or maintaining its Eurodollar Loans or Commitment, or of issuing or participating in Facility LCs, or reduces any amount receivable by any Lender or any applicable Lending Installation or any LC Issuer in connection with its Eurodollar Loans or Commitment, Facility LCs or participations therein, or requires any Lender or any applicable Lending Installation or any LC Issuer to make any payment calculated by reference to the amount of Eurodollar Loans or Commitment, Facility LCs or participants therein held or interest of LC Fees received by it, by an amount deemed material by such Lender or such LC Issuer as the case may be,

and the result of any of the foregoing is to increase the cost to such Lender or applicable Lending Installation or such LC Issuer, as the case may be, of making or maintaining its Eurodollar Loans or Commitment or of issuing or participating in Facility LCs or to reduce the return received by such Lender or applicable Lending Installation or such LC Issuer, as the case may be, in connection with such Eurodollar Loans or Commitment, Facility LCs or participations therein, then, within fifteen (15) days of demand by such Lender, the Borrowers shall pay such Lender or LC Issuer such additional amount or amounts as will compensate such Lender or such LC Issuer, as the case may be, for such increased cost or reduction in amount received; provided, that the Borrowers shall not be required to compensate a Lender or LC Issuer under this Section for any increased costs or reductions incurred more than 90 days prior to the date that such Lender or LC Issuer notifies the Company in writing of such increased costs or reductions and of such Lender's or LC Issuer's intention to claim compensation therefor; provided, further, that if such adoption or such change giving rise to such increased costs or reduction is retroactive such 90-day period shall be extended to include the period of retroactive effect.

3.2. Changes in Capital Adequacy Regulations. If a Lender or any LC Issuer determines the amount of capital required or expected to be maintained by such Lender, such LC Issuer, any Lending Installation of such Lender or such LC Issuer, or any corporation controlling such Lender or such LC Issuer, is increased as a result of a Change, then, within fifteen (15) days of demand by such Lender, or such LC Issuer, the Borrowers shall pay such Lender or such LC Issuer the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Lender or such LC Issuer determines is attributable to this Agreement, its Outstanding Credit Exposure or its Commitment to make Loans and issue or participate in Facility LCs, as the case may be, hereunder (after taking into account such Lender's or such LC Issuer's policies as to capital adequacy); provided, that the Borrowers shall not be required to pay to such Lender or LC Issuer such additional amounts under this Section for any amount incurred as a result of such Change more than 90 days prior to the date that such Lender or LC Issuer notifies the Company in writing of such Change and of such Lender's or LC Issuer's intention to claim compensation therefor; provided, further, that if such Change giving rise to such amounts is retroactive such 90-day period shall be extended to include the period of retroactive effect. "CHANGE" means (i) any change after the Effective Date in the Risk-Based Capital Guidelines or (ii) any adoption of, change in, or change in the interpretation or administration of any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the Effective Date which affects the amount of capital required or expected to be maintained by any Lender or any LC Issuer or any Lending Installation or any corporation controlling any Lender or any LC Issuer. "RISK-BASED CAPITAL GUIDELINES" means (i) the risk-based capital guidelines in effect in

the United States on the Effective Date, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States implementing the July 1988 report of the Basle Committee on Banking Regulation and Supervisory Practices Entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the Effective Date.

3.3. Availability of Types of Advances. If (x) any Lender determines that maintenance of its Eurodollar Loans at a suitable Lending Installation would violate any applicable law, rule, regulation or directive, whether or not having the force of law, or (y) the Required Lenders determine that (i) deposits of a type and maturity appropriate to match fund Eurodollar Advances are not available or (ii) the interest rate applicable to Eurodollar Advances does not accurately reflect the cost of making or maintaining Eurodollar Advances, or (iii) no reasonable basis exists for determining the Eurodollar Base Rate, then the Administrative Agent shall suspend the availability of Eurodollar Advances and require any affected Eurodollar Advances to be immediately repaid or converted to Floating Rate Advances, subject to the payment of any funding indemnification amounts required by Section 3.4.

3.4. Funding Indemnification. If any payment of a Eurodollar Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or a Eurodollar Advance is not made or continued, or a Floating Rate Advance is not converted into a Eurodollar Advance, on the date specified by any Borrower for any reason other than default by the Lenders, or a Eurodollar Advance is not prepaid on the date specified by the applicable Borrower for any reason, the Borrowers will indemnify each Lender for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain such Eurodollar Advance.

3.5. Taxes.

(i) All payments by the Borrowers to or for the account of any Lender, any LC Issuer or Agent hereunder or under any Note or Facility LC Application shall be made free and clear of and without deduction for any and all Taxes. If any Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Lender, any LC Issuer or Agent, (a) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.5) such Lender, such LC Issuer or Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (b) such Borrower shall make such deductions, (c) such Borrower shall pay the full amount deducted to the relevant authority in accordance with applicable law and (d) such Borrower shall furnish to the Administrative Agent the original copy of a receipt evidencing payment thereof within thirty (30) days after such payment is made.

(ii) In addition, the Borrowers hereby agree to pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any Note or Facility LC Application or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note or Facility LC Application ("OTHER TAXES").

(iii) The Borrowers hereby agree to indemnify the Agents, the LC Issuers and each Lender for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed on amounts payable under this Section 3.5) paid by the Agents, the LC Issuers or such Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Payments due under this indemnification shall be made within thirty (30) days of the date the Agents, the LC Issuers or such Lender makes demand therefor pursuant to Section 3.6.

(iv) Each Lender that is not incorporated under the laws of the United States of America or a state thereof (each a "NON-U.S. LENDER") agrees that it will, not more than ten (10) Business Days after the date on which it becomes a party to this Agreement, (i) deliver to each of the Company and the Administrative Agent two (2) duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI, certifying in either case that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, and (ii) deliver to each of the Company and the Administrative Agent a United States Internal Revenue Form W-8 or W-9, as the case may be, and certify that it is entitled to an exemption from United States backup withholding tax. Each Non-U.S. Lender further undertakes to deliver to each of the Company and the Administrative Agent (x) renewals or additional copies of such form (or any successor form) on or before the date that such form expires or becomes obsolete, and (y) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments thereto as may be reasonably requested by the Company or the Administrative Agent. All forms or amendments described in the preceding sentence shall certify that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form or amendment with respect to it and such Lender advises the Company and the Administrative Agent in writing that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(v) For any period during which a Non-U.S. Lender has failed to provide the Company with an appropriate form pursuant to clause (iv), above (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which a form originally was required to be provided), such Non-U.S. Lender shall not be entitled to indemnification under this Section 3.5 with respect to Taxes imposed by the United States, and each Borrower, if required by law to do so, shall be permitted to withhold such Taxes and pay the same to the appropriate United States taxing authority; provided that, should a Non-U.S. Lender which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver a form required under clause (iv), above, the Borrowers shall take such steps as such Non-U.S. Lender shall reasonably request to assist such Non-U.S. Lender to recover such Taxes.

(vi) Any Lender that is entitled to an exemption from or reduction of withholding tax with respect to payments under this Agreement or any Note pursuant to the law of any relevant jurisdiction or any treaty shall deliver to the Company (with a copy to the Administrative Agent),

at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

(vii) If the IRS or any other governmental authority of the United States or any other country or any political subdivision thereof asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered or properly completed, because such Lender failed to notify the Administrative Agent of a change in circumstances which rendered its exemption from withholding ineffective, or for any other reason), such Lender shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax, withholding therefor, or otherwise, including penalties and interest, and including taxes imposed by any jurisdiction on amounts payable to the Administrative Agent under this subsection, together with all costs and expenses related thereto (including attorneys' fees and time charges of attorneys for the Administrative Agent, which attorneys may be employees of the Administrative Agent). The obligations of the Lenders under this Section 3.5(vii) shall survive the payment of the Obligations and termination of this Agreement.

(viii) Within 60 days after receipt of the written request of the Company, each Lender, LC Issuer and Agent shall execute and deliver such certificates, forms or other documents, which in each such case can be reasonably furnished by such Lender, LC Issuer or Agent consistent with the facts and which are reasonably necessary to assist any Borrower in applying for refunds of Taxes remitted by such Borrower hereunder.

(ix) Each Lender, LC Issuer and Agent shall also use commercially reasonable efforts to avoid and minimize any amounts which might otherwise be payable by any Borrower pursuant to this Section 3.5, except to the extent that such Lender, LC Issuer or Agent, determines that such efforts would be disadvantageous to such Lender, LC Issuer or Agent, as determined by such Lender, LC Issuer or Agent and which determination, if made in good faith, shall be binding and conclusive on all parties hereto.

(x) To the extent that the payment of any Lender's, LC Issuer's or Agent's Taxes by any Borrower hereunder gives rise from time to time to a Tax Benefit to such Lender, LC Issuer or Agent in any jurisdiction other than the jurisdiction which imposed such Taxes, such Lender, LC Issuer or Agent shall pay to such Borrower the amount of each such Tax Benefit so recognized or received. The amount of each Tax Benefit and, therefore, payment to such Borrower will be determined from time to time by the relevant Lender, LC Issuer or Agent in its sole discretion, which determination shall be binding and conclusive on all parties hereto. Each such payment will be due and payable by such Lender, LC Issuer or Agent to such Borrower within a reasonable time after the filing of the tax return in which such Tax Benefit is recognized or, in the case of any tax refund, after the refund is received; provided, however, if at any time thereafter such Lender, LC Issuer or Agent, is required to rescind such Tax Benefit or such Tax Benefit is otherwise disallowed or nullified, the relevant Borrower shall promptly, after notice thereof from such Lender, LC Issuer or Agent, repay to such Lender, LC Issuer or Agent the amount of such Tax Benefit previously paid to such Lender, LC Issuer or Agent and which has been rescinded, disallowed or nullified. For purposes hereof, the term "Tax Benefit" shall mean the amount by which any Lender's, LC Issuer's or Agent's income tax liability for the taxable

period in question is reduced below what would have been payable had the relevant Borrower not been required to pay such Lender's LC Issuer's or Agent's Taxes hereunder.

3.6. Lender Statements; Survival of Indemnity. To the extent reasonably possible, each Lender shall designate an alternate Lending Installation with respect to its Eurodollar Loans to reduce any liability of the Borrowers to such Lender under Sections 3.1, 3.2 and 3.5 or to avoid the unavailability of Eurodollar Advances under Section 3.3, so long as such designation is not, in the judgment of such Lender, disadvantageous to such Lender. Each Lender shall deliver a written statement of such Lender to the Company (with a copy to the Administrative Agent) as to the amount due, if any, under Section 3.1, 3.2, 3.4 or 3.5. Such written statement shall set forth in reasonable detail the calculations upon which such Lender determined such amount and shall be final, conclusive and binding on the Borrowers in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Loan shall be calculated as though each Lender funded its Eurodollar Loan through the purchase of a deposit of the type, currency and maturity corresponding to the deposit used as a reference in determining the Eurodollar Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement of any Lender shall be payable on demand after receipt by the Company of such written statement. The obligations of the Borrowers under Sections 3.1, 3.2, 3.4 and 3.5 shall survive payment of the Obligations and termination of this Agreement.

3.7. Mitigation of Obligations. If any Lender requests compensation under Section 3.2 or if any Borrower is required to pay any additional amount to any Lender or any governmental authority for the account of any Lender pursuant to Section 3.1, then such Lender shall use commercially reasonable efforts to designate a different Lending Installation for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the sole discretion of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable under Section 3.1 or Section 3.2, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrowers hereby agree to pay all costs and expenses incurred by any Lender in connection with such designation or assignment.

ARTICLE IV

CONDITIONS PRECEDENT

4.1. Initial Credit Extension. The Lenders shall not be required to make the initial Credit Extension hereunder unless (a) the representations and warranties contained in Article V are true and correct in all material respects as of such date and (b) the Company has furnished to the Agents with sufficient copies for the Lenders:

- (i) Copies of the articles or certificates of incorporation (or similar Constitutive Documents) of the Company and each Guarantor (each a "LOAN PARTY"), together with all amendments thereto, and a certificate of good standing, each certified by the appropriate governmental officer in its jurisdiction of incorporation.

- (ii) Copies, certified by the Secretary or Assistant Secretary of each Loan Party of its by-laws (or similar Constitutive Documents) and of its Board of Directors' resolutions and of resolutions or actions of any other body authorizing the execution of the Loan Documents to which it is a party.
- (iii) An incumbency certificate, executed by the Secretary or Assistant Secretary of each Loan Party, which shall identify by name and title and bear the signatures of the Authorized Officers and any other officers of such Loan Party authorized to sign the Loan Documents to which it is a party and, in the case of the Borrowers, to request Loans hereunder, upon which certificate the Agents and the Lenders shall be entitled to rely until informed of any change in writing by the applicable Loan Party.
- (iv) An opening compliance certificate in substantially the form of Exhibit B, signed by the chief financial officer or treasurer of the Company, showing the calculations necessary to determine compliance with this Agreement on the initial Credit Extension Date and stating that on the initial Credit Extension Date (a) no Default or Unmatured Default has occurred and is continuing, (b) all of the representations and warranties in Article V shall be true and correct in all material respects as of such date and (c) no material adverse change in the business, financial condition or operations of NSI or any of its Subsidiaries has occurred since May 31, 2001.
- (v) A certificate in form and substance satisfactory to the Administrative Agent, signed by the chief financial officer of the Company in his or her representative capacity, stating that on the date of the initial funding hereunder, after taking into consideration all information available at such time, such officer does not know of any information that would prevent the Net Worth Condition from being satisfied as of the Spin-Off Date, after giving effect to the Spin-Off Transactions and after all post-closing adjustments or other transactions between the Company or any of its Subsidiaries and NSI have been made in connection therewith.
- (vi) A certificate in form and substance satisfactory to the Administrative Agent from the chief financial officer of the Company (in his or her representative capacity on behalf of the Company) stating that on the date of the initial funding hereunder (i) all conditions precedent to the consummation of the Spin-Off have been satisfied in all material respects; (ii) the Spin-Off Transactions have been approved by all necessary corporate action of NSI's and the Borrower's Boards of Directors and, if required, shareholders, and the terms of the Spin-Off Transactions have not been amended, waived or modified in any material respect from those set forth in the Form 10 without the approval of the Administrative Agent (such approval not to be unreasonably withheld); (iii) the Tax Opinion has been obtained for the consummation of the Spin-Off Transactions; (iv) the Company and its Subsidiaries (both before and after giving effect to the Spin-Off) have received all necessary corporate and regulatory approvals for the consummation of the Spin-Off Transactions and the financing contemplated hereby; and (v) except as disclosed on Schedule 5.5, there has been no material adverse change from the

information set forth in the Form 10, the Pro Forma Financial Statements or the Projections.

