

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10/A

(AMENDMENT NO. 2)

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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SERVICE INDUSTRIES, INC. LIGHTING
EQUIPMENT AND CHEMICALS BUSINESSES."

II. INFORMATION NOT INCLUDED IN INFORMATION STATEMENT

Item 10. Recent Sales of Unregistered Securities.

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

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

None.

Item 15. Financial Statements and Exhibits.

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

Report of Independent Public Accountants.

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

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

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

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

Report of Independent Public Accountants on Schedule

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

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

EXHIBIT NO. - -
----- 2.1 --
Form of
Agreement and
Plan of
Distribution.
3.1** -- Form
of Restated
Certificate of
Incorporation
of L&C Spinco,
Inc. 3.2 --
Amended and
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Laws of L&C
Spinco, Inc.
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representing
L&C Spinco,
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of Transition
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Agreement. 10.3
-- Form of
Agreement and
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(see Exhibit
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Agreement.
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Term Incentive
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Non-Employee
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of Lease

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First
Supplemental
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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
Supplemental
Deferred
Savings Plan.
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Executive
Deferred
Compensation
Plan. 10.16* --
L&C Spinco
Senior
Management
Benefit Plan.
10.17* -- L&C
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Directors
Deferred Stock
Unit Plan.
10.18* -- L&C
Spinco
Executive
Benefits Trust.
10.19* -- L&C
Spinco
Supplemental
Retirement Plan
for Executives.

EXHIBIT NO.

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10.20* --
L&C Spinco
Executive
Savings

Plan. 10.21*

-- L&C
Spinco

Benefits
Protection

Trust. 21.1*

-- List of
Subsidiaries.

- - - - -

* To be filed by amendment.

** Previously filed.

SIGNATURE

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

L&C SPINCO, INC.

By: /s/ KENYON W. MURPHY

Kenyon W. Murphy
Senior Vice President and
General Counsel

Date: September 6, 2001

[NSI LOGO]

, 2001

Dear Fellow Stockholder:

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

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

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

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

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

Sincerely,

James S. Balloun
Chairman and Chief Executive Officer

SUBJECT TO COMPLETION, DATED SEPTEMBER 6, 2001

INFORMATION STATEMENT RELATING TO THE SPINOFF OF

L&C SPINCO, INC.

FROM NATIONAL SERVICE INDUSTRIES, INC.

Common Stock

(Par Value \$.01 Per Share)

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

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

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

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

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

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

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

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

THE DATE OF THIS INFORMATION STATEMENT IS , 2001.

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QUESTIONS AND ANSWERS ABOUT THE DISTRIBUTION

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

Q: WHEN WILL THE DISTRIBUTION OCCUR?

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

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

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

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

You will also receive one preferred stock purchase right for each share of Spinco common stock that you receive. These rights are similar to the rights associated with your existing shares of NSI common stock and may have certain anti-takeover effects similar to NSI's current preferred stock purchase rights. See "The Distribution -- Manner of Effecting the Distribution" beginning on page 19, "Risk Factors -- Certain Provisions of Spinco's Certificate of Incorporation, Bylaws and Rights Plan and the Tax Disaffiliation Agreement May Discourage Takeovers" beginning on page 16 and "Certain Anti-Takeover Provisions of Spinco's Certificate of Incorporation, Bylaws and Rights Agreement and Delaware Law" beginning on page 79.

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

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

Q: WHEN WILL I RECEIVE MY SPINCO SHARES?

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

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

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

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

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

Q: WHERE WILL MY SPINCO SHARES BE TRADED?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Q: WHERE CAN I GET MORE INFORMATION?

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

Wells Fargo Bank Minnesota, National Association

Shareowner Services

161 North Concord Exchange

South St. Paul, Minnesota 55075-1139

Phone:

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

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

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

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

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

SUMMARY

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

WHY NSI SENT THIS DOCUMENT TO YOU

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

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

SPINCO'S BUSINESSES

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

LIGHTING EQUIPMENT

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

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

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

CHEMICALS

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

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

THE DISTRIBUTION

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

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

Spinco Shares to be Distributed..... approximately shares of common

NSI will distribute to NSI stockholders stock, par value \$.01 per share, of Spinco (together with the associated preferred stock purchase rights, the "Spinco Shares"), based on approximately NSI shares outstanding on , 2001. The Spinco Shares to be distributed will constitute 100% of the Spinco Shares outstanding after the Distribution. Immediately following the Distribution, NSI and its subsidiaries will not own any Spinco Shares and Spinco will be an independent public company.

Trading Market and Symbol.....

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

Record Date.....

If you owned NSI shares at the close of business on , 2001 (the "Record Date"), then you will receive Spinco Shares in the Distribution.

Distribution Date.....

The Distribution will occur at 11:59 p.m., New York City time, on , 2001 (the "Distribution Date"). If you are a record holder of NSI stock, instead of physical stock certificates you will receive from Spinco's transfer agent shortly after , 2001 a statement of your book entry account for the Spinco Shares distributed to you. Following the Distribution, you may request physical stock certificates if you wish, and instructions for making that request will be furnished with your account statement. If you are not a record holder of NSI stock because such shares are held on your behalf by your stockbroker or other nominee, your Spinco Shares should be credited to your account with your stockbroker or other nominee on or about , 2001.

Distribution Ratio.....

You will receive one Spinco Share for every NSI share you held on the Record Date.

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

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

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

Certain Anti-takeover

Effects.....

Certain provisions of Spinco's certificate of incorporation and bylaws may have the effect of making the acquisition of control of Spinco in a transaction not approved by Spinco's board of directors more difficult. The stockholder protection rights agreement that Spinco will enter into in connection with the Distribution also would make such a transaction more difficult. Moreover, certain provisions of the agreement providing for certain tax disaffiliation and other tax-related matters that Spinco will enter into in connection with the Distribution could discourage potential acquisition proposals. See "Risk Factors -- Certain Provisions of Spinco's Certificate of Incorporation, Bylaws and Rights Plan and the Tax Disaffiliation Agreement May Discourage Takeovers" beginning on page 16 and "Certain Anti-Takeover Provisions of Spinco's Certificate of Incorporation, Bylaws and Rights Agreement and Delaware Law" beginning on page 79.

Risk Factors.....
Distribution and Spinco's businesses

You should review the risks relating to the described in "Risk Factors" beginning on page 8.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

RISK FACTORS

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

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

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

RISKS RELATING TO THE DISTRIBUTION

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

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

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

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

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

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

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

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

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

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

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

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

results of operations, what investors think of 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 put in place successfully the financial, administrative and managerial structure necessary to operate as an independent public company, or that the development of such structure will not require a significant amount of management's time and other resources.

HISTORICAL FINANCIAL INFORMATION MAY BE OF LIMITED RELEVANCE

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

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

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

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

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

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

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

SPINCO WILL BE SUBJECT TO FOREIGN CURRENCY RISKS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THE DISTRIBUTION

INTRODUCTION

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

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

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

REASONS FOR THE DISTRIBUTION

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

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

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

MANNER OF EFFECTING THE DISTRIBUTION

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

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

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

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

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

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

RESULTS OF THE DISTRIBUTION

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

LISTING AND TRADING OF THE SPINCO SHARES

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

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

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

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

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

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

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

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

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

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

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

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

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

FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION

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

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

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

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

GENERAL

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

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

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

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

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

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

INDEMNIFICATION

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

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

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

INFORMATION REPORTING

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

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

REASONS FOR FURNISHING THIS DOCUMENT

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

RELATIONSHIP BETWEEN NSI AND SPINCO
FOLLOWING THE DISTRIBUTION

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

DISTRIBUTION AGREEMENT

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

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

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

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

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

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

TRANSITION SERVICES AGREEMENT

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

LEASE AGREEMENT

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

TAX DISAFFILIATION AGREEMENT

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

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

EMPLOYEE BENEFITS AGREEMENT

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

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

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

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

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

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

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

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

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

LITIGATION AGAINST NSI

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

FINANCING ARRANGEMENTS FOR SPINCO

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

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

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

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

HISTORICAL AND PRO FORMA COMBINED CAPITALIZATION

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

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

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

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

DIVIDEND POLICIES

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

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

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

PRO FORMA FINANCIAL INFORMATION

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

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

SELECTED FINANCIAL DATA

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

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

- - - - -

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

- - - - -
--- (IN THOUSANDS,
EXCEPT PER-SHARE DATA)
Net

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

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

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

SEPARATION FROM NATIONAL SERVICE INDUSTRIES, INC. (NSI)

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

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

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

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

RESULTS OF OPERATIONS

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

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

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

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

Lighting equipment segment sales grew \$291.0 million, or 23.8%, to \$1.5 billion in 2000. The growth in sales primarily related to the acquisitions of Holophane Corporation ("Holophane") and Peerless Corporation ("Peerless"). On a pro forma basis, fiscal 2000 revenue from these acquired operations increased approximately \$19.1 million over 1999. Operating profit increased primarily as a result of the acquisitions of Holophane and Peerless, growth in the segment's core business, and containment of fixed costs, offset somewhat by a \$1.0 million pretax charge during the first quarter of fiscal 2000 for closing a manufacturing facility in California. Although the non-residential construction market remained strong throughout fiscal 2000, Spinco forecasts a 5% decline in the next calendar year's non-residential construction market. Spinco expects to partially offset the impact of the anticipated slowing market with cost-saving initiatives and the achievement of synergies related to the Holophane acquisition. Sales grew \$115.3 million, or 10.4%, to \$1.2 billion in fiscal 1999. Continued strength in the non-residential construction market and the acquisitions of GTY Industries (d/b/a "Hydrel"), Peerless, and Holophane contributed to the growth in sales. As a result of the increased sales and manufacturing cost savings, operating profit increased 11.4% in 1999.

Chemicals segment revenues for fiscal 2000 increased \$23.3 million, or 4.8%, to \$511.1 million. Increased revenues related primarily to growth in the retail channel and higher revenue in the institutional and industrial channels. Retail channel revenue increased \$8.9 million, or 11.8%, as a result of additional home center openings and increased volume through existing stores. The institutional and industrial channel revenue increase of \$14.4 million, or 3.5%, was driven by higher United States core sales resulting from 40 additional sales representatives in addition to higher volume from the specialty segments. Operating profit increased \$3.5 million, or 7.7%, to \$48.7 million. The increase in operating profit resulted from the increased revenue, offset somewhat by a \$2.0 million pretax charge for the disposal of obsolete retail chemical inventories in the fourth quarter of fiscal 2000, which is included in "Cost of products sold" in the accompanying "Combined Statements of Income," and lower operating profit from the segment's international operations. The chemicals segment's international operations were negatively impacted by severance costs and weakening currencies. During fiscal 2000, NSI reorganized its three chemical companies. Under the new structure, Spinco expects to benefit from shared resources but will continue to maintain separate sales forces and product brand identities. Revenues in 1999 increased \$33.3 million, or 7.3%, to \$487.8 million. The increase in fiscal 1999 revenue was a result of continued growth in the retail channel, higher revenue in the industrial and institutional distribution channels, inclusion of a full year of Calman Australia Pty Ltd. ("Calman"), and other international revenue. Operating profit increased \$8.7 million, or 24.0%, to \$45.2 million as a result of the increased revenues, lower operating costs, and severance costs included in 1998 that were not repeated in 1999.

Allocated corporate expenses in fiscal 2000 increased \$2.6 million, primarily due to higher costs related to strategic initiatives, partially offset by lower compensation expense.

Corporate expenses in fiscal 1999 approximated those in fiscal 1998. Net interest expense increased \$30.6 million in fiscal 2000 as a result of higher debt levels required for financing acquisitions as well as higher capital expenditures and working capital. Net interest expense increased \$8.3 million in 1999 as a result of higher average debt levels.

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

ACQUISITIONS

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

Operating Activities

Operations provided cash of \$64.0 million in 2000, compared with cash provided of \$148.1 million in 1999 and \$36.4 million in 1998. The decrease in 2000 related to the

increase in receivables and inventory, a decrease in current liabilities, and an increase in income tax payments. The increase in 1999 primarily resulted from increased payables and accrued liabilities, lower inventories, an increase in net income, and lower tax payments.

Investing Activities

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

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

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

Financing Activities

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

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

RESULTS OF OPERATIONS

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

Spinco's businesses generated revenue of \$1.5 billion in the nine months ended May 31, 2001 representing a \$16.3 million increase over the same period in the prior year.

The increase in revenue was primarily due to the chemicals segment, although modest growth was noted in the lighting equipment segment.

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

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

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

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

For the nine months ended May 31, 2001, allocated corporate expenses increased \$3.2 million to \$13.7 million. Higher year-to-date corporate expenses were primarily caused by lower-than-normal long-term incentive compensation expense in the prior-year first quarter and higher costs related to strategic and operational initiatives. Year-to-date net interest expense increased as a result of higher outstanding debt balances and higher interest rates. On a year-to-date basis, the provision for income taxes increased to 41.7% of pretax income primarily as a result of nondeductible losses associated with the chemicals segment's divestiture of its French operations.

LIQUIDITY AND CAPITAL RESOURCES

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

Operating Activities

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

Investing Activities

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

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

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

Financing Activities

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

In May 2001, NSI entered into a three-year agreement (the "Receivables Facility") to borrow, on an ongoing basis, up to \$150.0 million secured by undivided interests in a defined pool of trade accounts receivable of the lighting equipment and chemicals segments. At May 31, 2001, net trade accounts receivable pledged as security for borrowings under the Receivables Facility totaled \$220.4 million. Borrowings outstanding at May 31, 2001 of \$118.9 million were used to reduce borrowings under NSI's

commercial paper program. Interest rates under the Receivables Facility are based on the LIBOR rate.

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

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

ACCOUNTING STANDARDS YET TO BE ADOPTED

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

ENVIRONMENTAL MATTERS AND LITIGATION

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

OUTLOOK

Management continues to execute its strategic plan to grow internally. With both segments anticipating higher material, labor, and fuel costs, an economic slowdown may

intensify pricing pressures and limit Spinco's ability to pass along these additional costs in the form of price increases. Additionally, Spinco will incur costs to improve the flexibility of its cost structure to better position it for the slowdown. However, Spinco expects to deliver improved earnings results as it benefits from initiatives taken to improve the cost structure.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

SPINCO'S BUSINESSES

GENERAL

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

LIGHTING EQUIPMENT

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

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

CHEMICALS

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

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

INDUSTRY OVERVIEW

LIGHTING EQUIPMENT

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

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

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

CHEMICALS

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

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

PRODUCTS

LIGHTING EQUIPMENT

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

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

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

CHEMICALS

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

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

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

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

STRATEGY

LIGHTING EQUIPMENT

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

CHEMICALS

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

CUSTOMERS

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

LIGHTING EQUIPMENT

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

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

CHEMICALS

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

MANUFACTURING

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

LIGHTING EQUIPMENT

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

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

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

CHEMICALS

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

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

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

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

DISTRIBUTION

LIGHTING EQUIPMENT

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

CHEMICALS

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

RESEARCH AND DEVELOPMENT

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

SALES AND MARKETING

LIGHTING EQUIPMENT

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

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

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

CHEMICALS

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

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

COMPETITION

LIGHTING EQUIPMENT

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

CHEMICALS

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

ENVIRONMENTAL REGULATION

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

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

Spinco will assume certain environmental liabilities in the Distribution relating to ongoing legal proceedings in connection with state and federal Superfund sites. While Spinco does not believe these claims will result in material liability, there can be no assurance that Spinco will not be required 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-19 for a discussion of environmental matters.

RAW MATERIALS

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

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

BACKLOG ORDERS

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

PATENTS, LICENSES AND TRADEMARKS

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

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

SEASONALITY AND CYCLICALITY

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

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

INTERNATIONAL OPERATIONS

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

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

EMPLOYEES

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

PROPERTIES

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

DIVISION	OWNED	LEASED	NATURE OF FACILITIES
-	-	-	Lighting Equipment.....
	18	6	
	1	9	Manufacturing Facilities
	1	1	Warehouses
	9	11	Distribution Centers
	4	3	Manufacturing Plants
	--	10	Warehouses
		--	Offices
			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.....	4	31	==	==
				==

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

LEGAL PROCEEDINGS

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

SPINCO'S MANAGEMENT

BOARD OF DIRECTORS

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

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

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

Leslie M. Baker,
59 Director Mr.
Baker has served
as a

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

Corporation since
1994; President
and Chief
Executive Officer
of Wachovia Bank
since June 1997
and from 1990 to
1993; and
President and
Chief Operating
Officer of
Wachovia
Corporation from
February 1993 to
December 1993.

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

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

John L.
Clendenin....
67 Director
Mr.
Clendenin
has served
as a
director of
NSI since
November
1996. He is

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

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

Ray M.
Robinson..... 53
Director Mr.
Robinson has
served as a
director of NSI
since January
2000. He has
served as
President of the
Southern Region of
AT&T Corporation
since 1996. Mr.
Robinson served as
Vice President --
Corporate
Relations of AT&T
from 1994 to 1996.
He joined AT&T in
1968 and has held
numerous senior
management
positions in
marketing,
corporate
relations,
engineering and
regulatory
affairs. Mr.
Robinson is a
director of Avnet,
Inc., Citizens
Bancshares
Corporation, and
Mirant
Corporation. Kathy
Brittain 52
Director Ms. White
has served as a
White.....

director of NSI
since October
1999. She is
Executive Vice
President, e-
business and Chief
Information
Officer of
Cardinal Health,
Inc., a company
that provides
healthcare
products and
services, since
April 1999. Ms.
White was Senior
Vice President and
Chief Information
Officer of
Allegiance
Healthcare, Inc.
from 1996 to April
1999, Corporate
Vice President and
Chief Information
Officer of Baxter
International,

Inc. from 1995 to 1996, and Vice President, Information Systems of AlliedSignal Corporation from 1993 to 1995. Ms.

White is a director of Certegy, Inc.

Barrie A.

Wigmore... 60
Director Mr.

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

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

--- Neil

Williams.....

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

COMMITTEES OF THE BOARD OF DIRECTORS

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

DIRECTORS' COMPENSATION

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

expenses incurred in connection with attendance at board and committee meetings.

Spinco intends to adopt a deferred stock unit plan for the benefit of the non-employee directors. Under this plan, each director will be paid one-half of his annual fee and may elect to receive additional portions of his annual fee and chairman fee in deferred stock units. Non-employee directors will receive a one-time grant of deferred stock units upon their election and an annual grant of deferred stock units. The value and return on the deferred stock units will be equivalent to the value and return on Spinco Shares. The director's account will generally be payable on or after retirement from the board.

The deferred stock units currently held by non-employee directors of NSI who will become directors of Spinco 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 (or a subsidiary thereof) 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 will be filed as an exhibit to the Registration Statement that Spinco has filed with the Commission which relates to this information statement. Spinco will establish the plan to 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, at the time of the Distribution the NSI options will be converted to, and replaced by, Spinco stock options in accordance with the option conversion ratio provided for in the employee benefits agreement. See "Relationship Between NSI and Spinco Following the Distribution -- Employee Benefits Agreement" beginning on page 27.

EXECUTIVE OFFICERS

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

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

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

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

Hattox.....
53 Executive
Vice
President Mr.
Hattox has
served as and
Chief
Financial
Executive
Vice
President and
Officer Chief
Financial
Officer of

NSI since
September
1996.
Previously
with
McDermott
International,
Inc., he had
been Chief
Financial
Officer since
1991 and
President of
the
engineering
and
construction
group since
1995.

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

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

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

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

years in
various
management
positions with
Mobil Chemical.

POSITION WITH NSI
AND PRINCIPAL
BUSINESS

AFFILIATIONS DURING
NAME AGE POSITION
WITH SPINCO PAST
FIVE YEARS - ---- --
- - - - -
- - - - -

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

HISTORICAL COMPENSATION OF SPINCO EXECUTIVE OFFICERS

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

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

SUMMARY COMPENSATION TABLE

LONG-TERM
COMPENSATION ---

 --- AWARDS
 PAYOUT -----

ANNUAL
 COMPENSATION
 UNDERLYING -----

----- OPTIONS/
 LTIP ALL OTHER
 NAME AND

PRINCIPAL FISCAL
 OTHER ANNUAL
 SARS PAYOUT
 COMPENSATION
 POSITION YEAR
 SALARY (\$) BONUS
 (\$) COMPENSATION
 (\$) (1) (#) (2)
 (\$) (3) (\$) (4) -

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

Morgan.....
 2000 283,750
 123,425 0 6,000
 518,000 22,931
 President of
 1999 222,500
 98,503 0 4,000
 415,000 22,882
 Holophane 1998
 191,667 92,500 0
 3,500 0 26,241
 James H.
 Heagle(5).....
 2000 100,000
 59,940 1,600
 10,000 0 0
 President of
 1999 -- -- -- --
 -- -- The Zep
 Group 1998 -- --
 -- -- --

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

OPTION GRANTS IN LAST FISCAL YEAR

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

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

(1) Includes options granted in fiscal year 2000 in exchange for a portion of the 1999 LTIP payout, as described in note 2 to the Summary Compensation Table above.

(2) Options have a ten-year term, subject to earlier termination upon certain events related to termination of employment, and generally vest in four equal annual installments beginning on the first anniversary of the grant date. Options granted in exchange for LTIP payments, as described in note 2 to the Summary Compensation Table above, are immediately exercisable. The Executive Resource and Compensation Committee of NSI's board of directors has discretion, subject to limitations contained in NSI's Long-Term Incentive Program and the Long-Term Achievement Incentive Plan, to modify the terms of outstanding options, but not to reprice these options or others granted on or after January 5, 2000.

(3) The amounts shown were calculated using a Black-Scholes option pricing model. The estimated values assume a risk-free rate of return of 6.85%, a dividend yield of 2.54%, an option term of ten years, and stock price volatility having a standard deviation of .3080. The option values were not discounted to reflect the vesting period of the options or to reflect any exercise or lapse of the options prior to the end of the ten-year option period. The actual value, if any, that an executive may realize will depend upon the excess of the stock price over the exercise price on the date the option is exercised, so that there is no assurance the value realized by an executive will be at or near the value estimated by the Black-Scholes model.

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

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

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

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

-- James S.
Balloun.....
0 0 503,739
268,750 0 0
Brock A.
Hattox.....
0 0 125,001
100,000 0 0
Kenneth W.
Honeycutt...
584 2,300
22,060 12,000
185 0 John K.
Morgan.....
772 3,040
12,085 11,375
173 0 James H.
Heagle.....
0 0 10,000 0
0

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

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

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

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

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

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

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

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

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

SPINCO LONG-TERM INCENTIVE PLAN

GENERAL

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

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

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

DESCRIPTION OF THE PLAN

The Plan is a flexible plan that will provide the Committee broad discretion to fashion the terms of several types of awards (described below), including: stock options (both incentive stock options and nonqualified stock options), aspiration achievement incentive awards, restricted stock, performance units, and performance shares (individually and collectively, "Awards"). Not more than 30% 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 500,000. 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 divisions, 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 100,000. 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 divisions, 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 100,000.

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

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

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

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

PENSION PLANS

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

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

YEARS OF SERVICE ----- -----	REMNUNERATION 15		
	20	25	35
-----	-----	-----	-----
-----	-----	-----	-----
	----- \$		
400,000.....	\$128,100	\$170,800	\$170,800
	\$170,800	\$170,800	
500,000.....	161,800	215,800	215,800
	215,800	215,800	
600,000.....	195,600	260,800	260,800
	260,800	260,800	
700,000.....	229,300	305,800	305,800
	305,800	305,800	
800,000.....	263,100	350,800	350,800
	350,800	350,800	
900,000.....	296,800	395,800	395,800
	395,800	395,800	
1,000,000.....	330,600	440,800	440,800
	440,800	440,800	
1,200,000.....	398,100	530,800	530,800
	530,800	530,800	

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

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

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

401(K) PLAN

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

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) or during the 60-day period commencing on the first anniversary of the occurrence of a Change in Control, 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" includes (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 (i) 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, (ii) the individuals who were members of the Spinco board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization, constitute at least two-thirds of the members of the board of directors of the corporation resulting from or surviving such merger, consolidation or reorganization, and (iii) no person (other than Spinco, a trustee of an employee benefit plan maintained by Spinco or certain related entities) has beneficial ownership of 20% or more of the combined voting power of the corporation resulting from or surviving such merger, consolidation or reorganization unless such person had beneficial ownership of 20% or more of the combined voting power of Spinco immediately prior to such merger, consolidation or reorganization, and (4) a complete liquidation or dissolution of Spinco or the sale or other disposition of all or substantially all of the assets of Spinco (except for certain transfers to related entities and distributions to stockholders).

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).

BENEFICIAL OWNERSHIP OF SPINCO SHARES

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

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

* Less than 1%.

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

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

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

DESCRIPTION OF SPINCO'S CAPITAL STOCK

AUTHORIZED CAPITAL STOCK

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

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

COMMON STOCK

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

PREFERRED STOCK

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

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

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

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

NO PREEMPTIVE RIGHTS

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

TRANSFER AGENT AND REGISTRAR

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

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

GENERAL

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

CLASSIFIED BOARD OF DIRECTORS

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

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

NUMBER OF DIRECTORS; REMOVAL; FILLING VACANCIES

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

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

STOCKHOLDER ACTION

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

ADVANCE NOTICE FOR STOCKHOLDER PROPOSALS OR NOMINATIONS AT MEETINGS

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

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

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

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

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

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

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

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

AMENDMENTS TO BYLAWS

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

AMENDMENT OF THE CERTIFICATE OF INCORPORATION

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

FAIR PRICE PROVISION

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

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

PREFERRED STOCK

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

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

STOCKHOLDER PROTECTION RIGHTS AGREEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DELAWARE LAW

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

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

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

LIABILITY AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

LIMITATION ON LIABILITY OF DIRECTORS

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

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

INDEMNIFICATION

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

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

INDEMNIFICATION AGREEMENTS

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

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

INDEPENDENT PUBLIC ACCOUNTANTS

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

ADDITIONAL INFORMATION

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

The Registration Statement and the exhibits thereto filed by Spinco with the Commission may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as at the Regional Offices of the Securities and Exchange Commission at Seven World Trade Center, Thirteenth Floor, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such information can be obtained by mail from the Public Reference Branch of the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The Commission maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. The address of the Commission's website is <http://www.sec.gov>.

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

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To National Service Industries, Inc.:

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

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

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

/s/ Arthur Andersen LLP

Atlanta, Georgia
June 22, 2001

COMBINED BALANCE SHEETS

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

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

Liabilities and Parent's Equity.....
\$1,370,605 \$1,422,880 \$1,337,038 =====
=====

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

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

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

 2001 2000 2000 1999 1998 -----

(UNAUDITED)

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

----- Total costs and				
expenses....	1,424,469			
1,381,292	1,887,420	1,565,800		
1,429,928	-----	-----	-----	-----

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

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

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

COMBINED STATEMENTS OF PARENT'S EQUITY AND COMPREHENSIVE INCOME

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

ACCUMULATED OTHER NSI'S
COMPREHENSIVE TOTAL
COMPREHENSIVE EQUITY INCOME
EQUITY INCOME -----

BALANCE AUGUST 31,
1997..... \$409,219 \$
(6,812) \$402,407 Net
income.....
81,811 -- 81,811 \$81,811
Foreign currency translation
adjustment.....
-- (4,528) (4,528) (4,528) ---
---- Comprehensive
income..... -- \$77,283
=====
Net transactions with
NSI..... (66,003) --
(66,003) -----
----- BALANCE AUGUST 31,
1998..... 425,027
(11,340) 413,687 Net
income.....
89,116 -- 89,116 \$89,116
Foreign currency translation
adjustment.....
-- 2,022 2,022 2,022 -----
Comprehensive
income..... -- -- --
\$91,138 ===== Net
transactions with NSI.....
(72,970) -- (72,970) -----
----- BALANCE
AUGUST 31, 1999.....
441,173 (9,318) 431,855 Net
income.....
83,691 -- 83,691 \$83,691
Foreign currency translation
adjustment.....
-- (3,448) (3,448) (3,448) ---
---- Comprehensive
income..... -- -- --
\$80,243 ===== Net
transactions with NSI.....
(69,296) -- (69,296) -----
----- BALANCE
AUGUST 31, 2000.....
\$455,568 \$(12,766) \$442,802
=====

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

COMBINED STATEMENTS OF CASH FLOWS

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

	NINE MONTHS YEARS ENDED		ENDED MAY	
	31,	AUGUST 31,	-----	-----
	-----	-----	-----	-----
	2001	2000	2000	1999 1998
	-----	-----	-----	-----
----- (UNAUDITED) CASH PROVIDED				
BY (USED FOR) OPERATING ACTIVITIES				
Net				
income.....	\$			
34,104	\$	52,785	\$	83,691 \$ 89,116 \$
81,811				
Adjustments to reconcile net income to net cash provided by operating activities: Depreciation and amortization.....				
45,322		58,485		33,297 28,669
(Gain)/loss on sale of property, plant & equipment.....				
(237)		(44)		(156) 69 767
Loss on sale of businesses.....				
14,557				
Provision for losses on accounts receivable.....				
2,471		1,999		2,667 2,744 2,580
Change in assets and liabilities net of effect of acquisitions - Receivables.....				
27,899		2,442		(37,464) (16,047)
				(44,037)
Inventories.....				
3,007		(45,469)		(40,054) 10,920
(20,906) Deferred income taxes.....				
321		(14,697)		(4,281) 8,333
Prepayments and other current assets.....				
(4,812)		(4,698)		(3,335) (3,940)
(455) Accounts payable and accrued liabilities.....				
(17,971)		(33,819)		(12,202) 43,383
(12,392) Self-insurance reserves and other long-term liabilities.....				
(1,512)		12,038		3,225 4,605

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

----- Net Cash Used for Investing Activities.....				
(554,445)		(60,050)		

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

COMBINED STATEMENTS OF CASH FLOWS -- (CONTINUED)

NINE MONTHS YEARS ENDED ENDED MAY 31, AUGUST 31, -----	-----	-----	-----	-----	-----
- 2001 2000 2000 1999 1998 -----					

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

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

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

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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

NOTE 1: SPIN-OFF AND BASIS OF PRESENTATION

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

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

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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

NOTE 2: SUMMARY OF ACCOUNTING POLICIES

PRINCIPLES OF COMBINATION

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

REVENUE RECOGNITION AND PRODUCT WARRANTY

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

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

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

CONCENTRATIONS OF CREDIT RISK

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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

INVENTORIES

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

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

GOODWILL AND OTHER INTANGIBLES

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

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

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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

EARNINGS PER SHARE

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

PRO FORMA EARNINGS PER SHARE (UNAUDITED)

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

DEPRECIATION

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

RESEARCH AND DEVELOPMENT

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

FOREIGN CURRENCY TRANSLATION

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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

POSTRETIREMENT HEALTHCARE AND LIFE INSURANCE BENEFITS

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

POSTEMPLOYMENT BENEFITS

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

INTEREST EXPENSE, NET

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

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

	NINE MONTHS ENDED MAY 31,			
	YEARS ENDED AUGUST 31, -----			
	-----	-----	-----	-----
	2001	2000	2000	1999
1998	-----	-----	-----	-----
	----- (IN THOUSANDS)			
Interest				
expense.....	\$37,952	\$31,299	\$43,638	
	\$15,526	\$ 6,177	Interest	
income.....	(242)	(283)	(339)	(2,829)
(1,765)	-----	-----	-----	-----
	----- Interest			
	expense,			
net.....	\$37,710			
	\$31,016	\$43,299	\$12,697	\$
4,412	=====	=====	=====	=====
	=====	=====	=====	=====

ACCOUNTING STANDARDS YET TO BE ADOPTED

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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

NOTE 3: PENSION AND PROFIT SHARING PLANS

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

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

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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

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

2000	1999	1998	-----	-----	-----
(IN THOUSANDS) Service					
cost.....					
\$ 2,256	\$ 1,364	\$ 1,268	Interest		
cost.....					
5,307	4,232	3,976	Expected return on		
(6,063)	(5,183)		plan assets.....	(7,511)	
			Amortization of prior		
			service cost.....	86	91
			86	91	96
			Amortization of transitional		
			asset.....	(161)	(161)
			(161)	(161)	(161)
			Recognized actuarial		
loss.....				64	221
				64	164
			-----	-----	-----
			Net periodic		
			pension benefit.....	\$	\$
41	(316)	\$ 160	=====	=====	=====

Weighted average assumptions in 2000 and 1999 included the following:

2000	1999	-----	-----	Discount
rate.....				
8.2%	7.5%			Expected return on plan
				assets.....
				9.4%
				9.2%
				Rate of compensation
increase.....				
				5.1%
				5.1%

It is Spincos 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.

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

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

NOTE 4: LONG-TERM DEBT AND LINES OF CREDIT

As part of the distribution agreement between NSI and Spincos, all but approximately \$5.0 million of NSI's total outstanding debt will be assumed by Spincos or refinanced with new borrowings by Spincos. Accordingly, for purposes of the historical presentation of Spincos's financial position as of August 31, 2000 and 1999, all but \$5.0 million of NSI's total outstanding debt has been presented as obligations of Spincos. For purposes of the historical presentation of Spincos's results of operations, Spincos 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 Spincos under the same terms

NOTES TO COMBINED FINANCIAL STATEMENTS

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

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

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

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

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

NOTE 5: PARENT'S EQUITY AND RELATED MATTERS

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

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

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

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

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

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

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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

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

NOTE 6: COMMITMENTS AND CONTINGENCIES

SELF-INSURANCE

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

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

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

LEASES

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

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

COLLECTIVE BARGAINING AGREEMENTS

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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

LITIGATION

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

ENVIRONMENTAL MATTERS

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

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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

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

INDEMNIFICATIONS

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

NOTE 7: ACQUISITIONS AND DISPOSITIONS

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

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

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)

workforce, and restrictive covenants. In 2000, certain adjustments were made to the purchase price allocation resulting in additional goodwill of approximately \$1.3 million. These adjustments primarily related to severance charges and costs associated with the termination of a joint venture in Australia.

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

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

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

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

Other acquisitions in the lighting equipment segment included the September 1998 purchase of certain assets of GTY Industries (d/b/a "Hydrel"), a manufacturer of architectural-grade light fixtures for landscape, in-grade, and underwater applications; the April 1999 purchase of certain assets of Peerless Corporation, a manufacturer of high performance indirect/direct suspended lighting products; and the July 1999 purchase of C&G Carandini SA, a manufacturer of exterior lighting fixtures.

Acquisition spending in 1998 totaled \$11.4 million and was related to the chemicals segment. In November 1997, the chemicals segment purchased Pure Corporation, a specialty chemical company with its core businesses in Indiana, Pennsylvania, and New York. In July 1998, NSI purchased Calman Australia Pty Ltd. ("Calman"). Calman,

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)

located in Victoria, Australia is a manufacturer of cleaning, maintenance, sanitation and industrial products, chemicals, supplies, and accessories. Additionally, NSI paid certain performance payments associated with a prior year chemicals acquisition.

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

NOTE 8: INCOME TAXES

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

The provision for income taxes consists of the following components:

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

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

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

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

2000	1999	(IN THOUSANDS) DEFERRED TAX LIABILITIES:	
Depreciation.....		\$ 9,598	\$ 7,981
Pension.....		4,160	3,571
Intangibles.....		54,565	53,289
Other.....		2,751	2,623
liabilities.....		71,074	67,464

		DEFERRED TAX ASSETS: Self-	
insurance.....		(9,607)	(10,119)
compensation.....		(23,520)	(22,437)
Bonuses.....		(5,765)	(5,130)
losses.....		(807)	(643)
impairment.....		(4,425)	(4,312)
assets.....		(5,843)	(5,435)
assets.....		(49,803)	(48,240)

		Net deferred tax	
liability.....		\$ 21,271	\$ 19,224
		=====	=====

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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

NOTE 9: BUSINESS SEGMENT INFORMATION

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

----- (IN THOUSANDS)

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

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

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

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

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

===== 1999

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

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

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

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

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

===== 1998

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

-----	1,559,787

----- 1,559,787

145,746	633,231	25,206
3,102	57,758	
Corporate.....		
(11,475)	66,881	361
348	Interest Expense,	
net.....		
(4,412)	-----	---

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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

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

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

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

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

To National Service Industries, Inc.:

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

/s/ Arthur Andersen LLP

Atlanta, Georgia
June 22, 2001

SCHEDULE II

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

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

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

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

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

AGREEMENT AND PLAN OF DISTRIBUTION

BY AND BETWEEN

NATIONAL SERVICE INDUSTRIES, INC.

AND

L & C SPINCO, INC.