- (vii) A certificate in form and substance satisfactory to the Administrative Agent stating that all required material governmental approvals related to the Spin-Off Transactions have been obtained and all related filings made and any applicable waiting periods shall have expired or been terminated.
- (viii) A certificate in form and substance satisfactory to the Administrative Agent stating that there exists no injunction or temporary restraining order which would prohibit the making of the initial Credit Extensions or the consummation of the Spin-Off Transactions and the other transactions contemplated by the Transaction Documents or any litigation seeking such an injunction or restraining order.
- (ix) A certificate of value, solvency and other appropriate factual information in form and substance reasonably satisfactory to the Administrative Agent and Arranger from the chief financial officer of the Company (on behalf of the Company and the Borrowers) in his or her representative capacity supporting the conclusions that as of the initial funding date, after giving effect to the Spin-Off Transactions, the Company and its Subsidiaries on a consolidated basis are Solvent and will be Solvent subsequent to incurring the Indebtedness contemplated under the Transaction Documents, will be able to pay its debts and liabilities as they become due and will not be left with unreasonably small working capital for general corporate purposes, which information shall be consistent in all material respects with the Pro Forma Financial Statements and Projections.
- (x) Written opinions of Kenyon W. Murphy, General Counsel of the Borrowers and each Guarantor, and Kilpatrick Stockton LLP, special counsel to the Borrowers and each Guarantor, in form and substance satisfactory to the Agents and addressed to the Lenders in substantially the form of Exhibit A-1 and Exhibit A-2 respectively.
- (xi) Any Notes requested by a Lender pursuant to Section 2.14 payable to the order of each such requesting Lender.
- (xii) If the initial Credit Extension shall be the issuance of a Facility LC, a properly completed Facility LC Application.
- (xiii) Written money transfer instructions, in substantially the form of Exhibit D, addressed to the Administrative Agent and signed by an Authorized Officer, together with such other related money transfer authorizations as the Administrative Agent may have reasonably requested.
- (xiv) Evidence satisfactory to the Agents that the Existing Credit Agreement shall have been or shall simultaneously on the Closing Date be terminated (except for those provisions that expressly survive the termination thereof) and all loans outstanding and other amounts owed to the lenders or agents thereunder shall

have been or shall simultaneously with the initial Advance hereunder be paid in full.

- (xv) Such other documents as any Lender or its counsel may have reasonably requested including, without limitation, each document identified on the List of Closing Documents attached hereto as Exhibit F.

4.2. Each Credit Extension. The Lenders shall not (except as otherwise set forth in Section 2.2.4 with respect to Revolving Loans for the purpose of repaying Swing Line Loans) be required to make any Credit Extension unless on the applicable Credit Extension Date:

- (i) There exists no Default or Unmatured Default.
- (ii) The representations and warranties contained in Article V are true and correct in all material respects as of such Credit Extension Date except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct in all material respects on and as of such earlier date.

Each Borrowing Notice or request for issuance of a Facility LC, or Swing Line Borrowing Notice, as the case may be, with respect to each such Credit Extension shall constitute a representation and warranty by the Borrowers that the conditions contained in Section 4.2(i) and (ii) have been satisfied. Any lender may require a duly completed compliance certificate in substantially the form of Exhibit B as a condition to making a Credit Extension.

4.3. Initial Advance to Each New Subsidiary Borrower. The Lenders shall not be required to make a Credit Extension hereunder to a new Subsidiary Borrower added after the Closing Date unless the Company has furnished or caused to be furnished to the Administrative Agent with sufficient copies for the Lenders:

- (i) The Assumption Letter executed and delivered by such Subsidiary Borrower and containing the written consent of the Borrowers, as contemplated by Section 2.22;
- (ii) Copies, certified by the Secretary, Assistant Secretary, Director or Authorized Officer of the Subsidiary Borrower, of its Board of Directors' resolutions (and/or resolutions of other bodies, if any are deemed necessary by the Administrative Agent) approving the Assumption Letter;
- (iii) An incumbency certificate, executed by the Secretary, Assistant Secretary, Director or Authorized Officer of the Subsidiary Borrower, which shall identify by name and title and bear the signature of the officers of such Subsidiary Borrower authorized to sign the Assumption Letter and the other documents to be executed and delivered by such Subsidiary Borrower hereunder, upon which certificate the Administrative Agent and the Lenders shall be entitled to rely until informed of any change in writing by the Company;
- (iv) An opinion of counsel to such Subsidiary Borrower, substantially in the form of Exhibit E hereto;

- (v) Guaranty documentation from such Subsidiary Borrower in form and substance acceptable to the Administrative Agent as required pursuant to Section 6.10;

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants as follows to each Lender and the Agents as of each of (i) the Closing Date, giving effect to the consummation of the transactions contemplated by the Transaction Documents on the Closing Date, (ii) the Opening Balance Sheet Delivery Date (taking into account the post-closing adjustments as of such date), (iii) the date of the initial Credit Extension hereunder (if different from the Closing Date), (iv) the Conversion Date and (v) each date as required by Section 4.2:

5.1. Existence and Standing. The Company and each of its Subsidiaries is a corporation, partnership or limited liability company duly and properly incorporated or organized, as the case may be, validly existing and (to the extent such concept applies to such entity) in good standing under the laws of its jurisdiction of incorporation or organization and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted, except to the extent that the failure to have such standing or authority could not reasonably be expected to have a Material Adverse Effect.

5.2. Authorization and Validity. The Company and each of its Subsidiaries (to the extent applicable) has the power and authority and legal right to execute and deliver the Transaction Documents to which it is a party and to perform its obligations thereunder, and to file the Transaction Documents which must be filed by it in connection with the Spin-Off Transactions or which have been filed by it as required by this Agreement. The execution and delivery by the Company and any such Subsidiary of the Transaction Documents to which it is a party and the performance of its obligations thereunder have been duly authorized by proper proceedings, and the Transaction Documents to which such entity is a party constitute legal, valid and binding obligations of such entity enforceable against such entity in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally or by general equitable principles.

5.3. No Conflict; Government Consent. Neither the execution and delivery by the Company or any of its Subsidiaries of the Transaction Documents, nor the consummation of the Spin-Off Transactions and the other transactions therein contemplated, nor compliance with the provisions thereof will violate (i) any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Company or any of its Subsidiaries or (ii) the Company's or any Subsidiary's articles or certificate of incorporation, partnership agreement, certificate of partnership, articles or certificate of organization, by-laws, or operating agreement or other management agreement, as the case may be, or (iii) the provisions of any indenture, instrument or agreement to which the Company or any of its Subsidiaries is a party or is subject, or by which it, or its Property, is bound, or conflict with, or constitute a default under, or result in, or require, the creation or imposition of any Lien in, of or on the Property of the Company or a Subsidiary pursuant to the terms of, any such indenture, instrument or agreement. No order, consent, adjudication, approval, license, authorization, or validation of, or filing, recording or

registration with, or exemption by, or other action in respect of any governmental or public body or authority, or any subdivision thereof, which has not been obtained by the Company or any of its Subsidiaries, is required to be obtained by the Company or any of its Subsidiaries in connection with the execution and delivery of the Transaction Documents, the borrowings under this Agreement, the payment and performance by any Borrower of the Obligations or the legality, validity, binding effect or enforceability of any of the Transaction Documents.

5.4. Financial Statements.

(a) The May 31, 2001 unaudited combined financial statements of the Company and its Subsidiaries heretofore delivered to the Arranger and the Lenders, copies of which are included in the Company's Form 10, were prepared in accordance with generally accepted accounting principles in effect on the date such statements were prepared (except for the absence of footnotes and subject to year-end audit adjustments) and fairly present in all material respects, the combined financial condition and operations of the Company and its Subsidiaries at such date and the combined results of their operations and cash flows for the nine-month period then ended.

(b) The combined pro forma balance sheet, income statements and statements of cash flow of the Company and its Subsidiaries, copies of which are contained in the Form 10 and are attached hereto as Schedule 5.4 (collectively, the "PRO FORMA FINANCIAL STATEMENTS"), present on a pro forma basis the financial condition of the Company and such Subsidiaries as of such date, and reflect on a pro forma basis those liabilities reflected in the notes thereto and resulting from consummation of the Spin-Off Transactions and the other transactions contemplated by this Agreement, and the payment or accrual of all transaction costs payable by the Company or any of its Subsidiaries on or before the Closing Date with respect to any of the foregoing, and demonstrate that, after giving effect to the Spin-Off Transactions, the Company and its Subsidiaries can repay their debts and satisfy their other obligations as and when due, and can comply with the requirements of this Agreement. The financial projections and assumptions concerning the Company and its consolidated Subsidiaries, delivered to the Administrative Agent and the Lenders on August 23, 2001 and copies of which are attached hereto as Schedule 5.4 (collectively, the "PROJECTIONS"), were prepared in good faith and represent management's opinion based on the information available to the Company at the time so furnished and, since the preparation thereof and up to the Closing Date, there has occurred no Material Adverse Effect (except as disclosed on Schedule 5.5).

5.5. Material Adverse Change. Since August 31, 2000 to but not including the Spin-Off Date, and except as disclosed on Schedule 5.5, there has been no change in the business, property, financial condition or operations of NSI and its Subsidiaries taken as a whole, which could reasonably be expected to have a Material Adverse Effect. Since May 31, 2001, and except as disclosed on Schedule 5.5, there has been no change in the business, property, financial condition or operations of the Company and its Subsidiaries taken as a whole, which could reasonably be expected to have a Material Adverse Effect.

5.6. Taxes. The Company and its Subsidiaries have filed all United States federal tax returns and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Company or any of its

Subsidiaries, except (i) such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided in accordance with Agreement Accounting Principles or (ii) where the failure to file such return or pay such taxes could not reasonably be expected to have a Material Adverse Effect. The United States income tax returns of NSI and its Subsidiaries have been audited by the IRS through the fiscal year ended August 31, 1999. No tax liens have been filed and no claims are being asserted with respect to any such taxes. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of any taxes or other governmental charges are adequate.

5.7. Litigation and Contingent Obligations. There is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of their officers, threatened against or affecting the Company or any of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect or which seeks to prevent, enjoin or delay the making of any Credit Extensions or otherwise question the validity of any Transaction Document. Other than any liability which could not reasonably be expected to have a Material Adverse Effect, neither the Company nor any of its Subsidiaries have any contingent obligations not provided for or disclosed in the financial statements referred to in Section 5.4.

5.8. Subsidiaries. Schedule 5.8 (as supplemented from time to time by the Company promptly after the formation or acquisition of any new Subsidiary as permitted under this Agreement) contains an accurate list of all Subsidiaries of the Company as of the Closing Date, setting forth their respective jurisdictions of organization and the percentage of their respective capital stock or other ownership interests owned by the Company or other Subsidiaries. All of the issued and outstanding shares of capital stock or other ownership interests of such Subsidiaries have been (to the extent such concepts are relevant with respect to such ownership interests) duly authorized and issued and are fully paid and non-assessable.

5.9. Accuracy of Information. No information, schedule, exhibit or report furnished by the Company or any of its Subsidiaries to the Arranger, any Agent or Lender (including, without limitation, the Company's Confidential Information Memorandum dated August 2001) in connection with the negotiation of, or compliance with, the Loan Documents contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading.

5.10. Regulation U. Neither the Company nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate of buying or carrying margin stock (within the meaning of Regulations U or X); and after applying the proceeds of each Advance, margin stock (as defined in Regulation U) constitutes less than twenty-five (25%) of the value of those assets of the Company and its Subsidiaries which are subject to any limitation on sale or pledge, or any other restriction hereunder.

5.11. Material Agreements. Neither the Company nor any Subsidiary is a party to any agreement or instrument or subject to any charter or other corporate restriction which could reasonably be expected to have a Material Adverse Effect. Neither the Company nor any Subsidiary is in default in the performance, observance or fulfillment of any of the obligations,

covenants or conditions contained in any agreement or instrument to which it is a party, which default could reasonably be expected to have a Material Adverse Effect.

5.12. Compliance With Laws. The Company and its Subsidiaries have complied in all material respects with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof having jurisdiction over the conduct of their respective businesses or the ownership of their respective Property.

5.13. Ownership of Properties. On the Closing Date, the Company and its Subsidiaries will have good title, free of all Liens other than Permitted Liens, to all of the Property and assets reflected in the Company's most recent consolidated financial statements provided to the Arranger and the Lenders as owned by the Company and its Subsidiaries, other than Property and assets disposed of in the ordinary course of business.

5.14. ERISA; Foreign Pension Matters. The sum of (a) the Unfunded Liabilities of all Plans and (b) the present value of the aggregate unfunded liabilities to provide the accrued benefits under all Foreign Pension Plans do not in the aggregate exceed an amount equal to ten percent (10%) of the Company's Consolidated Net Worth as reported on the most recent audited financial statements delivered to the Lenders pursuant to Section 6.1(i) (or, prior to the delivery of the first such audited financial statements under Section 6.1(i), as reported on the Combined Balance Sheets). Each Plan and each Foreign Pension Plan complies in all material respects with all applicable requirements of law and regulations, no Reportable Event has occurred with respect to any Plan, neither the Company nor any other member of its Controlled Group has withdrawn from any Multiemployer Plan or initiated steps to do so, and no steps have been taken to terminate any Plan, except to the extent that such non-compliance, Reportable Event, withdrawal or termination could not reasonably be expected to result in liability of the Company or any of its Subsidiaries individually or in the aggregate in an amount greater than ten percent (10%) of the Company's Consolidated Net Worth as reported on the most recent audited financial statements delivered to the Lenders pursuant to Section 6.1(i) (or, prior to the delivery of the first such audited financial statements under Section 6.1(i), as reported on the Combined Balance Sheets).