DATED AS OF _____, 2001

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EXHIBITS

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Exhibit D	Lease Agreement (Parent Corporate Headquarters)
Exhibit E	Tax Disaffiliation Agreement
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SCHEDULES

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Schedule 1.1(lll)(iv)(B)	SpinCo Business Litigation
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Schedule 1.1(ooo)	SpinCo Subsidiaries
Schedule 2.1(f)	Consents
Schedule 2.1(g)	Registration Statement/Information Statement Liabilities (Part I and Part II)
Schedule 2.5(a)	Guarantees (from which Parent Group Members are to be Released)
Schedule 2.6(a)	Guarantees (from which SpinCo Group Members are to be Released)

AGREEMENT AND PLAN OF DISTRIBUTION

This AGREEMENT AND PLAN OF DISTRIBUTION (this "Agreement"), dated as of _____, 2001, by and between National Service Industries, Inc., a Delaware corporation ("Parent"), and L & C Spinco, Inc., a Delaware corporation ("SpinCo");

WHEREAS, SpinCo originally was a wholly owned subsidiary of NSI Enterprises, Inc., a California corporation ("Enterprises"), which is a wholly owned subsidiary of Parent;

WHEREAS, on _____, 2001, SpinCo became a wholly owned subsidiary of Parent;

WHEREAS, Parent Group (as defined herein) currently conducts the Parent Business (as defined herein), owns the Parent Assets (as defined herein) and is subject to the Parent Liabilities (as defined herein);

WHEREAS, as of the Effective Time SpinCo Group (as defined herein) will conduct the SpinCo Business (as defined herein), will own the SpinCo Assets (as defined herein) and will be subject to the SpinCo Liabilities (as defined herein);

WHEREAS, the Board of Directors of Parent has authorized the distribution by Parent to the holders of the issued and outstanding shares of common stock, par value \$1.00 per share, of Parent (the "Parent Common Stock") as of the record date of 100% of the issued and outstanding shares of common stock, par value \$0.01 per share, of SpinCo (the "SpinCo Common Stock"), together with the associated preferred stock purchase rights (each share of such stock, together with the associated preferred stock purchase right, a "SpinCo Share"), on the basis of one (1) SpinCo Share for each share of Parent Common Stock (the "Distribution"); and

WHEREAS, the parties hereto have determined to set forth the principal corporate and other transactions required to effect the Distribution and to set forth other agreements that will govern certain other matters prior to and following the Distribution.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1. GENERAL. Unless otherwise defined herein or unless the context otherwise requires, as used in this Agreement, the following terms shall have the following meanings:

(a) "Action" shall mean any demand, action, suit, arbitration, inquiry, proceeding or investigation by or before any Governmental Authority or any arbitration or mediation tribunal.

(b) "Affiliate" shall mean, when used with respect to any specified Person, a Person that directly or indirectly controls, is controlled by, or is under common control with such specified Person; provided, however, that for purposes of this Agreement, any Person who was a member of both Groups prior to the Distribution shall be deemed to be an Affiliate only of the Group of which such Person is a member following the Distribution. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other interests, by contract or otherwise. Any contrary provision of this Agreement notwithstanding, neither Parent nor any Parent Subsidiaries shall be deemed to be an Affiliate of SpinCo, and neither SpinCo nor any SpinCo Subsidiaries shall be deemed to be an Affiliate of Parent.

(c) "Agent" shall have the meaning set forth in Section 2.1(b) of this Agreement.

(d) "Agreement" shall mean this Agreement.

(e) "Agreement Disputes" shall have the meaning set forth in Section 5.1 of this Agreement.

(f) "Ancillary Agreements" shall mean all of the written agreements, instruments, understandings, assignments or other arrangements (other than this Agreement) entered into by the parties hereto or any other member of their respective Groups in connection with the transactions contemplated hereby, including the Conveyancing and Assumption Instruments, the Employee Benefits Agreement, the Tax Disaffiliation Agreement, the Transition Services Agreement, the Ancillary Workers' Compensation Agreement, Leases and the Subleases.

(g) "Ancillary Workers' Compensation Agreement" shall mean the Ancillary Workers Compensation Agreement by and between Parent and SpinCo, which agreement shall be entered into prior to or on the Distribution Date in the form attached hereto as Exhibit A.

(h) "Applicable Rate" shall mean the rate of interest per annum announced from time to time by Wachovia Bank of Georgia, N.A., as its prime lending rate, plus four percent (4%).

(i) "Assets" shall mean assets, properties and rights, wherever located (including in the possession of vendors or other third parties or elsewhere), whether real, personal or mixed, tangible, intangible or contingent, in each case whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person, including the following:

(i) all accounting and other books, records and files, whether in paper, microfilm, microfiche, computer tape or disc, magnetic tape or any other form;

(ii) all apparatus, computers and other electronic data processing equipment, fixtures, machinery, equipment, furniture, office equipment, automobiles, trucks, other transportation equipment, special and general tools, test devices, prototypes and models and other tangible personal property;

(iii) all inventories of materials, parts, raw materials, supplies, work-in-process and finished goods and products;

(iv) all interests in real property of whatever nature, including easements, whether as owner, mortgagee or holder of a security interest in real property, lessor, sublessor, lessee, sublessee or otherwise;

(v) all interests in any capital stock or other equity interests of any Subsidiary or any other Person; all bonds, notes, debentures or other securities issued by any Subsidiary or any other Person; all loans, advances or other extensions of credit or capital contributions to any Subsidiary or any other Person; and all other investments in securities of any Person;

(vi) all customer contracts; service, maintenance, supply, vendor, consulting, transportation and consignment agreements; collective bargaining agreements; employment agreements; license agreements; leases and subleases of personal property; open purchase orders for raw materials, supplies, parts or services; unfilled orders for the manufacture and sale of products; and other contracts, agreements or commitments (collectively, "Contracts");

(vii) all deposits, letters of credit and performance and surety bonds;

(viii) all written technical information, data, specifications, research and development information, engineering drawings, operating and maintenance manuals, and materials and analyses prepared by consultants and other Third Parties;

(ix) all domestic and foreign patents, copyrights, trade names, trademarks, service marks, logos and registrations and applications for any of the foregoing, together with the goodwill of the business symbolized by any of the foregoing; mask works, trade secrets, inventions, data bases, and other proprietary and confidential information; and licenses from Third Parties granting the right to use any of the foregoing;

(x) all computer applications, programs and other software, including operating software, network software, firmware, middleware, design software, design tools, systems documentation and instructions;

(xi) all cost information, sales and pricing data, customer prospect lists, vendor records, customer and vendor lists, customer and vendor data, correspondence and lists, product literature, artwork, design, development and manufacturing files, vendor and customer drawings, formulations and specifications, quality records and reports and other books, records, studies, surveys, reports, plans and documents;

(xii) all prepaid expenses, trade accounts and other accounts and notes receivable;

(xiii) all rights, claims, demands, choses in action and similar rights relating to the foregoing, whether accrued or contingent;

(xiv) all rights under insurance policies and all rights in the nature of insurance, indemnification or contribution;

(xv) all licenses, permits, approvals and authorizations which have been issued by any Governmental Authority;

(xvi) cash or cash equivalents, bank accounts, lock boxes and other deposit arrangements; and

(xvii) interest rate, currency, commodity or other swap, collar, cap or other hedging or similar agreements or arrangements.

(j) "Business Day" shall mean any day other than a Saturday, Sunday or a day on which commercial banking institutions located in The City of New York are authorized or obligated by law or executive order to close.

(k) "Claims Administration" shall mean the processing of claims made under the Parent Shared Policies, including the reporting of claims to the insurance carriers, management and defense of claims and providing for appropriate releases upon settlement of claims.

(l) "Code" shall mean the Internal Revenue Code of 1986, as amended, and the Treasury regulations promulgated thereunder, including any successor legislation.

(m) "Commission" shall mean the Securities and Exchange Commission.

(n) "Contracts" shall have the meaning set forth in the definition of Assets.

(o) "Conveyancing and Assumption Instruments" shall mean, collectively, the various agreements, instruments and other documents to be or heretofore entered into to effect the Corporate Transactions or otherwise to effect the transfer of Assets and the assumption of Liabilities in the manner contemplated by this Agreement, the Ancillary Agreements and the Corporate Transactions, including a limited warranty deed in the form attached hereto as Exhibit B.

(p) "Corporate Transactions" shall mean, collectively, (a) each of the mergers, transfers, conveyances, contributions, assignments, dividends, assumptions, redemptions, purchases and other transactions described and set forth on Schedule 1.1(p) attached hereto, and (b) such other mergers, transfers, conveyances, contributions, assignments, dividends, assumptions, redemptions, purchases and other transactions that may be appropriate or required to be accomplished, effected or consummated by Parent or SpinCo or any of their respective Subsidiaries and Affiliates so that: (i) the SpinCo Assets, SpinCo Liabilities and SpinCo Business shall be owned, directly or indirectly, by SpinCo after giving effect to the Distribution; and (ii) the Parent Assets, Parent Liabilities and Parent Business shall be owned, directly or indirectly, by Parent after giving effect to the Distribution.

(q) "Distribution" shall have the meaning set forth in the recitals to this Agreement.

(r) "Distribution Date" shall mean such date as may be determined by the Board of Directors of Parent, or such committee of such Board of Directors as shall be designated by the Board of Directors of Parent, as the date as of which the Distribution shall be effected.

(s) "Distribution Record Date" shall mean such date as may be determined by the Board of Directors of Parent, or such committee of such Board of Directors as shall be designated by the Board of Directors of Parent, as the record date for the Distribution.

(t) "Effective Time" shall mean 11:59 p.m., New York City time, on the Distribution Date.

(u) "Employee Benefits Agreement" shall mean the Employee Benefits Agreement by and between Parent and SpinCo, which agreement shall be entered into prior to or on the Distribution Date in the form attached hereto as Exhibit C.

(v) "Environmental Laws" shall mean any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, principles of common law, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions (including the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601, et seq.), whether now or hereafter in existence, relating to the environment, natural resources, human health or safety, endangered or threatened species of fish, wildlife and plants, or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes into the environment (including indoor or outdoor air, surface water, groundwater and surface or subsurface soils), or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or the investigation, cleanup or other remediation thereof.

(w) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

(x) "Governmental Authority" shall mean any federal, state, local, foreign or international court, government, department, commission, board, bureau, agency, official, the NYSE or other regulatory, administrative or governmental authority.

(y) "Group" shall mean with respect to Parent, the Parent Group and, with respect to SpinCo, the SpinCo Group.

(z) "Indemnifiable Losses" shall mean any and all Losses suffered by an Indemnitee.

(aa) "Indemnifying Party" shall have the meaning set forth in Section 3.3 of this Agreement.

(bb) "Indemnitee" shall have the meaning set forth in Section 3.3 of this Agreement.

(cc) "Information Statement" shall mean the Information Statement filed with the Commission as part of the Registration Statement and mailed to the holders of shares of Parent Common Stock in connection with the Distribution, including any amendments or supplements thereto.

(dd) "Insurance Administration" shall mean, with respect to each Parent Shared Policy, (i) the accounting for premiums, retrospectively rated premiums, defense costs, indemnity payments, deductibles and retentions, as appropriate, under the terms and conditions of each of the Parent Shared Policies; (ii) the reporting to excess insurance carriers of any losses or claims which may cause the applicable limits of any Parent Shared Policy to be exceeded; (iii) the distribution of Insurance Proceeds as contemplated by this Agreement; and (iv) any and all other actions reasonably necessary for the administration of the Parent Shared Policies.

(ee) "Insurance Proceeds" shall mean those monies (i) received by an insured from an insurance carrier or (ii) paid by an insurance carrier on behalf of an insured.

(ff) "Insured Claims" shall mean those Liabilities that, individually or in the aggregate, are covered within the terms and conditions of any of the Parent Shared Policies, whether or not subject to deductibles, self-insured retentions, co-insurance, uncollectibility or retrospectively rated premium adjustments.

(gg) "IRS" shall mean the Internal Revenue Service.

(hh) "Law" shall mean all laws, statutes and ordinances and all regulations, rules and other pronouncements of Governmental Authorities having the effect of law of the United States, any foreign country, or any domestic or foreign state, province, commonwealth, city, country, municipality, territory, protectorate, possession or similar instrumentality, or any Governmental Authority thereof.

(ii) "Leases" shall mean the leases by and between members of the Parent Group and members of the SpinCo Group, which leases shall be entered into prior to or on the Distribution Date in such form as is agreed to by Parent and SpinCo, including the lease agreement, in the form attached hereto as Exhibit D, pursuant to which Parent will lease to SpinCo a portion of Parent's corporate headquarters.

(jj) "Liabilities" shall mean any and all debts, liabilities, obligations, responsibilities, response actions, losses, damages (whether compensatory, punitive or treble), fines, penalties and sanctions, absolute or contingent, matured or unmatured, liquidated or unliquidated, foreseen or unforeseen, joint, several or individual, asserted or unasserted, accrued or unaccrued, known or unknown, whenever arising, including those arising under or in connection with any Law (including any Environmental Law), Action, threatened Action, order or consent decree of any Governmental Authority, or any award of any arbitration tribunal, and those arising under any contract, guarantee, commitment or undertaking, whether sought to be imposed by a Governmental Authority, private party, or party to this Agreement, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute, or otherwise, and including any costs, expenses, interest, attorneys' fees, disbursements and expenses of counsel, expert and consulting fees and costs related thereto or to the investigation or defense thereof.

(kk) "Losses" shall mean all losses, liabilities, damages, claims, demands, judgments or settlements of any nature or kind, known or unknown, fixed, accrued, absolute or contingent, liquidated or unliquidated, including all reasonable costs and expenses (legal, accounting or otherwise as such costs are incurred) relating thereto.

(ll) "Notices" shall have the meaning set forth in Section 7.6 of this Agreement.

(mm) "NYSE" shall mean the New York Stock Exchange, Inc.

(nn) "Parent" shall have the meaning set forth in the preamble to this Agreement.

(oo) "Parent Assets" shall mean, collectively, all the Assets owned or held by Parent or any Parent Subsidiary immediately after giving effect to the Corporate Transactions, except the SpinCo Assets.

(pp) "Parent Business" shall mean each and every business conducted at any time by Parent Group (including those businesses set forth on Schedule 1.1(pp)), including each and every business conducted in the past and each and every business which has been discontinued, sold or transferred (including those businesses set forth on Schedule 1.1(pp)), but excluding the SpinCo Business.

(qq) "Parent Common Stock" shall have the meaning set forth in the recitals to this Agreement.

(rr) "Parent Group" shall mean Parent and each Person (other than any member of the SpinCo Group) that is a Parent Subsidiary.

(ss) "Parent Indemnitee" shall mean:

(i) Parent and each Affiliate thereof after giving effect to the Corporate Transactions and the Distribution; and

(ii) each of the respective past, present and future Representatives of any of the entities described in the immediately preceding clause (i) and each of the heirs, executors, successors and assigns of any of such Representatives, except in the case of clauses (i) and (ii), the SpinCo Indemnities.

(tt) "Parent Liabilities" shall mean:

(i) any and all Liabilities that are expressly contemplated by this Agreement or any Ancillary Agreement (or the Schedules hereto or thereto) as Liabilities to be retained or assumed by Parent or any member of the Parent Group, and all agreements, obligations and Liabilities of any member of the Parent Group under this Agreement or any of the Ancillary Agreements;

(ii) all Liabilities set forth on Schedule 1.1(tt)(ii);
and

(iii) all Liabilities (other than Taxes and any employee-related Liabilities which are specifically covered by the Tax Disaffiliation Agreement and the Employee Benefits Agreement, respectively) primarily relating to, arising out of or resulting from:

(A) the operation of the Parent Business, as conducted at any time prior to, on or after the Distribution Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any Representative (whether or not such act or failure to act is or was within such Person's authority));

(B) the operation of any business conducted by Parent or any Parent Subsidiary at any time after the Distribution Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any Representative (whether or not such act or failure to act is or was within such Person's authority)); or

(C) any Parent Assets, whether arising before, on or after the Distribution Date.

Notwithstanding the foregoing, the Parent Liabilities shall not include: (y) any Liabilities that are expressly contemplated by this Agreement or any Ancillary Agreement (or the Schedules hereto or thereto) as Liabilities to be retained or assumed by SpinCo or any member of the SpinCo Group; or (z) all agreements and obligations of any member of the SpinCo Group under this Agreement or any of the Ancillary Agreements. Any contrary provision of this Agreement notwithstanding, any Liabilities or Losses in respect of any Action relating to the Parent Business, including the matters set forth on Schedule 1.1(tt)(iii), shall constitute Parent Liabilities.

(uu) "Parent Policies" shall mean all Policies, current or past, that are owned or maintained by or on behalf of Parent or any Parent Subsidiary that do not provide coverage to or with respect to the SpinCo Assets or the SpinCo Business, or any part thereof, including those Policies set forth on Schedule 1.1(uu).

(vv) "Parent Shared Policies" shall mean all Policies, current or past, which are owned or maintained by or on behalf of Parent or any Parent Subsidiary which provide coverage to or with respect to the SpinCo Group, the SpinCo Assets or the SpinCo Business, or any part thereof, other than SpinCo Policies, including those Policies set forth on Schedule 1.1(vv).

(ww) "Parent Subsidiaries" shall mean all of the Subsidiaries of Parent other than SpinCo and the SpinCo Subsidiaries. The Parent Subsidiaries shall include the entities set forth on Schedule 1.1(ww).

(xx) "Person" shall mean any natural person, corporation, business trust, limited liability company, joint venture, association, company, partnership or government, or any agency or political subdivision thereof.

(yy) "Policies" shall mean insurance policies and insurance contracts of any kind (other than life and benefits policies or contracts), including primary, excess and umbrella policies, master comprehensive general liability policies, director and officer liability, fiduciary liability, automobile, aircraft, property and casualty, workers' compensation and employee dishonesty insurance policies, bonds and self-insurance and captive insurance company arrangements, together with the rights, benefits and privileges thereunder.

(zz) "Records" shall have the meaning set forth in Section 4.1 of this Agreement.

(aaa) "Registration Statement" shall mean the registration statement on Form 10 to effect the registration of the SpinCo Common Stock pursuant to the Exchange Act.

(bbb) "Representative" shall mean, with respect to any Person, any of such Person's directors, officers, members, employees, agents, consultants, advisors, accountants, attorneys and representatives.

(ccc) "Rules" shall have the meaning set forth in Section 5.3 of this Agreement.

(ddd) "Securities Act" shall mean the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

(eee) "SpinCo" shall have the meaning set forth in the preamble to this Agreement.

(fff) "SpinCo Assets" shall mean collectively, all the Assets that are owned by SpinCo or any SpinCo Subsidiaries as of the Effective Time and after giving effect to the Corporate Transactions, including:

(i) the capital stock of the SpinCo Subsidiaries;

(ii) all of the Assets reflected on the SpinCo Balance Sheet or the accounting records supporting such balance sheet;

(iii) all of the Assets expressly allocated to SpinCo or any of the SpinCo Subsidiaries under this Agreement or any of the Ancillary Agreements; and

(iv) any other Asset acquired by Parent or any of the Parent Subsidiaries from the date of the SpinCo Balance Sheet to the Effective Time that is owned by Parent, any of the Parent Subsidiaries, SpinCo or any of the SpinCo Subsidiaries as of the Effective Time and that is of a nature or type that would have resulted in such Asset being included as an Asset on the SpinCo Balance Sheet had it been acquired on or prior to the date of the SpinCo Balance Sheet, determined on a basis consistent with the determination of the Assets included on the SpinCo Balance Sheet.

(ggg) "SpinCo Balance Sheet" shall mean the combined balance sheet of the SpinCo Group, including the notes thereto, as of August 31, 2001 set forth on Schedule 1.1(ggg).

(hhh) "SpinCo Business" shall mean each and every business conducted from and after the Effective Time by SpinCo Group (including those businesses set forth on Schedule 1.1(hhh)), and each and every business conducted prior to the Effective Time by Parent Group that is of a nature or type that was or would have been included in Parent's lighting equipment or chemicals segments for financial reporting purposes that has been discontinued, sold or transferred by Parent Group (including those businesses set forth on Schedule 1.1(hhh)).

(iii) "SpinCo Common Stock" shall have the meaning set forth in the recitals to this Agreement.

(jjj) "SpinCo Group" shall mean SpinCo, the SpinCo Subsidiaries and the corporations, partnerships and other entities which are contemplated to remain or become a Subsidiary of SpinCo in connection with the Corporate Transactions and the Distribution.

(kkk) "SpinCo Indemnitees" shall mean:

(i) SpinCo and each Affiliate thereof after giving effect to the Corporate Transactions and the Distribution; and

(ii) each of the respective past, present and future Representatives of any of the entities described in the immediately preceding clause (i) and each of the heirs, executors, successors and assigns of any of such Representatives.

(lll) "SpinCo Liabilities" shall mean

(i) any and all Liabilities that are expressly contemplated by this Agreement or any Ancillary Agreement (or the Schedules hereto or thereto) as Liabilities to be retained or assumed by SpinCo or any member of the SpinCo Group, and all agreements, obligations and Liabilities of any member of the SpinCo Group under this Agreement or any of the Ancillary Agreements;

(ii) all Liabilities set forth on Schedule 1.1(lll)(ii);

(iii) all Liabilities (other than Taxes and any employee-related Liabilities which are specifically covered by the Tax Disaffiliation Agreement and the Employee Benefits Agreement, respectively), primarily relating to, arising out of or resulting from:

(A) the operation of the SpinCo Business, as conducted at any time prior to, on or after the Distribution Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any Representative with respect to the SpinCo Business (whether or not such act or failure to act is or was within such Person's authority));

(B) the operation of any business conducted by SpinCo or any SpinCo Subsidiary at any time after the Distribution Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any Representative (whether or not such act or failure to act is or was within such Person's authority)); or

(C) any SpinCo Assets, whether arising before, on or after the Distribution Date; and

(iv) all Liabilities reflected as liabilities or obligations on the SpinCo Balance Sheet or the accounting records supporting such balance sheet, and all Liabilities arising or assumed after the date of such balance sheet which, had they arisen or been assumed on or before such date and been retained as of such date, would have been reflected on such balance sheet, determined on a basis consistent with the

determination of the Liabilities included on the SpinCo Balance Sheet, subject to any discharge of such Liabilities subsequent to the date of the SpinCo Balance Sheet, including those liabilities set forth on Schedule 1.1(111)(iv)(A).

Notwithstanding the foregoing, the SpinCo Liabilities shall not include: (y) any Liabilities that are expressly contemplated by this Agreement or any Ancillary Agreement (or the Schedules hereto or thereto) as Liabilities to be retained or assumed by Parent or any member of the Parent Group; or (z) all agreements and obligations of any member of the Parent Group under this Agreement or any of the Ancillary Agreements. Any contrary provision of this Agreement notwithstanding, any Liabilities or Losses in respect of any Action relating to the SpinCo Business, including the matters set forth on Schedule 1.1(111)(iv)(B), shall constitute SpinCo Liabilities.

(mmm) "SpinCo Policies" shall mean all Policies, current or past, which are owned or maintained by or on behalf of Parent or any Parent Subsidiary, which relate specifically to the SpinCo Assets or the SpinCo Business but do not relate to the Parent Business or the Parent Assets, and which Policies are either maintained by SpinCo or a member of the SpinCo Group or assignable to SpinCo or a member of the SpinCo Group, including those Policies set forth on Schedule 1.1(mmm).

(nnn) "SpinCo Share" shall have the meaning set forth in the recitals to this Agreement.

(ooo) "SpinCo Subsidiaries" shall mean all of the Subsidiaries listed on Schedule 1.1(ooo).

(ppp) "Subleases" shall mean the subleases, if any, by and between members of the Parent Group and members of the SpinCo Group, which subleases shall be entered into prior to or on the Distribution Date in such form as is agreed to by Parent and SpinCo.

(qqq) "Subsidiary" shall mean with respect to any specified Person, any corporation or other legal entity of which such Person or any of its Subsidiaries controls or owns, directly or indirectly, more than 50% of the stock or other equity interest entitled to vote on the election of members to the board of directors or similar governing body.

(rrr) "Tax" shall have the meaning set forth in the Tax Disaffiliation Agreement.

(sss) "Tax Disaffiliation Agreement" shall mean the Tax Disaffiliation Agreement by and between Parent and SpinCo, which agreement shall be entered into prior to or on the Distribution Date in the form attached hereto as Exhibit E.

(ttt) "Third Party" shall mean a Person who is not a party hereto or a Subsidiary thereof.

(uuu) "Third-Party Claim" shall have the meaning set forth in Section 3.3 of this Agreement.

(vvv) "Transition Services Agreement" shall mean the Transition Services Agreement by and between Parent and SpinCo, which agreement shall be entered into prior to or on the Distribution Date in the form attached hereto as Exhibit F.

SECTION 1.2. REFERENCE; INTERPRETATION. References in this Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. The words "include", "includes" and "including" when used in this Agreement shall be deemed to be followed by the phrase "without limitation." Unless the context otherwise requires, references in this Agreement to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement. Unless the context otherwise requires, the words "hereof", "hereby" and "herein" and words of similar meaning when used in this Agreement refer to this Agreement in its entirety and not to any particular Article, Section or provision of this Agreement. Neither this Agreement nor any Ancillary Agreement shall be construed against either party as the principal draftsman hereof or thereof.

ARTICLE II

DISTRIBUTION AND OTHER TRANSACTIONS; CERTAIN COVENANTS

SECTION 2.1. THE DISTRIBUTION AND OTHER TRANSACTIONS.

(a) Certain Transactions. On or prior to the Distribution Date:

(i) Pursuant to the Corporate Transactions, Parent Group owns the Parent Assets and is subject to the Parent Liabilities.

(ii) Pursuant to the Corporate Transactions, SpinCo Group owns the SpinCo Assets and is subject to the SpinCo Liabilities.

(b) Distribution to Parent.

(i) On or prior to the Distribution Date, Parent shall deliver to Parent's stock transfer agent (the "Agent") a certificate or certificates representing the SpinCo Shares which are to be distributed to Parent's stockholders in the Distribution, endorsed by Parent in blank, for the benefit of the holders of Parent Common Stock, and Parent shall authorize the Agent to distribute, on or as soon as practicable following the Distribution Date, such SpinCo Shares to holders of record of shares of Parent Common Stock on the Distribution Record Date as further contemplated by the Information Statement and hereby. SpinCo shall provide any share certificates that the Agent shall require in order to effect the Distribution.

(ii) The SpinCo Shares distributed in the Distribution will be distributed only pursuant to a book entry system. Parent shall authorize the Agent to deliver the SpinCo Shares previously delivered to the Agent to a depository and to mail to each holder of record of Parent Common Stock on the Distribution Record Date, a statement of the whole and fractional SpinCo Shares credited to such holder's account. If following the Distribution a holder of SpinCo Common Stock requests physical certificates instead of participating in the book entry system, the Agent will issue certificates for such shares, but only for whole numbers of SpinCo Shares.

(c) Charter; Bylaws; Rights Plan. On or prior to the Distribution Date, SpinCo and Enterprises or Parent, as the case may be, shall have taken all necessary actions to provide for the adoption of the form of Certificate of Incorporation and Bylaws and the execution and delivery of a Stockholder Protection Rights Agreement, between SpinCo and Wells Fargo Bank of Minnesota, N.A., as Rights Agent, in substantially the form filed by SpinCo with the Commission as Exhibits to the Registration Statement.

(d) Directors. On or prior to the Distribution Date, SpinCo and Enterprises or Parent, as the case may be, shall have taken all necessary action to cause the Board of Directors of SpinCo to consist of the individuals identified in the Information Statement as directors of SpinCo.

(e) Certain Licenses and Permits. On or prior to the Distribution Date or as soon as reasonably practicable thereafter:

(i) Parent shall use its commercially reasonable efforts to transfer or cause to be transferred all transferable licenses, permits and authorizations issued by any Governmental Authority which relate solely to the SpinCo Business but which are held in the name of any member of the Parent Group, or in the name of any Representative of any such member on behalf of a member of the SpinCo Group, to the appropriate member of the SpinCo Group; and

(ii) SpinCo shall use its commercially reasonable efforts to transfer or cause to be transferred all transferable licenses, permits and authorizations issued by Governmental Authorities which relate solely to the Parent Business but which are held in the name of any member of the SpinCo Group, or in the name

of any Representative of any such member on behalf of a member of the Parent Group, to the appropriate member of the Parent Group.

(f) Consents. The parties hereto shall use their commercially reasonable efforts to obtain those types of required consents and approvals to transfer and/or assign licenses, permits and authorizations of Governmental Authorities and those types of consents and approvals to transfer and/or assign Contracts from Third Parties set forth in Schedule 2.1(f); provided, however, that no party shall be obligated to pay any consideration therefor (except for filing fees or other similar charges) to any Third Party from whom such consent or approval is requested. Whether or not such consent or approval is obtained, nothing in this Section 2.1(f) shall in any way limit the obligations of the parties under Article III.

(g) Certain Liabilities. For purposes of this Agreement, including Article III hereof, Parent and SpinCo agree that (i) any and all Liabilities arising from or based upon misstatements in or omissions from the Registration Statement or the Information Statement under the captions set forth on Part 1 of Schedule 2.1(g) to this Agreement (insofar as such information relates to Parent or the terms of the Distribution) shall be deemed to be Parent Liabilities and not SpinCo Liabilities, (ii) fifty percent (50%) of any and all Liabilities arising from or based upon misstatements in or omissions from the Registration Statement or the Information Statement under the captions set forth on Part 2 of Schedule 2.1(g) to this Agreement shall be deemed to be Parent Liabilities and fifty percent (50%) of such Liabilities shall be deemed to be SpinCo Liabilities, and (iii) any and all Liabilities arising from or based upon misstatements in or omissions from the Registration Statement or the Information Statement other than those specified in Sections 2.1(g)(i) and (ii) shall be deemed to be SpinCo Liabilities and not Parent Liabilities.

(h) Election of Officers. On or prior to the Distribution Date, SpinCo shall take all actions necessary and desirable so that as of the Distribution Date the executive officers of SpinCo will be as set forth in the Information Statement.

(i) State Securities Laws. Prior to the Distribution Date, Parent and SpinCo shall take all such action as may be necessary or appropriate under the securities or blue sky laws of states or other political subdivisions of the United States in order to effect the Distribution.

(j) Listing Application; Notice to NYSE.

(i) Prior to the Distribution Date, Parent and SpinCo shall prepare and file with the NYSE a listing application and related documents and shall take all such other actions with respect thereto as shall be necessary or desirable in order to cause the NYSE to list on or prior to the Distribution Date, subject to official notice of issuance, the SpinCo Shares.

(ii) Prior to the Distribution, Parent shall, to the extent possible, give the NYSE not less than ten (10) days advance notice of the Distribution Record Date in compliance with Rule 10b-17 under the Exchange Act.

(k) Other Transactions. On or prior to the Distribution Date, the parties hereto shall have consummated those other transactions in connection with the Corporate Transactions and the Distribution that are contemplated by the Information Statement and not specifically referred to in this Section 2.1.

SECTION 2.2. ASSUMPTION AND SATISFACTION OF LIABILITIES. Except as otherwise specifically set forth in any Ancillary Agreement, from and after the Effective Time, (i) Parent shall, or shall cause the applicable member of the Parent Group to, assume, pay, perform and discharge all Parent Liabilities in the ordinary course of business, consistent with past practice, and (ii) SpinCo shall, or shall cause the applicable member of the SpinCo Group to, assume, pay, perform and discharge all SpinCo Liabilities in the ordinary course of business, consistent with past practice. To the extent reasonably requested to do so by another party hereto, each party hereto agrees to execute and deliver such documents, in a form reasonably satisfactory to such party, as may be reasonably necessary to evidence the assumption of any Liabilities hereunder.

SECTION 2.3. RESIGNATIONS. Parent shall cause all its employees to resign, effective as of the Effective Time, from all positions as officers or directors of any member of the SpinCo Group in which they serve, and SpinCo shall cause all its employees to resign, effective as of the Effective Time, from all positions as officers or directors of any members of the Parent Group in which they serve.

SECTION 2.4. LIMITED REPRESENTATIONS OR WARRANTIES. Each of the parties hereto agrees that no party hereto is, in this Agreement or in any other agreement or document contemplated by this Agreement or otherwise, making any representation or warranty whatsoever, as to title or value of Assets being transferred. It is also agreed that all Assets either transferred to or retained by the parties, as the case may be, shall be "as is, where is" and that (subject to Section 2.13) the party to which such Assets are to be transferred hereunder shall bear the economic and legal risk that such party's or any of the Subsidiaries' title to any such Assets shall be other than good and marketable and free from encumbrances. Similarly, each party hereto agrees that no party hereto is representing or warranting in any way that the obtaining of any consents or approvals, the execution and delivery of any agreements and the making of any filings or applications contemplated by this Agreement will satisfy the provisions of any or all applicable Contracts or other agreements or the requirements of any or all applicable Laws or judgments, it being agreed that the party to which any Assets are transferred shall bear the economic and legal risk that any necessary consents or approvals are not obtained or that any requirements of Laws or judgments are not complied with. Notwithstanding the foregoing, however, except as otherwise provided in Section 2.5 or Section 2.6 hereof, from and after the Effective Time, the Parent Group shall continue to be solely responsible for Parent Liabilities, and the SpinCo Group shall continue to be solely responsible for SpinCo Liabilities.

SECTION 2.5. REMOVAL OF PARENT GROUP FROM CERTAIN GUARANTEES; RELEASES OF PARENT GROUP FROM LIABILITIES.

(a) Except as otherwise specified in any Ancillary Agreement, SpinCo shall use its commercially reasonable efforts to have, on or prior to the Distribution Date, or as soon as practicable thereafter, any member of the Parent Group removed as guarantor of or obligor for any SpinCo Liability, including in respect of those guarantees set forth on Schedule 2.5(a) of this Agreement.

(b) If SpinCo is unable to obtain, or to cause to be obtained, any such required removal as set forth in clause (a) of this Section 2.5, the applicable guarantor or obligor shall continue to be bound as such and, unless not permitted by law or the terms thereof, the relevant beneficiary shall or shall cause one of its Subsidiaries, as agent or subcontractor for such guarantor or obligor to pay, perform and discharge fully all the obligations or other liabilities of such guarantor or obligor thereunder from and after the date hereof.

(c) If (i) SpinCo is unable to obtain, or to cause to be obtained, any such required removal as set forth in clause (a) of this Section 2.5, or (ii) SpinCo Liabilities arise from and after the Effective Time but before a member of the Parent Group which is a guarantor or obligor with reference to any such SpinCo Liability is removed pursuant to Section 2.5(a), then such guarantor or obligor shall be indemnified by SpinCo for all Liabilities incurred by it in its capacity as guarantor or obligor in accordance with Article III hereof. Without limiting the foregoing, SpinCo shall, or shall cause a member of the SpinCo Group to, reimburse any such member of the Parent Group which is a guarantor or obligor as soon as practicable (but in no event later than thirty (30) days) following delivery by Parent to SpinCo of notice of a payment made pursuant to this Section 2.5 in respect of SpinCo Liabilities.

(d) In the event that, at any time before or after the Distribution Date, Parent identifies any letters of credit, interest rate or foreign exchange contracts, surety bonds or other Contracts (excluding guarantees) that relate primarily to the SpinCo Business but for which a member of the Parent Group has contingent, secondary, joint, several or other Liability of any nature whatsoever, SpinCo shall, at its expense, take such actions and enter into such agreements and arrangements as Parent may reasonably request to effect Parent's (or a member of the Parent Group's) release or substitution.

SECTION 2.6. REMOVAL OF SPINCO FROM CERTAIN GUARANTEES; RELEASES OF SPINCO FROM LIABILITIES.

(a) Except as otherwise specified in any Ancillary Agreement, Parent shall use its commercially reasonable efforts to have, on or prior to the Distribution Date, or as soon as practicable thereafter, any member of the SpinCo Group removed as guarantor of or obligor for any Parent Liability, including in respect of those guarantees set forth on Schedule 2.6(a) of this Agreement.

(b) If Parent is unable to obtain, or to cause to be obtained, any such required removal as set forth in clause (a) of this Section 2.6, the applicable guarantor or obligor shall continue to be bound as such and, unless not permitted by law or the terms thereof, the relevant beneficiary shall or shall cause one of its Subsidiaries, as agent or subcontractor for such guarantor or obligor to pay, perform and discharge fully all the obligations or other liabilities of such guarantor or obligor thereunder from and after the date hereof.

(c) If (i) Parent is unable to obtain, or to cause to be obtained, any such required removal as set forth in clause (a) of this Section 2.6, or (ii) Parent Liabilities arise from and after the Effective Time but before a member of the SpinCo Group which is a guarantor or obligor with reference to any such Parent Liability is removed pursuant to Section 2.6(a), then such guarantor or obligor shall be indemnified by Parent for all Liabilities incurred by it in its capacity as guarantor or obligor in accordance with Article III hereof. Without limiting the foregoing, Parent shall, or shall cause a member of the Parent Group to, reimburse any such member of the SpinCo Group which is a guarantor or obligor as soon as practicable (but in no event later than thirty (30) days) following delivery by SpinCo to Parent of notice of a payment made pursuant to this Section 2.6 in respect of Parent Liabilities.

(d) In the event that, at any time before or after the Distribution Date, SpinCo identifies any letters of credit, interest rate or foreign exchange contracts, surety bonds or other Contracts (excluding guarantees) that relate primarily to the Parent Business but for which a member of the SpinCo Group has contingent, secondary, joint, several or other Liability of any nature whatsoever, Parent shall, at its expense, take such actions and enter into such agreements and arrangements as SpinCo may reasonably request to effect SpinCo's (or a member of the SpinCo Group's) release or substitution.

SECTION 2.7. WITNESS SERVICES. At all times from and after the Distribution Date, each of Parent and SpinCo shall use their commercially reasonable efforts to make available to the other, upon reasonable request, its and its Subsidiaries' Representatives as witnesses to the extent that (i) such Persons may reasonably be required in connection with the prosecution or defense of any Action in which the requesting party from time to time be involved and (ii) there is no conflict in the Action between the requesting party and Parent and SpinCo, as applicable. A party providing witness services to the other party under this Section shall be entitled to receive from the recipient of such services, upon the presentation of invoices therefor, reimbursement for payments made for any out-of-pocket expenses (which shall exclude the costs of salaries and benefits of employees who are witnesses) as may be reasonably incurred in providing such witness services. Witness services in connection with indemnification claims under Article III shall be handled as provided in Article III.

SECTION 2.8. CONVEYANCING AND ASSUMPTION INSTRUMENTS. In connection with the transfers of Assets and the assumptions of Liabilities contemplated by this Agreement, on or prior to the Distribution Date, the parties shall execute or cause to be executed by the appropriate entities the Conveyancing and Assumption Instruments contemplated hereby for transfers to be effected pursuant to Delaware law or the Laws of one of the other states of the United States or, if not appropriate for a given transfer, and for transfers to be effected pursuant to non-U.S. Laws, in such other form as the parties shall reasonably agree. The transfer of capital stock shall be effected by means of delivery of stock certificates and executed stock powers and notation on the stock record books of the corporation or other legal entities involved, or by such other means as may be required in any non-U.S. jurisdiction to transfer title to stock and, to the extent required by applicable Law, by notation on public registries.

SECTION 2.9. ANCILLARY AGREEMENTS. Prior to the Distribution Date, each of Parent and SpinCo shall enter into, and/or (where applicable) shall cause members of their respective Groups to enter into, the Ancillary Agreements and any other agreements in respect of the Distribution reasonably necessary or appropriate in connection with the transactions contemplated hereby and thereby.

SECTION 2.10. CORPORATE NAMES; TRADEMARKS.

(a) Except as otherwise specifically provided in any Ancillary Agreement:

(i) as soon as reasonably practicable after the Distribution Date but in any event within twelve (12) months thereafter, SpinCo will, and will cause the SpinCo Subsidiaries to, each at its own expense, remove (or, if necessary, on an interim basis, cover up) any and all exterior signs and other identifiers located on any of its real property or premises or on the real property or premises used by SpinCo or the SpinCo Subsidiaries which refer or pertain to Parent or which include the Parent or any Parent Subsidiary name, logo or other trademark or service mark or any similar mark or any derivative thereof or other intellectual property included in the Parent Assets;

(ii) as soon as is reasonably practicable after the Distribution Date but in any event within twelve (12) months thereafter, SpinCo will, and will cause the SpinCo Subsidiaries to, remove from all letterhead, envelopes, invoices, products, product labels, product literature, brochures and other communications media of any kind, all references to Parent, including the "National Service Industries, Inc." name, logo and any other trademark or service mark or other intellectual property included in the Parent Assets (except that SpinCo shall not be required to take any such action with respect to materials in the possession of Third Parties);

(iii) as soon as reasonably practicable after the Distribution Date but in any event within twelve (12) months thereafter, Parent will, and will cause the Parent Subsidiaries to, each at its own expense, remove (or, if necessary, on an interim basis, cover up) any and all exterior signs and other identifiers located on any of its real property or premises or on the real property or premises used by Parent or the Parent Subsidiaries which refer or pertain to SpinCo or which include the SpinCo or any SpinCo Subsidiary name, logo or other trademark or any similar mark or any derivative thereof or other intellectual property included in the SpinCo Assets; and

(iv) as soon as is reasonably practicable after the Distribution Date but in any event within twelve (12) months thereafter, Parent will, and will cause the Parent Subsidiaries to, remove from all letterhead, envelopes, invoices, products, product labels, product literature, brochures and other communications media of any kind, all references to SpinCo and its Subsidiaries including the "_____" name, logo and any other trademark or service mark or other intellectual property included in the SpinCo Assets (except that Parent shall not be required to take any such action with respect to materials in the possession of Third Parties).

(b) Prior to January 1, 2008, Parent shall not change its corporate name from "National Service Industries, Inc.," nor shall Parent engage in any transaction that causes Parent's corporate name to change from "National Service Industries, Inc." SpinCo hereby acknowledges and agrees that the SpinCo Group shall have no right to use the name "National Service Industries, Inc." or any derivative thereof.

SECTION 2.11. POST-DISTRIBUTION REMITTANCES.

(a) Following the Distribution Date, Parent will promptly remit to SpinCo, or reimburse SpinCo for, all amounts, and endorse or remit to SpinCo the proceeds of all checks, drafts, notes or other documents, received by Parent or a Parent Subsidiary, that should have otherwise been paid to SpinCo or a SpinCo Subsidiary.

(b) Following the Distribution Date, SpinCo will promptly remit to Parent, or reimburse Parent for, all amounts, and endorse or remit to Parent the proceeds of all checks, drafts, notes or other documents, received by Parent or a Parent Subsidiary, that should have otherwise been paid to SpinCo.

SECTION 2.12. NON-SOLICITATION.

(a) For the period beginning on the Distribution Date and ending on the second anniversary of the Distribution Date, SpinCo will not and will not permit any member of the SpinCo Group to, directly or indirectly,

solicit or recruit for its employment any employee of the Parent Group as of the Distribution without the prior written consent of Parent; provided, however, that nothing in this Section 2.12(a) shall (i) prohibit the hiring of any natural person who applied for employment with the SpinCo Group solely in response to any public medium advertising, (ii) prohibit the hiring of any natural person referred by any Person whose principal business is the recruiting of prospective employees, or (iii) prohibit the hiring of any natural person whose employment with a member of the Parent Group terminated at least three (3) months prior to the date of such solicitation or recruitment for a bona fide reason not designed or intended to circumvent the provisions of this Section 2.12(a) and so long as such natural person was not solicited or recruited by SpinCo or any member of the SpinCo Group prior to the expiration of such three (3) month period.

(b) For the period beginning on the Distribution Date and ending on the second anniversary of the Distribution Date, Parent will not and will not permit any member of the Parent Group to, directly or indirectly, solicit or recruit for its employment any employee of the SpinCo Group as of the Distribution without the prior written consent of SpinCo; provided, however, that nothing in this Section 2.12(b) shall (i) prohibit the hiring of any natural person who applied for employment with the Parent Group solely in response to any public medium advertising, (ii) prohibit the hiring of any natural person referred by any Person whose principal business is the recruiting of prospective employees, or (iii) prohibit the hiring of any natural person whose employment with a member of the SpinCo Group terminated at least three (3) months prior to the date of such solicitation or recruitment for a bona fide reason not designed or intended to circumvent the provisions of this Section 2.12(b) and so long as such natural person was not solicited or recruited by Parent or any member of the Parent Group prior to the expiration of such three (3) month period.

SECTION 2.13. FURTHER ASSURANCES.

(a) In addition to the actions specifically provided for elsewhere in this Agreement, each of the parties hereto shall use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by this Agreement. Without limiting the foregoing, each party hereto shall cooperate with the other party, and execute and deliver, or use commercially reasonable efforts to cause to be executed and delivered, all instruments, including instruments of conveyance, assignment and transfer, and to make all filings with, and to obtain all consents, approvals or authorizations of, any Governmental Authority or any other Person under any permit, license, agreement, indenture or other instrument, and take all such other actions as such party may reasonably be requested to take by the other party hereto from time to time, consistent with the terms of this Agreement, the Corporate Transactions, and the Ancillary Agreements, in order to effectuate the provisions and purposes of this Agreement and the transfers of Assets and assumptions of Liabilities and the other transactions contemplated hereby.

(b) If any such transfer of Assets or Liabilities is not consummated prior to or at the Effective Time, then the party hereto retaining such Asset or Liability shall continue to take the actions required by Section 2.13(a) to consummate and make effective such transfer as soon as practicable after the Distribution Date and, in the case of Assets, shall use its commercially reasonable efforts to preserve the value of such Assets until the time of transfer. If and when any such Asset or Liability becomes transferable, such transfer shall be effected forthwith. The parties hereto agree that, no later than the Distribution Date, each party hereto shall be deemed to have acquired complete and sole beneficial ownership to all of the Assets, together with all rights, powers and privileges incident thereto, and shall be deemed to have assumed in accordance with the terms of this Agreement and the Ancillary Agreements all of the Liabilities, and all duties, obligations and responsibilities incident thereto, that such party is entitled or required to hold or assume pursuant to this Agreement.

(c) Any disagreement regarding whether any Asset or Liability was or should have been transferred to, retained by or assumed by the Parent Group or the SpinCo Group shall be resolved in accordance with the provisions of Article V.

ARTICLE III
INDEMNIFICATION

SECTION 3.1. INDEMNIFICATION BY PARENT. Parent shall, and shall cause each member of the Parent Group to, indemnify, defend and hold harmless the SpinCo Indemnitees from and against any and all Indemnifiable Losses of the SpinCo Indemnitees arising out of, by reason of or otherwise in connection with the Parent Liabilities or alleged Parent Liabilities, including any breach by Parent of any provision of this Section 3.1. Parent and each member of the Parent Group shall be jointly and severally liable for the indemnification obligations imposed by this Section 3.1. Subject to the last sentence of Section 7.1, this Agreement is not intended to address, and should not be interpreted to address, the matters specifically and expressly covered by the Ancillary Agreements.

SECTION 3.2. INDEMNIFICATION BY SPINCO. SpinCo shall, and shall cause each member of the SpinCo Group to, indemnify, defend and hold harmless the Parent Indemnitees from and against any and all Indemnifiable Losses of the Parent Indemnitees arising out of, by reason of or otherwise in connection with the SpinCo Liabilities or alleged SpinCo Liabilities, including any breach by SpinCo of any provision of this Section 3.2. Spinco and each member of the SpinCo Group shall be jointly and severally liable for the indemnification obligations imposed by this Section 3.2. Subject to the last sentence of Section 7.1, this Agreement is not intended to address, and should not be interpreted to address, the matters specifically and expressly covered by the Ancillary Agreements.

SECTION 3.3. PROCEDURES FOR INDEMNIFICATION.

(a) Third-Party Claims. If a claim or demand is made against a SpinCo Indemnitee or an Parent Indemnitee (each, an "Indemnitee") by any Third Party (a "Third-Party Claim") as to which such Indemnitee is entitled to indemnification pursuant to this Agreement, such Indemnitee shall notify the party which is or may be required pursuant to Section 3.1 or Section 3.2 hereof to make such indemnification (the "Indemnifying Party") in writing, and in reasonable detail, of the Third-Party Claim promptly (and in any event within fifteen (15) Business Days) after receipt by such Indemnitee of written notice of the Third-Party Claim; provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent the Indemnifying Party shall have been actually prejudiced as a result of such failure. Thereafter, the Indemnitee shall deliver to the Indemnifying Party, promptly (and in any event within ten (10) Business Days) after the Indemnitee's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnitee relating to the Third-Party Claim.

If a Third-Party Claim is made against an Indemnitee, the Indemnifying Party shall be entitled to participate in the defense thereof and, if it so elects in accordance with this Section 3.3(a), to assume the defense thereof with counsel selected by the Indemnifying Party; provided, however, that such counsel is not reasonably objected to by the Indemnitee. Should the Indemnifying Party so elect to assume the defense of a Third-Party Claim, the Indemnifying Party shall, within thirty (30) days (or sooner if the nature of the Third-Party Claim so requires), notify the Indemnitee in writing of its intent to do so, and the Indemnifying Party shall thereafter not be liable to the Indemnitee for legal or other expenses subsequently incurred by the Indemnitee in connection with the defense thereof; provided, however, that such Indemnitee shall have the right to employ counsel to represent such Indemnitee if, in such Indemnitee's reasonable judgment, a conflict of interest between such Indemnitee and such Indemnifying Party exists in respect of such claim that would make representation of both such parties by one counsel inappropriate, and in such event the fees and expenses of such separate counsel shall be paid by such Indemnifying Party. If the Indemnifying Party elects to assume such defense, the Indemnitee shall have the right to participate in the defense thereof and to employ counsel, subject to the proviso of the preceding sentence, at its own expense, separate from the counsel employed by the Indemnifying Party, it being understood that the Indemnifying Party shall control such defense. The Indemnifying Party shall be liable for the fees and expenses of counsel employed by the Indemnitee for any period during which the Indemnifying Party has failed to assume the defense thereof (other than during the period prior to the time the Indemnitee shall have given notice of the Third-Party Claim as provided above). If the Indemnifying Party so elects to assume the defense of any Third-Party Claim, all of the Indemnitees shall cooperate with the Indemnifying Party in the defense or prosecution thereof, including by providing or causing to be provided, Records and witnesses as soon as reasonably practicable after receiving any request therefor from or on behalf of the Indemnifying Party.

If an Indemnifying Party elects to assume the defense of a Third-Party Claim as provided above, in no event will the Indemnitee admit any liability with respect to, or settle, compromise or discharge, any Third-Party Claim without the Indemnifying Party's prior written consent; provided, however, that the Indemnitee shall have the right to settle, compromise or discharge such Third-Party Claim without the consent of the Indemnifying Party if the Indemnitee releases the Indemnifying Party from its indemnification obligation hereunder with respect to such Third-Party Claim and such settlement, compromise or discharge would not otherwise adversely affect the Indemnifying Party. If an Indemnifying Party elects to assume the defense of a Third-Party Claim as provided above, the Indemnitee will agree to any settlement, compromise or discharge of a Third-Party Claim that the Indemnifying Party may recommend and that by its terms obligates the Indemnifying Party to pay the full amount of the liability in connection with such Third-Party Claim and releases the Indemnitee completely in connection with such Third-Party Claim; provided, however, that, notwithstanding the foregoing, the Indemnitee shall not be required hereunder to agree to any such settlement, compromise or discharge involving the stipulation of facts or the adjudication of any question that the Indemnitee determines in its discretion would have an adverse effect on the Indemnitee in any other proceeding or otherwise would affect adversely the Indemnitee. If an Indemnifying Party elects not to assume the defense of a Third-Party Claim, or fails to notify an Indemnitee of its election to do so as provided herein, such Indemnitee may compromise, settle or defend such Third-Party Claim, and such Indemnitee may recover the Indemnifiable Losses in connection with such compromise, settlement or defense from the Indemnifying Party.

Notwithstanding the foregoing, the Indemnifying Party shall not be entitled to assume the defense of any Third-Party Claim (and shall be liable for the fees and expenses of counsel incurred by the Indemnitee in defending such Third-Party Claim) if the Third-Party Claim seeks an order, injunction or other equitable relief or relief for other than money damages against the Indemnitee which the Indemnitee reasonably determines, after conferring with its counsel, cannot be separated from any related claim for money damages. If such equitable relief or other relief portion of the Third-Party Claim can be so separated from that for money damages, the Indemnifying Party shall be entitled to assume the defense of the portion relating to money damages.

(b) In the event of payment by an Indemnifying Party to any Indemnitee in connection with any Third-Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee as to any events or circumstances in respect of which such Indemnitee may have any right or claim relating to such Third-Party Claim against any claimant or plaintiff asserting such Third-Party Claim. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right or claim.

(c) The remedies provided in this Article III shall be cumulative and shall not preclude assertion by any Indemnitee of any other rights or the seeking of any and all other remedies against any Indemnifying Party.

SECTION 3.4. INDEMNIFICATION PAYMENTS. Unless otherwise agreed to in writing, indemnification required by this Article III shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or Indemnifiable Losses are incurred. If the Indemnifying Party fails to make an indemnification payment required by this Article III within thirty (30) days after receipt of a bill therefor or notice that an Indemnifiable Loss has been incurred, the Indemnifying Party shall also be required to pay interest on the amount of such indemnification payment, from the date of receipt of the bill or notice of the Indemnifiable Loss to, but not including the date of payment, at the Applicable Rate.

ARTICLE IV ACCESS TO INFORMATION

SECTION 4.1. PROVISION OF CORPORATE RECORDS.

(a) Except as otherwise provided in Article III, after the Distribution Date, upon the prior written request by SpinCo for specific and identified agreements, documents, books, records or files (collectively, "Records") which relate to (x) SpinCo, the conduct of the SpinCo Business up to the Effective Time or the ownership of the SpinCo Assets up to the Effective Time, or (y) any Ancillary Agreement (other than the Tax Disaffiliation Agreement),

Parent shall arrange, as soon as reasonably practicable following the receipt of such request, to provide such Records (or appropriate copies thereof if Parent has a reasonable need to retain the originals) in the possession or control of Parent or any of the Parent Subsidiaries, but only to the extent such items are not already in the possession or control of SpinCo.

(b) Except as otherwise provided in Article III, after the Distribution Date, upon the prior written request by Parent for specific and identified Records which relate to (x) Parent, the conduct of the Parent Business up to the Effective Time or the ownership of the Parent Assets up to the Effective Time, or (y) any Ancillary Agreement (other than the Tax Disaffiliation Agreement), SpinCo shall arrange, as soon as reasonably practicable following the receipt of such request, to provide such Records (or appropriate copies thereof if SpinCo has a reasonable need to retain the originals) in the possession or control of SpinCo or any of the SpinCo Subsidiaries, but only to the extent such items are not already in the possession or control of Parent.

SECTION 4.2. ACCESS TO INFORMATION. Except as otherwise provided in Article III, from and after the Distribution Date, each of Parent and SpinCo shall afford to the other and its authorized Representatives reasonable access during normal business hours, subject to appropriate restrictions for classified, privileged or confidential information, to the personnel, properties, and Records of such party and its Subsidiaries insofar as such access is reasonably required by the other party and relates to (x) such other party or the conduct of its business or ownership of its Assets prior to the Effective Time or (y) any Ancillary Agreement.

SECTION 4.3. REIMBURSEMENT; OTHER MATTERS. Except to the extent otherwise contemplated by any Ancillary Agreement, a party providing Records or access to information to the other party under this Article IV shall be entitled to receive from the recipient, upon the presentation of invoices therefor, reimbursement for payments made for supplies, disbursements and other out-of-pocket expenses (including attorneys' fees and disbursements), as may be reasonably incurred in providing such Records or access to information.

SECTION 4.4. CONFIDENTIALITY. Neither (i) Parent nor the Parent Subsidiaries nor (ii) SpinCo nor the SpinCo Subsidiaries shall use or permit the use of (without the prior written consent of the other) and each such entity shall keep, and shall cause its Representatives to keep, confidential all information concerning the other party in its possession, its custody or under its control (except to the extent that (A) such information has been in the public domain through no fault of such party or (B) such information has been later lawfully acquired from other sources by such party or (C) this Agreement or any other Ancillary Agreement or any other agreement entered into pursuant hereto permits the use or disclosure of such information) to the extent such information, (w) relates to or was acquired during the period up to the Effective Time, (x) relates to any Ancillary Agreement, (y) is obtained in the course of performing services for the other party pursuant to any Ancillary Agreement, or (z) is based upon or is derived from information described in the preceding clauses (w), (x) or (y), and each party shall not (without the prior written consent of the other) otherwise release or disclose such information to any other Person, except such party's Representatives, unless compelled to disclose such information by judicial or administrative process or unless such disclosure is required by Law and such party has provided the other party with prompt notice of such requirement in order to afford the other party the opportunity to seek an appropriate protective order or other remedy.

SECTION 4.5. PRIVILEGED MATTERS. The parties hereto recognize that legal and other professional services that have been and will be provided prior to the Distribution Date have been and will be rendered for the benefit of each of the members of the Parent Group, and each of the members of the SpinCo Group, and that each of the members of the Parent Group, and each of the members of the SpinCo Group should be deemed to be the client for the purposes of asserting all privileges which may be asserted under applicable Law. Except as otherwise specifically provided in the Tax Disaffiliation Agreement with respect to tax matters, to allocate the interests of each party in the information as to which any party is entitled to assert a privilege, the parties agree as follows:

(a) Parent shall be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged information which relates solely to the Parent Business, whether or not the privileged information is in the possession of or under the control of Parent or SpinCo. Parent shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged information that relates solely to the subject matter of any claims constituting Parent Liabilities, now pending or which may be asserted in the future, in any

Action initiated against or by Parent, whether or not the privileged information is in the possession of or under the control of Parent or SpinCo.

(b) SpinCo shall be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged information which relates solely to the SpinCo Business, whether or not the privileged information is in the possession of or under the control of Parent or SpinCo. SpinCo shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged information which relates solely to the subject matter of any claims constituting SpinCo Liabilities, now pending or which may be asserted in the future, in any Action initiated against or by SpinCo, whether or not the privileged information is in the possession of SpinCo or under the control of Parent or SpinCo.

(c) The parties hereto agree that they shall have a shared privilege, with equal right to assert or waive, subject to the restrictions in this Section 4.5, with respect to all privileges not allocated pursuant to the terms of Sections 4.5(a) and (b). All privileges relating to any Action, disputes or other matters which involve Parent and SpinCo in respect of which such parties retain any responsibility or liability under this Agreement, shall be subject to a shared privilege among them.

(d) No party hereto may waive any privilege which could be asserted under any applicable Law, and in which any other party hereto has a shared privilege, without the consent of the other party, which consent shall not be unreasonably withheld or delayed, except to the extent reasonably required in connection with any Action with Third Parties or as provided in subsection (e) below. Consent shall be in writing, or shall be deemed to be granted unless written objection is made within twenty (20) days after notice upon the other party requesting such consent.

(e) In the event of any Action or dispute between any of the parties hereto, any party and a Subsidiary of another party hereto, or a Subsidiary of one party hereto and a Subsidiary of another party hereto, either such party, to the extent necessary in connection with such Action or dispute, may waive a privilege in which the other party has a shared privilege, without obtaining the consent of the other party, provided that such waiver of a shared privilege shall be effective only as to the use of information with respect to such Action or dispute between the relevant parties and/or their Subsidiaries, and shall not operate as a waiver of the shared privilege with respect to Third Parties.

(f) If a dispute arises between or among the parties hereto or their respective Subsidiaries regarding whether a privilege should be waived to protect or advance the interest of any party, each party agrees that it shall negotiate in good faith, shall endeavor to minimize any prejudice to the rights of the other parties, and shall not unreasonably withhold consent to any request for waiver by another party. Each party hereto specifically agrees that it will not withhold consent to waiver for any purpose except to protect its own legitimate interests.

(g) Upon receipt by any party hereto or by any Subsidiary thereof of any subpoena, discovery or other request which arguably calls for the production or disclosure of information subject to a shared privilege or as to which another party has the sole right hereunder to assert a privilege, or if any party obtains knowledge that any of its or any of its Subsidiaries' current or former Representatives has received any subpoena, discovery or other requests which arguably calls for the production or disclosure of such privileged information, such party shall promptly notify the other party of the existence of the request and shall provide the other party a reasonable opportunity to review the information (to the extent such information is available to such party) and to assert any rights it or they may have under this Section 4.5 or otherwise to prevent the production or disclosure of such privileged information.

(h) The transfer of all Records and other information pursuant to this Agreement is made in reliance on the agreement of Parent and SpinCo, as set forth in Sections 4.4 and 4.5, to maintain the confidentiality of privileged information and to assert and maintain all applicable privileges. The access to information being granted pursuant to Sections 4.1 and 4.2 hereof, the agreement to provide witnesses and individuals pursuant to Sections 2.7 and 3.3 hereof, the furnishing of notices and documents and other cooperative efforts contemplated by Section 3.3 hereof, and the transfer of privileged information between and among the parties and their respective Subsidiaries pursuant

to this Agreement shall not be deemed a waiver of any privilege that has been or may be asserted under this Agreement or otherwise.

SECTION 4.6. OWNERSHIP OF INFORMATION. Any information owned by one party or any of its Subsidiaries that is provided to a requesting party pursuant to Article III or this Article IV shall be deemed to remain the property of the providing party. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such information.

SECTION 4.7. RETENTION OF RECORDS.

(a) Parent shall deliver to SpinCo upon SpinCo's request all Records that are specifically identified by SpinCo and known by Parent, after reasonable inquiry, to be in its control or possession relating to SpinCo Assets, SpinCo Liabilities or the SpinCo Business. Except (a) as provided in the Tax Disaffiliation Agreement or (b) when a longer retention period is otherwise required by Law or agreed to in writing, the Parent Group and the SpinCo Group shall retain in a reasonably retrievable format, for a period of at least six (6) years, all Records relating to the SpinCo Business as of the Effective Time. Notwithstanding the foregoing, in lieu of retaining any specific Records, Parent may offer in writing to deliver such Records to SpinCo and, if such offer is not accepted within ninety (90) days, the offered Records may be destroyed or otherwise disposed of at any time. If SpinCo shall request in writing prior to the expiration of such 90-day period that any of Records proposed to be destroyed or disposed of be delivered to SpinCo, Parent shall promptly arrange for delivery of such requested Records (at SpinCo's cost).

(b) SpinCo shall deliver to Parent upon Parent's request all Records that are specifically identified by Parent and known by SpinCo, after reasonable inquiry, to be in its control or possession relating to Parent Assets, Parent Liabilities or the Parent Business. Except (a) as provided in the Tax Disaffiliation Agreement or (b) when a longer retention period is otherwise required by Law or agreed to in writing, the Parent Group and the SpinCo Group shall retain in a reasonably retrievable format, for a period of at least six (6) years, all Records relating to the Parent Business as of the Effective Time. Notwithstanding the foregoing, in lieu of retaining any specific Records, SpinCo may offer in writing to deliver such Records to Parent and, if such offer is not accepted within ninety (90) days, the offered Records may be destroyed or otherwise disposed of at any time. If Parent shall request in writing prior to the expiration of such 90-day period that any of Records proposed to be destroyed or disposed of be delivered to Parent, SpinCo shall promptly arrange for delivery of such requested Records (at Parent's cost).

SECTION 4.8. LIMITATION OF LIABILITY; RELEASE.

(a) No party shall have any liability to any other party in the event that any information exchanged or provided pursuant to this Agreement which is an estimate or forecast, or which is based on an estimate or forecast, is found to be inaccurate.

(b) Effective upon the Distribution and except as otherwise specifically set forth in this Agreement, each of Parent and SpinCo releases and forever discharges the other and its Representatives and Subsidiaries, of and from all Liabilities against such other party, its Representatives and Subsidiaries or any of its successors or assigns, which the releasing party has or ever had, which arise out of or relate to events, circumstances or actions taken by such other party prior to the Distribution; provided, however, that the foregoing general release shall not apply to this Agreement, the Ancillary Agreements or the transactions contemplated hereby or thereby and shall not affect either party's right to enforce this Agreement or any of the Ancillary Agreements in accordance with their terms.

SECTION 4.9. OTHER AGREEMENTS PROVIDING FOR EXCHANGE OF INFORMATION.

The rights and obligations granted under this Article IV are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange or confidential treatment of information set forth in any Ancillary Agreement.

ARTICLE V
DISPUTE RESOLUTION

SECTION 5.1. NEGOTIATION. In the event of a controversy, dispute or claim arising out of, in connection with, or in relation to the interpretation, performance, nonperformance, validity or breach of this Agreement or otherwise arising out of, or in any way related to this Agreement or the transactions contemplated hereby, including any claim based on contract, tort, statute or constitution (but excluding any controversy, dispute or claim arising out of any agreement relating to the use or lease of real property if any Third Party is a party to such controversy, dispute or claim) (collectively, "Agreement Disputes"), the management of the parties shall negotiate in good faith for a reasonable period of time to settle such Agreement Dispute; provided, however, such reasonable period shall not, unless otherwise agreed by the parties in writing, exceed sixty (60) days from the time the parties began such negotiations; and provided further, however, that in the event of any mediation or arbitration in accordance with Sections 5.2 and 5.3 hereof, (i) the parties shall not assert the defenses of statute of limitations and laches arising for the period beginning after the date the parties began negotiations hereunder, and (ii) any statute of limitations or any contractual time period or deadline under this Agreement or any Ancillary Agreement shall not be deemed to have passed with respect to such Agreement Dispute until such Agreement Dispute has been resolved.

SECTION 5.2. MEDIATION. If after such reasonable period such management are unable to settle such Agreement Dispute (and in any event, unless otherwise agreed in writing by the parties, after ninety (90) days have elapsed from the time the parties began such negotiations) and the Agreement Dispute involves a controversy, dispute or claim of less than \$500,000, such Agreement Dispute shall be determined, at the request of any party, by mediation conducted in Wilmington, Delaware or at another location which the parties mutually select, before a retired judge sitting on the panel of Judicial Arbitration & Mediation Services, Inc. The mediation process shall continue as the exclusive method of resolving the Agreement Dispute (other than negotiation between the parties) until the earlier of the Agreement Dispute being resolved or the mediator finding in good faith that all settlement possibilities have been exhausted and that the matter is not resolvable through mediation. If the mediator makes such a finding, at the request of any party, the Agreement Dispute shall then be determined by binding arbitration in accordance with Section 5.3 hereof.

SECTION 5.3. ARBITRATION. If after such reasonable period such management are unable to settle such Agreement Dispute (and in any event, unless otherwise agreed in writing by the parties, after ninety (90) days have elapsed from the time the parties began such negotiations) and the Agreement Dispute involves a controversy, dispute or claim of \$500,000 or more, or a mediator makes a finding under Section 5.2 hereof that all settlement possibilities have been exhausted and that a matter is not resolvable through mediation, such Agreement Dispute shall be determined, at the demand of any party, by binding arbitration conducted in Wilmington, Delaware or at another location which the parties mutually select, before and in accordance with the then-existing Commercial Arbitration Rules of the American Arbitration Association (the "Rules"). In any Agreement Dispute between the parties hereto, the numbers of arbitrators shall be three (3) (one selected by Parent, one selected by SpinCo, and one jointly selected by the two arbitrators so selected). Any judgment or award rendered by the arbitrator shall be final, binding and nonappealable (except upon grounds specified in 9 U.S.C. Section 10(a) as in effect on the date hereof). If the parties are unable to agree on the arbitrators, the arbitrators shall be selected in accordance with the Rules. Except as otherwise provided herein, any controversy concerning whether an Agreement Dispute is an arbitrable Agreement Dispute, whether arbitration has been waived, whether an assignee of this Agreement is bound to arbitrate, or as to the interpretation of enforceability of this Article V shall be determined by the arbitrators. In resolving any Agreement Dispute, the parties intend that the arbitrators apply the terms and conditions of this Agreement and the substantive laws of the State of Delaware, without regard to the choice of law principles thereof. The parties intend that the provisions to arbitrate set forth herein be valid, enforceable and irrevocable. The parties agree to comply with any award made in any such arbitration proceedings that has become final in accordance with the Rules and agree to enforcement of or entry of judgment upon such award, by any court of competent jurisdiction, including (a) the state courts of the State of Delaware, located in Wilmington, or (b) the United States District Court for the District of Delaware, in accordance with Section 7.16 hereof. The arbitrators shall be entitled, if appropriate, to award any remedy in such proceedings, including monetary damages, specific performance and all other forms of legal and equitable relief; provided, however, the arbitrators shall not be entitled to award punitive damages. Without limiting the provisions of the Rules, unless otherwise agreed in writing by or among the parties or permitted by this Agreement, the parties shall keep confidential all matters relating to the arbitration or the award, provided

such matters may be disclosed (i) to the extent reasonably necessary in any proceeding brought to enforce the award or for entry of a judgment upon the award and (ii) to the extent otherwise required by Law. Nothing contained herein is intended to or shall be construed to prevent any party, in accordance with Article 21(3) of the Rules or otherwise, from applying to any court of competent jurisdiction for interim measures or other provisional relief in connection with the subject matter of any Agreement Disputes.

SECTION 5.4. CONTINUITY OF SERVICE AND PERFORMANCE. Unless otherwise agreed in writing, the parties will continue to provide service and honor all other commitments under this Agreement and each Ancillary Agreement during the course of dispute resolution pursuant to the provisions of this Article V with respect to all matters not subject to such dispute, controversy or claim.

SECTION 5.5. OTHER REMEDIES. Nothing in this Article V shall limit the right that any party may otherwise have to seek to obtain from any court to which the parties consent to jurisdiction under Section 7.16 (a) preliminary injunctive relief in order to preserve the status quo pending the resolution of a dispute or (b) temporary or permanent injunctive relief from any breach of any provisions of this Agreement. By seeking such relief, a party in no way waives its arbitration rights under this Agreement.

ARTICLE VI INSURANCE

SECTION 6.1. POLICIES AND RIGHTS INCLUDED WITHIN ASSETS. The SpinCo Assets shall include (a) any and all rights of an insured party under each of the Parent Shared Policies, subject to the terms of such Parent Shared Policies and any limitations or obligations of SpinCo contemplated by this Article VI, specifically including rights of indemnity and the right to be defended by or at the expense of the insurer, with respect to all claims, suits, actions, proceedings, injuries, losses, liabilities, damages and expenses incurred or claimed to have been incurred prior to the Effective Time by any party in or in connection with the conduct of the SpinCo Business or the ownership of the SpinCo Assets or, to the extent any claim is made against SpinCo or any of the SpinCo Subsidiaries, the conduct of the Parent Business or the ownership of the Parent Assets, and which claims, suits, actions, proceedings, injuries, losses, liabilities, damages and expenses may arise out of an insured or insurable occurrence under one or more of such Parent Shared Policies, and (b) the SpinCo Policies.

SECTION 6.2. POST-DISTRIBUTION DATE CLAIMS. If, subsequent to the Distribution Date, any Person shall assert a claim against SpinCo or any of the SpinCo Subsidiaries (including where SpinCo or the SpinCo Subsidiaries are joint defendants with other Persons) with respect to any claim, suit, action, proceeding, injury, loss, liability, damage or expense incurred or claimed to have been incurred prior to the Effective Time in or in connection with the conduct of the SpinCo Business or the ownership of the SpinCo Assets or, to the extent any claim is made against SpinCo or any of the SpinCo Subsidiaries (including where SpinCo or the SpinCo Subsidiaries are joint defendants with other Persons), the conduct of the Parent Business or the ownership of the Parent Assets, and which claim, suit, action, proceeding, injury, loss, liability, damage or expense may arise out of an insured or insurable occurrence under one or more of the Parent Shared Policies, Parent shall assert and collect any related Insurance Proceeds under such Parent Shared Policy on behalf of SpinCo and remit promptly to SpinCo any Insurance Proceeds so collected, and Parent shall further on behalf of SpinCo assert any and all rights of an insured party under such Parent Shared Policy with respect to such asserted claim, specifically including rights of indemnity and the right to be defended by or at the expense of the insurer and the right to any applicable Insurance Proceeds thereunder. The parties hereby acknowledge and agree that nothing herein shall limit SpinCo's right to assert directly and collect any related Insurance Proceeds under any Parent Shared Policy and that, should SpinCo become liable for any Parent Liabilities covered by any Parent Shared Policy or any Parent Policy, SpinCo shall have the right to assert directly and collect any related Insurance Proceeds under any such Parent Shared Policy or Parent Policy.

SECTION 6.3. ADMINISTRATION; OTHER MATTERS.

(a) Administration. Subject to Section 6.3(c) and Section 6.3(d), from and after the Distribution Date, (i) Parent shall be responsible for (A) Insurance Administration of the Parent Shared Policies with respect to all

Liabilities except SpinCo Liabilities and (B) Claims Administration (except as provided below) under such Parent Shared Policies with respect to all Liabilities except SpinCo Liabilities, and (ii) SpinCo shall be responsible for (A) Insurance Administration of the Parent Shared Policies with respect to all SpinCo Liabilities and (B) Claims Administration (except as provided below) under such Parent Shared Policies with respect to all SpinCo Liabilities; provided, however, that the retention of such responsibilities by Parent or SpinCo, as the case may be, is in no way intended to limit, inhibit or preclude (i) any right to insurance coverage for any Insured Claim of a named insured under such Policies as contemplated by the terms of this Agreement or (ii) the sharing between Parent and SpinCo of information relating to the matters addressed in this Article VI; and provided further that Parent's retention or SpinCo's retention, as the case may be, of the administrative responsibilities for the Parent Shared Policies shall not relieve the party submitting any Insured Claim of the primary responsibility for reporting such Insured Claim accurately, completely and in a timely manner or of such party's authority to settle any such Insured Claim within any period permitted or required by the relevant Policy. Parent or SpinCo, as the case may be, may discharge its administrative responsibilities under this Section 6.3 by contracting for the provision of services by independent parties. Each of the parties hereto shall administer and pay any costs relating to defending its respective Insured Claims under Parent Shared Policies to the extent such defense costs are not covered under such Policies and shall be responsible for obtaining or reviewing the appropriateness of releases upon settlement of its respective Insured Claims under Parent Shared Policies. SpinCo shall reimburse Parent promptly for all disbursements, out-of-pocket expenses and direct and indirect costs of employees or agents of Parent relating to Claims Administration and Insurance Administration contemplated by this Section 6.3(a) on behalf of SpinCo. Likewise, Parent shall reimburse SpinCo promptly for all disbursements, out-of-pocket expenses and direct and indirect costs of employees or agents of SpinCo relating to Claims Administration and Insurance Administration contemplated by this Section 6.3(a) on behalf of Parent.