5.15. Plan Assets; Prohibited Transactions. No Borrower is an entity deemed to hold "plan assets" within the meaning of 29 C.F.R. ss. 2510.3-101 of an employee benefit plan (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA or any plan (within the meaning of Section 4975 of the Code), and neither the execution of this Agreement nor the making of Loans hereunder gives rise to a prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code, except to the extent that such event or prohibited transaction could not reasonably be expected to result in liability of the Company or any of its Subsidiaries individually or in the aggregate in an amount greater than ten percent (10%) of the Company's Consolidated Net Worth as reported on the most recent audited financial statements delivered to the Lenders pursuant to Section 6.1(i) (or, prior to the delivery of the first such audited financial statements under Section 6.1(i), as reported on the Combined Balance Sheets).

5.16. Environmental Matters.

(a) In the ordinary course of its business, the officers of the Company consider the effect of Environmental Laws on the business of the Company and its Subsidiaries, in the course of which they identify and evaluate potential risks and liabilities accruing to the Company and its Subsidiaries due to Environmental Laws. On the basis of this consideration, the Company has concluded that Environmental Laws cannot reasonably be expected to have a Material Adverse Effect. Except as set forth on Schedule 5.16, neither the Company nor any Subsidiary has received any notice to the effect that its operations are not in compliance with any of the requirements of applicable Environmental Laws or are the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could reasonably be expected to have a Material Adverse Effect.

(b) The Company and each of its Subsidiaries have obtained all necessary governmental permits, licenses and approvals which are material to the operations conducted on their respective properties, including without limitation, all required permits, licenses and approvals for (i) the emission of air pollutants or contaminants, (ii) the treatment or pretreatment and discharge of waste water or storm water, (iii) the treatment, storage, disposal or generation of hazardous wastes, (iv) the withdrawal and usage of ground water or surface water, and (v) the disposal of solid wastes, except where a failure to obtain such permits, licenses and approvals would not result in a Material Adverse Effect.

5.17. Investment Company Act. Neither the Company nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

5.18. Public Utility Holding Company Act. Neither the Company nor any Subsidiary is a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

5.19. Insurance. The Property of the Company and its Subsidiaries is insured with financially sound and reputable insurance companies, in such amounts, with such deductibles and covering such properties and risks as is required under Section 6.6.

5.20. Spin-Off Transactions. As of the Closing Date and immediately prior to the making of the initial Credit Extension, except as set forth on Schedule 5.20 of this Agreement:

(a) all conditions precedent to the consummation of the Spin-Off have been satisfied in all material respects;

(b) the Spin-Off Transactions have been approved by all necessary corporate action of NSI's and the Company's Boards of Directors and, if required, shareholders, and the terms of the Spin-Off Transactions have not been amended, waived or modified in any material respect from those set forth in the Form 10 without the approval of the Administrative Agent;

(c) the Tax Opinion has been obtained for the consummation of the Spin-Off Transactions;

(d) the Net Worth Condition is and will be satisfied;

(e) the Company and its Subsidiaries (both before and after giving effect to the Spin-Off) have received all necessary corporate and regulatory approvals for the consummation of the Spin-Off Transactions and the financing contemplated hereby; and

(f) there has been no material adverse change from the information set forth in the Form 10 and the financial projections attached hereto as Schedule 5.4 and other information provided to the Administrative Agent and the Lenders and contained in the Company's Confidential Information Memorandum dated August 2001.

5.21. Solvency. After giving effect to (i) the Credit Extensions to be made on the Closing Date or such other date as Credit Extensions requested hereunder are made, (ii) the other transactions contemplated by this Agreement and the other Transaction Documents, including the consummation of the Spin-Off Transactions, and (iii) the payment and accrual of all transaction costs with respect to the foregoing, the Company and its Subsidiaries taken as a whole are Solvent.

ARTICLE VI

COVENANTS

During the term of this Agreement, unless the Required Lenders shall otherwise consent in writing:

6.1. Reporting. The Company will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with generally accepted accounting principles, and furnish to the Lenders:

(i) Within ninety (90) days (or such later date as may be permitted by the Securities and Exchange Commission) after the close of each of its fiscal years, an audit report certified by independent certified public accountants acceptable to the Required lenders and with such certifications to be free of exceptions and qualifications not acceptable to the Required Lenders, prepared in accordance with Agreement Accounting Principles on a consolidated basis for itself and its Subsidiaries, including a balance sheet as of the end of such period, related statements of income, shareholders' equity and cash flows.

(ii) Within forty-five (45) days (or such later date as may be permitted by the Securities and Exchange Commission) after the close of the first three (3) quarterly periods of each of its fiscal years, for itself and its Subsidiaries, a consolidated unaudited balance sheet as at the close of each such period and consolidated statements of income and cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified as to fairness of presentation, compliance with Agreement Accounting Principles and consistency by its chief financial officer, chief accounting officer or treasurer.

- (iii) Together with the financial statements required under Sections 6.1(i) and (ii), a compliance certificate in substantially the form of Exhibit B signed by its chief financial officer, chief accounting officer or treasurer showing the calculations necessary to determine compliance with this Agreement and stating that no Default or Unmatured Default exists, or if any Default or Unmatured Default exists, stating the nature and status thereof.
- (iv) On the Opening Balance Sheet Delivery Date, copies of the Opening Pro Forma Balance Sheet of the Company and its Subsidiaries, after giving effect to the Spin-Off Transactions and including all post-closing adjustments, together with a certificate in form and substance satisfactory to the Administrative Agent, signed by the chief financial officer of the Company (on behalf of the Company and the Borrowers) in his or her representative capacity, stating that, after giving effect to the Spin-Off Transactions and after all post-closing adjustments as of such date have been effected, the Net Worth Condition was satisfied as of the Spin-Off Date.
- (v) As soon as possible and in any event within ten (10) days after the Company knows that any Reportable Event has occurred with respect to any Plan, or any material unfunded liability has arisen with respect to any Foreign Pension Plan, a statement, signed by the chief financial officer or treasurer of the Company, describing said Reportable Event or material unfunded liability and the action which the Company proposes to take with respect thereto, which, in any case, could reasonably be expected to give rise to liability of more than \$1,000,000 on the part of the Company or any of its Subsidiaries.
- (vi) As soon as possible and in any event within ten (10) days after receipt by the Company, a copy of (a) any notice or claim to the effect that the Company or any of its Subsidiaries is or may be liable to any Person as a result of the release by the Company, any of its Subsidiaries, or any other Person of any toxic or hazardous waste or substance into the environment, and (b) any notice alleging any violation of any federal, state or local environmental, health or safety law or regulation by the Company or any of its Subsidiaries, which, in either case, could reasonably be expected to have a Material Adverse Effect.
- (vii) Promptly upon the furnishing thereof to the shareholders of the Company, copies of all financial statements, reports and proxy statements so furnished.
- (viii) Promptly upon the filing thereof, copies of all registration statements (other than exhibits thereto and any registration statements on Form S-8 or its equivalent) or other regular reports not otherwise provided pursuant to this Section 6.1 which the Company or any of its Subsidiaries files with the Securities and Exchange Commission.
- (ix) Upon the request of any Agent, prior to the execution thereof, draft copies of the Receivables Purchase Documents and, promptly after execution thereof, copies of such Receivables Purchase Documents and all material amendments thereto.

- (x) Promptly upon any officer of the Company obtaining knowledge of the institution of, or written threat of, any action, suit, proceeding, governmental investigation or arbitration against or affecting the Company or any of its Subsidiaries or any property of the Company or any of its Subsidiaries, which action, suit, proceeding, investigation or arbitration exposes, or in the case of multiple actions, suits, proceedings, investigations or arbitrations arising out of the same general allegations or circumstances which expose, in the Company's reasonable judgment, the Company or any of its Subsidiaries to liability in an amount aggregating \$25,000,000 or more, give written notice thereof to the Administrative Agent and the Lenders and provide such other information as may be reasonably available to the Company (without jeopardizing any attorney-client privilege by disclosure thereof) to enable each Lender and the Administrative Agent and its counsel to evaluate such matters.
- (xi) Such other information (including non-financial information) as any Agent or Lender may from time to time reasonably request (except such plans and forecasts which have not been made available by the Company to its creditors).

6.2. Use of Proceeds. The Company will, and will cause each Subsidiary to, use the proceeds of the Credit Extensions for general corporate purposes, including for working capital, refinancing the Indebtedness under the Existing Credit Agreement, commercial paper liquidity support and non-hostile Acquisitions, and to pay fees and expenses incurred in connection with this Agreement and the Spin-Off Transactions. The Borrowers shall use the proceeds of Credit Extensions in compliance with all applicable legal and regulatory requirements and any such use shall not result in a violation of any such requirements, including, without limitation, Regulations T, U and X, the Securities Act of 1933 and the Securities Exchange Act of 1934 and the regulations promulgated thereunder.

6.3. Notice of Default. Within five (5) Business Days after an Authorized Officer becomes aware thereof, the Company will, and will cause each Subsidiary to, give notice in writing to the Lenders of the occurrence of any Default or Unmatured Default and of any other development, financial or otherwise, which could reasonably be expected to have a Material Adverse Effect.

6.4. Conduct of Business. The Company will, and will cause each Subsidiary to, carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as conducted by the Company or its Subsidiaries as of the Closing Date, and, except as otherwise permitted by Section 6.12, do all things necessary to remain duly incorporated or organized, validly existing and (to the extent such concept applies to such entity) in good standing as a corporation, partnership or limited liability company in its jurisdiction of incorporation or organization, as the case may be, and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted, except where the failure to maintain such good standing or authority could not reasonably be expected to have a Material Adverse Effect; provided that nothing in this Section shall prevent the Company and its Subsidiaries from discontinuing any line of business or liquidating, dissolving or disposing of any Subsidiary if (i) no Default or Unmatured Default is in existence or would be caused thereby and (ii) the Board of Directors of the Company determines in good faith that such termination,

liquidation, dissolution or disposition is in the best interest of the Company and its Subsidiaries taken as a whole.

6.5. Taxes. The Company will, and will cause each Subsidiary to, file on a timely basis complete and correct United States federal and material foreign, state and local tax returns required by law and pay when due all material taxes, assessments and governmental charges and levies upon it or its income, profits or Property, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside in accordance with Agreement Accounting Principles.

6.6. Insurance. The Company will, and will cause each Subsidiary to, maintain with financially sound and reputable insurance companies insurance on their Property in such amounts and covering such risks as is consistent with sound business practice, and the Company will furnish to any Lender upon request full information as to the insurance carried.

6.7. Compliance with Laws; Maintenance of Plans. The Company will, and will cause each Subsidiary to, (i) comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject including, without limitation, all Environmental Laws, and (ii) establish, maintain and operate all Plans to comply in all material respects with the provisions of ERISA and the Code, and the regulations and interpretations thereunder, where in the case of either (i) or (ii) above the failure to so comply could reasonably be expected to have a Material Adverse Effect.

6.8. Maintenance of Properties. The Company will, and will cause each Subsidiary to, do all things necessary to maintain, preserve, protect and keep its Property material to the conduct of its business in good repair, working order and condition, and make all necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times.

6.9. Inspection; Keeping of Books and Records.

(i) The Company will, and will cause each Subsidiary to, permit the Agents and the Lenders, by their respective representatives and agents, to inspect any of the Property, books and financial records of the Company and each Subsidiary, to examine and make copies of the books of accounts and other financial records of the Company and each Subsidiary, and to discuss the affairs, finances and accounts of the Company and each Subsidiary with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as any Agent or Lender may designate. If a Default has occurred and is continuing, the Company, upon the Administrative Agent's request, shall turn over copies of any such records to the Administrative Agent or its representatives. Unless a Default has occurred and is then continuing, each Lender shall give the Company not less than three (3) Business Days' prior written notice of its intent to conduct such visit or inspection. To the extent that any Lender, in the course of such visit or inspection, obtains possession of any proprietary information pertaining to the Company or any Subsidiary, such Lender shall handle such information in accordance with the requirements of Section 10.11.

(ii) The Company shall keep and maintain, and cause each of its Subsidiaries to keep and maintain, in all material respects, proper books of record and account in which entries in conformity with Agreement Accounting Principles shall be made of all dealings and transactions in relation to their respective businesses and activities (except that any Foreign Subsidiary may comply with local accounting principles).

6.10. Addition of Guarantors. As promptly as possible but in any event within thirty (30) days after any Domestic Subsidiary (other than any SPV) becomes a Material Subsidiary of the Company, the Company shall cause each such Material Subsidiary to deliver to the Administrative Agent a duly executed supplement to the Guaranty pursuant to which such Material Subsidiary agrees to be bound by the terms and provisions of the Guaranty; provided, that if at any time (i) the aggregate amount of the book value of assets of all Domestic Subsidiaries that are not Guarantors exceeds ten percent (10%) of the aggregate book value of the Consolidated Total Assets of the Company and its Subsidiaries, or (ii) the Consolidated Net Worth of all of all Domestic Subsidiaries that are not Guarantors exceeds ten percent (10%) of the Consolidated Net Worth of the Company and its Subsidiaries, or (iii) the assets of all Domestic Subsidiaries that are not Guarantors contributed more than ten percent (10%) of the Company's Consolidated Net Income, in each case as reported in the most recent annual audited financial statements delivered to the Lenders pursuant to Section 6.1(i) (or, prior to the delivery of the first of such annual audited financial statements, as reported in the Combined Balance Sheets), the Company shall cause additional Domestic Subsidiaries (other than any SPV) to become parties to the Guaranty as Guarantors thereunder to eliminate such excess.