(b) Claims. Where a Parent Shared Policy specifically covers SpinCo Liabilities for periods prior to the Distribution Date or covers claims made after the Distribution Date with respect to an occurrence prior to the Distribution Date, then from and after the Distribution Date SpinCo may, subject to Section 6.3(c) and Section 6.3(d), claim coverage for Insured Claims under such Parent Shared Policy as and to the extent that such insurance is available up to the full extent of the applicable limits of liability of such Parent Shared Policy (and may receive any Insurance Proceeds with respect thereto as contemplated by Section 6.2 or Section 6.3(c) hereof), subject to the terms of this Section 6.3.

(c) Allocation of Insurance Proceeds. Insurance Proceeds received with respect to claims, costs and expenses under the Parent Shared Policies shall be paid directly to the appropriate Person or to Parent, which shall thereafter administer the Parent Shared Policies by paying the Insurance Proceeds, as appropriate, to Parent with respect to Parent Liabilities and to SpinCo with respect to the SpinCo Liabilities. Payment of the allocable portions of indemnity costs of Insurance Proceeds resulting from such Policies will be made by Parent to the appropriate Person upon receipt from the insurance carrier. In the event that the applicable limits on any particular Parent Shared Policy are exceeded by the amount of outstanding Insured Claims by the relevant parties hereto, such parties agree to allocate the Insurance Proceeds received thereunder based upon their respective percentage of the total of their bona fide claims (measured as of the date costs related to such bona fide claims were incurred, such incurrence to be measured, (i) in the case of fees and expenses incurred for services performed that are attributable to the defense or disposition of Insured Claims, as of the date such fees and expenses are billed to an insurance carrier, and (ii) in the case of sums payable in settlement or satisfaction of a judgment attributable to Insured Claims, as of the date of any such judgment) which were covered under such Parent Shared Policy (their "allocable portion of Insurance Proceeds"), and any party who has received Insurance Proceeds in excess of such party's allocable portion of Insurance Proceeds shall pay to the other party the appropriate amount so that each party will have received its allocable portion of Insurance Proceeds pursuant hereto. Each of the parties agrees to use commercially reasonable efforts to maximize available coverage under those Parent Shared Policies applicable to it, and to take all commercially reasonable steps to recover from all other responsible parties in respect of an Insured Claim to the extent coverage limits under a particular Parent Shared Policy have been exceeded or would be exceeded as a result of such Insured Claim.

(d) Allocation of Deductibles, Etc. In the event that the parties have bona fide claims under any Parent Shared Policy for which a deductible or a retrospectively rated premium adjustment is payable or for which a self-insurance retention amount has been applied, the parties agree that the aggregate amount of the deductible or

retrospectively rated premium adjustment paid or retention amount applied shall be borne by the parties in the same proportion which the Insurance Proceeds received by each such party bears to the total Insurance Proceeds received under the applicable Parent Shared Policy (their "allocable share of the deductible, premium adjustment or retention amount"), and any party who has paid more than its allocable share of the deductible, premium adjustment or retention amount shall be entitled to receive from the other party an appropriate amount so that each party has borne its allocable share of the deductible, premium adjustment or retention amount pursuant hereto. Further, if a party receives no Insurance Proceeds under that applicable Parent Shared Policy, that party shall have no allocable share of the deductible, premium adjustment or retention amount under that applicable Parent Shared Policy, and the other party shall bear all of the allocable share of the deductible, premium adjustment or retention amount under that applicable Parent Shared Policy.

(e) Workers Compensation. With respect to any workers compensation claims for the period prior to the Effective Time, the terms of the Ancillary Workers Compensation Agreement shall govern.

(f) Continued Responsibility. Notwithstanding anything in this Article VI to the contrary, the Parent Group shall remain liable to the SpinCo Indemnitees for the indemnification obligations contemplated by Section 3.1, and the SpinCo Group shall remain liable to the Parent Indemnitees for the indemnification obligations contemplated by Section 3.2, in each case, to the extent any Loss or Liability is not fully paid to or on behalf of the applicable party by Insurance Proceeds.

SECTION 6.4. AGREEMENT FOR WAIVER OF CONFLICT AND SHARED DEFENSE. In the event that Insured Claims of more than one of the parties hereto exist relating to the same occurrence, the parties shall jointly defend and waive any conflict of interest necessary to the conduct of the joint defense. Nothing in this Article VI shall be construed to limit or otherwise alter in any way the obligations of the parties to this Agreement, including those created by this Agreement, by operation of Law or otherwise.

SECTION 6.5. COOPERATION. The parties agree to use their commercially reasonable efforts to cooperate with respect to the various insurance matters contemplated by this Agreement.

ARTICLE VII MISCELLANEOUS

SECTION 7.1. COMPLETE AGREEMENT; CONSTRUCTION. This Agreement, including the Exhibits and Schedules, and the Ancillary Agreements shall constitute the entire agreement between the parties with respect to the subject matter hereof and shall supersede all previous negotiations, commitments and writings with respect to such subject matter. In the event of any inconsistency between this Agreement and any Schedule hereto, the Schedule shall prevail. Other than Section 2.4, Section 4.5 and Article V, which shall prevail over any inconsistent or conflicting provisions in any Ancillary Agreement, notwithstanding any other provisions in this Agreement to the contrary, in the event and to the extent that there shall be a conflict between the provisions of this Agreement and the provisions of any Ancillary Agreement, such Ancillary Agreement shall control.

SECTION 7.2. ANCILLARY AGREEMENTS. Subject to the last sentence of Section 7.1, this Agreement is not intended to address, and should not be interpreted to address, the matters specifically and expressly covered by the Ancillary Agreements.

SECTION 7.3. COUNTERPARTS. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other parties.

SECTION 7.4. SURVIVAL OF AGREEMENTS. Except as otherwise contemplated by this Agreement, all covenants and agreements of the parties contained in this Agreement shall survive the Distribution Date.

SECTION 7.5. DISTRIBUTION EXPENSES. Except as otherwise set forth in this Agreement or any Ancillary Agreement, all costs and expenses incurred on or prior to the Distribution Date and which are outstanding as of the Distribution Date or arise after the Distribution Date in connection with the preparation, execution, delivery, printing and implementation of this Agreement and any Ancillary Agreement, the Information Statement (including the Registration Statement) and the Distribution and the consummation of the transactions contemplated thereby (including (i) costs and expenses incurred pursuant to Sections 2.1(e), 2.1(i), and 2.10 and (ii) any transfer taxes imposed on the transfer of real or personal property in the Corporate Transactions) shall be charged to and paid by SpinCo, and such costs and expenses shall be deemed to be SpinCo Liabilities. Further, except as otherwise set forth in this Agreement or any Ancillary Agreement (including the retention and assumption by the Parent Group of the Parent Liabilities and the retention and assumption by the SpinCo Group of the SpinCo Liabilities in accordance with Section 2.2 hereof), all other Liabilities (to the extent not otherwise satisfied prior to the Effective Time) directly resulting from actions taken prior to the Effective Time in connection with the preparation, execution, delivery, printing and implementation of this Agreement and any Ancillary Agreement, the Information Statement (including the Registration Statement) and the Distribution and the consummation of the transactions contemplated thereby shall be deemed to be SpinCo Liabilities. Except as otherwise set forth in this Agreement or any Ancillary Agreement, each party shall bear its own costs and expenses incurred after the Distribution Date, and any amount or expense to be paid or reimbursed by any party hereto to any other party hereto shall be so paid or reimbursed promptly after the existence and amount of such obligation is determined and written demand therefor is made.

SECTION 7.6. NOTICES. All notices and other communications hereunder shall be in writing, shall reference this Agreement and shall be hand delivered or mailed by registered or certified mail (return receipt requested) or sent by any means of electronic message transmission with delivery confirmed (by voice or otherwise) to the parties at the following addresses (or at such other addresses for a party as shall be specified by like notice) and will be deemed given on the date on which such notice is received ("Notices"):

To Parent:

National Service Industries, Inc.
 1420 Peachtree Street, NE
 Atlanta, Georgia 30309-3002
 Attention: Richard A. Walker
 Telephone: (404) 853-1000
 Facsimile: _____

With a copy to:

McGuireWoods LLP
 One James Center
 901 East Cary Street
 Richmond, Virginia 23219-4030
 Attention: Leslie A. Grandis
 Telephone: (804) 775-4322
 Facsimile: (804) 698-2069

To SpinCo:

L & C Spinco, Inc.
 1420 Peachtree Street, NE
 Atlanta, Georgia 30309-3002
 Attention: Kenyon W. Murphy
 Telephone: (404) 853-1000
 Facsimile: _____

With a copy to:

King & Spalding
191 Peachtree Street, N.E.
Atlanta, Georgia 30303-1763
Attention: Russell B. Richards
Telephone: (404) 572-4695
Facsimile: (404) 572-5100

SECTION 7.7. WAIVERS. The failure of any party to require strict performance by any other party of any provision in this Agreement will not waive or diminish that party's right to demand strict performance thereafter of that or any other provision hereof.

SECTION 7.8. AMENDMENTS. Subject to the terms of Section 7.10 hereof, this Agreement may not be modified or amended except by an agreement in writing signed by each of the parties hereto.

SECTION 7.9. SUCCESSORS AND ASSIGNS. The provisions to this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

SECTION 7.10. TERMINATION. This Agreement (including Article III hereof) may be terminated and the Distribution may be amended, modified or abandoned at any time prior to the Distribution by and in the sole discretion of Parent without the approval of SpinCo or the stockholders of Parent. In the event of such termination, no party shall have any liability of any kind to any other party or any other Person. After the Distribution, this Agreement may not be terminated except by an agreement in writing signed by the parties; provided, however, that Article III shall not be terminated or amended after the Distribution in respect of any Indemnitees not a party to this Agreement without the consent of such Persons.

SECTION 7.11. SUBSIDIARIES. Each of the parties hereto shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any Subsidiary of such party or by any entity that is contemplated to be a Subsidiary of such party on and after the Distribution Date.

SECTION 7.12. THIRD-PARTY BENEFICIARIES. Except for the right of Indemnitees to enforce the provisions of Article III hereof, this Agreement is solely for the benefit of the parties hereto and their respective Subsidiaries and Affiliates and should not be deemed to confer upon Third Parties any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement.

SECTION 7.13. TITLE AND HEADINGS. Titles and headings to Sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

SECTION 7.14. EXHIBITS AND SCHEDULES. The Exhibits and Schedules shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein.

SECTION 7.15. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN THE STATE OF DELAWARE.

SECTION 7.16. CONSENT TO JURISDICTION. Without limiting the provisions of Article V hereof, each of the parties irrevocably submits to the exclusive jurisdiction of (a) the state courts of the State of Delaware, located in the City of Wilmington, and (b) the United States District Court for the District of Delaware, for the purposes of any suit, action or other proceeding arising out of this Agreement, the Ancillary Agreements or any transaction contemplated hereby or thereby. Each of the parties agrees to commence any action, suit or proceeding relating hereto either in the United States District Court for the District of Delaware or if such suit, action or other proceeding may not be brought in such court for jurisdictional reasons, in the state courts of the State of Delaware, located in the City of Wilmington. Each of the parties irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement, the Ancillary Agreements or the transactions contemplated hereby or thereby in (i) the state courts of the State of Delaware, located in the City of Wilmington, or (ii) the United States District Court for the District of Delaware, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

SECTION 7.17. SEVERABILITY. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic or operational effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7.18. CONSOLIDATION, MERGER, ETC.

(a) Involving SpinCo. SpinCo shall not consolidate with or merge into any other Person or convey, transfer or lease all or any substantial portion of its properties and assets to any Person, and SpinCo shall not permit any Person to consolidate with or merge into SpinCo or convey, transfer or lease all or any substantial portion of its properties and assets to SpinCo, unless, in each case such Person is a corporation, partnership, limited liability company or trust and expressly assumes, by a written agreement, executed and delivered to Parent, in form reasonably satisfactory to Parent, all of the liabilities, obligations and expenses to be assumed by SpinCo under this Agreement and the due and punctual performance or observance of every agreement and covenant of this Agreement and the Ancillary Agreements on the part of SpinCo to be performed or observed.

(b) Involving Parent. Parent shall not consolidate with or merge into any other Person or convey, transfer or lease all or any substantial portion of its properties and assets to any Person, and Parent shall not permit any Person to consolidate with or merge into Parent or convey, transfer or lease all or any substantial portion of its properties and assets to Parent, unless, in each case such Person is a corporation, partnership, limited liability company or trust and expressly assumes, by a written agreement, executed and delivered to SpinCo, in form reasonably satisfactory to SpinCo, all of the liabilities, obligations and expenses to be assumed by Parent under this Agreement and the due and punctual performance or observance of every agreement and covenant of this Agreement and the Ancillary Agreements on the part of Parent to be performed or observed.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first above written.

NATIONAL SERVICE INDUSTRIES, INC.

By _____

Name:

Title:

Witness:

Name:

L & C SPINCO, INC.

By _____

Name:

Title:

Witness:

Name:

As adopted by the Board
of Directors on _____, 2001

L & C SPINCO, INC.

AMENDED AND RESTATED BY-LAWS

ARTICLE I - STOCKHOLDERS

Section 1. Annual Meeting.

(1) An annual meeting of the stockholders, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, on such date, and at such time as the Board of Directors shall each year fix.

(2) 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 (a) pursuant to the Corporation's notice with respect to such meeting, (b) by or at the direction of the Board of Directors or (c) by any stockholder of record of the Corporation who was a stockholder of record at the time of the giving of the notice provided for in the following paragraph, who is entitled to vote at the meeting and who has complied with the notice procedures set forth in this section.

(3) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of the foregoing paragraph, (1) the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, (2) such business must be a proper matter for stockholder action under the Delaware General Corporation Law, (3) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the Corporation with a Solicitation Notice, as that term is defined in subclause (c)(iii) of this paragraph, 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 the Corporation'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 the Corporation'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 (4) if no Solicitation Notice relating thereto has been timely provided pursuant to this section, 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 under this section. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 45 or more than 75 days prior to the first anniversary (the "Anniversary") of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders; provided, however, that 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. Such stockholder's notice shall set forth (a) 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 Securities Exchange Act of 1934, as amended (the "Exchange Act"), and such person's written consent to serve as a director if elected; (b) 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; (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class and number of shares of the Corporation that are owned beneficially and of record by such stockholder and such beneficial owner, and (iii) 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 the Corporation'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 the Corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

(4) Notwithstanding anything in the second sentence of the third paragraph of this Section 1 to the contrary, 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 the Corporation at least 55 days prior to the Anniversary, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(5) Only persons nominated in accordance with the procedures set forth in this Section 1 shall be eligible to serve as directors and only such business shall be conducted at an annual meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this section. The chairman of the 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 these By-Laws and, if any proposed nomination or business is not in compliance with these By-Laws, to declare that such defectively proposed business or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

(6) For purposes of these By-Laws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(7) Notwithstanding the foregoing provisions of this Section 1, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 1. Nothing in this Section 1 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 2. Special Meetings.

(1) Special meetings of the stockholders may be called at any time by the Board of Directors acting pursuant to a resolution adopted by a majority of the Whole Board. For purposes of these By-Laws, the term "Whole Board" shall mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships. The Board of Directors may postpone or reschedule any previously scheduled special meeting.

(2) Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation'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 the Corporation's notice of meeting (a) by or at the direction of the Board of Directors or (b) by any stockholder of record of the Corporation who is a stockholder of record at the time of giving of notice provided for in this paragraph, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in Section 1 of this Article I. Nominations by stockholders of persons for election to the Board of Directors may be made at such a special meeting of stockholders if the stockholder's notice required by the third paragraph of Section 1 of this Article I shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement 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.

(3) Notwithstanding the foregoing provisions of this Section 2, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 2. Nothing in this Section 2 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 3. Notice of Meetings.

Notice of the place, if any, date, and time of all meetings of the stockholders, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, shall be given, not less than ten (10) nor more than sixty (60) days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or required by law (meaning, here and hereinafter, as required from time to time by the Delaware General Corporation Law or the certificate of incorporation of the Corporation).

When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place, if any, thereof, and the means of remote

communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, notice of the place, if any, date, and time of the adjourned meeting and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting, shall be given in conformity herewith. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

Section 4. Quorum.

At any meeting of the stockholders, the holders of a majority of all of the shares of the stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum for all purposes, unless or except to the extent that the presence of a larger number may be required by law. Where a separate vote by a class or classes or series is required, a majority of the shares of such class or classes or series present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter.

If a quorum shall fail to attend any meeting, the chairman of the meeting may adjourn the meeting to another place, if any, date, or time.

Section 5. Organization.

Such person as the Board of Directors may have designated or, in the absence of such a person, the Chairman of the Board or, in his or her absence, the President of the Corporation or, in his or her absence, such person as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as chairman of the meeting. In the absence of the Secretary of the Corporation, the secretary of the meeting shall be such person as the chairman of the meeting appoints.

Section 6. Conduct of Business.

The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him or her in order. The chairman shall have the power to adjourn the meeting to another place, if any, date and time. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

Section 7. Proxies and Voting.

At any meeting of the stockholders, every stockholder entitled to vote may vote in person or by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this paragraph may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy,

facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

The Corporation may, and to the extent required by law, shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting may, and to the extent required by law, shall, appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. Every vote taken by ballots shall be counted by a duly appointed inspector or inspectors.

All elections shall be determined by a plurality of the votes cast, and except as otherwise required by law, all other matters shall be determined by a majority of the votes cast affirmatively or negatively.

Section 8. Stock List.

A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in his or her name, shall be open to the examination of any such stockholder for a period of at least 10 days prior to the meeting in the manner provided by law.

The stock list shall also be open to the examination of any stockholder during the whole time of the meeting as provided by law. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

ARTICLE II - BOARD OF DIRECTORS

Section 1. Number of Directors.

Subject to the rights of the holders of any series of preferred stock to elect directors under specified circumstances, the number of directors shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the Whole Board.

Section 2. Newly Created Directorships and Vacancies.

Subject to the rights of the holders of any series of preferred stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall, unless otherwise required by law or by resolution of the Board of Directors, be filled only by a majority vote of the directors then in office, though less than a quorum (and not by stockholders), and directors so chosen shall serve for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been

elected expires or until such director's successor shall have been duly elected and qualified. No decrease in the number of authorized directors shall shorten the term of any incumbent director.

Section 3. Regular Meetings.

Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all directors. A notice of each regular meeting shall not be required.

Section 4. Special Meetings.

Special meetings of the Board of Directors may be called by the Chairman of the Board, the President or by a majority of the Whole Board and shall be held at such place, on such date, and at such time as they or he or she shall fix. Notice of the place, date, and time of each such special meeting shall be given to each director by whom it is not waived by mailing written notice not less than five (5) days before the meeting or by telephone or by telegraphing or telexing or by facsimile or electronic transmission of the same not less than twenty-four (24) hours before the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

Section 5. Quorum.

At any meeting of the Board of Directors, a majority of the total number of the Whole Board shall constitute a quorum for all purposes. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date, or time, without further notice or waiver thereof.

Section 6. Participation in Meetings By Conference

Telephone.

Members of the Board of Directors, or of any committee thereof, may participate in a meeting of such Board of Directors or committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other and such participation shall constitute presence in person at such meeting.

Section 7. Conduct of Business.

At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board of Directors may from time to time determine, and all matters shall be determined by the vote of a majority of the directors present, except as otherwise provided herein or required by law. Action may be taken by the Board of Directors without a meeting if all members thereof consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 8. Compensation of Directors.

Unless otherwise restricted by the certificate of incorporation, the Board of Directors shall have the authority to fix the compensation of the directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or paid a stated salary or paid other compensation as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed compensation for attending committee meetings.

ARTICLE III - COMMITTEES

Section 1. Committees of the Board of Directors.

The Board of Directors may from time to time designate committees of the Board of Directors, with such lawfully delegable powers and duties as it thereby confers, to serve at the pleasure of the Board of Directors and shall, for those committees and any others provided for herein, elect a director or directors to serve as the member or members, designating, if it desires, other directors as alternate members who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of any committee and any alternate member in his or her place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

Section 2. Conduct of Business.

Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings; one-third (1/3) of the members shall constitute a quorum unless the committee shall consist of one (1) or two (2) members, in which event one (1) member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of the proceedings of such committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

ARTICLE IV - OFFICERS

Section 1. Generally.

The officers of the Corporation shall consist of a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers (including a Vice Chairman of the Board and a Chairman Emeritus) as may from time to time be appointed by the Board of Directors. Officers shall be elected by the Board of Directors, which shall consider that

subject at its first meeting after every annual meeting of stockholders. Each officer shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any number of offices may be held by the same person. The salaries of officers elected by the Board of Directors shall be fixed from time to time by the Board of Directors or by such officers as may be designated by resolution of the Board of Directors.

Section 2. Chief Executive Officer.

The Board of Directors shall designate either the Chairman of the Board or the President as the chief executive officer of the Corporation. Subject to the provisions of these By-laws and to the direction of the Board of Directors, the chief executive officer shall have the responsibility for the general management and control of the business and affairs of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of chief executive or which are delegated to him or her by the Board of Directors. He or she shall have power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision and direction of all of the other officers, employees and agents of the Corporation.

Section 3. Chief Operating Officer.

The Board of Directors may designate an officer or the Corporation as the chief operating officer of the Corporation. The chief operating officer shall have general responsibility for the management and control of the operations of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of chief operating officer or which are delegated to him or her by the Board of Directors. Subject to the direction of the Board of Directors and the chief executive officer, the chief operating officer shall have power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision of all of the other officers (other than the Chairman of the Board or any Vice Chairman), employees and agents of the Corporation.

Section 4. Vice President.

Each Vice President shall have such powers and duties as may be delegated to him or her by the Board of Directors. One (1) Vice President shall be designated by the Board of Directors to perform the duties and exercise the powers of the President in the event of the President's absence or disability.

Section 5. Treasurer.

The Treasurer shall have the responsibility for maintaining the financial records of the Corporation. He or she shall make such disbursements of the funds of the Corporation as are authorized and shall render from time to time an account of all such transactions and of the financial condition of the Corporation. The Treasurer shall also perform such other duties as the Board of Directors may from time to time prescribe.

Section 6. Secretary.

The Secretary shall issue all authorized notices for, and shall keep minutes of, all meetings of the stockholders and the Board of Directors. He or she shall have charge of the corporate books and shall perform such other duties as the Board of Directors may from time to time prescribe.

Section 7. Delegation of Authority.

The Board of Directors may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

Section 8. Removal.

Any officer of the Corporation may be removed at any time, with or without cause, by the Board of Directors.

Section 9. Action with Respect to Securities of Other Corporations.

Unless otherwise directed by the Board of Directors, the President or any officer of the Corporation authorized by the President shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other Corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other Corporation.

ARTICLE V - STOCK

Section 1. Certificated and Uncertificated Stock

Shares of the Corporation's stock may be certificated or uncertificated, as provided under the Delaware General Corporation Law. All certificates of stock of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued. Such certificates shall exhibit the holder's name and number of shares and shall be signed by the Chairman or a Vice Chairman or the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary. Any or all of such signatures on the certificate may be a facsimile.

Section 2. Transfers of Stock

Transfers of stock shall be made on the books of the Corporation only by the record holder of such stock, or by an attorney lawfully constituted in writing, and, in the case of stock represented by a certificate, upon surrender of the certificate.

Section 3. Record Date.

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders, or to receive payment of any dividend or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may, except as otherwise required by law, fix a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of any meeting of stockholders, nor more than sixty (60) days prior to the time for such other action as hereinbefore described; provided, however, that if no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and, for determining stockholders entitled to receive payment of any dividend or other distribution or allotment of rights or to exercise any rights of change, conversion or exchange of stock or for any other purpose, the record date shall be at the close of business on the day on which the Board of Directors adopts a resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 4. Lost, Stolen or Destroyed Certificates.

In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the Board of Directors may establish concerning proof of such loss, theft or destruction and concerning the giving of a satisfactory bond or bonds of indemnity.

Section 5. Regulations.

The issue, transfer, conversion and registration of certificates of stock shall be governed by such other regulations as the Board of Directors may establish.

ARTICLE VI - NOTICES

Section 1. Notices.

If mailed, notice to stockholders shall be deemed given when deposited in the mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders may be given by electronic transmission in the manner provided in Section 232 of the Delaware General Corporation Law.

Section 2. Waivers.

A written waiver of any notice, signed by a stockholder or director, or waiver by electronic transmission by such person, whether given before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such person. Neither the business nor the purpose of any meeting need be specified in such a waiver. Attendance at any meeting shall constitute waiver of notice except attendance for the sole purpose of objecting to the timeliness of notice.

ARTICLE VII - INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Right to Indemnification.

Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or an officer of the Corporation or is or was serving at the request of the Corporation as a director, officer or trustee of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer or trustee or in any other capacity while serving as a director, officer or trustee, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; provided, however, that, except as provided in Section 3 of this Article VII with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

Section 2. Right to Advancement of Expenses.

In addition to the right to indemnification conferred in Section 1 of this Article VII, an indemnitee shall also have the right to be paid by the Corporation the expenses (including attorney's fees) incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final

adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section 2 or otherwise.

Section 3. Right of Indemnitee to Bring Suit.

If a claim under Section 1 or 2 of this Article VII is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article VII or otherwise shall be on the Corporation.

Section 4. Non-Exclusivity of Rights.

The rights to indemnification and to the advancement of expenses conferred in this Article VII shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation's certificate of incorporation, By-laws, agreement, vote of stockholders or directors or otherwise.

Section 5. Insurance.

The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Section 6. Indemnification of Employees and Agents of the Corporation.

The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

Section 7. Nature of Rights.

The rights conferred upon indemnitees in this Article VII shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer or trustee and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Any amendment, alteration or repeal of this Article VII that adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit or eliminate any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

ARTICLE VIII - MISCELLANEOUS

Section 1. Facsimile Signatures.

In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these By-laws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

Section 2. Corporate Seal.

The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary. If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the Treasurer or by an Assistant Secretary or Assistant Treasurer.

Section 3. Reliance upon Books, Reports and Records.

Each director, each member of any committee designated by the Board of Directors, and each officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board of Directors so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

Section 4. Fiscal Year.

The fiscal year of the Corporation shall be as fixed by the Board of Directors.

Section 5. Time Periods.

In applying any provision of these By-laws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

ARTICLE IX - AMENDMENTS

In furtherance and not in limitation of the powers conferred by law, the Board of Directors is expressly authorized to adopt, amend and repeal these By-Laws subject to the power of the holders of capital stock of the Corporation to adopt, amend or repeal the By-Laws; provided, however, that, with respect to the power of holders of capital stock to adopt, amend and repeal By-Laws of the Corporation, notwithstanding any other provision of these By-Laws or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the capital stock of the Corporation required by law, these By-Laws or any preferred stock, the affirmative vote of the holders of at least 80% percent of the voting power of all of the then-outstanding shares entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of these By-Laws.

STOCKHOLDER PROTECTION RIGHTS AGREEMENT

dated as of

_____, 2001

between

L & C SPINCO, INC.

and

WELLS FARGO BANK MINNESOTA, N.A.,

as Rights Agent

STOCKHOLDER PROTECTION RIGHTS AGREEMENT

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EXHIBITS

Exhibit A	Form of Rights Certificate (Together with Form of Election to Exercise)
Exhibit B	Form of Article IV. C to Restated Certificate of Incorporation of L & C Spinco, Inc. (setting forth terms of Participating Preferred Stock)

STOCKHOLDER PROTECTION RIGHTS AGREEMENT

STOCKHOLDER PROTECTION RIGHTS AGREEMENT (as amended from time to time, this "Agreement"), dated as of _____, between L & C Spinco, Inc., a Delaware corporation (the "Company"), and Wells Fargo Bank Minnesota, N.A., as Rights Agent (the "Rights Agent", which term shall include any successor Rights Agent hereunder).

WITNESSETH:

WHEREAS, the Board of Directors of the Company has (a) authorized and declared a dividend of one right ("Right") in respect of each share of Common Stock (as hereinafter defined) held of record as of the Close of Business on _____, 2001 (the "Record Time") and (b) as provided in Section 2.3, authorized the issuance of one Right in respect of each share of Common Stock issued on or after the date hereof and prior to the Separation Time (as hereinafter defined) and, to the extent provided in Section 5.3, each share of Common Stock issued after the Separation Time;

WHEREAS, subject to the terms and conditions hereof, each Right entitles the holder thereof, after the Separation Time, to purchase securities or assets of the Company (or, in certain cases, securities of certain other entities) pursuant to the terms and subject to the conditions set forth herein; and

WHEREAS, the Company desires to appoint the Rights Agent to act on behalf of the Company, and the Rights Agent is willing so to act, in connection with the issuance, transfer, exchange and replacement of Rights Certificates (as hereinafter defined), the exercise of Rights and other matters referred to herein;

NOW THEREFORE, in consideration of the premises and the respective agreements set forth herein, the parties hereby agree as follows:

ARTICLE I
CERTAIN DEFINITIONS

1.1 Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

"Acquiring Person" shall mean any Person, together with all Affiliates and Associates of such Person, who is or becomes the Beneficial Owner of 15% or more of the outstanding shares of Common Stock after the effective date of the distribution of shares of Common Stock by National Service Industries, Inc. ("Parent") as contemplated by the Agreement and Plan of Distribution, dated as of _____, 2001, between Parent and the Company; provided, however, that the term "Acquiring Person" shall not include any Person (i) who is the Beneficial Owner of 15% or more of the outstanding shares of Common Stock on the date of this Agreement or who shall become the Beneficial Owner of 15% or more of the outstanding shares of Common Stock solely as a result of an acquisition by the Company of shares of Common Stock, until such time hereafter or thereafter as any of such Persons shall become the Beneficial Owner (other than by means of a stock dividend or stock split) of any additional shares of Common Stock, or (ii) who becomes the Beneficial Owner of 15% or more of the outstanding shares of Common Stock but who acquired Beneficial Ownership of shares of Common Stock without any plan or intention to seek or affect control of the Company, if such Person promptly divests, or enters into an agreement with the Company satisfactory to the Company, in its sole discretion, to divest, and thereafter promptly divests (without exercising or retaining any power, including voting power, with respect to such shares), sufficient shares of Common Stock (or securities convertible into, exchangeable into or exercisable for Common Stock) so that such Person ceases to be the Beneficial Owner of 15% or more of the outstanding

shares of Common Stock. In addition, the Company, any Subsidiary of the Company and any employee stock ownership or other employee benefit plan of the Company or a Subsidiary of the Company (or any entity or trustee holding shares of Common Stock for or 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 the Company or of any Subsidiary of the Company) or any Person organized, appointed or established by the Company for or pursuant to the terms of any such plan shall not be an Acquiring Person.

"Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 under the Exchange Act, as such Rule is amended and in effect on the date of this Agreement.

A Person shall be deemed the "Beneficial Owner", and to have "Beneficial Ownership" of, and to "Beneficially Own", any securities as to which such Person or any of such Person's Affiliates or Associates is or may be deemed to be the beneficial owner of pursuant to Rule 13d-3 and 13d-5 under the Exchange Act, as such Rules are amended and in effect on the date of this Agreement, as well as any securities as to which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to become Beneficial Owner (whether such right is exercisable immediately or only after the passage of time or the occurrence of conditions) pursuant to any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), or upon the exercise of conversion rights, exchange rights, rights (other than the Rights), warrants or options, or otherwise; provided, however, that a Person shall not be deemed the "Beneficial Owner", or to have "Beneficial Ownership" of, or to "Beneficially Own", any security (i) solely because such security has been tendered pursuant to a

tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered security is accepted for payment or exchange or (ii) solely because such Person or any of such Person's Affiliates or Associates has or shares the power to vote or direct the voting of such security pursuant to a revocable proxy given in response to a public proxy or consent solicitation made to more than ten holders of shares of a class of stock of the Company registered under Section 12 of the Exchange Act and pursuant to, and in accordance with, the applicable rules and regulations under the Exchange Act, except if such power (or the agreements, arrangements or understandings relating thereto) is then reportable under Item 6 of Schedule 13D under the Exchange Act (or any similar provision of a comparable or successor report). For purposes of this Agreement, in determining the percentage of the outstanding shares of Common Stock with respect to which a Person is the Beneficial Owner, all shares as to which such Person is deemed the Beneficial Owner shall be deemed outstanding.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in The City of New York are generally authorized or obligated by law or executive order to close.

"Close of Business" on any given date shall mean 5:00 p.m. New York City time on such date or, if such date is not a Business Day, 5:00 p.m. New York City time on the next succeeding Business Day.

"Common Stock" shall mean the shares of Common Stock, par value \$0.01 per share, of the Company.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Exchange Time" shall mean the time at which the right to exercise the Rights shall terminate pursuant to Section 3.1(c) hereof.

"Exercise Price" shall mean, as of any date, the price at which a holder may purchase the securities issuable upon exercise of one whole Right. Until adjustment thereof in accordance with the terms hereof, the Exercise Price shall equal _____.

"Expiration Time" shall mean the earliest of (i) the Exchange Time, (ii) the Redemption Time, and (iii) the Close of Business on the tenth anniversary of the Record Time, unless extended by action of the Board of Directors.

"Flip-in Date" shall mean any Stock Acquisition Date or such later date and time as the Board of Directors of the Company may from time to time fix by resolution adopted prior to the Flip-in Date that would otherwise have occurred.

"Flip-over Entity," for purposes of Section 3.2, shall mean (i) in the case of a Flip-over Transaction or Event described in clause (i) of the definition thereof, the Person issuing any securities into which shares of Common Stock are being converted or exchanged and, if no such securities are being issued, the other party to such Flip-over Transaction or Event and (ii) in the case of a Flip-over Transaction or Event referred to in clause (ii) of the definition thereof, the Person receiving the greatest portion of the assets, operating income or cash flow being transferred in such Flip-over Transaction or Event, provided in all cases if such Person is a Subsidiary of a corporation, the parent corporation shall be the Flip-Over Entity.

"Flip-over Stock" shall mean the capital stock (or similar equity interest) with the greatest voting power in respect of the election of directors (or other Persons similarly responsible for direction of the business and affairs) of the Flip-Over Entity.

"Flip-over Transaction or Event" shall mean a transaction or series of transactions on or after a Flip-in Date in which, directly or indirectly, (i) the Company shall consolidate with, or merge with and into, any other Person, (ii) any Person shall consolidate with the Company, or

merge with and into the Company, and the Company shall be the continuing or surviving corporation of such merger and, in connection with such merger, all or part of the Common Stock shall be changed into or exchanged for stock or other securities of any other Person (or the Company) or cash or any other property, or (iii) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one or more transactions, 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 the Company and its Subsidiaries (taken as a whole) to any Person (other than the Company or one or more of its wholly owned Subsidiaries) or to two or more such Persons which are Affiliates or Associates or otherwise acting in concert.

"Market Price" per share of any securities on any date shall mean the average of the daily closing prices per share of such securities (determined as described below) on each of the 20 consecutive Trading Days through and including the Trading Day immediately preceding such date; provided, however, that if any event described in Section 2.3 hereof, or any analogous event, shall have caused the closing prices used to determine the Market Price on any Trading Days during such period of 20 Trading Days not to be fully comparable with the closing price on such date, each such closing price so used shall be appropriately adjusted in order to make it fully comparable with the closing price on such date. The closing price per share of any securities on any date shall be the last reported sale price, regular way, or, in case no such sale takes place or is quoted on such date, the average of the closing bid and asked prices, regular way, for each share of such securities, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange, Inc. or, if the securities are not listed or admitted to trading on the New

York Stock Exchange, Inc., as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the securities are listed or admitted to trading or, if the securities are not listed or admitted to trading on any national securities exchange, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or such other system then in use, or, if on any such date the securities are not listed or admitted to trading on any national securities exchange or quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the securities selected by the Board of Directors of the Company; provided, however, that if on any such date the securities are not listed or admitted to trading on a national securities exchange or traded in the over-the-counter market, the closing price per share of such securities on such date shall mean the fair value per share of securities on such date as determined in good faith by the Board of Directors of the Company, after consultation with a nationally recognized investment banking firm, and set forth in a certificate delivered to the Rights Agent.

"Person" shall mean any individual, firm, partnership, limited liability company, association, group (as such term is used in Rule 13d-5 under the Exchange Act, as such Rule is in effect on the date of this Agreement), corporation or other entity.

"Preferred Stock" shall mean the series of Participating Preferred Stock, \$.01 par value, of the Company created by Article IV.C of the Restated Certificate of Incorporation in substantially the form set forth in Exhibit B hereto appropriately completed.

"Redemption Price" shall mean an amount equal to one cent, \$0.01.

"Redemption Time" shall mean the time at which the right to exercise the Rights shall terminate pursuant to Section 5.1 hereof.

"Separation Time" shall mean the earlier of (i) the Close of Business on the tenth Business Day (or such later date as the Board of Directors of the Company 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 commences a tender or exchange offer which, if consummated, would result in such Person's becoming an Acquiring Person and (ii) the Flip-in Date; provided, that if any tender or exchange offer referred to in clause (i) of this paragraph is canceled, terminated or otherwise withdrawn prior to the Separation Time without the purchase of any shares of Common Stock pursuant thereto, such offer shall be deemed, for purposes of this paragraph, never to have been made.