6.11. Subsidiary Indebtedness. The Company will not permit any Subsidiary to create, incur or suffer to exist any Indebtedness, except:

- (i) The obligation arising under the Transaction Documents.
- (ii) Indebtedness existing on the Effective Date and described on Schedule 6.11, and Permitted Refinancing Indebtedness in respect thereof.
- (iii) Indebtedness owed (a) to the Company or any Guarantor by any Guarantor, (b) to any Subsidiary that is not a Guarantor by any other Subsidiary that is not a Guarantor, and (c) to the Company or any Guarantor by any Subsidiary that is not a Guarantor in an aggregate amount under this clause (c) not to exceed ten percent (10%) of the Company's Consolidated Net Worth as reported on the most recent audited financial statements delivered to the Lenders pursuant to Section 6.1(i) (or, prior to the delivery of the first such audited financial statements under Section 6.1(i), as reported on the Combined Balance Sheets).
- (iv) Receivables Facility Attributed Indebtedness in an aggregate amount not to exceed \$200,000,000.
- (v) Indebtedness in an aggregate amount not to exceed \$50,000,000 incurred or assumed for the purpose of financing or refinancing all or any part of the cost of acquiring or constructing any specific fixed asset of such Subsidiary (including without limitation Capital Leases); provided, that such Indebtedness (a) is incurred

(1) at a time when no Default or Unmatured Default has occurred and is continuing or would result from such incurrence and (2) within eighteen (18) months after the acquisition or construction of such fixed asset, and (b) does not exceed 100% of the total cost of such acquisition or construction (plus interest, fees and closing costs related thereto).

- (vi) Additional Indebtedness (including, without limitation, Indebtedness secured by Liens permitted under Section 6.13(xv)) in an aggregate amount not to exceed twenty-five percent (25%) of Stockholders' Equity as of the end of the Company's fiscal quarter most recently ended.

6.12. Consolidations and Mergers. Each Borrower agrees that it will not, nor will the Company permit any Subsidiary to, consolidate or merge with or into any other Person, provided that if, after giving effect to any of the following, no Default will be in existence: (i) any Subsidiary may merge or consolidate with the Company if the Company is the corporation surviving such merger, (ii) any Borrower may merge or consolidate with any other Borrower, (iii) any Subsidiary which is a Guarantor may merge or consolidate with any other Subsidiary which is a Guarantor, (iv) any Subsidiary which is not a Borrower or Guarantor may merge or consolidate with any other Subsidiary which is not a Borrower or Guarantor, (v) any Subsidiary which is not a Borrower or a Guarantor may merge or consolidate with any other Subsidiary which is a Borrower or a Guarantor, if the Borrower or Guarantor, as the case may be, is the corporation surviving such merger, and (vi) any Borrower or Subsidiary may merge or consolidate with any other Person if (a) such Person was organized under the laws of the United States of America or one of its States, (b) either (1) such Borrower or Subsidiary is the corporation surviving such merger or (2) such Person becomes a Subsidiary as a result of such merger or consolidation and expressly assumes in writing (in form and substance reasonably acceptable to the Administrative Agent) all obligations of such Borrower or Subsidiary, as the case may be, under the Loan Documents executed by such Borrower or Subsidiary, provided, in any merger or consolidation involving a Domestic Subsidiary, the survivor shall be a Domestic Subsidiary, and in any merger or consolidation involving a Foreign Subsidiary, the survivor shall be a Foreign Subsidiary, and (c) immediately after giving effect to such merger, no Default shall have occurred and be continuing.

6.13. Liens. The Company will not, nor will it permit any Subsidiary to, create, incur, or suffer to exist any Lien in, of or on the Property of the Company or any of its Subsidiaries, except:

- (i) Liens for taxes, assessments or governmental charges or levies on its Property if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings and for which adequate reserves in accordance with Agreement Accounting Principles shall have been set aside on its books.
- (ii) Liens imposed by law, such as landlords', wage earners', carriers', warehousemen's and mechanics' liens and other similar liens, arising in the ordinary course of business which secure payment of obligations not more than sixty (60) days past due or which are being contested in good faith by appropriate

proceedings and for which adequate reserves in accordance with Agreement Accounting Principles shall have been set aside on its books.

- (iii) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation or to secure the performance of tenders, statutory obligations, surety or appeal bonds, bids, leases, government contracts and other similar obligations (provided that such Liens do not secure any Indebtedness).
- (iv) Utility easements, building restrictions, zoning ordinances and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere with the use thereof in the business of the Company or its Subsidiaries.
- (v) Liens existing on the Effective Date and described on Schedule 6.13.
- (vi) Liens, if any, securing the Loans and other Obligations hereunder.
- (vii) Liens arising under the Receivables Purchase Documents.
- (viii) Liens existing on any specific fixed asset of any Subsidiary of the Company at the time such Subsidiary becomes a Subsidiary and not created in contemplation of such event.
- (ix) Liens on any specific fixed asset securing Indebtedness incurred or assumed for the purpose of financing or refinancing all or any part of the cost of acquiring or constructing such asset; provided that such Lien attaches to such asset concurrently with or within eighteen (18) months after the acquisition or completion or construction thereof.
- (x) Liens existing on any specific fixed asset of any Subsidiary of the Company at the time such Subsidiary is merged or consolidated with or into the Company or any Subsidiary and not created in contemplation of such event.
- (xi) Liens existing on any specific fixed asset prior to the acquisition thereof by the Company or any Subsidiary and not created in contemplation thereof.
- (xii) Liens arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted by any of the foregoing clause (v) or clauses (vii) through (xi); provided that (a) such Indebtedness is not secured by any additional assets, and (b) the amount of such Indebtedness secured by any such Lien is not increased.
- (xiii) Inchoate Liens arising under ERISA to secure current service pension liabilities as they are incurred under the provisions of Plans from time to time in effect.

- (xiv) Liens securing intercompany Indebtedness owing by (a) any Guarantor to the Company or any other Guarantor and (b) any Subsidiary that is not a Guarantor to the Company or any Wholly-Owned Subsidiary of the Company.
- (xv) Liens not otherwise permitted under this Section 6.13 securing Indebtedness in an aggregate principal amount at any time outstanding, together with the amount of Indebtedness permitted under Section 6.11(vi) (but without duplication), does not exceed twenty-five percent (25%) of Stockholders' Equity as of the end of the Company's fiscal quarter most recently ended.

6.14. Transactions with Affiliates. The Company will not, and will not permit any Subsidiary to, enter into any transaction (including, without limitation, the purchase or sale of any Property or service) with, or make any payment or transfer to, any Affiliate (other than the Company or any Subsidiary of the Company) except in the ordinary course of business and pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than the Company or such Subsidiary would obtain in a comparable arm's-length transaction, other than Permitted Receivables Transfers.

6.15. Financial Contracts. The Company shall not and shall not permit any of its consolidated Subsidiaries to enter into any Financial Contract, other than Financial Contracts pursuant to which the Company or such Subsidiary hedged its actual or anticipated interest rate, foreign currency or commodity exposure existing or anticipated at the time thereof.

6.16. ERISA. Except to the extent that such act, or failure to act would not result singly, or in the aggregate, after taking into account all other such acts or failures to act, in a liability of the Company or any of its Subsidiaries which could reasonably be expected to exceed ten percent (10%) of the Company's Consolidated Net Worth as reported on the most recent audited financial statements delivered to the Lenders pursuant to Section 6.1(i) (or, prior to the delivery of the first such audited financial statements under Section 6.1(i), as reported on the Combined Balance Sheets), the Company shall not (i) engage, or permit any Controlled Group member to engage, in any prohibited transaction described in Sections 406 of ERISA or 4975 of the Code for which a statutory or class exemption is not available or a private exemption has not been previously obtained from the DOL; (ii) permit to exist any accumulated funding deficiency (as defined in Sections 302 of ERISA and 412 of the Code); (iii) fail, or permit any member of its Controlled Group to fail, to pay timely required contributions or annual installments due with respect to any waived funding deficiency of any Plan; (iv) terminate, or permit any member of its Controlled Group to terminate, any Plan which would result in any liability of the Company or any member of its Controlled Group under Title IV of ERISA; (v) fail to make any contribution or payment to any Multiemployer Plan which the Company or any member of its Controlled Group may be required to make under any agreement relating to such Multiemployer Plan, or any law pertaining thereto; (vi) fail, or permit any member of its Controlled Group to fail, to pay any required installment or any other payment required under Section 412 of the Code on or before the due date for such installment or other payment; (vii) amend, or permit any member of its Controlled Group to amend, a Plan resulting in an increase in current liability for the plan year such that the Company or any member of its Controlled Group is required to provide security to such Plan under Section 401(a)(29) of the Code.

6.17. Environmental Compliance. The Company will not become, or permit any Subsidiary to become, subject to any liabilities or costs which could reasonably be expected to have a Material Adverse Effect arising out of or related to (i) the release or threatened release at any location of any contaminant into the environment, or any remedial action in response thereto, or (ii) any violation of any environmental, health or safety requirements of law (including, without limitation, any Environmental Laws).

6.18. Tax Opinion. Notwithstanding anything herein to the contrary, neither the Company nor any of its Subsidiaries shall engage in any transaction that would adversely affect the Tax Opinion in any material respect.

6.19. Financial Covenants.

6.19.1. Maximum Leverage Ratio. The Company shall not permit the ratio (the "LEVERAGE RATIO") of (i) Indebtedness For Borrowed Money of the Company and its consolidated Subsidiaries to (ii) EBITDA to be greater than (a) 3.30 to 1.00 as of each of November 30, 2001 and February 28, 2002, (b) 3.10 to 1.00 as of May 31, 2002, and (c) 3.00 to 1.00 as of the end of each fiscal quarter thereafter. The Leverage Ratio shall be calculated as of the last day of each fiscal quarter based upon (1) for Indebtedness For Borrowed Money, as of the last day of each such fiscal quarter; and (2) for EBITDA, the actual amount for the four-quarter period ending on such day, and shall be calculated, with respect to Acquisitions, on a pro forma basis using historical audited and reviewed unaudited financial statements obtained from the seller(s) in such Acquisition, broken down by fiscal quarter in the Company's reasonable judgement and satisfactory to the Administrative Agent and as reported to the Administrative Agent. For purposes of determining compliance with this covenant, the EBITDA of the Company and its consolidated Subsidiaries for any period of four fiscal periods ending on or prior to November 1, 2002 shall be deemed to include the EBITDA attributable to NSI's lighting equipment and chemicals businesses for the portion of such period that ends on the Spin-Off Date (and such EBITDA shall be determined on a basis consistent with the basis used to determine such EBITDA for purposes of preparing the Pro Forma Financial Statements and the Projections).

6.19.2. Minimum Interest Expense Coverage Ratio. The Company shall maintain a ratio (the "INTEREST EXPENSE COVERAGE RATIO") of (i) EBIT to (ii) Interest Expense for the applicable period of at least 2.50 to 1.00 as of the end of each fiscal quarter ending on or after November 30, 2001. The Interest Expense Coverage Ratio shall be calculated as of the last day of each fiscal quarter for the actual amount of EBIT and Interest Expense for the four-quarter period ending on such day, and shall be calculated, with respect to Acquisitions, on a pro forma basis using historical audited and reviewed unaudited financial statements obtained from the seller(s) in such Acquisition, broken down by fiscal quarter in the Company's reasonable judgement and satisfactory to the Administrative Agent. For purposes of determining compliance with this covenant, the EBIT of the Company and its consolidated Subsidiaries for any period of four fiscal periods ending on or prior to November 1, 2002 shall be deemed to include the EBIT attributable to NSI's lighting equipment and chemicals businesses for the portion of such period that ends on the Spin-Off Date (and such EBIT shall be determined on a basis consistent with the basis used to determine such EBIT for purposes of preparing the Pro Forma Financial Statements and the Projections).

6.19.3. Minimum Consolidated Net Worth. The Company shall not permit its Consolidated Net Worth as of the Spin-Off Date to be less than \$320,000,000.

ARTICLE VII

DEFAULTS

The occurrence of any one or more of the following events shall constitute a Default:

7.1. Breach of Representations or Warranties. Any representation or warranty made or deemed made by or on behalf of the Company or any of its Subsidiaries to the Lenders or the Agents under or in connection with this Agreement, any Credit Extension, or any certificate or information delivered in connection with this Agreement or any other Loan Document shall be false in any material respect on the date as of which made.

7.2. Failure to Make Payments When Due. Nonpayment of (i) principal of any Loan when due, (ii) any Reimbursement Obligation within one (1) Business Day after the same becomes due, or (iii) interest upon any Loan or any Facility Fee, Utilization Fee, LC Fee or other Obligations under any of the Loan Documents within five (5) Business Days after such interest, fee or other Obligation becomes due.

7.3. Breach of Covenants. The breach by any Borrower of any of the terms or provisions of Section 6.1(iii), Sections 6.2 through 6.4, (with respect to the Company's or any of its Subsidiaries' existence), Section 6.9(i), Sections 6.11 through 6.13 or Section 6.19.

7.4. Other Breaches. The breach by any Borrower (other than a breach which constitutes a Default under another Section of this Article VII) of any of the terms or provisions of this Agreement or any other Loan Document which is not remedied within thirty (30) days after the earlier to occur of (i) written notice thereof has been given to the Company by the Administrative Agent at the request of any Lender or (ii) an Authorized Officer otherwise becomes aware of any such breach; provided, however, that such cure period for such breach (other than a breach of the terms or provisions of Section 6.10) shall be extended for a period of time, not to exceed an additional thirty (30) days, reasonably sufficient to permit such Borrower to cure such failure if such failure cannot be cured within the initial 30-day period but reasonably could be expected to be capable of cure within such additional thirty (30) days, such Borrower has commenced efforts to cure such failure during the initial 30-day period and such Borrower is diligently pursuing such cure.

7.5. Default as to Other Indebtedness.

(i) Failure of the Company or any of its Subsidiaries to pay when due (whether at stated maturity, by acceleration or otherwise) any Indebtedness which, individually or in the aggregate exceeds \$25,000,000 (or the equivalent in currencies other than Dollars) (such Indebtedness being referred to as "MATERIAL INDEBTEDNESS"); or

(ii) Any Material Indebtedness of the Company or any of its Subsidiaries shall be declared to be due and payable or required to be prepaid or repurchased (other than by a regularly scheduled payment) prior to the stated maturity thereof; or

(iii) The Company or any of its Material Subsidiaries shall fail to pay, or shall admit in writing its inability to pay, its debts generally as they become due; or

(iv) The default by the Company or any of its Subsidiaries in the performance (beyond the applicable grace period with respect thereto, if any) of any term, provision or condition contained in any agreement under which any such Material Indebtedness was created or is governed, or any other event shall occur or condition exist, the effect of which default or event is to cause, or to permit the holder or holders of such Material Indebtedness to cause such Material Indebtedness to become due prior to its stated maturity.

7.6. Voluntary Bankruptcy; Appointment of Receiver; Etc. The Company or any of its Material Subsidiaries shall (i) have an order for relief entered with respect to it under the Federal bankruptcy laws as now or hereafter in effect, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any Substantial Portion of its Property, (iv) institute any proceeding seeking an order for relief with respect to it under the Federal bankruptcy laws as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (v) take any corporate or partnership action to authorize or effect any of the foregoing actions set forth in this Section 7.6, or (vi) fail to contest in good faith any appointment or proceeding described in Section 7.7.

7.7. Involuntary Bankruptcy; Appointment of Receiver; Etc. Without the application, approval or consent of the Company or any of its Material Subsidiaries, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Company or any of its Subsidiaries or any Substantial Portion of its Property, or a proceeding described in Section 7.6(iv) shall be instituted against the Company or any of its Material Subsidiaries and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of sixty (60) consecutive days.

7.8. Judgments. The Company or any of its Subsidiaries shall fail within thirty (30) days after the final entry thereof to pay, bond or otherwise discharge one or more (i) judgments or orders for the payment of money (except to the extent covered by independent third-party insurance as to which the insurer has not disclaimed coverage) in the aggregate in excess of ten percent (10%) of the Company's Consolidated Net Worth as reported in the most recent annual audited financial statements delivered to the Lenders pursuant to Section 6.1(i), or (ii) nonmonetary judgments or orders which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, which judgment(s), in any such case, is/are not stayed on appeal or otherwise being appropriately contested in good faith.

7.9. Unfunded Liabilities. The sum of (a) the Unfunded Liabilities of all Plans and (b) the present value of the aggregate unfunded liabilities to provide the accrued benefits under all Foreign Pension Plans exceeds in the aggregate an amount equal to ten percent (10%) of the Company's Consolidated Net Worth as reported on the most recent audited financial statements delivered to the Lenders pursuant to Section 6.1(i) (or, prior to the delivery of the first such

audited financial statements under Section 6.1(i), as reported on the Combined Balance Sheets), or any Reportable Event shall occur in connection with any Plan if the liability of the Company or any of its Subsidiaries resulting from such Reportable Event exceeds in the aggregate an amount equal to ten percent (10%) of the Company's Consolidated Net Worth as reported on the most recent audited financial statements delivered to the Lenders pursuant to Section 6.1(i) (or, prior to the delivery of the first such audited financial statements under Section 6.1(i), as reported on the Combined Balance Sheets).

7.10. Other ERISA Liabilities. The Company or any other member of its Controlled Group has incurred withdrawal liability or become obligated to make contributions to a Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Company or any other member of its Controlled Group as withdrawal liability (determined as of the date of such notification), exceeds ten percent (10%) of the Company's Consolidated Net Worth as reported in the most recent annual audited financial statements delivered to the Lenders pursuant to Section 6.1(i) or requires payments per annum exceeding ten percent (10%) of the Company's Consolidated Net Worth as reported in the most recent annual audited financial statements delivered to the Lenders pursuant to Section 6.1(i) (or, prior to the delivery to the Lenders of the first such financial statements, as reported in the Opening Pro Forma Balance Sheet).

7.11. Environmental Matters. The Company or any of its Subsidiaries shall (i) be the subject of any proceeding or investigation pertaining to the release by the Company, any of its Subsidiaries or any other Person of any toxic or hazardous waste or substance into the environment, or (ii) violate any Environmental Law, which, in the case of an event described in clause (i) or clause (ii), could reasonably be expected to have a Material Adverse Effect.

7.12. Change in Control. Any Change in Control shall occur.

7.13. Receivables Purchase Document Events. Other than at the request of an Affiliate of the Company party thereto (as permitted thereunder), an event shall occur which (i) permits the investors in a Receivables Purchase Facility to require amortization or liquidation of the facility or (ii) results in the termination of reinvestment or re-advancing of collections or proceeds of Receivables and Related Security shall occur under the Receivables Purchase Documents, and, in the case of an event described in clause (i) or clause (ii), the Company or any Subsidiary thereof (other than any SPV) has liability in excess of ten percent (10%) of the Company's Consolidated Net Worth as reported on the most recent audited financial statements delivered to the Lenders pursuant to Section 6.1(i) (or, prior to the delivery of the first such audited financial statements under Section 6.1(i), as reported on the Combined Balance Sheets).

7.14. Guarantor Revocation. Any guarantor of the Obligations shall deny, disaffirm, terminate or revoke any of its obligations under the applicable Guaranty (except in accordance with Section 11.15 hereof) or breach any of the material terms of such Guaranty.

ARTICLE VIII

ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

8.1. Acceleration.

(i) If any Default described in Section 7.6 or 7.7 occurs with respect to any Borrower, the obligations of the Lenders to make Loans hereunder and the obligation and power of the LC Issuers to issue Facility LCs shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Administrative Agent, any LC Issuer or any Lender, and the Borrowers will be and become thereby unconditionally obligated, without any further notice, act or demand, to pay to the Administrative Agent an amount in immediately available funds, which funds shall be held in the Facility LC Collateral Account, equal to the Collateral Shortfall Amount. If any other Default occurs, the Required Lenders (or the Administrative Agent with the consent of the Required Lenders) may (a) terminate or suspend the obligations of the Lenders to make Loans hereunder and the obligation and power of the LC Issuers to issue Facility LCs, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrowers hereby expressly waive, and (b) upon notice to the Borrowers and in addition to the continuing right to demand payment of all amounts payable under this Agreement, make demand on the Borrowers to pay, and the Borrowers will, forthwith upon such demand and without any further notice or act, pay to the Administrative Agent the Collateral Shortfall Amount, which funds shall be deposited in the Facility LC Collateral Account.

(ii) If, within thirty (30) days after acceleration of the maturity of the Obligations or termination of the obligations of the Lenders to make Loans and the obligation and power of the LC Issuers to issue Facility LCs hereunder as a result of any Default (other than any Default as described in Section 7.6 or 7.7 with respect to any Borrower) and before any judgment or decree for the payment of the Obligations due shall have been obtained or entered, the Required Lenders (in their sole discretion) shall so direct, the Administrative Agent shall, by notice to the Borrowers, rescind and annul such acceleration and/or termination.

8.2. Amendments. Subject to the provisions of this Article VIII, the Required Lenders (or the Administrative Agent with the consent in writing of the Required Lenders) and the Borrowers may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Lenders or the Borrowers hereunder or thereunder or waiving any Default hereunder or thereunder; provided, however, that no such supplemental agreement shall, without the consent of each Lender affected thereby:

(i) Extend the final maturity of any Loan, or extend the expiry date of any Facility LC to a date after the Revolving Loan Termination Date or forgive all or any portion of the principal amount thereof or any Reimbursement Obligation related thereto, or reduce the rate or extend the time of payment of interest or fees thereon or Reimbursement Obligations related thereto (other than (i) a waiver of the application of the default rate of interest or LC Fees pursuant to Section 2.12

hereof and (ii) extensions of the Revolving Loan Termination Date pursuant to Section 2.23).

- (ii) Change the percentage specified in the definition of Required Lenders or any other percentage of Lenders specified to be the applicable percentage in this Agreement to act on specified matters or otherwise amend the definitions of "Required Lenders" or "Pro Rata Share".
- (iii) Extend the Revolving Loan Termination Date, the Commitment Termination Date or the Converted Loan Termination Date, or increase the amount or otherwise extend the term of the Commitment of any Lender hereunder or the commitment to issue Facility LCs (other than as expressly permitted by the terms of Section 2.23).
- (iv) Permit any Borrower to assign its rights or obligations under this Agreement.
- (v) Other than pursuant to a transaction permitted by the terms of this Agreement, release any guarantor of the Obligations or any substantial portion of the collateral, if any, securing the Obligations.
- (vi) Amend this Section 8.2.

No amendment of any provision of this Agreement relating to any Agent shall be effective without the written consent of such Agent. No amendment of any provision of this Agreement relating to any LC Issuer shall be effective without the written consent of such LC Issuer. No amendment of any provision of this Agreement relating to the Swing Line Lender or any Swing Line Loans shall be effective without the written consent of the Swing Line Lender. The Administrative Agent may waive payment of the fee required under Section 13.3.2 without obtaining the consent of any other party to this Agreement.

8.3. Preservation of Rights. No delay or omission of the Lenders, the LC Issuers or Agents to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Credit Extension notwithstanding the existence of a Default or Unmatured Default or the inability of the Borrowers to satisfy the conditions precedent to such Credit Extension shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by, or by the Administrative Agent with the consent of, the requisite number of Lenders required pursuant to Section 8.2, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Agents, the LC Issuers and the Lenders until all of the Obligations have been paid in full.

ARTICLE IX

JOINT AND SEVERAL OBLIGATIONS

9.1. Joint and Several Liability. Each Borrower agrees that it is jointly and severally, directly and primarily liable to the Administrative Agent, the Lenders and the LC Issuers for payment, performance and satisfaction in full of the Obligations and that such liability is independent of the duties, obligations, and liabilities of the other Borrowers. The Administrative Agent, the Lenders and the LC Issuers may jointly bring a separate action or actions on each, any, or all of the Obligations against any Borrower, whether action is brought against the other Borrowers or whether the other Borrowers are joined in such action. In the event that any Borrower fails to make any payment of any Obligations on or before the due date thereof, the other Borrowers immediately shall cause such payment to be made or each of such Obligations to be performed, kept, observed, or fulfilled.

9.2. Primary Obligation; Waiver of Marshalling. This Agreement and the Loan Documents to which Borrowers are a party are a primary and original obligation of each Borrower, are not the creation of a surety relationship, and are an absolute, unconditional, and continuing promise of payment and performance which shall remain in full force and effect without respect to future changes in conditions, including any change of law or any invalidity or irregularity with respect to this Agreement or the Loan Documents to which Borrowers are a party. Each Borrower agrees that its liability under this Agreement and the Loan Documents to which it is a party shall be immediate and shall not be contingent upon the exercise or enforcement by the Administrative Agent, the Lenders and the LC Issuers of whatever remedies they may have against the other Borrowers. Each Borrower consents and agrees that the Administrative Agent, the Lenders and the LC Issuers shall be under no obligation to marshal any assets of any Borrower against or in payment of any or all of the Obligations.

9.3. Financial Condition of Borrowers. Each Borrower acknowledges that it is presently informed as to the financial condition of the other Borrowers and of all other circumstances which a diligent inquiry would reveal and which bear upon the risk of nonpayment of the Obligations. Each Borrower hereby covenants that it will continue to keep informed as to the financial condition of the other Borrowers, the status of the other Borrowers and of all circumstances which bear upon the risk of nonpayment. Absent a written request from any Borrower to the Administrative Agent, the Lenders and the LC Issuers for information, each Borrower hereby waives any and all rights it may have to require the Administrative Agent, the Lenders and the LC Issuers to disclose to such Borrower any information which the Administrative Agent, the Lenders and the LC Issuers may now or hereafter acquire concerning the condition or circumstances of the other Borrowers.

9.4. Continuing Liability. Subject to the provisions of Section 2.22, the liability of each Borrower under this Agreement and the Loan Documents to which such Borrower is a party includes Obligations arising under successive transactions continuing, compromising, extending, increasing, modifying, releasing, or renewing the Obligations, changing the interest rate, payment terms, or other terms and conditions thereof, or creating new or additional Obligations after prior Obligations have been satisfied in whole or in part. To the maximum extent permitted

by law, each Borrower hereby waives any right to revoke its liability under this Agreement and Loan Documents as to future indebtedness.

9.5. Additional Waivers. Each Borrower absolutely, unconditionally, knowingly, and expressly waives (a) notice of acceptance hereof; (b) notice of any Loans or other financial accommodations made or extended under this Agreement and the Loan Documents to which Borrowers are a party or the creation or existence of any Obligations; (c) notice of the amount of the Obligations, subject, however, to each Borrower's right to make inquiry of the Administrative Agent, the Lenders and the LC Issuers to ascertain the amount of the Obligations at any reasonable time; (d) notice of any adverse change in the financial condition of the other Borrowers or of any other fact that might increase such Borrower's risk hereunder; (e) notice of presentment for payment, demand, protest, and notice thereof as to any instruments among the Loan Documents to which Borrowers are a party; (f) notice of any Default or Unmatured Default; (g) all other notices (except, in each case, if such notice is specifically required to be given to any Borrower hereunder or under the Loan Documents to which Borrowers are a party and demands to which such Borrower might otherwise be entitled); (h) any right of subrogation such Borrower has or may have as against the other Borrowers with respect to the Obligations; (i) any right to proceed against the other Borrowers or any other Person, now or hereafter, for contribution, indemnity, reimbursement, or any other suretyship rights and claims, whether direct or indirect, liquidated or contingent, whether arising under express or implied contract or by operation of law, which such Borrower may now have or hereafter have as against the other Borrowers with respect to the Obligations; and (j) any right to proceed or seek recourse against or with respect to any property or asset of the other Borrowers.

9.6. Settlements or Releases. Each Borrower consents and agrees that, without notice to or by such Borrower, and without affecting or impairing the liability of such Borrower hereunder, the Administrative Agent, the Lenders and the LC Issuers may, by action or inaction (i) compromise, settle, extend the duration or the time for the payment of, or discharge the performance of, or may refuse to or otherwise not enforce this Agreement and the Loan Documents, or any part thereof, with respect to the other Borrowers or any Guarantor; (ii) release the other Borrowers or any Guarantor or grant other indulgences to the other Borrowers or any Guarantor in respect thereof; or (iii) release or substitute any Guarantor, if any, of the Obligations, or enforce, exchange, release, or waive any security, if any, for the Obligations or any other guaranty of the Obligations, or any portion thereof.