"Stock Acquisition Date" shall mean the first date of public announcement by the Company (by any means, including, without limitation, a report filed pursuant to Section 13(d) of the Exchange Act) that a Person has become an Acquiring Person or the date on which any Person who has made a tender or exchange offer for more than 15% of the outstanding shares of Common Stock becomes an Acquiring Person by the purchase of shares pursuant to the tender or exchange offer (or by any other means within 180 days following the expiration of such tender or exchange offer).

"Subsidiary" of any specified Person shall mean any corporation or other entity of which a majority of the voting power of the equity securities or a majority of the equity or membership interest is Beneficially Owned, directly or indirectly, by such Person or otherwise controlled by such Person.

"Trading Day," when used with respect to any securities, shall mean a day on which the New York Stock Exchange, Inc. is open for the transaction of business or, if such securities are not listed or admitted to trading on the New York Stock Exchange, Inc., a day on

which the principal national securities exchange on which such securities are listed or admitted to trading is open for the transaction of business or, if such securities are not listed or admitted to trading on any national securities exchange, a Business Day.

ARTICLE II

THE RIGHTS

2.1 Legend on Common Stock Certificates. Certificates for the Common Stock issued on or after the date of this Agreement but prior to the Separation Time shall evidence one Right for each share of Common Stock represented thereby and shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

Until the Separation Time (as defined in the Rights Agreement referred to below), this certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Stockholder Protection Rights Agreement, dated as of _____, 2001 (as such may be amended from time to time, the "Rights Agreement"), between L & C Spinco, Inc. (the "Company") and Wells Fargo Bank Minnesota, N.A., as Rights Agent, the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of the Company. Under certain circumstances, as set forth in the Rights Agreement, such Rights may be redeemed, may become exercisable for securities or assets of the Company or securities of another entity, may be exchanged for shares of Common Stock or other securities or assets of the Company, may expire, may become null and void (if they are "Beneficially Owned" by an "Acquiring Person" or an "Affiliate" or "Associate" thereof, as such terms are defined in the Rights Agreement, or by any transferee of any of the foregoing) or may be evidenced by separate certificates and may no longer be evidenced by this certificate. The Company will mail or arrange for the mailing of a copy of the Rights Agreement to the holder of this certificate without charge after the receipt of a written request therefor.

Certificates representing shares of Common Stock that are issued and outstanding at the Record Time shall evidence one Right for each share of Common Stock evidenced thereby notwithstanding the absence of the foregoing legend.

If the Common Stock issued after the Record Time but prior to the Separation Time shall be uncertificated, the registration of such Common Stock on the stock transfer books of the Company shall evidence one Right for each share of Common Stock represented thereby and the

Company will mail to every Person that holds such Common Stock a confirmation of the registration of such Common Stock on the stock transfer books of the Company, which confirmation will have impressed, printed, written or stamped thereon or otherwise affixed thereto the above legend. The Company will mail or arrange for the mailing of a copy of this Agreement to any Person that holds Common Stock, as evidenced by the registration of the Common Stock in the name of such Person on the stock transfer books of the Company, without charge after the receipt of a written request therefor from such Person.

2.2 Exercise of Rights; Separation of Rights. (a) Subject to Sections 3.1, 3.2, 5.1 and 5.10 and subject to adjustment as herein set forth, each Right will entitle the holder thereof, on or after the Separation Time and prior to the Expiration Time, to purchase, for the Exercise Price, one one-hundredth of a share of Preferred Stock.

(b) Until the Separation Time, (i) no Right may be exercised and (ii) each Right will be evidenced by the certificate for the associated share of Common Stock (or, if the Common Stock shall be uncertificated, by the registration of the associated Common Stock on the stock transfer books of the Company) and will be transferable only together with, and will be transferred by a transfer of, such associated share.

(c) Subject to the terms and conditions hereof, on or after the Separation Time and prior to the Expiration Time, the Rights (i) may be exercised and (ii) may be transferred independent of shares of Common Stock. Promptly following the Separation Time and receipt by the Rights Agent of notice thereof as well as other relevant information, the Rights Agent will mail to each holder of record of Common Stock as of the Separation Time (other than any Person whose Rights have become null and void pursuant to Section 3.1(b)), at such holder's address as shown by the records of the Company (the Company hereby agreeing to furnish, or causing to be

furnished, copies of such records to the Rights Agent for this purpose), (x) a certificate (a "Rights Certificate") in substantially the form of Exhibit A hereto appropriately completed, representing the number of Rights held by such holder at the Separation Time and having such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate (which do not affect the duties or responsibilities of the Rights Agent) and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any national securities exchange or quotation system on which the Rights may from time to time be listed or traded, or to conform to usage, and (y) a disclosure statement describing the Rights.

(d) Subject to the terms and conditions hereof, Rights may be exercised on any Business Day on or after the Separation Time and prior to the Expiration Time by submitting to the Rights Agent the Rights Certificate evidencing such Rights with an Election to Exercise (an "Election to Exercise") substantially in the form attached to the Rights Certificate duly and properly completed, accompanied by payment in cash, or by certified or official bank check or money order payable to the order of the Company, of a sum equal to the Exercise Price multiplied by the number of Rights being exercised and a sum sufficient to cover any tax or governmental charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates (or, if uncertificated, the registration on the stock transfer books of the Company) for shares or depository receipts (or both) in a name other than that of the holder of the Rights being exercised.

(e) Upon receipt of a Rights Certificate, with an Election to Exercise accompanied by payment as set forth in Section 2.2(d), and subject to the terms and conditions

hereof, the Rights Agent will thereupon promptly (i)(A) requisition from the transfer agent of the Company stock certificates evidencing such number of shares or other securities to be purchased or, in the case of uncertificated shares or other securities, requisition from the transfer agent of the Company a notice setting forth such number of shares or other securities to be purchased for which registration will be made on the stock transfer books of the Company (the Company hereby irrevocably authorizing its transfer agents to comply with all such requisitions) and (B) if the Company elects pursuant to Section 5.5 not to issue certificates (or effect registration on the stock transfer books of the Company) representing fractional shares, requisition from the depositary selected by the Company depositary receipts representing the fractional shares to be purchased or requisition from the Company the amount of cash to be paid in lieu of fractional shares in accordance with Section 5.5 and (ii) after receipt of such certificates, depositary receipts, notices and/or cash, deliver the same to or upon the order of the registered holder of such Rights Certificate, registered (in the case of certificates, depositary receipts or notices) in such name or names as may be designated by such holder.

(f) In case the holder of any Rights shall exercise less than all the Rights evidenced by such holder's Rights Certificate, a new Rights Certificate evidencing the Rights remaining unexercised will be issued by the Rights Agent to such holder or to such holder's duly authorized assigns.

(g) The Company covenants and agrees that it will (i) take all such action as may be necessary to ensure that all shares delivered (or evidenced by registration on the stock transfer books of the Company) upon exercise of Rights shall, at the time of delivery of the certificates (or registration) for such shares (subject to payment of the Exercise Price), be duly and validly authorized, executed, issued and delivered (or registered) and fully paid and

nonassessable; (ii) take all such action as may be necessary to comply with any applicable requirements of the Securities Act of 1933, as amended, or the Exchange Act, and the rules and regulations thereunder, and any other applicable law, rule or regulation, in connection with the issuance of any securities upon exercise of Rights; and (iii) pay when due and payable any and all federal and state taxes and governmental charges which may be payable in respect of the original issuance or delivery of the Rights Certificates or of any shares issued upon the exercise of Rights, provided, that the Company shall not be required to pay any tax or governmental charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates (or the registration) for shares in a name other than that of the holder of the Rights being transferred or exercised.

2.3 Adjustments to Exercise Price; Number of Rights. (a)

In the event the Company shall at any time after the Record Time and prior to the Separation Time (i) declare or pay a dividend on Common Stock payable in Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares of Common Stock, (x) the Exercise Price in effect after such adjustment will be equal to the Exercise Price in effect immediately prior to such adjustment divided by the number of shares of Common Stock (the "Expansion Factor") that a holder of one share of Common Stock immediately prior to such dividend, subdivision or combination would hold thereafter as a result thereof and (y) each Right held prior to such adjustment will become that number of Rights equal to the Expansion Factor, and the adjusted number of Rights will be deemed to be distributed among the shares of Common Stock with respect to which the original Rights were associated (if they remain outstanding) and the shares issued in respect of such dividend, subdivision or combination, so that each such share of Common Stock will have exactly one Right associated

with it. Each adjustment made pursuant to this paragraph shall be made as of the payment or effective date for the applicable dividend, subdivision or combination.

In the event the Company shall at any time after the Record Time and prior to the Separation Time issue any shares of Common Stock otherwise than in a transaction referred to in the preceding paragraph, each such share of Common Stock so issued shall automatically have one new Right associated with it, which Right shall be evidenced by the certificate representing such share (or, if the Common Stock shall be uncertificated, such Right shall be evidenced by the registration of such Common Stock on the stock transfer books of the Company). Rights shall be issued by the Company in respect of shares of Common Stock that are issued or sold by the Company after the Separation Time only to the extent provided in Section 5.3.

(b) In the event the Company shall at any time after the Record Time and prior to the Separation Time issue or distribute any securities or assets in respect of, in lieu of or in exchange for Common Stock (other than pursuant to any non-extraordinary periodic cash dividend or a dividend paid solely in Common Stock) whether by dividend, in a reclassification or recapitalization (including any such transaction involving a merger, consolidation or share exchange), or otherwise, the Company shall make such adjustments, if any, in the Exercise Price, number of Rights and/or securities or other property purchasable upon exercise of Rights as the Board of Directors of the Company, in its sole discretion, may deem to be appropriate under the circumstances in order to adequately protect the interests of the holders of Rights generally, and the Company and the Rights Agent shall amend this Agreement as necessary to provide for such adjustments.

(c) Each adjustment to the Exercise Price made pursuant to this Section 2.3 shall be calculated to the nearest cent. Whenever an adjustment to the Exercise Price is made

pursuant to this Section 2.3, the Company shall (i) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment and (ii) promptly file with the Rights Agent and with each transfer agent for the Common Stock a copy of such certificate. The Rights Agent shall be fully protected in relying on such certificate and on any adjustment therein contained and shall have no duty with respect to and shall not be deemed to have knowledge of any adjustment unless and until it shall have received such a certificate.

(d) Rights certificates shall represent the securities purchasable under the terms of this Agreement, including any adjustment or change in the securities purchasable upon exercise of the Rights, even though such certificates may continue to express the securities purchasable at the time of issuance of the initial Rights Certificates.

2.4 Date on Which Exercise is Effective. Each Person in whose name any certificate for shares is issued (or registration on the stock transfer books of the Company is effected) upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the shares represented thereby on the date upon which the Rights Certificate evidencing such Rights was duly surrendered and payment of the Exercise Price for such Rights (and any applicable taxes and other governmental charges payable by the exercising holder hereunder) was made; provided, however, that if the date of such surrender and payment is a date upon which the stock transfer books of the Company are closed, such Person shall be deemed to have become the record holder of such shares on, and such certificate (or registration) shall be dated, the next succeeding Business Day on which the stock transfer books of the Company are open.

2.5 Execution, Authentication, Delivery and Dating of Rights Certificates. (a) The Rights Certificates shall be executed on behalf of the Company by its Chairman of the Board, Chief Executive Officer, President, Treasurer, Chief Operating Officer or one of its Vice Presidents, under its corporate seal reproduced thereon attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Rights Certificates may be manual or facsimile.

Rights Certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the countersignature and delivery of such Rights Certificates.

Promptly after the Separation Time, the Company will give written notice to the Rights Agent of such Separation Time and will deliver Rights Certificates executed by the Company to the Rights Agent for counter-signature, and, subject to Section 3.1(b), the Rights Agent shall countersign and deliver such Rights Certificates to the holders of the Rights pursuant to Section 2.2(c) hereof. No Rights Certificate shall be valid for any purpose unless countersigned by the Rights Agent. The countersignature of the Rights Agent on the Rights Certificates may be manual or facsimile.

(b) Each Rights Certificate shall be dated the date of countersignature thereof.

2.6 Registration, Registration of Transfer and Exchange. (a) After the Separation Time, the Company will cause to be kept a register (the "Rights Register") in which, subject to such reasonable regulations as it may prescribe, the Company will provide for the registration and transfer of Rights. The Rights Agent is hereby appointed "Rights Registrar" for the purpose of maintaining the Rights Register for the Company and registering Rights and trans-

fers of Rights after the Separation Time as herein provided. In the event that the Rights Agent shall cease to be the Rights Registrar, the Rights Agent will have the right to examine the Rights Register at all reasonable times after the Separation Time.

After the Separation Time and prior to the Expiration Time, upon surrender for registration of transfer or exchange of any Rights Certificate, and subject to the provisions of Section 2.6(c) and (d), the Company will execute, and the Rights Agent will countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Rights Certificates evidencing the same aggregate number of Rights as did the Rights Certificate so surrendered.

(b) Except as otherwise provided in Section 3.1(b), all Rights issued upon any registration of transfer or exchange of Rights Certificates shall be the valid obligations of the Company, and such Rights shall be entitled to the same benefits under this Agreement as the Rights surrendered upon such registration of transfer or exchange.

(c) Every Rights Certificate surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company or the Rights Agent, as the case may be, duly executed by the holder thereof or such holder's attorney duly authorized in writing. As a condition to the issuance of any new Rights Certificate under this Section 2.6, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

(d) The Company shall not register the transfer or exchange of any Rights after such Rights have become void under Section 3.1(b), been exchanged under Section 3.1(c) or been redeemed under Section 5.1.

2.7 Mutilated, Destroyed, Lost and Stolen Rights

Certificates. (a) If any mutilated Rights Certificate is surrendered to the Rights Agent prior to the Expiration Time, then, subject to Sections 3.1(b), 3.1(c) and 5.1, the Company shall execute and the Rights Agent shall countersign and deliver in exchange therefor a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so surrendered.

(b) If there shall be delivered to the Company and the Rights Agent prior to the Expiration Time (i) evidence to their satisfaction of the destruction, loss or theft of any Rights Certificate and (ii) such security or indemnity as may be required by them to save each of them and any of their agents harmless, then, subject to Sections 3.1(b), 3.1(c) and 5.1 and in the absence of notice to the Company or the Rights Agent that such Rights Certificate has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Rights Agent shall countersign and deliver, in lieu of any such destroyed, lost or stolen Rights Certificate, a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so destroyed, lost or stolen.

(c) As a condition to the issuance of any new Rights Certificate under this Section 2.7, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Rights Agent) connected therewith.

(d) Every new Rights Certificate issued pursuant to this Section 2.7 in lieu of any destroyed, lost or stolen Rights Certificate shall evidence an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Rights Certificate shall be at any time enforceable by anyone, and, subject to Section 3.1(b) shall be entitled to all the

benefits of this Agreement equally and proportionately with any and all other Rights duly issued hereunder.

2.8 Persons Deemed Owners. Prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Common Stock certificate or notice of transfer, if uncertificated) for registration of transfer, the Company, the Rights Agent and any agent of the Company or the Rights Agent may deem and treat the Person in whose name such Rights Certificate (or, prior to the Separation Time, such Common Stock certificate or Common Stock registration, if uncertificated) is registered as the absolute owner thereof and of the Rights evidenced thereby for all purposes whatsoever, including the payment of the Redemption Price and neither the Company nor the Rights Agent shall be affected by any notice to the contrary. As used in this Agreement, unless the context otherwise requires, the term "holder" of any Rights shall mean the registered holder of such Rights (or, prior to the Separation Time, the associated shares of Common Stock).

2.9 Delivery, Cancellation and Destruction of Certificates. All Rights Certificates surrendered upon exercise or for registration of transfer or exchange shall, if surrendered to any Person other than the Rights Agent, be delivered to the Rights Agent and, in any case, shall be promptly canceled by the Rights Agent. The Company may at any time deliver to the Rights Agent for cancellation any Rights Certificates previously countersigned and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Rights Certificates so delivered shall be promptly canceled by the Rights Agent. No Rights Certificates shall be countersigned in lieu of or in exchange for any Rights Certificates canceled as provided in this Section 2.9, except as expressly permitted by this Agreement. The Rights Agent shall return to the Company all canceled Rights Certificates approximately one and one-

half (1 1/2) years after the cancellation date. The Company shall destroy the certificates after any applicable retention period required by the United States Securities and Exchange Commission.

2.10 Agreement of Rights Holders. Every holder of Rights by accepting the same consents and agrees with the Company and the Rights Agent and with every other holder of Rights that:

(a) prior to the Separation Time, each Right will be transferable only together with, and will be transferred by a transfer of, the associated share of Common Stock;

(b) after the Separation Time, the Rights Certificates will be transferable only on the Rights Register as provided herein;

(c) prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Common Stock certificate or Common Stock registration, if uncertificated) for registration of transfer, the Company, the Rights Agent and any agent of the Company or the Rights Agent may deem and treat the Person in whose name the Rights Certificate (or, prior to the Separation Time, the associated Common Stock certificate or Common Stock registration, if uncertificated) is registered as the absolute owner thereof and of the Rights evidenced thereby for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary;

(d) Rights beneficially owned by certain Persons will, under the circumstances set forth in Section 3.1(b), become void; and

(e) this Agreement may be supplemented or amended from time to time pursuant to Section 2.3(b) or 5.4 hereof.

ARTICLE III

ADJUSTMENTS TO THE RIGHTS IN
THE EVENT OF CERTAIN TRANSACTIONS

3.1 Flip-in. (a) In the event that prior to the Expiration Time a Flip-in Date shall occur, except as provided in this Section 3.1, each Right shall constitute the right to purchase from the Company, upon exercise thereof in accordance with the terms hereof (but subject to Section 5.10), that number of shares of Common Stock having an aggregate Market Price on the Stock Acquisition Date that gave rise to the Flip-in Date equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (such right to be appropriately adjusted in order to protect the interests of the holders of Rights generally in the event that on or after such Stock Acquisition Date any of the events described in Section 2.3(a) or (b), or any analogous event, shall have occurred with respect to the Common Stock).

(b) Notwithstanding the foregoing, any Rights that are or were Beneficially Owned on or after the Stock Acquisition Date by an Acquiring Person or an Affiliate or Associate thereof or by any transferee, direct or indirect, of any of the foregoing shall become void and any holder of such Rights (including transferees) shall thereafter have no right to exercise or transfer such Rights under any provision of this Agreement. If any Rights Certificate is presented for assignment or exercise and the Person presenting the same will not complete the certification set forth at the end of the form of assignment or notice of election to exercise and provide such additional evidence of the identity of the Beneficial Owner and its Affiliates and Associates (or former Beneficial Owners and their Affiliates and Associates) as the Company shall reasonably request, then the Company shall be entitled conclusively to deem the Beneficial Owner thereof to be an Acquiring Person or an Affiliate or Associate thereof or a transferee of

any of the foregoing and accordingly will deem the Rights evidenced thereby to be void and not transferable or exercisable.

(c) The Board of Directors of the Company 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 Common Stock elect to exchange all (but not less than all) the then outstanding Rights (which shall not include Rights that have become void pursuant to the provisions of Section 3.1(b)) for shares of Common Stock at an exchange ratio of one share of Common Stock per Right, appropriately adjusted in order to protect the interests of holders of Rights generally in the event that after the Separation Time any of the events described in Section 2.3(a) or (b), or any analogous event, shall have occurred with respect to the Common Stock (such exchange ratio, as adjusted from time to time, being hereinafter referred to as the "Exchange Ratio").

Immediately upon the action of the Board of Directors of the Company electing to exchange the Rights, without any further action and without any notice, the right to exercise the Rights will terminate and each Right (other than Rights that have become void pursuant to Section 3.1(b)), whether or not previously exercised, will thereafter represent only the right to receive a number of shares of Common Stock equal to the Exchange Ratio. Promptly after the action of the Board of Directors electing to exchange the Rights, the Company shall give written notice thereof (specifying the steps to be taken to receive shares of Common Stock in exchange for Rights) to the Rights Agent and the holders of the Rights (other than Rights that have become void pursuant to Section 3.1(b)) outstanding immediately prior thereto by mailing such notice in accordance with Section 5.9.

Each Person in whose name any certificate for shares is issued (or for whom any registration on the stock transfer books of the Company is made) upon the exchange of Rights pursuant to this Section 3.1(c) or Section 3.1(d) shall for all purposes be deemed to have become the holder of record of the shares represented thereby on, and such certificate (or registration on the stock transfer books of the Company) shall be dated (or registered as of), the date upon which the Rights Certificate evidencing such Rights was duly surrendered and payment of any applicable taxes and other governmental charges payable by the holder was made; provided, however, that if the date of such surrender and payment is a date upon which the stock transfer books of the Company are closed, such Person shall be deemed to have become the record holder of such shares on, and such certificate (or registration on the stock transfer books of the Company) shall be dated (or registered as of), the next succeeding Business Day on which the stock transfer books of the Company are open.

(d) Whenever the Company shall become obligated under Section 3.1(a) or (c) to issue shares of Common Stock upon exercise of or in exchange for Rights, the Company, at its option, may substitute therefor shares of Preferred Stock, at an initial rate of one one-hundredth of a share of Preferred Stock for each share of Common Stock so issuable, as appropriately adjusted to reflect adjustments in the voting rights of the Preferred Stock pursuant to the terms thereof, so that the fraction of a share of Preferred Stock delivered in lieu of each share of Common Stock shall have the same voting rights as one share of Common Stock.

(e) In the event that there shall not be sufficient treasury shares or authorized but unissued shares of Common Stock or Preferred Stock of the Company to permit the exercise or exchange in full of the Rights in accordance with Section 3.1(a) or if the Company so elects to make the exchange referred to in Section 3.1(c), the Company shall either (i) call a meeting of

stockholders seeking approval to cause sufficient additional shares to be authorized (provided that if such approval is not obtained the Company will take the action specified in clause (ii) of this sentence) or (ii) take such action as shall be necessary to ensure and provide, to the extent permitted by applicable law and any agreements or instruments in effect on the Stock Acquisition Date to which it is a party, that each Right shall thereafter constitute the right to receive, (x) at the Company's option, either (A) in return for the Exercise Price, debt or equity securities or other assets (or a combination thereof) having a fair value equal to twice the Exercise Price, or (B) without payment of consideration (except as otherwise required by applicable law), debt or equity securities or other assets (or a combination thereof) having a fair value equal to the Exercise Price, or (y) if the Board of Directors of the Company elects to exchange the Rights in accordance with Section 3.1(c), debt or equity securities or other assets (or a combination thereof) having a fair value equal to the product of the Market Price of a share of Common Stock on the Flip-in Date times the Exchange Ratio in effect on the Flip-in Date, where in any case set forth in (x) or (y) above the fair value of such debt or equity securities or other assets shall be as determined in good faith by the Board of Directors of the Company, after consultation with a nationally recognized investment banking firm.

3.2 Flip-over. (a) Prior to the Expiration Time, the Company shall not enter into any agreement with respect to, consummate or permit to occur any Flip-over Transaction or Event unless and until it shall have entered into a supplemental agreement with the Flip-over Entity, for the benefit of the holders of the Rights, providing 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 hereof, that number of shares of Flip-over 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 Exercise Price (such right to be appropriately adjusted in order to protect the interests of the holders of Rights generally in the event that after such date of consummation or occurrence any of the events described in Section 2.3(a) or (b), or any analogous event, shall have occurred with respect to the Flip-over Stock) 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 the Company pursuant to this Agreement. The provisions of this Section 3.2 shall apply to successive Flip-over Transactions or Events.

(b) Prior to the Expiration Time, the Company shall not enter into any agreement with respect to, consummate or permit to occur any Flip-over Transaction or Event if at the time thereof there are any rights, warrants or securities outstanding or any other arrangements, agreements or instruments that would eliminate or otherwise diminish in any material respect the benefits intended to be afforded by this Rights Agreement to the holders of Rights upon consummation of such transaction.

ARTICLE IV

THE RIGHTS AGENT

4.1 General. (a) The Company hereby appoints the Rights Agent to act as agent for the Company in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the preparation, delivery, amendment, administration and execution of this Agreement and the

exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, damage, judgment, fine, penalty, claim, demand, settlement, cost or expense, incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent (which gross negligence, bad faith or willful misconduct must be determined by a final, non-appealable order, judgment, decree or ruling of a court of competent jurisdiction), for any action taken, suffered or omitted to be done by the Rights Agent in connection with the acceptance and administration of this Agreement, including, without limitation, the costs and expenses of defending against any claim of liability. The indemnity provided herein shall survive termination of this Agreement and the termination and the expiration of the Rights. The costs and expenses incurred in enforcing this right of indemnification shall be paid by the Company. Anything to the contrary notwithstanding, in no event shall the Rights Agent be liable for special, punitive, indirect, incidental or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Rights Agent has been advised of the likelihood of such loss or damage. Any liability of the Rights Agent under this Rights Agreement will be limited to the amount of fees paid by the Company to the Rights Agent.

(b) The Rights Agent shall be authorized and protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with the acceptance and administration of this Agreement in reliance upon any certificate for securities (or registration on the stock transfer books of the Company) purchasable upon exercise of Rights, Rights Certificate, certificate for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be

signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons. The Rights Agent shall not be required to take any action hereunder unless properly notified pursuant to this Agreement.

4.2 Merger or Consolidation or Change of Name of Rights Agent. (a) Any Person into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any Person resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent is a party, or any Person succeeding to the shareholder services business of the Rights Agent or any successor Rights Agent, will be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 4.4 hereof. In case at the time such successor Rights Agent succeeds to the agency created by this Agreement any of the Rights Certificates have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights Certificates have not been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Rights Certificates will have the full force provided in the Rights Certificates and in this Agreement.

(b) In case at any time the name of the Rights Agent is changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been

countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

4.3 Duties of Rights Agent. The Rights Agent undertakes the duties and obligations expressly imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the advice or opinion of such counsel will be full and complete authorization and protection to the Rights Agent and the Rights Agent shall incur no liability for or in respect of any action taken, suffered, or omitted by it in good faith and in accordance with such advice or opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent deems it necessary or desirable that any fact or matter (including, without limitation, the identity of any Acquiring Person and the determination of Market Price) be proved or established by the Company prior to taking, suffering or omitting any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by a Person believed by the Rights Agent to be the Chairman of the Board, the President or any Vice President and by the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Company and delivered to the Rights Agent; and such certificate will be full authorization and protection to the Rights Agent and the Rights Agent shall incur no liability for

or in respect of any action taken, suffered or omitted in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent will be liable hereunder only for its own gross negligence, bad faith or willful misconduct (as determined by a final, non-appealable order, judgment, decree or ruling of a court of competent jurisdiction).

(d) The Rights Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the certificates, if any, for securities purchasable upon exercise of Rights or the Rights Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and will be deemed to have been made by the Company only.

(e) The Rights Agent will not be under any liability or responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due authorization, execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any certificate, if any, for securities purchasable upon exercise of Rights or Rights Certificate (except its countersignature thereof); nor will it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Rights Certificate; nor will it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 3.1(b) hereof) or any adjustment required under the provisions of Section 2.3, 3.1 or 3.2 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights after receipt of the certificate contemplated by Section 2.3 describing any such adjustment); nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any

securities purchasable upon exercise of Rights or any Rights or as to whether any securities purchasable upon exercise of Rights will, when issued, be duly and validly authorized, executed, issued and delivered and fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any Person believed by the Rights Agent to be the Chairman of the Board, the President or any Vice President or the Secretary or any Assistant Secretary or the Treasurer or any Assistant Treasurer of the Company, and to apply to such Persons for advice or instructions in connection with its duties, and such instructions shall be full authorization and protection to the Rights Agent and the Rights Agent shall incur no liability for or in respect of any action taken, suffered or omitted by it in good faith in accordance with instructions of any such Person.

(h) The Rights Agent and any Affiliate, stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in Common Stock, Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other Person or legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent will not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, absent gross negligence, bad faith or willful misconduct in the selection and continued employment thereof.

(j) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if it reasonably believes that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

4.4 Change of Rights Agent. The Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice (or such lesser notice as is acceptable to the Company) in writing mailed to the Company and to each transfer agent of Common Stock by registered or certified mail, and to the holders of the Rights in accordance with Section 5.9. The Company may remove the Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent and to each transfer agent of the Common Stock by registered or certified mail, and to the holders of the Rights in accordance with Section 5.9. If the Rights Agent should resign or be removed or otherwise become incapable of acting, the Company will appoint a successor to the Rights Agent. If the Company fails to make such appointment within a period of 30 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of any Rights (which holder shall, with such notice, submit such holder's Rights Certificate for inspection by the Company), then the holder of any Rights or the Rights Agent may apply to any court of competent jurisdiction for the

appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a Person (or an affiliate of such a Person) organized and doing business under the laws of the United States or any state of the United States, in good standing, which is authorized under such laws to exercise the powers of the Rights Agent contemplated by this Agreement and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$50,000,000. After appointment, the successor Rights Agent will be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company will file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Stock, and mail a notice thereof in writing to the holders of the Rights. Failure to give any notice provided for in this Section 4.4, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

ARTICLE V

MISCELLANEOUS

5.1 Redemption. (a) The Board of Directors of the Company may, at its option, at any time prior to the Flip-in Date, elect to redeem all (but not less than all) the then outstanding Rights at the Redemption Price and the Company, at its option, may pay the Redemption Price either in cash or shares of Common Stock or other securities of the Company

deemed by the Board of Directors, in the exercise of its sole discretion, to be at least equivalent in value to the Redemption Price.

(b) Immediately upon the action of the Board of Directors of the Company electing to redeem the Rights (or, if the resolution of the Board of Directors electing to redeem the Rights states that the redemption will not be effective until the occurrence of a specified future time or event, upon the occurrence of such future time or event), without any further action and without any notice, the right to exercise the Rights will terminate and each Right, whether or not previously exercised, will thereafter represent only the right to receive the Redemption Price in cash or securities, as determined by the Board of Directors. Promptly after the Rights are redeemed, the Company shall give notice of such redemption to the Rights Agent and the holders of the then outstanding Rights by mailing such notice in accordance with Section 5.9.

5.2 Expiration. The Rights and this Agreement shall expire at the Expiration Time and no Person shall have any rights pursuant to this Agreement or any Right after the Expiration Time, except, if the Rights are exchanged or redeemed, as provided in Section 3.1 or 5.1 hereof, respectively.

5.3 Issuance of New Rights Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the number or kind or class of shares of stock purchasable upon exercise of Rights made in accordance with the provisions of this Agreement. In addition, in connection with the issuance or sale of shares of Common Stock by the Company following the Separation Time and prior to the Expiration Time pursuant to the terms of

securities convertible or redeemable into shares of Common Stock or to options, in each case issued or granted prior to, and outstanding at, the Separation Time, the Company shall issue to the holders of such shares of Common Stock, Rights Certificates representing the appropriate number of Rights in connection with the issuance or sale of such shares of Common Stock; provided, however, in each case, (i) no such Rights Certificate shall be issued, if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or to the Person to whom such Rights Certificates would be issued, (ii) no such Rights Certificates shall be issued if, and to the extent that, appropriate adjustment shall have otherwise been made in lieu of the issuance thereof, and (iii) the Company shall have no obligation to distribute Rights Certificates to any Acquiring Person or Affiliate or Associate of an Acquiring Person or any transferee of any of the foregoing.

5.4 Supplements and Amendments. The Company and the Rights Agent may from time to time supplement or amend this 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 the Company 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 to correct or supplement any provision contained herein which may be inconsistent with any other provisions herein or otherwise defective. The Rights Agent will, upon the delivery of a certificate from an appropriate officer of the Company that states that the proposed supplement or amendment complies with this Section 5.4, duly execute and deliver any supplement or amendment hereto requested by the Company which satisfies the terms of the preceding sentence. Notwithstanding anything contained in this Agreement to the contrary, the Rights

Agent may, but shall not be obligated to, enter into any supplement or amendment that affects the Rights Agent's own rights, duties or immunities under this Agreement.

5.5 Fractional Shares. If the Company elects not to issue certificates representing (or register on the stock transfer books of the Company) fractional shares upon exercise or redemption of Rights, the Company shall, in lieu thereof, in the sole discretion of the Board of Directors, either (a) evidence such fractional shares by depositary receipts issued pursuant to an appropriate agreement between the Company and a depositary selected by it, providing that each holder of a depositary receipt shall have all of the rights, privileges and preferences to which such holder would be entitled as a beneficial owner of such fractional share, or (b) pay to the registered holder of such Rights the appropriate fraction of the Market Price per share in cash.

5.6 Rights of Action. Subject to the terms of this Agreement (including Sections 3.1(b) and 5.14), rights of action in respect of this Agreement, other than rights of action vested solely in the Rights Agent, are vested in the respective holders of the Rights; and any holder of any Rights, without the consent of the Rights Agent or of the holder of any other Rights, may, on such holder's own behalf and for such holder's own benefit and the benefit of other holders of Rights, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, such holder's right to exercise such holder's Rights in the manner provided in such holder's Rights Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the

obligations under, and injunctive relief against actual or threatened violations of, the obligations of any Person subject to this Agreement.

5.7 Holder of Rights Not Deemed a Stockholder. No holder, as such, of any Rights shall be entitled to vote, receive dividends or be deemed for any purpose the holder of shares or any other securities which may at any time be issuable on the exercise of such Rights, nor shall anything contained herein or in any Rights Certificate be construed to confer upon the holder of any Rights, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 5.8 hereof), or to receive dividends or subscription rights, or otherwise, until such Rights shall have been exercised or exchanged in accordance with the provisions hereof.

5.8 Notice of Proposed Actions. In case the Company shall propose on or after the Separation Time and prior to the Expiration Time (i) to effect or permit a Flip-over Transaction or Event or (ii) to effect the liquidation, dissolution or winding up of the Company, then, in each such case, the Company shall give to each holder of a Right, in accordance with Section 5.9 hereof, a notice of such proposed action, which shall specify the date on which such Flip-over Transaction or Event, liquidation, dissolution, or winding up is to take place, and such notice shall be so given at least 20 Business Days prior to the date of the taking of such proposed action.

5.9 Notices. Notices or demands authorized or required by this Agreement to be given or made by the Rights Agent or by the holder of any Rights to or on the Company shall

be sufficiently given or made if delivered or sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

L & C Spinco, Inc.

Attention: Corporate Secretary

with a copy to:

L & C Spinco, Inc.

Attention: General Counsel

Any notice or demand authorized or required by this Agreement to be given or made by the Company or by the holder of any Rights to or on the Rights Agent shall be sufficiently given or made if delivered or sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

Wells Fargo Bank Minnesota, N.A.

Attention:

Notices or demands authorized or required by this Agreement to be given or made by the Company or the Rights Agent to or on the holder of any Rights shall be sufficiently given or made if delivered or sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as it appears upon the registry books of the Rights Agent or, prior to the Separation Time, on the registry books of the transfer agent for the Common Stock. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice.

5.10 Suspension of Exercisability. To the extent that the Company determines in good faith that some action will or need be taken pursuant to Section 3.1 or to comply with federal or state securities laws, the Company may suspend the exercisability of the Rights for a reasonable period in order to take such action or comply with such laws. In the event of any such suspension, the Company shall issue as promptly as practicable a public announcement with prompt written notice to the Rights Agent stating that the exercisability or exchangeability of the Rights has been temporarily suspended. Notice thereof pursuant to Section 5.9 shall not be required.

Failure to give a notice pursuant to the provisions of this Agreement shall not affect the validity of any action taken hereunder.

5.11 Costs of Enforcement. The Company agrees that if the Company or any other Person the securities of which are purchasable upon exercise of Rights fails to fulfill any of its obligations pursuant to this Agreement, then the Company or such Person will reimburse the holder of any Rights for the costs and expenses (including legal fees) incurred by such holder in actions to enforce such holder's rights pursuant to any Rights or this Agreement.

5.12 Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

5.13 Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the holders of the Rights any legal or equitable right, remedy or claim under this Agreement and this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the holders of the Rights.

5.14 Determination and Actions by the Board of Directors, etc. The Board of Directors of the Company shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board or to the Company, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (i) interpret the provisions of this Agreement and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement. All such actions, interpretations and determinations (including, for purposes of clause (y) below, all omissions with respect to the foregoing) done or made by the Board shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights and all other parties, and (y) not subject the Board of Directors of the Company to any liability to the holders of the Rights.

5.15 Descriptive Headings. Descriptive headings appear herein for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

5.16 GOVERNING LAW. THIS AGREEMENT AND EACH RIGHT ISSUED HEREUNDER SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF DELAWARE AND FOR ALL PURPOSES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF SUCH STATE APPLICABLE TO CONTRACTS TO BE MADE AND PERFORMED ENTIRELY WITHIN SUCH STATE.

5.17 Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

5.18 Severability. If any term or provision hereof or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective as to such jurisdiction to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions hereof or the application of such term or provision to circumstances other than those as to which it is held invalid or unenforceable.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

L & C SPINCO, INC.

By: _____
Name: _____
Title: _____

WELLS FARGO BANK MINNESOTA, N.A.

By: _____
Name: _____
Title: _____

EXHIBIT A

[Form of Rights Certificate]

Certificate No. W-

_____ Rights

THE RIGHTS ARE SUBJECT TO REDEMPTION OR MANDATORY EXCHANGE, AT THE OPTION OF THE COMPANY, ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. RIGHTS BENEFICIALLY OWNED BY ACQUIRING PERSONS OR AFFILIATES OR ASSOCIATES THEREOF (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT) OR TRANSFEREES OF ANY OF THE FOREGOING WILL BE VOID.

Rights Certificate

L & C SPINCO, INC.

This certifies that _____, or registered assigns, is the registered holder of the number of Rights set forth above, each of which entitles the registered holder thereof, subject to the terms, provisions and conditions of the Stockholder Protection Rights Agreement, dated as of _____, 2001 (as amended from time to time, the "Rights Agreement"), between L & C Spinco, Inc., a Delaware corporation (the "Company"), and Wells Fargo Bank Minnesota, N.A., as Rights Agent (the "Rights Agent", which term shall include any successor Rights Agent under the Rights Agreement), to purchase from the Company at any time after the Separation Time (as such term is defined in the Rights Agreement) and prior to the Close of Business on _____, 2011, one one-hundredth of a fully paid share of Participating Preferred Stock, \$.01 par value (the "Preferred Stock"), of the Company (subject to adjustment as provided in the Rights Agreement) at the Exercise Price referred to below, upon presentation and surrender of this Rights Certificate with the Form of Election to Exercise duly executed at

the office of the Rights Agent designated for such purposes. The Exercise Price shall initially be _____ per Right and shall be subject to adjustment in certain events as provided in the Rights Agreement.

In certain circumstances described in the Rights Agreement, the Rights evidenced hereby may entitle the registered holder thereof to purchase securities of an entity other than the Company or securities or assets of the Company other than Preferred Stock, all as provided in the Rights Agreement.

This Rights Certificate is subject to all of the terms, covenants and restrictions of the Rights Agreement, which terms, covenants and restrictions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Rights Certificates, which limitations of rights include the temporary suspension of exercisability of such Rights under the specific circumstances set forth in the Rights Agreement. Copies of the Rights Agreement are on file at the principal office of the Company and are available without cost upon written request.

This Rights Certificate, with or without other Rights Certificates, upon surrender at the office of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing an aggregate number of Rights equal to the aggregate number of Rights evidenced by the Rights Certificate or Rights Certificates surrendered. If this Rights Certificate shall be exercised in part, the registered holder shall be entitled to receive, upon surrender hereof, another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, each Right evidenced by this Certificate may be (a) redeemed by the Company under certain circumstances, at its option, at a redemption price of \$0.01 per Right or (b) exchanged by the Company under certain circumstances, at its option, for one share of Common Stock or one one-hundredth of a share of Preferred Stock per Right (or, in certain cases, other securities or assets of the Company), subject in each case to adjustment in certain events as provided in the Rights Agreement.

No holder of this Rights Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of Common Stock or of any other securities which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Rights Certificate shall have been exercised or exchanged as provided in the Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal.

Date: -----

ATTEST: L & C SPINCO, INC.

Secretary By -----

Countersigned:

WELLS FARGO BANK MINNESOTA, N.A.

By -----
Authorized Signature

[Form of Reverse Side of Rights Certificate]

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer this Rights Certificate.)

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto _____

(Please print name and address of transferee)

this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the within Rights Certificate on the books of the within-named Company, with full power of substitution.

Dated: _____, _____

Signature Guaranteed:

Signature
(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever)

Signatures must be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee Medallion program), pursuant to Exchange Act Rule 17Ad-15.

(To be completed if true)

The undersigned hereby represents, for the benefit of all holders of Rights and shares of Common Stock, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

Signature

NOTICE

In the event the certification set forth above is not completed in connection with a purported assignment, the Company will deem the Beneficial Owner of the Rights evidenced by the enclosed Rights Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement) or a transferee of any of the foregoing and accordingly will deem the Rights evidenced by such Rights Certificate to be void and not transferable or exercisable.

[To be attached to each Rights Certificate]

FORM OF ELECTION TO EXERCISE

(To be executed if holder desires to exercise the Rights Certificate.)

TO: L & C SPINCO, INC.

The undersigned hereby irrevocably elects to exercise _____ whole Rights represented by the attached Rights Certificate to purchase the shares of Participating Preferred Stock issuable upon the exercise of such Rights and requests that certificates for such shares be issued in the name of:

Address: -----

Social Security or Other Taxpayer
Identification Number: -----

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights shall be registered in the name of and delivered to:

Address: -----

Social Security or Other Taxpayer
Identification Number: -----

Dated: _____, _____

Signature Guaranteed:

 Signature
 (Signature must correspond to name as
 written upon the face of the attached Rights
 Certificate in every particular, without
 alteration or enlargement or any change
 whatsoever)

Signatures must be guaranteed by an eligible guarantor institution (banks,
 stockbrokers, savings and loan associations and credit unions with membership in
 an approved signature guarantee Medallion program), pursuant to Exchange Act
 Rule 17Ad-15.

 (To be completed if true)

The undersigned hereby represents, for the benefit of all holders of Rights and
 shares of Common Stock, that the Rights evidenced by the attached Rights
 Certificate are not, and, to the knowledge of the undersigned, have never been,
 Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof
 (as defined in the Rights Agreement).

 Signature

 NOTICE

In the event the certification set forth above is not
 completed in connection with a purported exercise, the Company will deem the
 Beneficial Owner of the Rights evidenced by the attached Rights Certificate to
 be an Acquiring Person or an Affiliate or Associate thereof (as defined in the
 Rights Agreement) or a transferee of any of the foregoing and accordingly will
 deem the Rights evidenced by such Rights Certificate to be void and not
 transferable or exercisable.

FORM OF ARTICLE IV.C TO RESTATED CERTIFICATE OF INCORPORATION
OF L & C SPINCO, INC. (SETTING FORTH TERMS OF
PARTICIPATING PREFERRED STOCK OF L & C SPINCO, INC.)

PARTICIPATING PREFERRED STOCK

There is hereby established a series of Preferred Stock, \$.01 par value, of the Corporation, and the designation and certain terms, powers, preferences and other rights of the shares of such series, and certain qualifications, limitations and restrictions thereon, are hereby fixed as follows:

(i) The distinctive serial designation of this series shall be "Participating Preferred Stock" (hereinafter called "this Series"). Each share of this Series shall be identical in all respects with the other shares of this Series except as to the dates from and after which dividends thereon shall be cumulative.

(ii) The number of shares in this Series shall initially be _____, which number may from time to time be increased or decreased (but not below the number then outstanding) by the Board of Directors. Shares of this Series purchased by the Corporation shall be canceled and shall revert to authorized but unissued shares of Preferred Stock undesignated as to series. Shares of this Series may be issued in fractional shares, which fractional shares shall entitle the holder, in proportion to such holder's fractional share, to all rights of a holder of a whole share of this Series.

(iii) The holders of full or fractional shares of this Series shall be entitled to receive, when and as declared by the Board of Directors, but only out of funds legally available therefor, dividends, (A) on each date that dividends or other distributions (other than dividends or distributions payable in Common Stock of the Corporation) are payable on or in respect of Common Stock comprising part of the Reference Package (as defined below), in an amount per whole share of this Series equal to the aggregate amount of dividends or other distributions (other than dividends or distributions payable in Common Stock of the Corporation) that would be payable on such date to a holder of the Reference Package and (B) on the last day of March, June, September and December in each year, in an amount per whole share of this Series equal to the excess (if any) of \$____ over the aggregate dividends paid per whole share of this Series during the three month period ending on such last day. Each such dividend shall be paid to the holders of record of shares of this Series on the date, not exceeding sixty days preceding such dividend or distribution payment date, fixed for the purpose by the Board of Directors in advance of payment of each particular dividend or distribution. Dividends on each full and each fractional share of this Series shall be cumulative from the date such full or fractional share is originally issued; provided that any such full or fractional share originally issued after a dividend record date and on or prior to the dividend payment date to which such record date relates shall not be entitled to receive the dividend payable on such dividend payment date or any amount in respect of the period from such original issuance to such dividend payment date.

The term "Reference Package" shall initially mean 100 shares of Common Stock, par value \$.01 per share ("Common Stock"), of the Corporation. In the event the Corporation shall at any time after the Close of Business on _____, (A) declare or pay a dividend on any Common Stock payable in Common Stock, (B) subdivide any Common Stock or (C) combine any Common Stock into a smaller number of shares, then and in each such case the Reference Package after such event shall be the Common Stock that a holder of the Reference Package immediately prior to such event would hold thereafter as a result thereof.

Holders of shares of this Series shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of full cumulative dividends, as herein provided on this Series.

So long as any shares of this Series are outstanding, no dividend (other than a dividend in Common Stock or in any other stock ranking junior to this Series as to dividends and upon liquidation) shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock or upon any other stock ranking junior to this Series as to dividends or upon liquidation, unless the full cumulative dividends (including the dividend to be paid upon payment of such dividend or other distribution) on all outstanding shares of this Series shall have been, or shall contemporaneously be, paid. When dividends are not paid in full upon this Series and other stock ranking on a parity as to dividends with this Series, all dividends declared upon shares of this Series and any other stock ranking on a parity as to dividends shall be declared pro rata so that in all cases the amount of dividends declared per share on this Series and such other stock shall bear to each other the same ratio that accumulated dividends per share on the shares of the Series and such other stock bear to each other. Neither the Common Stock nor any other stock of the Corporation ranking junior to or on a parity with this Series as to dividends or upon liquidation shall be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to this Series as to dividends and upon liquidation), unless the full cumulative dividends (including the dividend to be paid upon payment of such dividend, distribution, redemption, purchase or other acquisition) on all outstanding shares of this Series shall have been, or shall contemporaneously be, paid.

(iv) In the event of any merger, consolidation, reclassification or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of this Series shall at the same time be similarly exchanged or changed in an amount per whole share equal to the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, that a holder of the Reference Package would be entitled to receive as a result of such transaction.

(v) In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the holders of full and fractional shares of this Series shall be entitled, before any distribution or payment is made on any date to the holders of the Common Stock or any other stock of the Corporation ranking junior to this Series upon liquidation, to be paid in full an amount per whole share of this Series equal to the greater of

(A) \$_____ or (B) the aggregate amount distributed or to be distributed prior to such date in connection with such liquidation, dissolution or winding up to a holder of the Reference Package (such greater amount being hereinafter referred to as the "Liquidation Preference"), together with accrued dividends to such distribution or payment date, whether or not earned or declared. If such payment shall have been made in full to all holders of shares of this Series, the holders of shares of this Series as such shall have no right or claim to any of the remaining assets of the Corporation.

In the event the assets of the Corporation available for distribution to the holders of shares of this Series upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to the first paragraph of this Section (v), no such distribution shall be made on account of any shares of any other class or series of Preferred Stock ranking on a parity with the shares of this Series upon such liquidation, dissolution or winding up unless proportionate distributive amounts shall be paid on account of the shares of this Series, ratably in proportion to the full distributable amounts for which holders of all such parity shares are respectively entitled upon such liquidation, dissolution or winding up.

Upon the liquidation, dissolution or winding up of the Corporation, the holders of shares of this Series then outstanding shall be entitled to be paid out of assets of the Corporation available for distribution to its stockholders all amounts to which such holders are entitled pursuant to the first paragraph of this Section (v) before any payment shall be made to the holders of Common Stock or any other stock of the Corporation ranking junior upon liquidation to this Series.

For the purposes of this Section (v), the consolidation or merger of, or binding share exchange by, the Corporation with any other corporation shall not be deemed to constitute a liquidation, dissolution or winding up of the Corporation.

(vi) The shares of this Series shall not be redeemable.

(vii) In addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, as amended, of the Corporation, each whole share of this Series shall, on any matter, vote as a class with any other capital stock comprising part of the Reference Package and voting on such matter and shall have the number of votes thereon that a holder of the Reference Package would have.

TAX DISAFFILIATION AGREEMENT dated as of _____, 2001, by and between NATIONAL SERVICE INDUSTRIES, INC. ("NSI-Del"), a Delaware corporation, NATIONAL SERVICE INDUSTRIES, INC. ("NSI Enterprises"), a California corporation, and L & C SPINCO, INC. ("Spinco"), a Delaware corporation.

RECITALS

A. NSI Enterprises and National Services Industries, Inc. ("NSI-GA"), a Georgia corporation, are first tier subsidiaries of NSI-Del.

B. NSI-Del is the common parent of an affiliated group of corporations within the meaning of Section 1504(a) of the Internal Revenue Code of 1986, as amended (the "Code"), which currently files consolidated Federal income tax returns.

C. As reflected in the Agreement and Plan of Distribution (the "Distribution Agreement") dated _____, 2001 by and between NSI-Del and Spinco, NSI Enterprises has formed Spinco as a first tier subsidiary.

D. In addition, NSI-GA has merged into NSI Enterprises. Immediately after such merger, NSI Enterprises contributed its lighting equipment and chemical businesses to Spinco along with certain intercompany debt.

E. As reflected in the Distribution Agreement, NSI Enterprises then distributed all of the outstanding shares of stock of Spinco to NSI-Del (the "First Distribution").

F. After the First Distribution, NSI-Del contributed to Spinco the stock of certain foreign subsidiaries and certain intercompany debt owed by Spinco to NSI-Del. Further contributions were then made by Spinco to subsidiaries of Spinco.

G. After these contributions and pursuant to the Distribution Agreement, NSI-Del shall distribute to its stockholders all of the outstanding shares of stock of Spinco, together with associated preferred stock purchase rights, on a pro rata basis (the "Second Distribution," together with the First Distribution, the "Distributions").

H. NSI-Del, NSI Enterprises and Spinco intend that the Distributions will qualify as distributions described in Section 355 of the Code and will not result in the recognition of any taxable gain or income to NSI-Del, NSI Enterprises, Spinco or any of their respective stockholders.

I. From the day after the Date of the Second Distribution forward, Spinco and its subsidiaries shall cease to be a member of the NSI-Del affiliated group for all applicable tax purposes.

J. NSI-Del, NSI Enterprises and Spinco desire on behalf of themselves, their subsidiaries and their successors to set forth their rights and obligations with respect to taxes due for periods before and after the Second Distribution.

NOW, THEREFORE, in consideration of the transactions recited above and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

Definitions

For the purposes of this Agreement:

1.01 "40 Percent Interest" shall have the meaning ascribed to the term "50-percent or greater interest" in Section 355(e)(4) of the Code, substituting therein "40" each place "50" appears.

1.02 "40 Percent Threshold" shall have the meaning set forth in Section 2.04(d)(v).

1.03 "Ancillary Agreements" shall have the meaning specified in the Distribution Agreement.

1.04 "Affiliate" shall mean, when used with respect to any specified Person, a Person that directly or indirectly controls, is controlled by, or is under common control with such specified Person; provided, however, that for purposes of this Agreement, any Person who was a member of both Groups prior to the Distribution shall be deemed to be an Affiliate only of the Group of which such Person is a member following the Distribution. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other interests, by contract or otherwise. Any contrary provision of this Agreement notwithstanding, neither NSI-Del nor any NSI-Del Subsidiaries shall be deemed to be an Affiliate of SpinCo, and neither SpinCo nor any SpinCo Subsidiaries shall be deemed to be an Affiliate of NSI-Del.

1.05 "After Tax Basis" shall mean, with respect to any payment to be received, that the amount of such payment is increased to the extent necessary so that, after deduction of all taxes (assuming for this purpose that the recipient of such payment is subject to taxation at the highest federal and applicable state and local marginal rates applicable to widely held corporations for the year in which such income is taxable) required to be paid by the recipient (less any tax savings to be realized, utilizing the same tax rate assumptions as set forth in the immediately preceding parenthetical phrase, by the recipient as a result of the payment of such amounts) with respect to the receipt of such amounts, such increased payment (as so reduced) is equal to the payment otherwise required to be made.

1.06 "Agreement" shall mean this Tax Disaffiliation Agreement dated _____, 2001, between NSI-Del, NSI Enterprises, and Spinco, as the same may be amended from time to time.

1.07 "Applicable Federal Rate" shall have the meaning set forth in Section 1274(d) of the Code for a short term rate, compounded quarterly.

1.08 "Assets" shall mean the assets of NSI-Del, NSI Enterprises, Spinco, their respective Affiliates, or a "predecessor or successor" (within the meaning Section 355(e)(4)(D) of the Code) of such corporations or their Affiliates; it being understood that any transfer, sale or assignment of the assets of NSI-Del, NSI Enterprises, Spinco, their Affiliates, or a predecessor or a successor in the ordinary course of business shall not be taken into account for purposes of Section 2.04(d) of this agreement, unless in conjunction with a transaction described in Section 355(e)(3)(B) of the Code or Final or Temporary regulations promulgated thereunder.

1.09 "Claim" shall have the meaning set forth in Section 5.03(a).

1.10 "Closing Price" of Spinco Common Stock or NSI-Del Common Stock on any day shall mean the last reported sales price for such stock, on such day, or in the case no sale takes place on such day, the average of the reported closing bid and asked prices for the stock in either case as reported on the New York Stock Exchange.

1.11 "Code" shall have the meaning set forth in paragraph B of the recitals.

1.12 "Controlling Party" shall have the meaning set forth in Section 5.01.

1.13 "Corporate Transactions" shall have the meaning set forth in the Distribution Agreement.

1.14 "Date of the First Distribution" shall mean August 31, 2001.

1.15 "Date of the Second Distribution" shall mean the Distribution Date specified in the Distribution Agreement.

1.16 "Distribution Agreement" shall have the meaning set forth in paragraph C of the recitals.

1.17 "Distribution Related Gain" shall mean any gain recognized by NSI Enterprises or NSI-Del, respectively, or NSI-Del's or Spinco's stockholders, by virtue of (i) either Distribution failing to qualify as a distribution described in Section 355 of the Code, (ii) any stock or securities of Spinco failing to qualify as "qualified property" within the meaning of Section 355(c)(2)(B) and 361(c)(2)(B) of the Code, (iii) the application of Section 355(f) of the Code to the First Distribution, or (iv) the application of Section 355(e) of the Code to the Second Distribution.

1.18 "Distributions" shall have the meaning set forth in paragraph G of the recitals.

1.19 "Final Determination" shall mean with respect to any issue (a) a decision, judgment, decree or other order by any court of competent jurisdiction, which decision, judgment, decree or other order has become final and not subject to further appeal, (b) a binding closing agreement whether or not entered into under Section 7121 of the Code or any other binding settlement agreement (whether or not with the Internal Revenue Service), or (c) the completion of the highest level of administrative proceedings if a judicial contest is not or is no longer available.

1.20 "First Distribution" shall have the meaning set forth in paragraph E of the recitals.

1.21 "First Spinco Notification Letter" shall have the meaning set forth in Section 2.03(c)(ii).

1.22 "Indemnitor" shall have the meaning set forth in Section 5.02.

1.23 "IRS" shall have the meaning set forth in Section 2.04(d)(vi).

1.24 "Market Cap" shall mean, with respect to NSI-Del or Spinco, the total of (a) the average Closing Price of NSI-Del Common Stock or Spinco Common Stock, respectively, over the 10 business days following the Date of the Second Distribution, multiplied by (b) the number of outstanding shares of such common stock on the Date of the Second Distribution.

1.25 "NSI-Del" shall have the meaning set forth in the preamble to this Agreement.

1.26 "NSI-Del Common Stock" shall mean the common stock of NSI-Del, par value \$1.00 per share.

1.27 "NSI-Del Group" shall mean, for any period, NSI-Del and its then Subsidiaries. Under no circumstances shall the NSI-Del Group include any member of the Spinco Group.

1.28 "NSI-Del Notification Letter" shall have the meaning set forth in Section 2.03(c)(ii).

1.29 "NSI-Del Subsidiary" or "Subsidiary of NSI-Del" shall include all of the Subsidiaries listed on [EXHIBIT A] attached hereto. None of Spinco or the Spinco Subsidiaries shall be considered a Subsidiary of NSI-Del.

1.30 "NSI-Del Tainting Act" means (a) any breach of any written representation given by [NAME OF FUTURE MANAGER SIGNING] on behalf of NSI-Del in the letter to King & Spalding and Ernst & Young dated _____ (notwithstanding such representation was also given by [NAME OF OLD MANAGER OF SPINCO AND NSI SIGNING] on behalf of Spinco and NSI-Del in a separate letter to King & Spalding and Ernst & Young dated _____), or (b) any act or acts first occurring after the Date of the Second Distribution of or involving any Person (other than Spinco or any Person that is an Affiliate of Spinco immediately before or immediately after such action or actions), or any omission or omissions of any Person (other than Spinco or any Person that is an Affiliate of Spinco immediately before or immediately after such omission or omissions), of an

act or acts first available to it after the Date of the Second Distribution, if such breach, action or omission described in (a) or (b) contributes to a Final Determination that the First or Second Distribution results in any Distribution Related Gain. Notwithstanding any provision of this Agreement to the contrary, a breach of any written representation given by [NAME OF FUTURE MANAGER] on behalf of NSI-Del in the letter to King & Spalding and Ernst & Young dated _____ shall not be considered an NSI-Del Tainting Act under clause (a) of the first sentence of this Section 1.30, if such breach is the result of a Spinco Tainting Act.

1.31 "NSI Enterprises" shall have the meaning set forth in the preamble to this Agreement.

1.32 "NSI-GA" shall have the meaning set forth in paragraph A of the recitals.

1.33 "Period After the Second Distribution" shall mean (i) any taxable year or other taxable period beginning after the Date of the Second Distribution and, (ii) in the case of any Stub Period, that part of the Stub Period that begins on the day immediately after the Date of the Second Distribution.

1.34 "Period Before the Second Distribution" shall mean (i) any taxable year or other taxable period that ends on, at the close of, or before the Date of the Second Distribution and, (ii) in the case of any Stub Period, that part of the Stub Period through and including the Date of the Second Distribution.

1.35 "Person" shall mean any individual, partnership, joint venture, corporation, limited liability company, trust, unincorporated organization, government or department or agency of a government.

1.36 "Restructuring Taxes" means any taxes resulting from the Corporate Transactions or either Distribution, including, but not limited to, any taxes imposed pursuant to or as a result of Sections 311 or 1001 of the Code or the Treasury Regulations under Section 1502 of the Code (and any applicable similar federal, state, local or foreign taxes, together with related interest, penalties and additions to tax), but excluding (i) any taxes imposed as a result of a Final Determination that the First or Second Distribution results in any Distribution Related Gain, and (ii) any transfer taxes imposed on the transfer of real or personal property in the Corporate Transactions.

1.37 "Second Distribution" shall have the meaning set forth in paragraph G of the recitals.

1.38 "Second Spinco Notification Letter" shall have the meaning set forth in Section 2.03(c)(ii).

1.39 "Spinco" shall have the meaning set forth in the preamble to this Agreement.

1.40 "Spinco Common Stock" shall mean the common stock of Spinco, par value \$.01 per share.

1.41 "Spinco Group" shall mean, for any period, Spinco and its then Subsidiaries. Under no circumstances shall the Spinco Group include any member of the NSI-Del Group.

1.42 "Spinco Subsidiary" or "Subsidiary of Spinco" shall include all of the Subsidiaries listed on [EXHIBIT B] attached hereto. None of the NSI-Del Subsidiaries shall be considered a Subsidiary of Spinco.

1.43 "Spinco Tainting Act" means (a) any breach of any written representation given by [NAME OF OLD MANAGER OF NSI AND SPINCO SIGNING] on behalf of Spinco and NSI-Del in the letter to King & Spalding and Ernst & Young dated _____ (notwithstanding such representation was also given by [NAME OF FUTURE MANAGER OF NSI SIGNING] on behalf of NSI-Del in a separate letter to King & Spalding and Ernst & Young dated _____), or (b) any act or acts first occurring after the Date of the Second Distribution of or involving any Person (other than NSI-Del or any Person that is an Affiliate of NSI-Del immediately before or immediately after such action or actions), or any omission or omissions of any Person (other than NSI-Del or any Person that is an Affiliate of NSI-Del immediately before or immediately after such omission or omissions) of an act or acts first available to it after the Date of the Second Distribution, if such breach, act or omission described in (a) or (b) contributes to a Final Determination that First or Second Distribution results in any Distribution Related Gain. Notwithstanding any provision of this Agreement to the contrary, a breach of any written representation given by [NAME OF OLD MANAGER OF NSI AND SPINCO SIGNING] on behalf of Spinco and NSI-Del in the letter to King & Spalding and Ernst & Young dated _____ shall not be considered a Spinco Tainting Act under clause (a) of the first sentence of this Section 1.43, if such breach is the result of an NSI-Del Tainting Act.

1.44 "Spinco Tax Adjustment Amount" shall have the meaning set forth in Section 2.03(c)(ii).

1.45 "Spinco Tax Position" shall have the meaning set forth in Section 2.03(c)(i).

1.46 "Stock" shall mean common or preferred stock or any instrument that might reasonably be treated as common or preferred stock for federal income tax purposes; provided, however, for purposes of Section 2.04(d)(i) only, the term Stock shall not include stock in NSI-Del, NSI Enterprises or Spinco acquired by an employee or director of such corporation (or a Person related to such corporation under Section 355(d)(7)(A) of the Code) in connection with the performance of services as an employee or director for the corporation or a Person related to it under Section 355(d)(7)(A) of the Code (and that is not excessive by reference to the services performed) in a transaction in which Section 83 of the Code applies.

1.47 "Stock Options" shall mean call options, warrants, convertible obligations, the conversion feature of convertible stock, put options, redemption agreements (including rights to cause the redemption of stock), any other instruments that provide for the right or possibility to issue, redeem, or transfer stock (including an option on an option), or any other similar interest treated as an option; provided, however, for purposes of Section 2.04(d)(i) only the term Stock Options only includes instruments that provide for the right or possibility to issue, redeem or

transfer stock and does not include: (i) an option that is part of a security arrangement in a typical lending transaction (including a purchase money loan), if the arrangement is subject to customary commercial conditions; (ii) an option to acquire stock in NSI-Del, NSI Enterprises or Spinco with customary terms and conditions provided to an employee or director of such corporation, or a person related to NSI-Del, NSI Enterprises, or Spinco under Section 355(d)(7)(A) of the Code in connection with the performance of services for the corporation or a person related to it under Section 355(d)(7)(A) of the Code (and is not excessive by reference to the services performed) and that immediately after the Second Distribution and 6 months thereafter (a) is nontransferable within the meaning of Treasury Regulation Section 1.83-3(d) and (b) does not have a readily ascertainable fair market value as defined in Treasury Regulation Section 1.83-7(b); and (iii) an option entered into between shareholders of a corporation (or a shareholder and the corporation) that is exercisable only upon death, disability or mental incompetency of the shareholder, or, in the case of stock acquired in connection with the performance of services for a corporation, or a person related to the corporation under Section 355(d)(7)(A) (and that is not excessive by reference to the services performed), the shareholder's separation from service.

1.48 "Stub Period" shall mean any taxable year or other taxable period that begins on or before and ends after the Date of the Second Distribution.

1.49 "Subsidiary" shall mean a corporation, limited liability company, partnership, joint venture or other business entity if 50% or more of the outstanding equity or voting power of such entity is owned directly or indirectly by the corporation with respect to which such term is used. Each of the Subsidiaries listed on Exhibit A, attached hereto, shall be considered a Subsidiary of NSI-Del. Each of the Subsidiaries listed on Exhibit B, attached hereto, shall be considered a Subsidiary of Spinco. Notwithstanding any provision of this agreement to the contrary, Spinco shall not be considered a Subsidiary of NSI-Del.

1.50 "tax" or "taxes" whether used in the form of a noun or adjective, shall mean all forms of taxation, whenever created or imposed, including, but not limited to, taxes on or measured by income, franchise, gross receipts, sales, use, excise, payroll, personal property (tangible or intangible), real property, ad-valorem, value-added, leasing, leasing use or other taxes, levies, imposts, duties, charges or withholdings of any nature whether imposed by a nation, locality, municipality, government, state, federation, or other governmental body (a "Taxing Authority"). Whenever the term "tax" or "taxes" is used (including, without limitation, in the context of any duty to pay, or to reimburse another party or indemnify for taxes or refunds or credits of taxes) it shall include penalties, fines, additions to tax and interest thereon. The term "tax" or "taxes" does not include any unclaimed or abandoned property remitted or required to be remitted to any Taxing Authority under applicable law.

1.51 "Taxing Authority" shall have the meaning set forth in Section 1.50.

1.52 "Tax Returns" shall mean all reports, returns, information statements, questionnaires, evidence of tax payments, invoices or other documents received from, or required to be filed or that may be filed for any period with, any Taxing Authority (whether domestic or foreign) in connection with any tax or taxes (whether domestic or foreign).

All capitalized terms used but not defined herein shall have the meaning given to such terms in the Distribution Agreement.

ARTICLE II

Tax Returns, Tax Payments and Tax Sharing Obligations

2.01 Obligations to File Tax Returns.

(a) Spinco shall prepare, at its own expense, and shall timely file or cause to be filed (i) all Tax Returns with respect to the Spinco Group and the NSI-Del Group that are due (including extensions) after the Date of the Second Distribution but are for a taxable year or period ending on or before the Date of the Second Distribution, (ii) all Tax Returns with respect to the Spinco Group for any taxable year or other taxable period beginning after the Date of the Second Distribution, (iii) all Tax Returns filed on a separate company basis for any member of the Spinco Group for any Stub Period, and (iv) all Tax Returns filed on a consolidated, combined or unitary basis for the Stub Period other than those described in clause (iii) of Section 2.01(b). Spinco shall make full and timely payment of all taxes shown due on all Tax Returns described in this Section 2.01(a).

(b) NSI-Del shall prepare, at its own expense, and shall timely file or cause to be filed (i) all Tax Returns with respect to the NSI-Del Group for any taxable year or other taxable period beginning after the Date of the Second Distribution, (ii) all Tax Returns filed on a separate company basis, for any member of the NSI-Del Group for any Stub Period, and (iii) all Tax Returns filed on a consolidated, combined or unitary basis for the Stub Period that include one or more members of the NSI-Del Group (whether or not they include one or more members of the Spinco Group). Subject to Section 2.03(c) hereof, NSI-Del shall make full and timely payment of all taxes shown due on all Tax Returns described in this Section 2.01(b).

(c) To the extent required or permitted by law or administrative practice, in the case of any Tax Return prepared by NSI-Del pursuant to clause (iii) of Section 2.01(b) that includes one or more members of the Spinco Group, the taxable year of the Spinco Group shall be treated as closing at the close of the Date of the Second Distribution.

2.02 Obligation to Remit Taxes. Spinco and NSI-Del shall each timely remit or cause to be remitted any taxes due in respect of any tax for which it is required to file a Tax Return hereunder and shall be entitled to reimbursement for such payments only to the extent provided in Section 2.03.

2.03 Tax Sharing Obligations and Prior Agreements.

(a) Spinco's obligations. Other than liabilities dealt with elsewhere in this Agreement and except as provided in Section 3.01(d), Spinco shall be liable for and shall indemnify and hold the NSI-Del Group harmless on an After Tax Basis against (i) any tax

liability of any member of the Spinco Group or any member of the NSI-Del Group for any Period Before the Second Distribution, (ii) any tax liability for any member of the Spinco Group for any Period After the Second Distribution, and (iii) any amount determined to be Spinco's liability under Section 2.04 hereof. Except as provided in Section 3.01 for refunds attributable to carry backs, Spinco shall be entitled to any refund of or credit for taxes for which Spinco is responsible under this Section 2.03(a) or with respect to which Spinco is required to file a Tax Return under Section 2.01 hereof.

(b) NSI-Del's Obligations. Other than liabilities dealt with elsewhere in this Agreement, NSI-Del shall be liable for, and shall hold the Spinco Group harmless on an After Tax Basis against (i) any tax liability of any member of the NSI-Del Group for any Period After the Second Distribution, and (ii) any amount determined to be NSI-Del's liability under Section 2.04 hereof. Except as provided in Section 3.01 for refunds attributable to carry backs, NSI-Del shall be entitled to any refund of or credit for taxes for any periods for which NSI-Del is responsible under this Section 2.03(b) or with respect to which NSI-Del is required to file a Tax Return under Section 2.01 hereof.

(c) Spinco's Stub Period Liability. (i) Subject to clause (ii) of this Section 2.03(c), with respect to any Tax Return that is described in clause (ii) or (iii) of Section 2.01(b), or with respect to any estimated tax payment relating to any such Tax Return, NSI-Del shall, in good faith, calculate Spinco's tax liability under clause (i) of the first sentence of Section 2.03(a) with respect to such Tax Return or estimated tax payment and notify Spinco of such amount. Such notification shall constitute a request for payment, and, subject to the following sentence, Spinco shall pay such amount, in immediately available funds, to NSI-Del within five (5) days after receipt of such notice from NSI-Del, provided that Spinco shall not be obligated to make such payment to NSI-Del earlier than ten (10) days prior to the due date for the filing or making of the relevant Tax Return or estimated tax payment. If Spinco determines, in good faith, that its tax liability under clause (i) of the first sentence of Section 2.03(a) with respect to such Tax Return or estimated payment should be greater than the amount determined by NSI-Del for such return or payment, Spinco can elect to pay a greater amount to NSI-Del and provide NSI-Del with a statement describing the tax position taken by Spinco implicit in the determination of such larger amount (the "Spinco Tax Position"). If pursuant to the preceding sentence Spinco pays a greater amount, NSI-Del covenants, to the extent permitted by law, to take the Spinco Tax Position on the Tax Return or payment in question and will remit the larger amount received from Spinco to the appropriate Taxing Authority when filing such return or payment. After the filing or making of any Tax Return or estimated tax payment mentioned in this clause (i) of Section 2.03(c), NSI-Del shall supply Spinco with a copy of each tax return (or evidence of each estimated tax payment) with respect to which Spinco shall have made payment.

(ii) Spinco shall make an initial determination, in good faith, of the amount (the "Spinco Tax Adjustment Amount") of its tax liability under clause (i) of the first sentence of Section 2.03(a) with respect to all Tax Returns that are described in clause (ii) and (iii) of Section 2.01(b), such tax liability to be determined without regard to payments, if any, that Spinco shall have made to NSI-Del pursuant to clause (i) of this Section 2.03(c) (such determination, with calculations in reasonable detail, being referred to as the "First Spinco Notification Letter"). If NSI-Del determines in good faith that Spinco's determination of the

Spinco Tax Adjustment Amount is incorrect, NSI-Del shall notify Spinco of such determination (including in such notification its determination of the correct amount of the Spinco Tax Adjustment Amount) (the "NSI-Del Notification Letter") within thirty (30) days of receipt of the First Spinco Notification Letter. If Spinco objects to NSI-Del's determination of the Spinco Tax Adjustment Amount in the NSI-Del Notification Letter, it must notify NSI-Del within twenty (20) days of receipt of the NSI-Del Notification Letter (the "Second Spinco Notification Letter"). If the dispute is not resolved by mutual accord within thirty (30) days of NSI-Del's receipt of the Second Spinco Notification Letter, the dispute shall be resolved under the provisions of Article VIII. Until NSI-Del and Spinco reach agreement, or any dispute between them is resolved pursuant to Article VIII, as to the Spinco Tax Adjustment Amount, the provisions of clause (i) of this Section 2.03(c) shall continue to apply. Clause (i) of this Section 2.03(c) will not apply once NSI-Del and Spinco reach agreement or any dispute between them as to the Spinco Tax Adjustment is resolved pursuant to Article VIII. Within ten (10) days of such agreement or resolution, Spinco shall pay to NSI-Del an amount equal to the excess of (x) the Spinco Tax Adjustment Amount, as so agreed or resolved, over (y) the payments, if any, that Spinco shall have theretofore made to NSI-Del pursuant to clause (i) of this Section 2.03(c). In the event that the payments that Spinco shall have theretofore made to NSI-Del pursuant to clause (i) of this Section 2.03(c) shall exceed the Spinco Tax Adjustment Amount, NSI-Del shall, within ten (10) days of such agreement or resolution, pay the amount of such excess to Spinco.

(d) Except as set forth in this Agreement and in consideration of the mutual indemnities and other obligations of this Agreement, any and all prior tax sharing agreements or practices between any member of the NSI-Del Group and any member of the Spinco Group shall be terminated as of the Date of the Second Distribution.

2.04 Restructuring Taxes; Other Taxes Relating to the Distribution.

(a) Generally. Notwithstanding any other provision of this Agreement to the contrary, Spinco shall bear any Restructuring Taxes (together with any reasonable expenses, including, but not limited to, attorney's fees, incurred in defending any audit or examination with respect to Restructuring Taxes). In the event of a Final Determination that the First or Second Distribution results in any Distribution Related Gain (other than a Final Determination that the First or Second Distribution results in any Distribution Related Gain which determination would not have been made but for a NSI-Del Tainting Act or a Spinco Tainting Act), the liability of NSI-Del and Spinco for any taxes arising from such Final Determination, including any liability to stockholders arising from such Final Determination (together with any reasonable expenses, including, but not limited to, attorney's fees incurred in defending against any liability) shall be borne by NSI-Del and Spinco pro rata based on their relative Market Caps. Also, in the event of a Final Determination that the First or Second Distribution results in any Distribution Related Gain which determination would not have been made but for the occurrence of both a NSI-Del Tainting Act and a Spinco Tainting Act, any taxes or liability resulting from such Final Determination (together with any reasonable expenses, including, but not limited to, attorney's fees incurred in defending against any liability) shall be borne by NSI-Del and Spinco pro rata based on their relative Market Caps.