9.7. No Election. The Administrative Agent, the Lenders and the LC Issuers shall have the right to seek recourse against each Borrower to the fullest extent provided for herein, and no election by the Administrative Agent, the Lenders and the LC Issuers to proceed in one form of action or proceeding, or against any party, or on any obligation, shall constitute a waiver of the Administrative Agent's, any Lenders' or any LC Issuers' right to proceed in any other form of action or proceeding or against other parties unless the Administrative Agent, the Lenders and the LC Issuers have expressly waived such right in writing.

9.8. Joint Loan Account. At the request of Borrowers to facilitate and expedite the administration and accounting processes and procedures of the Loans and the Facility LCs, the Administrative Agent, the Lenders and the LC Issuers have agreed, in lieu of maintaining separate loan accounts on the Administrative Agent's, the Lenders' and the LC Issuers' books in

the name of each of the Borrowers, that the Administrative Agent, the Lenders and the LC Issuers may maintain a single loan account under the name of all of the Borrowers (the "Joint Loan Account"). All Loans shall be charged to the Joint Loan Account, together with all interest and other charges as permitted under and pursuant to this Agreement. The Joint Loan Account shall be credited with all repayments of Obligations received by the Administrative Agent, the Lenders and the LC Issuers, on behalf of Borrowers, from any Borrower pursuant to the terms of this Agreement.

9.9. Apportionment of Proceeds of Loans. Each Borrower expressly agrees and acknowledges that the Administrative Agent, the Lenders and the LC Issuers shall have no responsibility to inquire into the correctness of the apportionment or allocation of or any disposition by any of Borrowers of (a) the Loans, the Reimbursement Obligations or any other Obligation, or (b) any of the expenses and other items charged to the Joint Loan Account pursuant to this Agreement. The Loans, the Reimbursement Obligations and the other Obligations and such expenses and other items shall be made for the collective, joint, and several account of Borrowers and shall be charged to the Joint Loan Account.

9.10. The Administrative Agent, Lenders and LC Issuers Held Harmless. Each Borrower agrees and acknowledges that the administration of this Agreement on a combined basis, as set forth herein, is being done as an accommodation to the Borrowers and at their request, and that the Administrative Agent, the Lenders and the LC Issuers shall incur no liability to any Borrower as a result thereof. To induce the Administrative Agent, the Lenders and the LC Issuers to do so, and in consideration thereof, each Borrower hereby agrees to indemnify and hold the Administrative Agent, the Lenders and the LC Issuers harmless from and against any and all liability, expense, loss, damage, claim of damage, or injury, made against the Administrative Agent, the Lenders and the LC Issuers by Borrowers or by any other Person, arising from or incurred by reason of such administration of the Agreement on a combined basis, except to the extent such liability, expense, loss, damage, claim of damage, or injury solely arises from the gross negligence or willful misconduct or breach of the obligations under the Loan Documents of the Administrative Agent, the Lenders and the LC Issuers, as applicable.

9.11. Borrowers' Integrated Operations. Each Borrower represents and warrants to the Administrative Agent, the Lenders and the LC Issuers that the collective administration of the Loans is being undertaken by the Administrative Agent, the Lenders and the LC Issuers pursuant to this Agreement because Borrowers are integrated in their operation and administration and require financing on a basis permitting the availability of credit from time to time to the Borrowers. Each Borrower will derive benefit, directly and indirectly, from such collective administration and credit availability because the successful operation of each Borrower is enhanced by the continued successful performance of the integrated group.

ARTICLE X

GENERAL PROVISIONS

10.1. Survival of Representations. All representations and warranties of the Borrowers contained in this Agreement shall survive the making of the Credit Extensions herein contemplated.

10.2. Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, neither any LC Issuer nor any Lender shall be obligated to extend credit to the Borrowers in violation of any limitation or prohibition provided by any applicable statute or regulation.

10.3. Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

10.4. Entire Agreement. The Loan Documents embody the entire agreement and understanding among the Borrowers, the Agents, the LC Issuers and the Lenders and supersede all prior agreements and understandings among the Borrowers, the Agents, the LC Issuers and the Lenders relating to the subject matter thereof other than the fee letter described in Section 11.13.

10.5. Several Obligations; Benefits of this Agreement. The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other (except to the extent to which the Agents are authorized to act as such). The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns, provided, however, that the parties hereto expressly agree that the Arranger shall enjoy the benefits of the provisions of Sections 9.6, 9.10, 10.11, and 10.13 to the extent specifically set forth therein and shall have the right to enforce such provisions on its own behalf and in its own name to the same extent as if it were a party to this Agreement.

10.6. Expenses; Indemnification.

(i) The Borrowers shall reimburse the Administrative Agent and the Arranger for any costs, internal charges and out-of-pocket expenses (including reasonable attorneys' and paralegals' fees, time charges and expenses of attorneys and paralegals for the Administrative Agent and Arranger, which attorneys and paralegals may or may not be employees of the Administrative Agent or the Arranger, and expenses of and fees for other advisors and professionals engaged by the Administrative Agent or the Arranger) paid or incurred by the Administrative Agent or the Arranger in connection with the investigation, preparation, negotiation, documentation, execution, delivery, syndication, distribution (including, without limitation, via the internet), review, amendment, modification, administration and collection of the Loan Documents. The Borrowers also agree to reimburse the Agents, the Arranger, the LC Issuers and the Lenders for any reasonable costs, internal charges and out-of-pocket expenses (including reasonable attorneys' and paralegals' fees, time charges and expenses of attorneys and paralegals for the Agents, the Arranger, the LC Issuers and the Lenders, which attorneys and paralegals may be employees of the Agents, the Arranger, the LC Issuers or the Lenders) paid or incurred by the Agents, the Arranger, any LC Issuers or any Lender in connection with the collection and enforcement of the Loan Documents. Notwithstanding anything herein or in any other Loan Document to the contrary, any and all provisions in this Agreement or in any other Loan Document that obligates the Company or any of its Subsidiaries to pay the attorney's fees or expenses of another Person shall be deemed to obligate the Company or such Subsidiary (as

the case may be) to pay the actual and reasonable attorney's fees and expenses of such Person and such fees and expenses shall be calculated without giving effect to any statutory presumptions as to the reasonableness or the amount thereof that may apply under applicable law.

(ii) The Borrowers hereby further agree to indemnify the Agents, the Arranger, the LC Issuers, each Lender, their respective affiliates, and each of their directors, officers and employees against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all reasonable expenses of litigation or preparation therefor whether or not the Agents, the Arranger, the LC Issuers, any Lender or any affiliate is a party thereto, and all reasonable attorneys' and paralegals' fees, time charges and expenses of attorneys and paralegals of the party seeking indemnification, which attorneys and paralegals may or may not be employees of such party seeking indemnification) which any of them may pay or incur arising out of or relating to this Agreement, the other Transaction Documents, the Spin-Off Transactions or any other transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Credit Extension hereunder, except to the extent that they are determined in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the party seeking indemnification or by reason of such indemnified party's breach of its obligations under the Loan Documents, or are the result of claims of any Lender against other Lenders or against the Administrative Agent not attributable to the Company's or any of its Subsidiary's actions and for which the Company and its Subsidiaries otherwise have no liability. The obligations of the Borrowers under this Section 10.6 shall survive the termination of this Agreement.

10.7. Numbers of Documents. All statements, notices, closing documents, and requests hereunder shall be furnished to the Administrative Agent with sufficient counterparts so that the Administrative Agent may furnish one to each of the Lenders, to the extent that the Administrative Agent deems necessary.

10.8. Accounting. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with Agreement Accounting Principles. If any changes in generally accepted accounting principles are hereafter required or permitted and are adopted by the Company or any of its Subsidiaries with the agreement of its independent certified public accountants and such changes result in a change in the method of calculation of any of the financial covenants, tests, restrictions or standards herein or in the related definitions or terms used therein ("ACCOUNTING CHANGES"), the parties hereto agree, at the Company's request, to enter into negotiations, in good faith, in order to amend such provisions in a credit neutral manner so as to reflect equitably such changes with the desired result that the criteria for evaluating the Company's and its Subsidiaries' financial condition shall be the same after such changes as if such changes had not been made; provided, however, until such provisions are amended in a manner reasonably mutually satisfactory to the Company, the Administrative Agent and the Required Lenders, no Accounting Change shall be given effect in such calculations and all financial statements and reports required to be delivered hereunder shall be prepared in accordance with Agreement Accounting Principles without taking into account such Accounting Changes. In the event such amendment is entered into, all references in this Agreement to Agreement Accounting Principles shall mean generally accepted accounting principles as of the date of such amendment.

10.9. Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

10.10. Nonliability of Lenders. The relationship between the Borrowers on the one hand and the Lenders, the LC Issuers and the Agents on the other hand shall be solely that of borrower and lender. None of the Agents, the Arranger, the LC Issuers or any Lender shall have any fiduciary responsibilities to the Borrowers. None of the Agents, the Arranger, the LC Issuers or any Lender undertakes any responsibility to the Borrowers to review or inform the Borrowers of any matter in connection with any phase of any Borrower's business or operations. The Borrowers agree that none of the Agents, the Arranger, the LC Issuers or any Lender shall have liability to the Borrowers (whether sounding in tort, contract or otherwise) for losses suffered by the Borrowers in connection with, arising out of, or in any way related to, the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final, non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct or breach of the obligations under the Loan Documents of the party from which recovery is sought. None of the Agents, the Arranger, the LC Issuers or any Lender shall have any liability with respect to, and the Borrowers hereby waive, releases and agrees not to sue for, any special, indirect, consequential or punitive damages suffered by the Borrowers in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby.

10.11. Confidentiality. Each Lender agrees to hold any confidential information which it may receive from any Borrower pursuant to this Agreement in confidence, except for disclosure to the following Persons for the following purposes (and under the terms of confidence that are substantially the same as this Section in the case of any disclosure covered by clause (i), (ii), (vi) or (vii) below): (i) to other Lenders and their respective Affiliates in connection with the transactions contemplated by this Agreement, (ii) to legal counsel, accountants, and other professional advisors to such Lender in connection with the transactions contemplated by this Agreement or to a Transferee or prospective Transferee in connection with the transactions contemplated by this Agreement, (iii) to regulatory officials as required by applicable law as determined by such Lender (which determination shall be conclusive and binding on all parties hereto), (iv) to any Person as required by law, regulation, or legal process as determined by such Lender (which determination shall be conclusive and binding on all parties hereto), (v) to any Person to the extent required in any legal proceeding to which such Lender is a party as determined by such Lender (which determination shall be conclusive and binding on all parties hereto), (vi) to such Lender's direct or indirect contractual counterparties in swap agreements relating to the Loans or to legal counsel, accountants and other professional advisors to such counterparties, and (vii) permitted by Section 13.4.

10.12. Lenders Not Utilizing Plan Assets. None of the consideration used by any of the Lenders, any LC Issuer or Designated Lenders to make its Credit Extensions constitutes for any purpose of ERISA or Section 4975 of the Code assets of any "plan" as defined in Section 3(3) of ERISA or Section 4975 of the Code and the rights and interests of each of the Lenders, the LC

Issuers and Designated Lenders in and under the Loan Documents shall not constitute such "plan assets" under ERISA.

10.13. Nonreliance. Each Lender hereby represents that it is not relying on or looking to any margin stock (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for herein.

10.14. Disclosure. The Borrowers and each Lender hereby acknowledge and agree that Bank One and/or its respective Affiliates and certain of the other Lenders and/or their respective Affiliates from time to time may hold investments in, make other loans to or have other relationships with the Borrowers and its Affiliates.

10.15. Subordination of Intercompany Indebtedness. The Borrowers agree that any and all claims of any Borrower against any Guarantor with respect to any "Intercompany Indebtedness" (as hereinafter defined), any endorser, obligor or any other guarantor of all or any part of the Obligations, or against any of its properties shall be subordinate and subject in right of payment to the prior payment, in full and in cash, of all Obligations; provided that, and not in contravention of the foregoing, so long as no Default is continuing the Borrowers may make loans to and receive payments in the ordinary course with respect to such Intercompany Indebtedness to the extent otherwise permitted under this Agreement. Notwithstanding any right of any Borrower to ask, demand, sue for, take or receive any payment from any Guarantor, all rights, liens and security interests of the Borrowers, whether now or hereafter arising and howsoever existing, in any assets of any Guarantor (whether constituting part of any collateral given to any Agent or any Lender to secure payment of all or any part of the Obligations or otherwise) shall be and are subordinated to the rights of the Agents, the LC Issuers and the Lenders in those assets. No Borrower shall have any right to possession of any such asset or to foreclose upon any such asset, whether by judicial action or otherwise, unless and until all of the Obligations (other than contingent indemnity obligations) shall have been fully paid and satisfied (in cash) and all financing arrangements pursuant to all of the Loan Documents have been terminated. If all or any part of the assets of any Guarantor, or the proceeds thereof, are subject to any distribution, division or application to the creditors of any Guarantor, whether partial or complete, voluntary or involuntary, and whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other action or proceeding, or if the business of any Guarantor is dissolved or if substantially all of the assets of any Guarantor are sold (other than in a transaction permitted under this Agreement), then, and in any such event (such events being herein referred to as an "INSOLVENCY EVENT"), any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any indebtedness of any Guarantor to any Borrower ("INTERCOMPANY INDEBTEDNESS") shall be paid or delivered directly to the Administrative Agent for application on any of the Obligations, due or to become due, until such Obligations (other than contingent indemnity obligations) shall have first been fully paid and satisfied (in cash). Should any payment, distribution, security or instrument or proceeds thereof be received by any Borrower upon or with respect to the Intercompany Indebtedness after any Insolvency Event and prior to the satisfaction of all of the Obligations (other than contingent indemnity obligations) and the termination of all financing arrangements pursuant to all of the Loan Documents, such Borrower shall receive and hold the same in trust, as trustee, for the benefit of the Agents, the LC Issuers and the Lenders and shall forthwith deliver the same to the

Administrative Agent, for the benefit of the Agents, the LC Issuers and the Lenders, in precisely the form received (except for the endorsement or assignment of such Borrower where necessary), for application to any of the Obligations, due or not due, and, until so delivered, the same shall be held in trust by such Borrower as the property of the Agents, the LC Issuers and the Lenders. If any Borrower fails to make any such endorsement or assignment to the Administrative Agent, the Administrative Agent or any of its officers or employees is irrevocably authorized to make the same. Each Borrower agrees that until the Obligations (other than the contingent indemnity obligations) have been paid in full (in cash) and satisfied and all financing arrangements pursuant to any Loan Document among the Borrowers and the Agents, the LC Issuers and the Lenders have been terminated, no Borrower will assign or transfer to any Person (other than the Administrative Agent or any other transferee that agrees to be bound by the terms of this Agreement in writing (in form and substance acceptable to the Administrative Agent)) any claim any Borrower has or may have against any Guarantor.

ARTICLE XI

THE AGENTS

11.1. Appointment; Nature of Relationship. Bank One, NA is hereby appointed by each of the Lenders as the Administrative Agent hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Administrative Agent to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents. Wachovia Bank, N.A. is hereby appointed by each of the Lenders as the Syndication Agent hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Syndication Agent to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents. SunTrust Bank is hereby appointed by each of the Lenders as the Documentation Agent hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Documentation Agent to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents. Each Agent agrees to act as such contractual representative upon the express conditions contained in this Article XI. Notwithstanding the use of the defined term "ADMINISTRATIVE AGENT", "SYNDICATION AGENT" or "DOCUMENTATION AGENT", it is expressly understood and agreed that no Agent shall have any fiduciary responsibilities to any Lender by reason of this Agreement or any other Loan Document and that each Agent is merely acting as the contractual representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In their capacities as the Lenders' contractual representative, the Agents (i) do not hereby assume any fiduciary duties to any of the Lenders, (ii) are "representatives" of the Lenders within the meaning of Section 9-102 of the Uniform Commercial Code and (iii) are acting as independent contractors, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Lenders hereby agrees to assert no claim against any Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Lender hereby waives.

11.2. Powers. Each Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to such Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Agents shall have no implied duties

or fiduciary duties to the Lenders or any obligation to the Lenders to take any action thereunder, except any action specifically provided by the Loan Documents to be taken by the applicable Agents.

11.3. General Immunity. No Agent or any of its respective directors, officers, agents or employees shall be liable to the Borrowers, the Lenders or any Lender for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except to the extent such action or inaction is determined in a final, non-appealable judgment by a court of competent jurisdiction to have arisen from the gross negligence or willful misconduct of such Person.

11.4. No Responsibility for Loans, Recitals, etc. No Agent or any of its respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (a) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (b) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document, including, without limitation, any agreement by an obligor to furnish information directly to each Lender; (c) the satisfaction of any condition specified in Article IV, except receipt of items required to be delivered solely to the Agents or any of them; (d) the existence or possible existence of any Default or Unmatured Default; (e) the validity, enforceability, effectiveness, sufficiency or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; (f) the value, sufficiency, creation, perfection or priority of any Lien in any collateral security; or (g) the financial condition of the Borrowers or any guarantor of any of the Obligations or of any of the Company's or any such guarantor's respective Subsidiaries. The Agents shall have no duty to disclose to the Lenders information that is not required to be furnished by any Borrower to any Agent at such time, but is voluntarily furnished by any Borrower to such Agent (either in its capacity as an Agent or in its individual capacity).

11.5. Action on Instructions of Lenders. Each Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Lenders (or all of the Lenders in the event that and to the extent that this Agreement expressly requires such), and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders. The Lenders hereby acknowledge that the Agents shall be under no duty to take any discretionary action permitted to be taken by any of them pursuant to the provisions of this Agreement or any other Loan Document unless they shall be requested in writing to do so by the Required Lenders (or all of the Lenders in the event that and to the extent that this Agreement expressly requires such). Each Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

11.6. Employment of Agents and Counsel. Any Agent may execute any of its respective duties as an Agent hereunder and under any other Loan Document by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Each Agent shall be entitled

to advice of counsel concerning the contractual arrangement between such Agent and the Lenders and all matters pertaining to such Agent's duties hereunder and under any other Loan Document.

11.7. Reliance on Documents; Counsel. Each Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by such Agent, which counsel may be employees of such Agent.

11.8. Agents' Reimbursement and Indemnification. The Lenders agree to reimburse and indemnify each Agent ratably in proportion to the Lenders' Pro Rata Shares of Aggregate Commitment (or, after the Commitment Termination Date, of the Aggregate Outstanding Credit Exposure) (i) for any amounts not reimbursed by the Borrowers for which such Agent is entitled to reimbursement by the Borrowers under the Loan Documents, (ii) for any other expenses incurred by such Agent on behalf of the Lenders, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents (including, but not limited to, for any expenses incurred by such Agent in connection with any dispute between such Agent and any Lender or between two or more of the Lenders) and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby (including, without limitation, for any such amounts incurred by or asserted against such Agent in connection with any dispute between such Agent and any Lender or between two or more of the Lenders), or the enforcement of any of the terms of the Loan Documents or of any such other documents, provided that (i) no Lender shall be liable for any of the foregoing to the extent any of the foregoing is found in a final, non-appealable judgment in a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Agent and (ii) any indemnification required pursuant to Section 3.5(vii) shall, notwithstanding the provisions of this Section 11.8, be paid by the relevant Lender in accordance with the provisions thereof. The obligations of the Lenders under this Section 11.8 shall survive payment of the Obligations and termination of this Agreement.

11.9. Notice of Default. No Agent shall be deemed to have knowledge or notice of the occurrence of any Default or Unmatured Default hereunder unless such Agent has received written notice from a Lender or the Borrowers referring to this Agreement describing such Default or Unmatured Default and stating that such notice is a "notice of default". In the event that any Agent receives such a notice, such Agent shall give prompt notice thereof to the Lenders.

11.10. Rights as a Lender. In the event any Agent is a Lender, such Agent shall have the same rights and powers hereunder and under any other Loan Document with respect to its Commitment and its Credit Extensions as any Lender and may exercise the same as though it were not an Agent, and the term "Lender" or "Lenders" shall, at any time when any Agent is a Lender, unless the context otherwise indicates, include such Agent in its individual capacity. Each Agent and its Affiliates may accept deposits from, lend money to, and generally engage in

any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with the Company or any of its Subsidiaries in which the Company or such Subsidiary is not restricted hereby from engaging with any other Person.

11.11. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon any Agent, the Arranger or any other Lender and based on the financial statements prepared by the Company and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon any Agent, the Arranger or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

11.12. Successor Agents. Any Agent may resign at any time by giving written notice thereof to the Lenders and the Company, such resignation to be effective upon the appointment of a successor Agent or, if no successor Agent has been appointed, forty-five (45) days after the retiring Agent gives notice of its intention to resign. Any Agent may be removed at any time with or without cause by written notice received by such Agent from the Required Lenders, such removal to be effective on the date specified by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint, on behalf of the Borrowers and the Lenders, a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders within thirty (30) days after the resigning Agent's giving notice of its intention to resign, then the resigning Agent may appoint, on behalf of the Borrowers and the Lenders, a successor Agent. Notwithstanding the previous sentence, any Agent may at any time, without the consent of any Borrower or any Lender, appoint any of its Affiliates which is a commercial bank as its successor Agent hereunder. If an Agent has resigned or been removed and no successor Agent has been appointed, the Lenders may perform all the duties of such Agent hereunder and the Borrowers shall make all payments in respect of the Obligations to the applicable Lender if there is no Administrative Agent and for all other purposes shall deal directly with the Lenders. No successor Agent shall be deemed to be appointed hereunder until such successor Agent has accepted the appointment. Any such successor Agent shall be a commercial bank having capital and retained earnings of at least \$100,000,000. Upon the acceptance of any appointment as an Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning or removed Agent. Upon the effectiveness of the resignation or removal of an Agent, the resigning or removed Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation or removal of an Agent, the provisions of this Article XI shall continue in effect for the benefit of such Agent in respect of any actions taken or omitted to be taken by it while it was acting as an Agent hereunder and under the other Loan Documents. In the event that there is a successor to the Administrative Agent by merger, or the Administrative Agent assigns its duties and obligations to an Affiliate pursuant to this Section 11.12, then (a) the term "Prime Rate" as used in this Agreement shall mean the prime rate, base rate or other analogous rate of the new Administrative Agent and (b) the references to "Bank One" in the definitions of "Eurodollar Base Rate" and "Prime Rate" and in the last sentence of Section 2.13 shall be deemed to be a reference to such successor Administrative Agent in its individual capacity.

11.13. Agent and Arranger Fees. The Company agrees to pay to the Administrative Agent and the Arranger, for their respective accounts, the fees agreed to by NSI, the Administrative Agent and the Arranger pursuant to that certain letter agreement dated August 10, 2001 or as otherwise agreed from time to time.

11.14. Delegation to Affiliates. The Borrowers and the Lenders agree that any Agent may delegate any of its duties under this Agreement to any of its Affiliates. Any such Affiliate (and such Affiliate's directors, officers, agents and employees) which performs duties in connection with this Agreement shall be entitled to the same benefits of the indemnification, waiver and other protective provisions to which the applicable Agent is entitled under Articles IX and X.

11.15. Release of Guarantors. Upon the liquidation or dissolution of any Guarantor, or the sale of all of the Capital Stock of any Guarantor owned by the Company and its Subsidiaries, in each case which does not violate the terms of any Loan Document or is consented to in writing by the Required Lenders or all of the Lenders, as applicable, such Guarantor shall be automatically released from all obligations under the Guaranty and any other Loan Documents to which it is a party (other than contingent indemnity obligations), and upon at least five (5) Business Days' prior written request by the Company, the Administrative Agent shall (and is hereby irrevocably authorized by the Lenders to) execute such documents as may be necessary to evidence the release of the applicable Guarantor from its obligations under the Guaranty and such other Loan Documents; provided, however, that (i) the Administrative Agent shall not be required to execute any such document on terms which, in the Administrative Agent's reasonable opinion, would expose the Administrative Agent to liability or create any obligation or entail any consequence other than the release of such Guarantor without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Obligations of the Borrowers, any other Guarantor's obligations under the Guaranty, or, if applicable, any obligations of the Company or any Subsidiary in respect of the proceeds of any such sale retained by the Company or any Subsidiary.

ARTICLE XII

SETOFF; RATABLE PAYMENTS

12.1. Setoff. In addition to, and without limitation of, any rights of the Lenders under applicable law, if any Default occurs, any and all deposits (including all account balances, whether provisional or final and whether or not collected or available) and any other Indebtedness at any time held or owing by any Lender or (to the extent permitted by applicable law) any Affiliate of any Lender to or for the credit or account of any Borrower may be offset and applied toward the payment of the Obligations owing to such Lender, whether or not the Obligations, or any part thereof, shall then be due.

12.2. Ratable Payments. If any Lender, whether by setoff or otherwise, has payment made to it upon its Outstanding Credit Exposure (other than payments received pursuant to Section 3.1, 3.2, 3.4 or 3.5) in a greater proportion than that received by any other Lender, such Lender agrees, promptly upon demand, to purchase a participation in the Aggregate Outstanding Credit Exposure held by the other Lenders so that after such purchase each Lender will hold its

Pro Rata Share of the Aggregate Outstanding Credit Exposure. If any Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Lender agrees, promptly upon demand, to take such action necessary such that all Lenders share in the benefits of such collateral ratably in proportion to their respective Pro Rata Shares of the Aggregate Outstanding Credit Exposure. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

ARTICLE XIII

BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

13.1. Successors and Assigns; Designated Lenders.

13.1.1. Successors and Assigns. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Borrowers, the Agents and the Lenders and their respective successors and assigns, except that (i) no Borrower shall have the right to assign its rights or obligations under the Loan Documents without the consent of all of the Lenders, and any such assignment in violation of this Section 13.1.1 shall be null and void, and (ii) any assignment by any Lender must be made in compliance with Section 13.3. The parties to this Agreement acknowledge that clause (ii) of this Section 13.1.1 relates only to absolute assignments and does not prohibit assignments creating security interests, including, without limitation, (x) any pledge or assignment by any Lender of all or any portion of its rights under this Agreement and any Note to a Federal Reserve Bank or (y) in the case of a Lender which is a fund, any pledge or assignment of all or any portion of its rights under this Agreement and any Note to its trustee in support of its obligations to its trustee; provided, however, that no such pledge or assignment creating a security interest shall release the transferor Lender from its obligations hereunder unless and until the parties thereto have complied with the provisions of Section 13.3. The Administrative Agent may treat the Person which made any Loan or which holds any Note as the owner thereof for all purposes hereof unless and until such Person complies with Section 13.3; provided, however, that the Administrative Agent may in its discretion (but shall not be required to) follow instructions from the Person which made any Loan or which holds any Note to direct payments relating to such Loan or Note to another Person. Any assignee of the rights to any Loan or any Note agrees by acceptance of such assignment to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the owner of the rights to any Loan (whether or not a Note has been issued in evidence thereof), shall be conclusive and binding on any subsequent holder or assignee of the rights to such Loan.