(b) Covenant and Indemnification for Spinco Tainting

Acts. Spinco covenants that neither Spinco nor any member of the Spinco Group shall commit or be party to or the subject of any Spinco Tainting Act. In the event of a Final Determination that the First or Second Distribution results in any Distribution Related Gain which Final Determination would not have been made but for a Spinco Tainting Act, Spinco shall pay, and shall indemnify and hold harmless NSI-Del and NSI Enterprises and their Affiliates on an After Tax Basis, from and against, any liability of NSI-Del or NSI Enterprises or their Affiliates to any Taxing Authority, NSI-Del stockholders or Spinco stockholders (together with any reasonable expenses, including, but not limited to, attorney's fees incurred in defending against any such liability) resulting from a Final Determination that the First or Second Distribution results in any Distribution Related Gain.

(c) Covenant and Indemnification for NSI-Del Tainting

Acts. NSI-Del covenants that neither NSI-Del nor any member of the NSI-Del Group shall commit or be party to or the subject of any NSI-Del Tainting Act. In the event of a Final Determination that the First or Second Distribution results in any Distribution Related Gain which Final Determination would not have been made but for a NSI-Del Tainting Act, NSI-Del shall pay, and shall indemnify and hold harmless Spinco and its Affiliates on an After Tax Basis, from and against, any liability of Spinco, NSI-Del, NSI Enterprises or their Affiliates to any Taxing Authority, NSI-Del stockholders or Spinco stockholders (together with any reasonable expenses, including, but not limited to, attorney's fees incurred in defending against any such liability) resulting from a Final Determination that the First or Second Distribution results in any Distribution Related Gain.

(d) Reporting and Restrictions. (i) At quarterly

intervals beginning on November 30, 2001 and at any other time reasonably requested by the party to receive such report, during the period commencing immediately after the Date of the Second Distribution and ending two years after such date, NSI-Del will provide to Spinco, NSI Enterprises will provide to Spinco and Spinco will provide to NSI-Del and NSI Enterprises a report ("Report") listing for the period commencing immediately after the Date of the Second Distribution and ending on the date of the Report any issuance, sale, transfer, assignment or redemption (or any agreement, understanding, arrangement, or substantial negotiations concerning the issuance, sale, transfer, assignment or redemption) of the reporting corporation's: (x) Stock (excluding any sale, transfer, or assignment of Stock between two shareholders neither of whom own, either directly or indirectly, five-percent or more of the Stock of the corporation whose Stock is transferred (treating all options as exercised), provided that the reporting corporation has not authorized such sale, transfer, or assignment and that such sale, transfer, or assignment meets the requirements of the safe harbor in Temporary regulations Section 1.355-7(f)(5)); (y) Stock Options; and (z) Assets (excluding: (A) any sale, transfer, or assignment of Assets that is fully taxable to the transferee; and (B) any other sale, transfer, or assignment of Assets that in the aggregate does not exceed 5 percent of the gross assets of the selling, transferring, or assigning corporation as reflected on such corporation's balance sheet during any 90 day period)

(ii) In addition within two months following the

Date of the Second Distribution, Spinco shall provide to NSI-Del a Report listing any issuance, sale, transfer, assignment or redemption (or any agreement, understanding, arrangement, or substantial negotiations, whether or not consummated, concerning the issuance, sale, arrangement, assignment or redemption) of NSI-Del's, NSI Enterprises' and Spinco's Stock, Stock Options, or

Assets in each instance for the period commencing two years before the Date of the First Distribution and ending on the Date of the Second Distribution. For purposes of this clause (ii) of Section 2.04(d) the exclusions from NSI-Del's, NSI Enterprises' and Spinco's Asset reporting obligations contained in clause (i) of Section 2.04(d) shall not apply, but the exclusions to NSI-Del's, NSI Enterprises' and Spinco's Stock reporting obligations contained in clause (i) of Section 2.04(d) shall apply.

(iii) At any time that the issuance, sale, transfer, assignment or redemption (or any agreement, understanding, arrangement, or substantial negotiations concerning the issuance, sale, arrangement, assignment or redemption) of the reporting corporation's Stock or Stock Options would exceed ten (10) percent by vote or value of the reporting corporation's outstanding Stock (treating Stock Options as exercised) when aggregated with all prior such issuances, sales, transfer, assignments or redemptions, or the issuance, sale, transfer, or assignment (or any agreement, understanding, arrangement, or substantial negotiations concerning the issuance, sale, transfer, or assignment) of the reporting corporation's Assets, when aggregated with all prior such issuances, sales, transfers of assignments, exceeds 10 percent of the gross assets of the selling, transferring, or assigning corporation as reflected on such corporation's balance sheet, a notice ("Notice") of such transaction must be given to the other party 30 days prior to such issuance, transfer, assignment or redemption (or the entering into of any agreement, understanding, arrangement, or substantial negotiations concerning the issuance, sale, arrangement, assignment or redemption). For purposes of this clause (iii) of Section 2.04(d): (y) the exclusions from NSI-Del's, NSI Enterprises' and Spinco's Asset reporting obligations contained in clause (i) of Section 2.04(d) shall not apply, but the exclusions to NSI-Del's, NSI Enterprises' and Spinco's Stock reporting obligations contained in clause (i) of Section 2.04(d) shall apply, and (z) the transactions described in clause (ii) of this Section 2.04(d) shall be aggregated with transactions described in this clause (iii) for purposes of determining the obligation to issue a Notice under this clause (iii) of Section 2.04(d).

(iv) NSI-Del's, NSI Enterprises' and Spinco's obligations to issue Reports and Notices will be extended beyond the 2 year reporting period (not to exceed 5 years after the Date of the Second Distribution) until the consummation of any agreement, understanding, arrangement or substantial negotiations for the issuance, sale, transfer or assignment of the reporting corporations' Stock, Stock Options or Assets that is reported or required to be reported during the 2 year period after the Date of the Second Distribution.

(v) If, before the two-year anniversary of the Second Distribution, the issuances, sales, transfers, assignments, or redemptions (or agreement, understanding, arrangement or substantial negotiations concerning the issuance, sale, transfer, assignment or redemption) of the reporting corporation's Stock, Stock Options or Assets that are required to be reported pursuant to clause (iii) of this Section 2.04(d), in the aggregate, would equal or exceed (as calculated using a method provided by a nationally recognized tax advisor acceptable to both NSI-Del and Spinco) a 40 Percent Interest in such reporting company (the "40 Percent Threshold"), such company (or companies, if both have reached the 40 Percent Threshold) shall not take any action or fail to take any action that would cause the 40 Percent Threshold to be exceeded without obtaining an opinion from a nationally recognized tax advisor (acceptable to both NSI-Del and Spinco) that such issuance, sale, transfer, assignment, or redemption (or agreement, understanding, arrangement or substantial negotiations concerning the issuance, sale,

transfer, assignment or redemption) will not cause Section 355(e) of the Code to apply to the Second Distribution or Section 355(f) of the Code to apply to the First Distribution. The expense of obtaining any opinion under this clause (v) of Section 2.04(d) will be borne by the party whose issuance, sale, transfer, assignment, redemption is the subject of such opinion.

(vi) For purposes of this Section 2.04(d), NSI-Del, NSI Enterprises and Spinco will not be required to report any issuance, sale, transfer, assignment, or redemption of Stock, Stock Options or Assets with respect to which (y) the Internal Revenue Service ("IRS") has issued a private letter ruling to NSI-Del, NSI Enterprises or Spinco, or (z) a nationally recognized tax advisor acceptable to both NSI-Del and Spinco has issued an opinion, that such issuance, sale, transfer, assignment, or redemption is not required to be taken into account in applying Sections 355(e) or 355(f) of the Code by reason of any statutory provision that may hereafter be enacted, any applicable final or temporary regulations that may hereafter be issued, or any applicable guidance that may hereafter be published by the IRS upon which taxpayers are authorized to rely. The expense of obtaining any opinion under this Section 2.04(d)(iv) from a nationally recognized tax advisor or an IRS private letter ruling will be borne by the party whose issuance, sale, transfer, assignment or redemption is the subject of such opinion or private letter ruling.

(f) Transfer Taxes. Notwithstanding clause (i) of Section 2.03(a), liability for any transfer taxes imposed on any transfer in the Corporate Transactions of real or personal property will be allocated between Spinco and NSI-Del according to Section 7.5 of the Distribution Agreement.

ARTICLE III

Carrybacks, Distributions and Elections

3.01 Carrybacks.

(a) To the extent permitted by law, any member of the Spinco Group shall be entitled to carry back any net operating loss or other item from a taxable period ending after the Date of the Second Distribution to a taxable period ending on or before the Date of the Second Distribution. At the direction of Spinco, NSI-Del shall file any claim for refund relating to such carry back. Any refund of taxes resulting from any such carryback by a member of the Spinco Group shall be payable to Spinco as provided in Section 4.01. Spinco shall indemnify and hold NSI-Del harmless for any tax liability that results from any refund claim relating to a carryback under this Section 3.01(a). Notwithstanding any other provision of this Agreement to the contrary, Spinco shall be considered the Controlling Party for purposes of Article V for any tax audit or proceeding involving any period ending on or before the Date of the Second Distribution to which the net operating loss or other item is carried back and Spinco shall have sole right to contest such audit or proceeding and to employ advisors of its choice under Section 5.01.

(b) To the extent permitted by law, any member of the NSI-Del Group shall be entitled, upon consent from Spinco (which consent shall not be unreasonably delayed or withheld), to carry back any net operating loss or other item from a taxable period ending after

the Date of the Second Distribution to a taxable period ending on or before the Date of the Second Distribution. NSI-Del shall be responsible for filing any claim for refund relating to such carry back, except that NSI-Del shall not file any claim without prior written approval of such claim by Spinco (which approval shall not be unreasonably delayed or withheld). Any refund of taxes resulting from any such carryback by a member of the NSI-Del Group shall be payable to NSI-Del as provided in Section 4.01. NSI-Del shall indemnify and hold Spinco harmless for any tax liability that results from any refund claim relating to a carryback under this Section 3.01(b). Notwithstanding any other provision of this Agreement to the contrary, Spinco shall be considered the Controlling Party for purposes of Article V for any tax audit or proceeding involving any period ending on or before the Date of the Second Distribution to which the net operating loss or other item is carried back and Spinco shall have sole right to contest such audit or proceeding and to employ advisors of its choice under Section 5.01 provided, however, that Spinco shall (i) permit NSI-Del to participate at its own expense in any proceedings relating to any claim for refund pursuant to this Section 3.01(b); (ii) shall, at NSI's request, contest any denial (in whole or in part) of any such claim for refund, provided that NSI-Del shall agree to pay to Spinco on demand all out-of-pocket costs, losses and expenses (including, but not limited to, legal and accounting fees) paid or incurred by Spinco in connection with contesting such claim; (iii) not settle any such claim for refund without NSI-Del's consent (which consent shall not be unreasonably delayed or withheld); provided that if Spinco wishes to settle such claim and NSI-Del does not consent, NSI-Del will pay to Spinco on demand all out-of-pocket costs, losses and expenses (including, but not limited to, legal and accounting fees) paid or incurred by Spinco in connection with contesting such claim, regardless of whether NSI-Del requested such claim to be contested; and (iv) to the extent NSI-Del is not participating, shall keep NSI-Del informed as to all significant developments relating to any such claim for refund or the contest of any denial thereof.

(c) To the extent NSI-Del elects to carry back any net operating loss or other item from a taxable period beginning after the Date of the Second Distribution to a Stub Period (any refund resulting from which carry back to be payable to NSI-Del as provided in Section 4.01), Spinco shall not be liable (notwithstanding clause (i) of Section 2.03(a) to the contrary) for any tax liability resulting from a claim of refund for such carry back.

3.02 Distributions and Elections.

(a) No member of the Spinco Group shall make any tax election, pay or cause to be paid any distribution from an Affiliate or take any other action that would cause an actual increase in the taxes for which the NSI-Del Group is responsible or would cause an actual reduction in the amount of any refund of taxes payable to the NSI-Del Group.

(b) No member of the NSI-Del Group shall make any tax election, pay or cause to be paid any distribution from an Affiliate or take any other action that would cause an actual increase in the taxes for which the Spinco Group is responsible or would cause an actual reduction in the amount of any refund of taxes payable to the Spinco Group.

(c) Neither Spinco nor NSI-Del shall be liable to the other under Section 3.02(a) or Section 3.02(b) for any tax position on a Tax Return that independent tax counsel

selected by Spinco (in the case of a Tax Return position desired to be taken by any member of the Spinco Group) or NSI-Del (in the case of a Tax Return position desired to be taken by any member of the NSI-Del Group), the identity of which is reasonably acceptable to the other party, opines that such position is necessary and required to comply with the Code, the regulations or other applicable law.

(d) To the extent permitted by law, Spinco and NSI-Del will file any Tax Return which such party is responsible to file for the Stub Period or for any Period Before the Second Distribution consistent with the tax principles and methods reflected in the NSI-Del fiscal year ending August 31, 2000 federal income tax return as filed.

ARTICLE IV

Payments

4.01 Payments. Subject to the provisions of Section 2.03 and Section 5.03, and except as otherwise explicitly provided herein, all payments due hereunder to a party shall be paid not later than twenty (20) days after the receipt or crediting of a refund or the receipt of notice of a Final Determination by reason of which a party is liable for an indemnified cost pursuant to this Agreement, together with interest at a rate equal to the Applicable Federal Rate from the date on which the indemnifying party receives such receipt, credit or notice.

4.02 Notice. Spinco and NSI-Del shall give each other prompt written notice of any payment that may be due under this Agreement.

4.03 Reimbursement. Any party hereto that is entitled to indemnification, payment or reimbursement pursuant to the terms of this agreement shall be reimbursed on an After Tax Basis for all reasonable expenses (including, but not limited to, attorney's fees) incurred in connection with the enforcement of its rights hereunder. The preceding sentence shall not be construed to limit a party's entitlement to reimbursements or payments to which it otherwise is entitled pursuant to the terms of this agreement.

ARTICLE V

Tax Audits

5.01 General. Except as provided in Sections 3.01, 5.02 and 6.02 hereof, each of Spinco and NSI-Del shall have sole responsibility for all audits or other proceedings with respect to Tax Returns that it is required to file under Section 2.01 (the "Controlling Party"). Except as provided in Section 5.03 hereof, the Controlling Party shall have the sole right to contest the audit or proceeding and to employ advisors of its choice. In addition, Spinco shall be considered the Controlling Party of any audit or other proceeding with respect to any Tax Return filed before the Date of the Second Distribution.

5.02 Indemnified Claims in General. Spinco and NSI-Del shall promptly notify the other in writing prior to the issuance of an actual notice of assessment by the relevant Taxing Authority (for example, if by the IRS, prior to the issuance of a Form 5701 Notice of Proposed Adjustment) of any proposed adjustment to a Tax Return that may result in liability of the other party (the "Indemnitor") under this Agreement. If there is no Indemnitor other than the Controlling Party, Sections 5.02 and 5.03 are inapplicable and Section 5.01 shall govern the rights of the parties with respect to the audit or proceeding. If the Indemnitor is not also the Controlling Party (as may be the case in the Stub Period), the Controlling Party shall provide the Indemnitor with information about the nature and amounts of the proposed adjustments and shall permit the other party to participate in the proceeding at its own expense, provided, however, that the failure of the Controlling Party to notify or provide such information to the Indemnitor shall not affect the Indemnitor's indemnity obligations hereunder unless and to the extent the Indemnitor is materially prejudiced thereby. Upon a Final Determination of the assessment or proposed adjustment, the Indemnitor shall pay its pro rata share (based on its share of liability resulting from the Final Determination) of all reasonable expenses (including, but not limited to, legal and accounting fees) incurred by the Controlling Party in connection with the assessment or proposed adjustment within seven (7) days after a written request by the Controlling Party.

5.03 Certain Federal Income Tax Claims in the Stub Period. (a) Any issues raised by the IRS in any tax inquiry, audit, examination, investigation, dispute, litigation or other proceeding relating to the Stub Period which would result in federal income tax liability to the Indemnitor is defined as a "Claim". Except as provided in Sections 3.01(b), 5.03(d) and the second sentence of Section 5.02 hereof, and notwithstanding any other provision of this Agreement that may be construed to the contrary, the Controlling Party agrees to contest any Claim and not to settle any Claim without the prior written consent of the Indemnitor, provided that (i) the Controlling Party shall provide notice to Indemnitor pursuant to Section 5.02 hereof of any Claim, (ii) within thirty (30) days after notice by the Controlling Party to the Indemnitor of a Claim is received by the Indemnitor, the Indemnitor shall request in writing that such Claim be contested, (iii) within thirty (30) days after notice by the Controlling Party to the Indemnitor of such Claim is received by the Indemnitor, the Indemnitor shall have provided an opinion of independent tax counsel, selected by the Indemnitor and reasonably acceptable to the Controlling Party, to the effect that it is more likely than not that a Final Determination shall be substantially consistent with the Indemnitor's position relating to such Claim, (iv) the Indemnitor agrees to pay on demand all out-of-pocket costs, losses and expenses (including, but not limited to, legal and accounting fees) paid or incurred by the Controlling Party in connection with contesting such Claim, except for a Claim where the expenses are shared pursuant to Section 2.04(a) hereof, and (v) the Controlling Party, after reasonable consultation with the Indemnitor, shall determine in its sole discretion the nature of all actions to be taken to contest such Claim, including (1) whether any action to contest such Claim shall initially be by way of judicial or administrative proceeding, or both, (2) whether any such Claim shall be contested by resisting payment thereof or by paying the same and seeking a refund thereof, and (3) the court or other judicial body before which judicial action, if any, shall be commenced. To the extent the Indemnitor is not participating, the Controlling Party shall keep the Indemnitor and, upon request by the Indemnitor, its counsel, informed as to the progress of the contest.

(b) If the Indemnitor requests that the Controlling Party accept a settlement of a Claim offered by the IRS and if such Claim may, in the reasonable discretion of the Controlling Party, be settled without prejudicing any claims the IRS may have with respect to matters other than the transactions contemplated by the Distribution Agreement, the Controlling Party shall either accept such settlement offer or agree with the Indemnitor that the Indemnitor's liability with respect to such Claim shall be limited to the lesser of (i) an amount calculated on the basis of such settlement offer or (ii) the amount calculated on the basis of a Final Determination. After a settlement or a Final Determination, the Controlling Party shall reimburse the Indemnitor in an amount equal to the excess, if any, of the amount of expenses paid by the Indemnitor pursuant to clause (iv) of Section 5.03(a) over the Indemnitor's pro rata portion of such expenses based on the Indemnitor's share of the liability with respect to such Claim as determined under the first sentence of this Section 5.03(b).

(c) If the Controlling Party shall elect to pay the Claim and seek a refund, the Indemnitor shall lend sufficient funds on an interest-free basis to the Controlling Party, and with no net after-tax cost to the Controlling Party, to cover any applicable indemnity obligations of the Indemnitor. To the extent such refund claim is ultimately disallowed, the loan or portion thereof equal to the amount of the refund claim so disallowed shall be applied against the Indemnitor's obligation to make indemnity payments pursuant to this Agreement. In addition if the refund is ultimately disallowed, the Controlling Party shall reimburse the Indemnitor for the Controlling Party's pro rata portion of the expenses paid by the Indemnitor under clause (iv) of Section 5.03(a) based on the Controlling Party's share of the tax previously paid. To the extent such refund claim is allowed, the Controlling Party shall pay to the Indemnitor (i) the amounts loaned or advanced to the Controlling Party with respect to the indemnity obligation (not to exceed the Indemnitor's share of any refund), and (ii) the Controlling Party's pro rata portion of the expenses paid by the Indemnitor under clause (iv) of Section 5.03(a) based on the Controlling Party's share of any refund, within ten (10) days of the receipt of such refund (or if the Controlling Party would have received such refund but for the existence of a counterclaim or other claim not indemnified by the Indemnitor under this Agreement, within ten (10) days of the final resolution of the contest), plus an amount equal to any interest received (or that would have been received) from the IRS that is properly attributable to such amount.

(d) Except as provided below, the Controlling Party shall not settle a Claim that Indemnitor is entitled to require the Controlling Party to contest under Section 5.03(a) without the prior written consent of the Indemnitor. At any time, whether before or after commencing to take any action pursuant to this Section 5.03 with respect to any Claim, the Controlling Party may decline to take action with respect to such Claim and may settle such Claim without the prior written consent of the Indemnitor by notifying the Indemnitor in writing that the Indemnitor is released from its obligations to indemnify the Controlling Party with respect to such Claim (which notification shall release the Indemnitor from such obligations except to the extent the Indemnitor has agreed in writing that it would be willing to have its liability calculated on the basis of a settlement offer, as provided in Section 5.03(b), at that point in the contest) and with respect to any Claim the resolution of which is based on the outcome of such Claim. If the Controlling Party settles any Claim without the consent of the Indemnitor or otherwise takes or declines to take any action pursuant to this paragraph, the Controlling Party shall (i) reimburse the Indemnitor for all the expenses paid by the Indemnitor pursuant to clause

(iv) of Section 5.03(a), and (ii) pay to the Indemnitor any other amounts paid or advanced by the Indemnitor with respect to such Claim (other than amounts payable by the Indemnitor in connection with a settlement offer pursuant to Section 5.03(b)), plus interest at a rate equal to the Applicable Federal Rate from the date on which the amounts were advanced.

ARTICLE VI

Cooperation

6.01 General. NSI-Del and Spinco shall cooperate with each other in the filing of any Tax Returns and the conduct of any audit or other proceeding and each shall execute and deliver such powers of attorney and make available such other documents as are reasonably necessary to carry out the intent of this Agreement. Each party agrees to notify the other party in writing of any audit adjustments which do not result in tax liability but can be reasonably expected to affect Tax Returns of the other party, or any of its Subsidiaries, for the Stub Period or a Period After the Second Distribution. Each party agrees to treat the First and Second Distribution for all income tax purposes as not causing the recognition of any gain or loss.

6.02 Cooperation With Respect to Tax Return Filings, Examinations and Tax Related Controversies.

(a) NSI-Del's Obligations. In addition to any obligations imposed pursuant to the Distribution Agreement, NSI-Del and each other member of the NSI-Del Group shall fully cooperate with Spinco and its representatives, in a prompt and timely manner, in connection with (i) the preparation and filing of and (ii) any inquiry, audit, examination, investigation, dispute, or litigation involving, any Tax Return filed or required to be filed by or for any member of the Spinco Group for any taxable period ending on or before the Date of the Second Distribution. Such cooperation shall include, but not be limited to, (x) the execution and delivery to Spinco by the appropriate NSI-Del Group member of any power of attorney required to allow Spinco and its counsel to participate on behalf of NSI-Del or such other NSI-Del Group member in any inquiry, audit or other administrative proceeding and to assume the defense or prosecution, as the case may be, of any suit, action or proceeding for which Spinco is the Controlling Party, (y) making available to Spinco, during normal business hours, and within thirty (30) days of any written request therefor, all books, records and information, and the assistance of all appropriate officers and employees, reasonably necessary or useful in connection with any tax inquiry, audit, examination, investigation, dispute, litigation or any other matter, and (z) use of its commercially reasonable best efforts in defending Spinco's interests in any tax inquiry, audit, examination, investigation, dispute, litigation or any other matter for which NSI-Del is the Controlling Party.

(b) Spinco's Obligations. In addition to any obligations imposed pursuant to the Distribution Agreement, Spinco shall fully cooperate with NSI-Del and its representatives, in a prompt and timely manner, in connection with (i) the preparation and filing of and (ii) any inquiry, audit, examination, investigation, dispute, or litigation involving, any Tax Return filed or required to be filed by or for any member of the NSI-Del Group which includes Spinco or any

other member of the Spinco Group. Such cooperation shall include, but not be limited to, (x) the execution and delivery to NSI-Del by the appropriate Spinco Group member of any power of attorney required to allow NSI-Del and its counsel to participate on behalf of Spinco or such other Spinco Group member in any inquiry, audit or other administrative proceeding and to assume the defense or prosecution, as the case may be, of any suit, action or proceeding for which NSI-Del is the Controlling Party, (y) making available to NSI-Del, during normal business hours, and within thirty (30) days of any written request therefor, all books, records and information, and the assistance of all appropriate officers and employees, reasonably necessary or useful in connection with any tax inquiry, audit, examination, investigation, dispute, litigation or any other matter, and (z) the use of its commercially reasonable best efforts in defending NSI-Del's interests in any tax inquiry, audit, examination, investigation, dispute, litigation or other matter for which Spinco is the Controlling Party.

(c) Remedy for Failure to Comply. If Spinco reasonably determines that NSI-Del is not for any reason fulfilling its obligations under Section 6.02(a) hereof, or if NSI-Del reasonably determines that Spinco is not for any reason fulfilling its obligations under Section 6.02(b) hereof, then NSI-Del or Spinco, as the case may be, shall have the right to appoint an independent nationally-recognized public accounting or law firm to assist the other in meeting its obligations under this Section 6.02. Such entity shall have complete access, during normal business hours to all books, records and information, and the reasonable cooperation of all appropriate officers and employees, of NSI-Del or Spinco, as the case may be. In addition, the non-fulfilling party shall be responsible for any additional tax liability caused by the non-fulfillment of its obligations under Section 6.02(a) or (b). Anything in the preceding provisions of this Section 6.02(c) to the contrary notwithstanding, if the party alleged not to have fulfilled or be fulfilling its obligations under Section 6.02(a) or 6.02(b), as applicable, shall maintain that it fulfilled its obligations under Section 6.02(a) or Section 6.02(b), as applicable, and/or that no additional liability resulted from any non-fulfillment with respect to Section 6.02(a) or Section 6.02(b), as applicable, such matter or matters shall be determined by independent counsel agreed to by both the allegedly non-fulfilling party and the party alleging non-fulfillment (which determination shall be final and binding). If such independent counsel determine that the allegedly non-fulfilling party in fact fulfilled its obligations under Section 6.02(a) or Section 6.02(b), as applicable: (i) the fees and expenses of the accounting or law firm appointed pursuant to the first sentence of this Section 6.02(c) as well as the fees and expenses of the independent counsel making such determination shall be paid by the party alleging non-fulfillment, and (ii) liability for taxes alleged to have resulted from such non-fulfillment shall be borne by Spinco or NSI-Del without regard to this Section 6.02(c). If such independent tax counsel shall determine that the alleged non-fulfilling party did not fulfill its obligations under Section 6.02(a) or 6.02(b), as applicable: (i) the fees and expenses referred to in clause (i) of the preceding sentence shall be borne by the party determined not to have fulfilled such obligations, and (ii) the additional tax liability alleged to have been caused by such non-fulfillment shall be borne by the non-fulfilling party, unless and to the extent that such independent counsel determines that such taxes were not caused by such non-fulfillment, in which case and to which extent liability for taxes alleged to have resulted from such non-fulfillment shall be borne by Spinco or NSI-Del without regard to this Section 6.02(c).

ARTICLE VII

Retention of Records; Access

The NSI-Del Group and the Spinco Group shall (a) in accordance with their then current record retention policy, retain records, documents, accounting data and other information (including computer data) necessary for the preparation and filing of all Tax Returns in respect of taxes of the NSI-Del Group or the Spinco Group for any Period Before the Second Distribution or any Stub Period for the audit of such Tax Returns; and (b) give to the other reasonable access to such records, documents, accounting data and other information (including computer data) and to its personnel (insuring their cooperation) and premises, for the purpose of the review or audit of such Tax Returns to the extent relevant to an obligation or liability of a party under this Agreement. At any time after the Date of the Second Distribution that either the NSI-Del Group or the Spinco proposes to destroy such material or information, it shall first notify the other Group in writing, and the other Group shall be entitled to receive such materials or information proposed to be destroyed.

ARTICLE VIII

Disputes

If NSI-Del and Spinco cannot agree on the calculation of any liabilities under this Agreement, such calculation shall be made by any independent public accounting firm acceptable to both NSI-Del and Spinco. The decision of such firm shall be final and binding. The fees and expenses incurred in connection with such calculation shall be allocated between and borne by the parties based upon the independent public accounting firm's determination with respect to the disputed calculation. Any accounting firm engaged pursuant to this Article VIII shall be empowered to make determinations with respect to matters of calculation only and not with regard to the proper interpretation of this Agreement.

ARTICLE IX

Termination of Liabilities

Notwithstanding any other provision in this Agreement, any liabilities determined under this Agreement shall not terminate any earlier than the expiration of the applicable statute of limitation for such liability. All other covenants under this Agreement shall survive indefinitely.

ARTICLE X

Miscellaneous Provisions

10.01 Complete Agreement; Construction. This Agreement, together with the Ancillary Agreements, shall constitute the entire agreement between the parties with respect to the subject matter hereof and shall supersede all previous negotiations, commitments and writings with respect to such subject matter.

10.02 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other parties.

10.03 Survival of Agreements. Except as otherwise contemplated by this Agreement, all covenants and agreements of the parties contained in this Agreement shall survive the Date of the Second Distribution.

10.04 Notices. All notices and other communications hereunder shall be in writing, shall reference this Agreement and shall be hand delivered or mailed by registered or certified mail (return receipt requested) or sent by any means of electronic message transmission with delivery confirmed (by voice or otherwise) to the parties at the following addresses (or at such other addresses for a party as shall be specified by like notice) and will be deemed given on the date on which such notice is received:

To Parent:

National Service Industries, Inc.

Attention: Richard A. Walker
Telephone: -----
Facsimile: -----

With a copy to:

McGuireWoods LLP
One James Center
901 East Cary Street
Richmond, Virginia 23219-4030
Attention: Leslie A. Grandis
Telephone: (804) 775.4322
Facsimile: (804) 698.2069

To SpinCo:

L & C Spinco, Inc.

Attention: -----
Telephone: -----
Facsimile: -----

With a copy to:

Attention: -----
Telephone: -----
Facsimile: -----

10.05 Waivers. The failure of any party to require strict performance by any other party of any provision in this Agreement shall not waive or diminish that party's right to demand strict performance thereafter of that or any other provision hereof.

10.06 Amendments. This Agreement may not be modified or amended except by an agreement in writing signed by each of the parties hereto.

10.07 Successors and Assigns. The provisions to this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

10.08 Subsidiaries. Each of the parties hereto shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any Subsidiary of such party or by any entity that is contemplated to be a Subsidiary of such party on and after the Distribution Date.

10.09 Third-Party Beneficiaries. This Agreement is solely for the benefit of the parties hereto and their respective Subsidiaries and Affiliates and should not be deemed to confer upon third parties any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

10.10 Title and Headings. Titles and headings to Sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

10.11 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN THE STATE OF DELAWARE.

10.12 Dispute Resolution. Any dispute arising out of or relating to the performance, breach or interpretation of this Agreement shall be handled in accordance with Article VIII of this Agreement (solely with respect to matters of computation) and Article V of the Distribution Agreement.

10.13 Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic or operational effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

L & C SPINCO, INC.

By _____
Name:
Title:

Witness: _____
Name:

NATIONAL SERVICE INDUSTRIES,
INC., a Delaware corporation

By _____
Name:
Title:

Witness: _____
Name:

NSI ENTERPRISES, INC.

By _____
Name:
Title:

Witness: _____
Name:

FIRST SUPPLEMENTAL INDENTURE
DATED AS OF _____, 2001
TO
INDENTURE
DATED AS OF JANUARY 26, 1999

BETWEEN
NATIONAL SERVICE INDUSTRIES, INC.
AND
SUNTRUST BANK, FORMERLY KNOWN AS
SUNTRUST BANK, ATLANTA, AS TRUSTEE

SENIOR DEBT SECURITIES

FIRST SUPPLEMENTAL INDENTURE, dated as of _____, 2001 (this "First Supplemental Indenture"), between NATIONAL SERVICE INDUSTRIES, INC., a Delaware corporation ("NSI"), L & C SPINCO, INC., a Delaware corporation (the "Company"), L & C LIGHTING GROUP, Inc., a Delaware corporation and a wholly owned subsidiary of the Company ("Lightco"), and SUNTRUST BANK, formerly known as SUNTRUST BANK, ATLANTA, a Georgia banking corporation, as trustee (the "Trustee").

WITNESSETH:

WHEREAS, NSI and the Trustee entered into an Indenture, dated as of January 26, 1999 (the "Indenture"), pursuant to which NSI issued its 8.375% Notes due August 1, 2010, and its 6% Notes due 2009 (the "Notes");

WHEREAS, NSI and its subsidiaries have transferred to the Company all of the assets comprising NSI's lighting equipment and chemicals businesses in connection with the transactions contemplated by that certain Agreement and Plan of Distribution between NSI and the Company (the "Distribution Agreement"), pursuant to which all the outstanding shares of common stock of the Company will be distributed to NSI's stockholders (the "Spin-Off");

WHEREAS, pursuant to Section 801 of the Indenture, NSI may convey, transfer or lease its properties and assets substantially as an entirety to any other corporation, partnership or trust organized and existing under the laws of the United States of America, any state thereof or the District of Columbia; provided that such Person shall expressly assume, by a supplemental indenture executed and delivered to the Trustee and in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest (including any Additional Amounts, if any) on all the Securities and the performance of every covenant of the Indenture on the part of NSI to be performed or observed;

WHEREAS, the Company will assume all the rights and obligations of, and succeed to and be substituted for, NSI under the Indenture and the Securities;

WHEREAS, in addition, Lightco, jointly and severally with the Company, will assume the due and punctual payment of the principal of and interest on the Securities;

WHEREAS, to evidence the assumption of the obligations under the Indenture and the Securities by the Company and the release of NSI from its liabilities and obligations under or with respect to the Notes and the Indenture in accordance with Sections 801 and 802 of the Indenture, the Company has agreed to execute and deliver this First Supplemental Indenture;

WHEREAS, NSI has delivered, or caused to be delivered, to the Trustee, an Officers' Certificate and an Opinion of Counsel meeting the requirements of Section 801(c) of the Indenture;

NOW, THEREFORE, in consideration of the above premises, the Company, Lightco and the Trustee agree, for the benefit of the other, NSI and for the equal and ratable benefit of the Holders of the Notes, as follows:

ARTICLE I

ASSUMPTION OF OBLIGATIONS

Section 101. Assumption of Obligations under Indenture. The Company hereby fully and unconditionally assumes the due and punctual payment of the principal of (and premium, if any) and interest (including any Additional Amounts, if any) on all the Securities and the performance of every covenant of the Indenture on the part of NSI to be performed or observed.

Section 102. Assumption of Notes. Lightco, jointly and severally with the Company, hereby fully and unconditionally assumes the due and punctual payment of the principal of and interest on the Securities.

ARTICLE II

RELEASE OF OBLIGATIONS

Section 201. Release of NSI from Obligations. The Trustee, on behalf of the Holders of the Securities, hereby relieves NSI from all covenants and obligations under the Notes, the Securities, and the Indenture, effective upon the "Effective Time" (as defined in the Distribution Agreement).

ARTICLE III

MISCELLANEOUS PROVISIONS

Section 301. Terms Defined. For all purposes of this First Supplemental Indenture, capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Indenture.

Section 302. Effect of Supplemental Indenture. Upon the execution and delivery of this First Supplemental Indenture by NSI, the Company, Lightco and the Trustee, the Indenture shall be supplemented in accordance herewith, and this First Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Securities heretofore or hereafter authenticated and delivered under the Indenture shall be bound thereby. In accordance with Section 802 of the Indenture, upon the execution and delivery of this First Supplemental Indenture by NSI, the Company, Lightco and the Trustee, the Company shall succeed to and be substituted for NSI with the same effect as if it had been named therein as the party of the first part and NSI shall be released and relieved as heretofore agreed.

Section 303. Indenture and Supplemental Indenture Construed Together. This First Supplemental Indenture is an indenture supplemental to and in implementation of the Indenture, and the Indenture and this First Supplemental Indenture shall henceforth be read and construed together.

Section 304. Confirmation of Indenture. Except as amended by this First Supplemental Indenture, the Indenture and the Notes are in all respects ratified and confirmed, and all the terms thereof shall remain in full force and effect. The Trustee has no responsibility for correctness of the recitals of facts herein contained, which shall be taken as the statements of NSI and the Company, and makes no representations as to the validity or sufficiency of this First Supplemental Indenture and shall incur no liability or responsibility in respect of the validity thereof.

Section 305. Conflict with Trust Indenture Act. If any provision of this First Supplemental Indenture limits, qualifies or conflicts with any provision of the Trust Indenture Act (the "Act") that is required under the Act to be part of and govern any provision of this First Supplemental Indenture, the provision of the Act shall control. If any provision of this Supplemental Indenture modifies or excludes any provision of the Act that may be so modified or excluded, the provision of the Act shall be deemed to apply to the Indenture as so modified or to be excluded by this First Supplemental Indenture, as the case may be.

Section 306. Severability. In case any provision in this First Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 307. Headings. The Article and Section headings of this First Supplemental Indenture have been inserted for convenience of reference only, are not to be considered part of this First Supplemental Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

Section 308. Benefits of Supplemental Indenture. Nothing in this First Supplemental Indenture or the Securities, express or implied, shall give to any Person, other than the parties hereto and thereto and their successors hereunder, any Authenticating Agent, Paying Agent and Security Registrar, and the Holders, any benefit of any legal or equitable right, remedy or claim under the Indenture, this First Supplemental Indenture or the Securities.