13.1.2. Designated Lenders.

(i) Subject to the terms and conditions set forth in this Section 13.1.2, any Lender may from time to time elect to designate an Eligible Designee to provide all or any part of the Revolving Loans to be made by such Lender pursuant to this Agreement; provided that the designation of an Eligible Designee by any Lender for purposes of this Section 13.1.2 shall be subject to the approval of the Administrative Agent (which consent shall not be unreasonably

withheld or delayed). Upon the execution by the parties to each such designation of an agreement in the form of Exhibit G hereto (a "DESIGNATION AGREEMENT") and the acceptance thereof by the Administrative Agent, the Eligible Designee shall become a Designated Lender for purposes of this Agreement. The Designating Lender shall thereafter have the right to permit the Designated Lender to provide all or a portion of the Revolving Loans to be made by the Designating Lender pursuant to the terms of this Agreement and the making of the Revolving Loans or portion thereof shall satisfy the obligations of the Designating Lender to the same extent, and as if, such Revolving Loan was made by the Designating Lender. As to any Revolving Loan made by it, each Designated Lender shall have all the rights a Lender making such Revolving Loan would have under this Agreement and otherwise; provided, (x) that all voting rights under this Agreement shall be exercised solely by the Designating Lender, (y) each Designating Lender shall remain solely responsible to the other parties hereto for its obligations under this Agreement, including the obligations of a Lender in respect of Revolving Loans made by its Designated Lender and (z) no Designated Lender shall be entitled to reimbursement under Article III hereof for any amount which would exceed the amount that would have been payable by any Borrower to the Lender from which the Designated Lender obtained any interests hereunder. No additional Notes shall be required with respect to Revolving Loans provided by a Designated Lender; provided, however, to the extent any Designated Lender shall advance funds, the Designating Lender shall be deemed to hold the Notes in its possession as an agent for such Designated Lender to the extent of the Revolving Loan funded by such Designated Lender. Such Designating Lender shall act as administrative agent for its Designated Lender and give and receive notices and communications hereunder. Any payments for the account of any Designated Lender shall be paid to its Designating Lender as administrative agent for such Designated Lender and neither the Borrowers nor the Administrative Agent shall be responsible for any Designating Lender's application of such payments. In addition, any Designated Lender may (1) with notice to, but without the consent of the Borrowers or the Administrative Agent, assign all or portions of its interests in any Revolving Loans to its Designating Lender or to any financial institution consented to by the Administrative Agent providing liquidity and/or credit facilities to or for the account of such Designated Lender and (2) subject to advising any such Person that such information is to be treated as confidential in accordance with such Person's customary practices for dealing with confidential, non-public information, disclose on a confidential basis any non-public information relating to its Revolving Loans to any rating agency, commercial paper dealer or provider of any guarantee, surety or credit or liquidity enhancement to such Designated Lender.

(ii) Each party to this Agreement hereby agrees that it shall not institute against, or join any other Person in instituting against, any Designated Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding or other proceedings under any federal or state bankruptcy or similar law for one year and a day after the payment in full of all outstanding senior indebtedness of any Designated Lender; provided that the Designating Lender for each Designated Lender hereby agrees to indemnify, save and hold harmless each other party hereto for any loss, cost, damage and expense arising out of its inability to institute any such proceeding against such Designated Lender. This Section 13.1.2 shall survive the termination of this Agreement.

13.2. Participations

13.2.1. Permitted Participants; Effect. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other entities ("PARTICIPANTS") participating interests in any Outstanding Credit Exposure of such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest of such Lender under the Loan Documents. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the owner of its Outstanding Credit Exposure and the holder of any Note issued to it in evidence thereof for all purposes under the Loan Documents, all amounts payable by the Borrowers under this Agreement shall be determined as if such Lender had not sold such participating interests, and the Borrowers and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents.

13.2.2. Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Credit Extension or Commitment in which such Participant has an interest if such amendment, modification or waiver would otherwise require the consent of all the Lenders under Section 8.2.

13.2.3. Benefit of Setoff. The Borrowers agree that, to the maximum extent permitted by applicable law, each Participant shall be deemed to have the right of setoff provided in Section 12.1 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, provided that each Lender shall retain the right of setoff provided in Section 12.1 with respect to the amount of participating interests sold to each Participant. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 12.1, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 12.2 as if each Participant were a Lender.

13.3. Assignments.

13.3.1. Permitted Assignments. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities ("PURCHASERS") all or any part of its rights and obligations under the Loan Documents. Such assignment shall be evidenced by an agreement substantially in the form of Exhibit C or in such other form as may be agreed to by the parties thereto (each such agreement, an "ASSIGNMENT AGREEMENT"). The consent of the Company, the LC Issuers and the Administrative Agent shall be required prior to an Assignment Agreement becoming effective with respect to a Purchaser which is not a Lender, an Affiliate thereof or a Designated Lender, provided, however, that if a Default has occurred and is continuing, the consent of the Company shall not be required. Such consent shall not be unreasonably withheld or delayed. Each such assignment with respect to a Purchaser which is not a Lender, an Affiliate thereof or a Designated Lender shall (unless each of the Company and the Administrative Agent otherwise consents) be in an amount not less than the lesser of (i) \$5,000,000 and integral multiples of \$1,000,000 in excess thereof or (ii) the remaining amount of the assigning Lender's Commitment (calculated as at the date of such

assignment), or, if the Commitment Termination Date has occurred, the remaining amount of the assigning Lender's Outstanding Credit Exposure.

13.3.2. Effect; Effective Date. Upon (i) delivery to the Administrative Agent of an Assignment Agreement, together with any consents required by Section 13.3.1, and (ii) payment of a \$4,000 fee to the Administrative Agent for processing such assignment (unless such fee is waived by the Administrative Agent or unless such assignment is made to such assigning Lender's Affiliate), such assignment shall become effective on the effective date specified in such assignment. The Assignment Agreement shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Commitment and Outstanding Credit Exposure under the applicable Assignment Agreement constitutes "plan assets" as defined under ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such assignment, such Purchaser shall for all purposes be a Lender party to this Agreement and any other Loan Document executed by or on behalf of the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party hereto, and no further consent or action by any Borrower, the Lenders or the Administrative Agent shall be required to release the transferor Lender with respect to the percentage of the Aggregate Commitment and Outstanding Credit Exposure assigned to such Purchaser. Upon the consummation of any assignment to a Purchaser pursuant to this Section 13.3.2, the transferor Lender, the Administrative Agent and the Borrowers shall, if the transferor Lender or the Purchaser desires that its Loans be evidenced by Notes, make appropriate arrangements so that new Notes or, as appropriate, replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser, in each case in principal amounts reflecting their respective Commitments (or, if the Commitment Termination Date has occurred, their respective Outstanding Credit Exposure), as adjusted pursuant to such assignment.

13.3.3. The Register. Notwithstanding anything to the contrary in this Agreement, the Borrowers hereby designate the Administrative Agent, and the Administrative Agent, hereby accepts such designation, to serve as the Borrowers' contractual representative solely for purposes of this Section 13.3.3. In this connection, the Administrative Agent shall maintain at its address referred to in Section 14.1 a copy of each Assignment Agreement delivered to and accepted by it pursuant to this Section 13.3.3 and a register (the "REGISTER") for the recordation of the names and addresses of the Lenders and the Commitment of, principal amount of and interest on the Revolving Loans owing to, each Lender from time to time and whether such Lender is an original Lender or the assignee of another Lender pursuant to an assignment under this Section 13.3. The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Company and each of its Subsidiaries, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrowers or any Lender at any reasonable time and from time to time upon reasonable prior notice.

13.4. Dissemination of Information. The Borrowers authorize each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "TRANSFeree") and any prospective Transferee any and all

information in such Lender's possession concerning the creditworthiness of the Company and its Subsidiaries, including without limitation any information contained in any reports or other information delivered by any Borrower pursuant to Section 6.1; provided that each Transferee and prospective Transferee agrees to be bound by Section 10.11 of this Agreement.

13.5. Tax Treatment. If any interest in any Loan Document is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any State thereof, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, to comply with the provisions of Section 3.5(iv).

ARTICLE XIV

NOTICES

14.1. Notices. Except as otherwise permitted by Section 2.14 with respect to borrowing notices, all notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the initial Borrowers, the Agents or any Lender party hereto as of the Closing Date, at its respective address or facsimile number set forth on the signature pages hereof, (y) in the case of any Lender that becomes a party hereto pursuant to Section 13.3, at its address or facsimile number set forth in the applicable Assignment Agreement or, if none is provided therein, in its administrative questionnaire or (z) in the case of any party, at such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Company in accordance with the provisions of this Section 14.1. Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) if given by United States mail, 72 hours after such communication is deposited in such mails with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered (or, in the case of electronic transmission, received) at the address specified in this Section; provided that notices to the Administrative Agent under Article II shall not be effective until received. For all purposes under this Agreement and the other Loan Documents, (A) notice to the Administrative Agent from any Borrower shall not be deemed to be effective until actually received by the Administrative Agent, and (B) delivery of any notice to the Company shall be deemed to have been delivered to the Borrowers.

14.2. Change of Address. The Borrowers, the Agents and any Lender may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

ARTICLE XV

COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been

executed by the initial Borrowers, the Agents, the LC Issuers and the Lenders and each party has notified the Agents by facsimile transmission or telephone that it has taken such action.

ARTICLE XVI

CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL

16.1. CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (INCLUDING, WITHOUT LIMITATION, 735 ILCS 105/5-1 ET SEQ., BUT OTHERWISE WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

16.2. CONSENT TO JURISDICTION. EACH BORROWER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR ILLINOIS STATE COURT SITTING IN CHICAGO, ILLINOIS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS AND EACH BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENTS, ANY LC ISSUER OR ANY LENDER TO BRING PROCEEDINGS AGAINST ANY BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ANY BORROWER AGAINST THE AGENTS, ANY LC ISSUER OR ANY LENDER OR ANY AFFILIATE OF THE AGENTS, ANY LC ISSUER OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN CHICAGO, ILLINOIS OR THE CITY IN WHICH THE PRINCIPAL OFFICE OF SUCH AGENT, LENDER OR AFFILIATE, AS THE CASE MAY BE, IS LOCATED.

16.3. WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWERS, THE AGENTS, EACH LC ISSUER AND EACH LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

[Signature Pages Follow]

IN WITNESS WHEREOF, the initial Borrowers, the Lenders, the LC Issuers and the Agents have executed this Agreement as of the date first above written.

L & C SPINCO, INC., as a Borrower

By: /s/ B. A. Hattox

Name: Brock A. Hattox
Title: Executive Vice President and CFO

L & C Spinco, Inc.
1420 Peachtree Street NE
Atlanta, Georgia 30309-3002
Attention: Mr. Chet Popkowski
Phone: 404-853-1405
Fax: 404-853-1330
E-mail: chet.popkowski@nationalservice.com

with a copy to:

L & C Spinco, Inc.
1420 Peachtree Street NE
Atlanta, Georgia 30309-3002
Attention: Mr. Ken Murphy
Phone: 404-853-1440
Fax: 404-853-1015
E-mail: ken.murphy@nationalservice.com

L & C LIGHTING GROUP, INC., as a Borrower

By: /s/ B. A. Hattox

Name: Brock A. Hattox
Title: Executive Vice President and CFO

L & C Lighting Group, Inc.
1420 Peachtree Street NE
Atlanta, Georgia 30309-3002
Attention: Mr. Chet Popkowski
Phone: 404-853-1405
Fax: 404-853-1330
E-mail: chet.popkowski@nationalservice.com

with a copy to:

L & C Lighting Group, Inc.
1420 Peachtree Street NE
Atlanta, Georgia 30309-3002
Attention: Mr. Ken Murphy
Phone: 404-853-1440
Fax: 404-853-1015
E-mail: ken.murphy@nationalservice.com

THE ZEP GROUP, INC., as a Borrower

By: /s/ B. A. Hattox

Name: Brock A. Hattox
Title: Executive Vice President and CFO

The Zep Group, Inc.
1420 Peachtree Street NE
Atlanta, Georgia 30309-3002
Attention: Mr. Chet Popkowski
Phone: 404-853-1405
Fax: 404-853-1330
E-mail: chet.popkowski@nationalservice.com

with a copy to:

The Zep Group, Inc.
1420 Peachtree Street NE
Atlanta, Georgia 30309-3002
Attention: Mr. Ken Murphy
Phone: 404-853-1440
Fax: 404-853-1015
E-mail: ken.murphy@nationalservice.com

BANK ONE, NA (Main Office Chicago), as the
Administrative Agent, as Swing Line Lender, as LC
Issuer and as a Lender

By: /s/ Steven P. Sullivan

Name: Steven P. Sullivan
Title: Corporate Banking Officer

1 Bank One Plaza
Chicago, IL 60670

Attention: Tim J. King
Phone: (312) 732-4973
Fax: (312) 732-6894
E-mail: tim_j_king@bankone.com

WACHOVIA BANK, N.A., as the Syndication
Agent and as a Lender

By: /s/ Karin E. Reel

Name: Karin E. Reel
Title: Vice President

191 Peachtree Street, N.E.
28th Floor
Atlanta, GA 30303

Attention: Karin E. Reel
Phone: (404) 332-5187
Fax: (404) 332-4058
E-mail: karin.reel@wachovia.com

SUNTRUST BANK, as the Documentation Agent
and as a Lender

By: /s/ Mike Dunlap

Name: Mike Dunlap
Title: Managing Director

303 Peachtree St., N.E.
2nd Floor
Mail Code 1921
Atlanta, GA 30308

Attention: Scott Deviney
Phone: (404) 658-4919
Fax: (404) 588-8833
E-mail: Scott.Deviney@SunTrust.com

THE BANK OF NEW YORK, as a Lender

By: /s/ David C. Siegel

Name: David C. Siegel

Title: Vice President

Address: One Wall Street

New York, NY 10286

Attention: Larry Geter

Phone: (212) 635-6740

Fax: (212) 635-6399

E-mail: LGetter@BankofNY.com

BANK OF AMERICA, N.A., as a Lender

By: /s/ David H. Dinkins

Name: David H. Dinkins

Title: Principal

Bank of America Corporate Center

100 N. Tryon St., 17th Floor

NCI-007-17-12

Charlotte, NC 28255

Attention: Dave Dinkins

Phone: (704) 386-2951

Fax: (704) 386-3271

E-mail: david.h.dinkins@bankofamerica.com

THE INDUSTRIAL BANK OF JAPAN, LTD.,
as a Lender

By: /s/ James W. Masters

Name: James W. Masters
Title: Senior Vice President

The Industrial Bank of Japan, Ltd.
New York Branch
1251 Avenue of the Americas
New York, NY 10020-1104

Attention: Juan Almodoval
Phone: (212) 282-4072
Fax: (212) 282-4480
E-mail: jalmodoval@ibjus.com