Section 309. Certain Duties and Responsible of the Trustee. In entering into this First Supplemental Indenture, the Trustee shall be entitled to the benefit of every provision of the Indenture relating to the

conduct of, affecting the liability of or affording protection to the Trustee, whether or not elsewhere herein so provided.

Section 310. Governing Law. THIS SUPPLEMENTAL INDENTURE, THE INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 311. Successors. All agreements of the Company in this First Supplemental Indenture shall bind its respective successors. All agreements of the Trustee in this First Supplemental Indenture shall bind the Holders of all Securities and all successors of the Trustee or such Holders.

Section 312. Multiple Counterparts. The parties may sign multiple counterparts of this First Supplemental Indenture. Each signed counterpart shall be deemed an original, but all of them together represent the same agreement.

Section 313. Endorsement and Change of Form of Notes. Any Notes authenticated and delivered after the date of this First Supplemental Indenture in exchange or substitution for Notes then outstanding and all Notes presented or delivered to the Trustee on and after that date for such purpose shall (unless textually revised as hereinafter provided) be stamped or typewritten by the Trustee with a notation as follows:

"L&C Spinco, Inc. a Delaware corporation (the "Company"), has assumed the obligations of National Service Industries, Inc. ("NSI") as successor to NSI in connection with the transfer of the properties and assets of NSI substantially as an entirety. The Company has expressly assumed the due and punctual payment of the principal of and interest on all the Notes and the due and punctual performance and observance of all the covenants and obligations in the Indenture to be performed by NSI, and NSI will be relieved from all covenants and obligations under the Notes, the Securities and the Indenture in accordance with the First Supplemental Indenture referred to below. The Indenture dated as of January 26, 1999 referred to in this Note has been amended by a First Supplemental Indenture dated as of , 2001 to provide for such assumptions of obligations by the Company and the release of NSI from such obligations. Reference is hereby made to said First Supplemental Indenture, copies of which are on file with SunTrust Bank, as Trustee, for a description of the amendments therein made."

Any Notes hereafter authenticated and delivered in exchange or substitution for Notes then outstanding shall, if the Company so elects, be textually revised in a form approved by the Trustee to make reference to the First Supplemental Indenture and to reflect the amendment of the Indenture hereby instead of being stamped or typewritten as hereinabove provided.

Section 314. Effectiveness of First Supplemental Indenture. This First Supplemental Indenture shall be effective upon the execution and delivery by NSI, the Company, Lightco and the Trustee.

Section 315. Indemnification of Trustee. The Company and Lightco (collectively, the "Companies" and individually, a "Company"), each agree, jointly and severally, to indemnify, defend and hold harmless the Trustee and its officers, directors, employees, agents, counsel, and their respective successors, assigns, heirs, personal representatives and administrators (collectively, the "Indemnified Parties") from and against, for and in respect of, any and all Losses (as hereinafter defined), including, but not limited to, those which might arise as a result of Litigation (as hereinafter defined) or Third-Party Claims (as hereinafter defined), assessed against, or paid, suffered or incurred by, any Indemnified Party which directly or indirectly result from or are based upon, or arise out of: (i) the execution, delivery and performance of this Agreement; (ii) the Transfer, the Spin-Off, the solicitation of directions from the Holders and all other transactions described herein or in the Distribution Agreement in connection therewith (collectively, the "Transactions"); (iii) the inaccuracy, untruth, or breach of any representation, warranty, statement or opinion made by either of the Companies or their respective officers, agents or counsel pursuant to this Agreement or the Indenture, or contained in any certificate, opinion or other document or paper furnished to the Trustee by either of the Companies or their respective officers, agents or counsel in connection herewith or the Indenture; (iv) any breach or failure to perform any covenant or agreement set forth in the Indenture by NSI in connection with the Transactions; or

(v) any action or failure to act on the part of the Trustee or any other Indemnified Party in connection with this Agreement or the Indenture with respect to the Transactions. Notwithstanding anything else herein contained, the foregoing indemnity shall not be applicable to any Losses suffered or incurred by any Indemnified Party as result of such Indemnified Party's negligence or bad faith.

For purposes of this Section, the terms "Litigation," "Losses," "Third-Party Claim" and "Indemnification Claim" shall have the following meanings:

"Litigation" shall mean any demand, action, suit, cause of action, claim, complaint, prosecution, formal, informal, or threatened examination, investigation, hearing or other proceeding (whether civil, criminal or administrative or involving any arbitration) relating to or affecting an Indemnified Party.

"Losses" shall mean any and all assessments, losses, diminution in value, damages, (including direct, indirect, special and consequential damages and sums paid in settlement of claims), liabilities, judgments, costs and expenses (including, without limitation, interest, penalties, fines, reasonable costs of investigation defense, and the reasonable fees and expenses of attorneys and other advisors).

"Third-Party Claim" shall mean any Litigation (including, without limitation, a binding arbitration or an audit by any governmental or administrative authority) that is instituted or threatened against an Indemnified Party and which, if prosecuted successfully, could result in an Indemnification Claim.

"Indemnification Claim" shall mean any claim for indemnification provided under this Section 315.

Section 316. Trustee's Fees and Expenses. Without duplication with respect to any obligation of the Companies under Section 315 hereof, the Companies jointly and severally agree to pay the Trustee upon the execution and delivery of this Agreement and thereafter upon receipt of a written request therefor, fees and expenses of the Trustee incurred in connection with this Agreement and the Transactions, including, without limitation, all attorney's fees and expenses in connection with (i) the review, negotiation and preparation of this Agreement and any and all documents, opinions, certificates and other papers prepared in connection herewith and with the Transactions, (ii) the administration or enforcement of the Indenture or this Agreement in connection with the Transactions, and (iii) any administrative, judicial, arbitration or other proceedings, or any investigations with respect thereto or in any way related to this Agreement or the Indenture with respect to any of the Transactions.

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SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed as of the date first written above.

NATIONAL SERVICE INDUSTRIES, INC.

By: _____
Name: _____
Title: _____

L & C SPINCO, INC.

By: _____
Name: _____
Title: _____

L & C LIGHTING GROUP, INC.

By: _____
Name: _____
Title: _____

SUNTRUST BANK, as Trustee

By: _____
Name: _____
Title: _____

=====

INDENTURE

Between

NATIONAL SERVICE INDUSTRIES, INC.

and

SUNTRUST BANK, ATLANTA

Dated as of January 26, 1999

SENIOR DEBT SECURITIES

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INDENTURE, dated as of January 26, 1999, between NATIONAL SERVICE INDUSTRIES, INC., a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company"), having its principal office at 1420 Peachtree Street, N.E., Atlanta, GA 30309, and SUNTRUST BANK, ATLANTA, a Georgia banking corporation as Trustee, the office of the Trustee at which at the date hereof its corporate trust business is principally administered being Building 10, Suite 810, 3495 Piedmont Road, Atlanta, Georgia 30303-1727.

RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured debentures, notes or other evidences of indebtedness (herein called the "Securities"), to be issued in one or more series as in this Indenture provided.

This Indenture is subject to the provisions of the Trust Indenture Act and the rules and regulations of the Commission promulgated thereunder that are required to be part of this Indenture and, to the extent applicable, shall be governed by such provisions.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, for and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of series thereof, as follows:

ARTICLE I

Definitions and Other Provisions of General Application

SECTION 101. Definitions. For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States at the date of this instrument; and

(c) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms, used principally in Article VI, are defined in Section 102.

"Act", when used with respect to any Holder, has the meaning specified in Section 105.

"Additional Amounts" means any additional amounts that are required by a Security or by or pursuant to a Board Resolution, under circumstances specified therein or pursuant thereto, to be paid by the Company with respect to certain taxes, assessments or other governmental charges imposed on certain Holders and that are owing to such Holders.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. The Trustee may request and may conclusively rely upon an Officers' Certificate to determine whether any Person is an Affiliate of any specified Person.

"Attributable Indebtedness", when used with respect to any Sale/Leaseback Transaction, means, as at the time of determination, the present value (discounted at a rate equivalent to the Company's then current weighted average cost of funds for borrowed money as at the time of determination, compounded on a semiannual basis) of the total obligations of

the lessee for rental payments (other than amounts required to be paid on account of maintenance and repairs, reconstruction insurance, taxes, assessments, water rates and similar charges and contingent rates (such as those based on sales)) during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"Authenticating Agent" means any Person, which may include the Company, authorized by the Trustee to act on behalf of the Trustee pursuant to Section 614 to authenticate Securities of one or more series.

"Authorized Newspaper" means a newspaper, in the English language or in an official language of the country of publication, customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays, and of general circulation in the place in connection with which the term is used or in the financial community of such place. Where successive publications are required to be made in Authorized Newspapers, the successive publications may be made in the same or in different newspapers in the same city meeting the foregoing requirements and in each case on any Business Day.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors or a committee thereof and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Book-Entry Security" has the meaning specified in Section 204.

"Business Day", when used with respect to any Place of Payment, means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in that Place of Payment are authorized or obligated by law or executive order to close.

"Capital Stock" of any Person means and includes any and all shares, rights to purchase, warrants or options (whether or not currently exercisable), participation or other equivalents of or interests in (however designated) the equity (which includes, but is not limited to, common stock, preferred stock and partnership and joint venture interests)

of such Person (excluding any debt securities that are convertible into, or exchangeable for, such equity).

"Capitalized Lease obligation" of any Person means any obligation of such Person to pay rent or other amounts under a lease of property, real or personal, that is required to be capitalized for financial reporting purposes in accordance with generally accepted accounting principles; and the amount of such obligation shall be the capitalized amount thereof determined in accordance with generally accepted accounting principles.

"Closing Price" of the Common Stock or other Marketable Security, as the case may be, shall mean the last reported sale price of such stock or other Marketable Security (regular way) as shown on the Composite Tape of the NYSE (or, if such stock or other Marketable Security is not listed or admitted to trading on the NYSE, on the principal national securities exchange on which such stock or other Marketable Security is listed or admitted to trading), or, in case no such sale takes place on such day, the average of the closing bid and asked prices on the NYSE (or, if such stock or other Marketable Security is not listed or admitted to trading on the NYSE, on the principal national securities exchange on which such stock or other Marketable Security is listed or admitted to trading), or, if it is not listed or admitted to trading on any national securities exchange, the average of the closing bid and asked prices as reported by the National Association of Securities Dealers Automated Quotation System (NASDAQ), or if such stock or other Marketable Security is not so reported, the average of the closing bid and asked prices as furnished by any member of the National Association of Securities Dealers, Inc., selected from time to time by the Company for that purpose.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, as amended, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Depositary" has the meaning specified in Section 305.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" and "Company Order" mean, respectively, a written request or order signed in the name of the Company by its Chairman of the Board, its President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Controller, an Assistant Controller, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Consolidated Tangible Assets" of the Company means the aggregate amount of assets (less applicable reserves therefrom (i) all current liabilities, and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like tangibles, all as set forth on the most recent quarterly balance sheet of the Company and its consolidated subsidiaries and computed in accordance with generally accepted accounting principles.

"Conversion Agent" means any Person authorized by the Company to receive Securities to be converted into Common Stock or other Marketable Securities on behalf of the Company. The Company initially authorizes the Trustee to act as Conversion Agent for the Securities on its behalf. The Company may at any time and from time to time authorize one or more Persons to act as Conversion Agent in addition to or in place of the Trustee with respect to any series of Securities issued under this Indenture.

"Conversion Event" has the meaning specified in Section 501.

"Conversion Price" means, with respect to any series of Securities which are convertible into Common Stock or other Marketable Securities, the price per share of Common Stock or the price per designated unit of other Marketable Security at which the Securities of such series are so convertible as set forth in the Board Resolution with respect to such series (or in any supplemental indenture entered into pursuant to Section 901(j) with respect to such series), as the same may be adjusted from time to time in accordance with Section 1403 (or such supplemental indenture).

"Converting Holder" shall have the meaning specified in Section 1402(c) of this Indenture.

"Corporate Trust Office" means the principal office of the Trustee first above written at which at any particular time its corporate trust business shall be principally administered, which office at the date hereof is that indicated in the introductory paragraph of this Indenture.

"Current Market Price" on any date shall mean the average of the daily Closing Prices per share of Common Stock

or of such other Marketable Securities for any thirty (30) consecutive Trading Days selected by the Company prior to the day in question, which thirty (30) consecutive Trading Day period shall not commence more than forty-five (45) Trading Days prior to the day in question; provided that with respect to Section 1403(3), the "Current Market Price" of the Common Stock or of such other Marketable Securities shall mean the average of the daily Closing Prices per share of Common Stock or of such other Marketable Securities for the five (5) consecutive Trading Days ending on the date of the distribution referred to in Section 1403(3) (or if such date shall not be a Trading Day, on the Trading Day immediately preceding such date).

"Defaulted Interest" has the meaning specified in Section 307.

"Depository" means, with respect to the Securities of any series issuable or issued in the form of a global Security, the Person designated as Depository by the Company pursuant to Section 301 until a successor Depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Depository" shall mean or include each Person who is then a Depository hereunder, and if at any time there is more than one such Person, "Depository" as used with respect to the Securities of any series shall mean the Depository with respect to the Securities of that series.

"Dollar" or "\$" means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

"Event of Default" has the meaning specified in Section 501.

"Exchange Rate" has the meaning specified in Section 501.

"Funded indebtedness" means all Indebtedness (including Indebtedness incurred under any revolving credit, letter of credit or working capital facility) that matures by its terms, or that is renewable at the option of any obligor thereon to a date, more than one year after the date on which such Indebtedness is originally incurred.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any interest rate swap agreement, foreign currency exchange agreement, interest rate collar agreement, option or future contract or other similar

agreement or arrangement relating to interest rates or foreign exchange rates.

"Holder", when used with respect to any Security, means the Person in whose name the Security is registered in the Security Register.

"Indebtedness" of any Person at any date means, without duplication, (a) all indebtedness of such Person for borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof), (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person in respect of letters of credit or other similar instruments (or reimbursement obligations with respect thereto), other than standby letters of credit incurred by such Person in the ordinary course of business, (d) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except trade payables and accrued expenses incurred in the ordinary course of business, (e) all Capitalized Lease Obligations of such Person, (f) all Indebtedness of others secured by a lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person, (g) all Indebtedness of others guaranteed by such Person to the extent of such guarantee and (h) all Hedging Obligations of such Person.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of particular series of Securities established as contemplated by Section 301 and the provisions of the Trust Indenture Act that are deemed to be a part of and govern this instrument.

"Interest", when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

"Interest Payment Date", when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"Issue Date" means the date on which any series of the Securities is first issued under this Indenture.

"Judgment Currency" has the meaning specified in Section 506.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law. For the purposes of this Indenture, the Company or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capitalized Lease Obligation (other than any Capitalized Lease Obligation relating to any building, structure, equipment or other property used or to be used in the ordinary course of business of the Company and the Restricted Subsidiaries) or other title retention agreement relating to such asset.

"Marketable Security" means any common stock, debt security or other security of a Person which is (or will, upon distribution thereof, be) listed on the NYSE, the American Stock Exchange or any national securities exchange registered under Section 6 of the Securities Exchange Act of 1934, as amended, or approved for quotation in the National Market System of the National Association of Securities Dealers, Inc. Automated Quotations System or any similar system of automated dissemination of quotation of securities prices in the United States or for which there is a recognized market maker or trading market.

"Maturity", when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption, notice of option to elect repayment or otherwise.

"NYSE" shall mean the New York Stock Exchange, Inc.

"Net Proceeds" means, with respect to any Sale/Leaseback Transaction entered into by the Company or any Subsidiary, the aggregate net proceeds received by the Company or such Subsidiary from such Sale/Leaseback Transaction after payment of expenses, taxes, commissions and similar amounts incurred in connection therewith, whether such proceeds are in cash or in property (valued at the fair market value thereof at the time of receipt, as determined by the Board of Directors).

"Officer" means the Chairman, the President, the Treasurer, any Assistant Treasurer, Controller, any Assistant Controller, Secretary, any Assistant Secretary or any Vice President of a Person.

"Officers' Certificate" means a certificate signed by the Chairman, the President or a Vice President, and by the Treasurer, the Controller, the Secretary or an Assistant Treasurer, Assistant Controller or Assistant Secretary, of the Company, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for or an employee of the Company, rendered, if applicable, in accordance with Section 314(d) of the Trust Indenture Act.

"Ordinary Course Lien" means:

(a) Liens for taxes, assessments or governmental charges or levies on the property of the Company or any Restricted Subsidiary if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith by appropriate proceedings and for which adequate reserves, if any, in accordance with generally accepted accounting principles shall have been set aside on the books of the Company.

(b) Liens imposed by law, such as carriers', warehousemen's, landlords' and mechanics' liens and other similar liens arising in the ordinary course of business which secure obligations not more than 60 days past due or which are being contested in good faith by appropriate proceedings and for which adequate reserves, if any, in accordance with generally accepted accounting principles shall have been set aside on the books of the Company;

(c) 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;

(d) utility easements, building restrictions 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 ordinary course of business of the Company and the Restricted Subsidiaries;

(e) Liens arising under operating agreements or similar agreements in respect of obligations which are not yet due or which are being contested in good faith by appropriate proceedings;

(f) Liens on personal property (excluding the Capital Stock of any Restricted Subsidiary) securing

Indebtedness of the Company or any Restricted Subsidiary other than Funded Indebtedness; and

(g) Liens which secure a judgment or other court-ordered award or settlement as to which the Company has not exhausted its appellate rights.

"Original Issue Discount Security" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(a) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities; provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and

(c) Securities which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, or whether a quorum is present at a meeting of Holders of Securities, (i) the principal amount of an Original Issue Discount Security that shall be deemed to be Outstanding for such purposes shall be the principal amount thereof that would be due and payable as of the date of such determination upon acceleration of the Maturity thereof pursuant to Section 502, (ii) the principal amount of a Security denominated in a foreign currency or

currency unit shall be the U.S. dollar equivalent, determined by the Company on the date of original issuance of such Security, of the principal amount (or, in the case of an Original Issue Discount Security, the U.S. dollar equivalent, determined on the date of original issuance of such Security, of the amount determined as provided in (i) above), of such Security and (iii) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver or upon any such determination as to the presence of a quorum, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor.

"Pari Passu Indebtedness" means any Indebtedness of the Company, whether outstanding on the Issue Date or thereafter created, incurred or assumed, unless, in the case of any particular Indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Indebtedness shall be subordinated in right of payment to the Securities.

"Paying Agent" means any Person, which may include the Company, authorized by the Company to pay the principal of (and premium, if any) or interest on any one or more series of Securities on behalf of the Company.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof or other entity of any kind.

"Place of Payment", when used with respect to the Securities of any series, means the place or places where the principal of (and premium, if any) and interest on the Securities of that series are payable as set forth or specified in accordance with Section 301 subject to the provisions of Section 1002.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security

authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Principal Property" means any manufacturing plant or facility located within the United States of America (other than its territories or possessions) owned by the Company or any Restricted Subsidiary which in the opinion of the Board of Directors, is of material importance to the total business conducted by the Company and its Restricted Subsidiaries as a whole.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Redemption Rescission Event" shall mean the occurrence of (a) any general suspension of trading in, or limitation on prices for, securities on the principal national securities exchange on which shares of Common Stock or Marketable Securities are registered and listed for trading (or, if shares of Common Stock or Marketable Securities are not registered and listed for trading on any such exchange, in the over-the-counter market) for more than six-and-one-half (6-1/2) consecutive trading hours, (b) any decline in either the Dow Jones Industrial Average or the Standard & Poor's Index of 400 Industrial Companies (or any successor index published by Dow Jones & Company, Inc. or Standard & Poor's Corporation) by either (i) an amount in excess of 10%, measured from the close of business on any Trading Day to the close of business on the next succeeding Trading Day during the period commencing on the Trading Day preceding the day notice of any redemption of Securities is given (or, if such notice is given after the close of business on a Trading Day, commencing on such Trading Day) and ending at the time and date fixed for redemption in such notice or (ii) an amount in excess of 15% (or if the time and date fixed for redemption is more than 15 days following the date on which such notice of redemption is given, 20%), measured from the close of business on the Trading Day preceding the day notice of such redemption is given (or, if such notice is given after the close of business on the Trading Day, from such Trading Day) to the close of business on any Trading Day at or prior to the time and date fixed for redemption, (c) a declaration of a banking moratorium or any suspension of payments in respect of banks by Federal or state authorities in the United States or

(d) the commencement of a war or armed hostilities or other national or international calamity directly or indirectly involving the United States which in the reasonable judgment of the Company could have a material adverse effect on the market for the Common Stock or Marketable Securities.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Securities of any series means the date specified for that purpose as contemplated by Section 301, or, if not so specified, the last day of the calendar month preceding such Interest Payment Date if such Interest Payment Date is the fifteenth day of the calendar month or the fifteenth day of the calendar month preceding such Interest Payment Date if such Interest Payment Date is the first date of a calendar month, whether or not such day shall be a Business Day.

"Required Currency" has the meaning specified in Section 506.

"Responsible Officer", when used with respect to the Trustee, means the Chairman or any Vice Chairman of the Board of Directors, the Chairman or any Vice Chairman of the Executive Committee of the Board of Directors, the Chairman of the Trust Committee, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, the Controller or any Assistant Controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Subsidiary" means any Subsidiary of the Company (a) substantially all the property of which is located, or substantially all the business of which is carried on, within the United States of America (not including its territories and possessions) and (b) that owns a Principal Property; provided, however, that the term "Restricted Subsidiary" shall not include any Subsidiary that is principally engaged in financing the operations of the Company, or its Subsidiaries, or both, outside the United States of America.

"Sale/Leaseback Transaction" has the meaning specified in Section 1006.

"Securities" has the meaning stated in the first recital of this Indenture and more particularly means any

Securities authenticated and delivered under this Indenture.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 305.

"Special Record Date" for the payment of any Defaulted Interest on the Securities of any series means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity", when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified in such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

"Subsidiary" means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. For the purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"Trading Day" shall mean, with respect to the Common Stock or a Marketable Security, so long as the Common Stock or such Marketable Security, as the case may be, is listed or admitted to trading on the NYSE, a day on which the NYSE is open for the transaction of business, or, if the Common Stock or such Marketable Security, as the case may be, is not listed or admitted to trading on the NYSE a day on which the principal national securities exchange on which the Common Stock or such Marketable Security, as the case may be, is listed is open for the transaction of business, or, if the Common Stock or such Marketable Security, as the case may be, is not so listed or admitted for trading on any national securities exchange, a day on which NASDAQ is open for the transaction of business.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"Trust indenture Act" or "TIA" mean the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed, except as provided in Section 905.

"United States" means the United States of America (including the States and the District of Columbia) and its "possessions", which include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

"United States Alien" means any Person who, for United States Federal income tax purposes, is a foreign corporation, a nonresident alien individual, a nonresident alien or foreign fiduciary of an estate or trust, or a foreign partnership.

"U.S. Government Obligations" has the meaning specified in Section 401.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

"Wholly-Owned Subsidiary" means a corporation all the outstanding voting stock (other than any directors' qualifying shares) of which is owned, directly or indirectly, by the Company or by one or more other Wholly Owned Subsidiaries, or by the Company and one or more other Wholly Owned Subsidiaries. For the purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"Yield to Maturity", when used with respect to any Original Issue Discount Security, means the yield to maturity, if any, set forth on the face thereof.

SECTION 102. Incorporation by Reference of Trust Indenture Act. Whenever this Indenture refers to a provision of the Trust Indenture Act, the provision is incorporated by reference in and made a part of this Indenture. The following Trust Indenture Act terms used in this Indenture have the following meanings:

"Bankruptcy Act" means the Bankruptcy Act or Title 11 of the United States Code.

"Indenture Securities" means the Securities.

"Indenture Security Holder" means a Holder.

"Indenture To Be Qualified" means this Indenture.

"Indenture Trustee" or "Institutional Trustee" means the Trustee.

"Obligor" on the Indenture Securities means the Company or any other obligor on the Securities.

All the other Trust Indenture Act terms used in this Indenture that are defined by the Trust Indenture Act, defined by Trust Indenture Act reference to another statute or defined by Commission rule under the Trust Indenture Act and not otherwise defined herein have the meanings assigned to them therein.

SECTION 103. Compliance Certificates and Opinions.

Except as otherwise expressly provided by this Indenture, upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee (1) an Officers' Certificate stating that all conditions precedent, if any (including any covenants the compliance with which constitutes a condition precedent), provided for in this Indenture relating to the proposed action have been complied with; and (2) an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any (including any covenants the compliance with which constitutes a condition precedent), have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that each Person signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such Person, such Person has made such examination or

investigation as is necessary to enable such Person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such Person, such condition or covenant has been complied with.

SECTION 104. Form of Documents Delivered to Trustee.

(a) In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

(b) Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous. Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 105. Acts of Holders; Record Dates.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the

Holder signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent, or the holding by any Person of a Security, shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

The record of any meeting of Holders of Securities shall be proved in the manner provided in Section 1306.

The Company may set in advance a record date for purposes of determining the identity of Holders of Securities entitled to vote or consent to any action by vote or consent authorized or permitted under this Indenture, which record date shall be the later of 30 days prior to the first solicitation of such consent or the date of the most recent list of Holders furnished to the Trustee prior to such solicitation. If a record date is fixed, those Persons who were Holders of Outstanding Securities at such record date (or their duly designated proxies), and only those persons, shall be entitled with respect to such Securities to take such action by vote or consent or to revoke any vote or consent previously given, whether or not such Persons continue to be Holders after such record date. Promptly after any record date is set pursuant to this paragraph, the Company, at its own expense, shall cause notice thereof to be given to the Trustee in writing in the manner provided in Section 106 and to the relevant Holders as set forth in Section 107.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The principal amount and serial numbers of Securities held by any Person, and the date of holding the same, shall be proved by the Security Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security

and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security. Any Holder or subsequent Holder may revoke the request, demand, authorization, direction, notice, consent or other Act as to his Security or portion of his Security; provided, however, that such revocation shall be effective only if the Trustee receives the notice of revocation before the date the Act becomes effective.

SECTION 106. Notices, etc. to Trustee and Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with (a) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Department, and shall be deemed to be made upon, given or furnished to, or filed with, the Trustee upon actual receipt by the Trustee thereof or (b) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company, Attention: General Counsel, and shall be deemed to be made upon, given or furnished to, or filed with, the Trustee upon actual receipt by the Trustee thereof.

SECTION 107. Notice to Holders; Waiver. Where this

Indenture provides for notice to Holders of Securities of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) to Holders of Securities if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at the address of such Holder as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice.

In case by reason of the suspension of regular mail service, or by reason of any other cause it shall be impracticable to give such notice to Holders of Securities by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder. In any case in which notice to Holders of Securities is given by mail, neither the failure to mail such notice, nor any defect in any

notice so mailed, to any particular holder of a Security, shall affect the sufficiency of such notice with respect to other Holders of Securities given as provided herein.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 108. Conflict with Trust Indenture Act. If any provision hereof limits, qualifies or conflicts with any provision of the Trust Indenture Act or another provision hereof which is required to be included in this Indenture by any of the provisions of the Trust Indenture Act, such provision of the Trust Indenture Act or required provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act which may be so modified or excluded, such provision of the Trust Indenture Act shall be deemed to apply to this Indenture as so modified or to be excluded.

SECTION 109. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 110. Successors and Assigns. All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 111. Separability Clause. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 112. Benefits of Indenture. Nothing in this Indenture or in the Securities, expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any Authenticating Agent, Paying Agent and Security Registrar, and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 113. Governing Law. THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE

EXTENT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

SECTION 114. Legal Holidays. In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of the Securities) payment of principal and interest (and premium and Additional Amounts, if any) need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity; provided that no interest shall accrue for the period from and after such interest Payment Date, Redemption Date or Stated Maturity, as the case may be.

SECTION 115. Corporate Obligation. No recourse may be taken, directly or indirectly, against any incorporator, subscriber to the capital stock, stockholder, officer, director or employee of the Company or the Trustee or of any predecessor or successor of the Company or the Trustee with respect to the Company's obligations on the Securities or the obligations of the Company or the Trustee under this Indenture or any certificate or other writing delivered in connection herewith. Each Holder by accepting a Security waives all such recourse.

SECTION 116. Counterpart Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

ARTICLE 11

Security Forms

SECTION 201. Forms Generally. The Securities of each series shall be in substantially such form or forms (including global form) as shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities. If temporary Securities of any series are issued

in global form as permitted by Section 304, the form thereof shall be established as provided in the preceding sentence. A copy of the Board Resolution establishing the form or forms of Securities of any series shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 303 for the authentication and delivery of such Securities.

The definitive Securities shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities, as evidenced by their execution thereof.

SECTION 202. Form of Trustee's Certificate of Authentication. The Trustee's certificate of authentication shall be in substantially the following form:

"This is one of the Securities of the series designated therein and referred to in the within-mentioned Indenture.

SunTrust Bank, Atlanta, as Trustee By Authorized Signatory".

SECTION 203. Securities in Global Form. If Securities of a series are issuable in global form, as contemplated by Section 301, then, notwithstanding clause (10) of Section 301 and the provisions of Section 302, any such Security shall represent such of the Outstanding Securities of such series as shall be specified therein and may provide that it shall represent the aggregate amount of outstanding Securities from time to time endorsed thereon and that the aggregate amount of Outstanding Securities represented thereby may from time to time be reduced to reflect exchanges. Any endorsement of a Security in global form to reflect the amount, or any increase or decrease in the amount, of outstanding Securities represented thereby shall be made by the Trustee in such manner and upon instructions given by such Person or Persons as shall be specified in such Security or in a Company Order to be delivered to the Trustee pursuant to Section 303 or Section 304. Subject to the provisions of Section 303 and, if applicable, Section 304, the Trustee shall deliver and redeliver any Security in global form in the manner and upon instructions given by the Person or Persons specified in such Security or in the applicable Company Order. If a Company Order pursuant to Section 303 or 304 has been, or simultaneously is, delivered, any instructions by the Company with respect to endorsement or delivery or redelivery of a Security in global form shall be in writing but need not

comply with Section 103 except as set forth in Section 303 or 304.

The provisions of the last sentence of Section 303 shall apply to any Security in global form if such Security was never issued and sold by the Company and the Company delivers to the Trustee the Security in global form together with written instructions (which need not comply with Section 103 and need not be accompanied by an opinion of Counsel) with regard to the reduction in the principal amount of Securities represented thereby, together with the written statement contemplated by the last sentence of Section 303.

Notwithstanding the provisions of Sections 201 and 307, unless otherwise specified as contemplated by Section 301, payment of principal of (and premium, if any) and interest on any Security form shall be made to the Person or Persons specified therein.

Notwithstanding the provisions of Section 308 and except as provided in the preceding paragraph, the Company, the Trustee and any agent of the Company or of the Trustee shall treat a Person as the Holder of such principal amount of outstanding Securities represented by a global Security as shall be specified in a written statement, if any, of the Holder of such global Security.

Global Securities shall be issued in registered form.

SECTION 204. Book-Entry Securities. Notwithstanding any provision of this Indenture to the contrary:

(a) At the discretion of the Company, any Security may be issued from time to time, in whole or in part, in permanent global form registered in the name of a Depository, or its nominee. Each such Security in permanent global form is hereafter referred to as a "Book-Entry Security". Upon such election, the Company shall execute, and the Trustee or an Authenticating Agent shall authenticate and deliver, one or more Book-Entry Securities that (a) are denominated in an amount equal to the aggregate principal amount of the Outstanding Securities of such series, (b) are registered in the name of the Depository or its nominee, (c) are delivered by the Trustee or an Authenticating Agent to the Depository or pursuant to the Depository's instructions and (iv) bear a legend in substantially the following form (or such other form as the Depository and the Company may agree upon):

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY, TO THE COMPANY OR ITS

AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF NOMINEE OF THE DEPOSITARY OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY, AND ANY PAYMENT IS MADE TO NOMINEE OF THE DEPOSITARY OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, NOMINEE OF THE DEPOSITARY, HAS AN INTEREST HEREIN.

(b) Any Book-Entry Security shall be initially executed and delivered as provided in Section 303. Notwithstanding any other provision of this Indenture, unless and until it is exchanged in whole or in part for Securities not issued in global form, a Book-Entry Security may not be transferred except as a whole by the Depositary to a nominee of such Depositary, by a nominee of such Depositary to such Depositary or another nominee of such Depositary, or by such Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

(c) If at any time the Depositary notifies the Company or the Trustee that it is unwilling or unable to continue as Depositary for any Book-Entry Securities, or if any time the Depositary for any Book-Entry Securities shall no longer be qualified to serve as the Depositary, the Company shall appoint a successor Depositary, whereupon the retiring Depositary shall surrender or cause the surrender of its Book-Entry Security or Securities to the Trustee. The Trustee shall promptly notify the Company upon receipt of such notice. If a successor Depositary has not been so appointed by the effective date of the resignation of the Depositary, the Book-Entry Securities will be issued as Securities not issued in global form, in an aggregate principal amount equal to the principal amount of the Book-Entry Security or Securities - -theretofore held by the Depositary. The Company may at any time and in its sole discretion determine that the Securities shall no longer be Book-Entry Securities represented by a global certificate or certificates, and will so notify the Depositary. Upon receipt of such notice, the Depositary shall promptly surrender or cause the surrender of its Book-Entry Security or Securities to the Trustee. Concurrently therewith, Securities not issued in global form will be issued in an aggregate principal amount equal to the principal amount of the Book-Entry Security or Securities theretofore held by the Depositary. Upon any exchange of Book-Entry Securities for Securities not issued in global form as set forth in this Section 204(c), such Book-Entry Securities shall be cancelled by the Trustee, and Securities

issued in exchange for such Book-Entry Securities pursuant to this section shall be registered in such names and in such authorized denominations as the Depository for such Book-Entry Securities, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee or any Authenticating Agent shall deliver such Securities to the persons in whose names such Securities are so registered.

(d) The Company and the Trustee shall be entitled to treat the Person in whose name any Book-Entry Security is registered as the Holder thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Company; and the Trustee and the Company shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of any Book-Entry Security. Neither the Company nor the Trustee shall have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including the Depository, except for the Holder of any Book-Entry Security; provided, however, notwithstanding anything herein to the contrary, (a) for the purposes of determining whether the requisite principal amount of Outstanding Securities have given, made or taken any request, demand, authorization, direction, notice, consent, waiver, instruction or other action hereunder as of any date, the Trustee shall treat any Person specified in a written statement of the Depository with respect to any Book-Entry Securities as the Holder of the principal amount of such Securities set forth therein and (b) nothing herein shall prevent the Company, the Trustee, or any agent of the Company or Trustee, from giving effect to any written certification, proxy or other authorization furnished by a Depository with respect to any Book-Entry Securities, or impair, as between a Depository and holders of beneficial interests in such Securities, the operation of customary practices governing the exercise of the rights of the Depository as Holder of such Securities.

(e) So long as any Book-Entry Security is registered in the name of a Depository or its nominee, all payments of the principal of (and premium, if any) and interest on such Book-Entry Security and redemption thereof and all notices with respect to such Book-Entry Security shall be made and given, respectively, in the manner provided in the arrangements of the Company with such Depository.

ARTICLE III

The Securities

SECTION 301. Amount Unlimited: Issuable in Series. The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited. The Securities may be issued in one or more series. There shall be established in or pursuant to a Board Resolution, and set forth in an Officers' Certificate, or established in one or more Indentures supplemental hereto, prior to the issuance of Securities of any series,

(a) the title of the Securities of the series (which shall distinguish the Securities of the series from all other Securities);

(b) any limit upon the aggregate principal amount of the Securities of the series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Sections 304, 305, 306, 806 or 1107) and except for any Securities which, pursuant to Section 303, are deemed never to have been authenticated and delivered hereunder;

(c) whether any Securities of the series are to be issuable in global form, as Book-Entry Securities or otherwise, and, if so, whether beneficial owners of interests in any such global Security may exchange such interests for Securities of such series and of like tenor of any authorized form and denomination and the circumstances under which any such exchanges may occur, if other than in the manner provided in Section 305, and the Depositary for any global Security or Securities;

(d) the date or dates on which the principal of (and premium, if any, on) the Securities of the series is payable or the method of determination thereof;

(e) the rate or rates, or the method of determination thereof, at which the Securities of the series shall bear interest, if any, whether and under what circumstances Additional Amounts with respect to such Securities shall be payable, the date or dates from which such interest shall accrue, the Interest Payment Dates on which such interest shall be payable and, if other than as set forth in Section 101, the Regular Record Date for the interest payable on any Securities on any Interest Payment Date, and the basis upon which

interest shall be calculated if other than as provided in Section 310;

(f) if other than the Corporate Trust Office, the place or places where, subject to the provisions of Section 1002, the principal of (and premium, if any), any interest on and any Additional Amounts with respect to the Securities of the series shall be payable;

(g) the period or periods within which, the price or prices (whether denominated in cash, securities or otherwise) at which and the terms and conditions upon which Securities of the series may be redeemed, in whole or in part, at the option of the Company, if the Company is to have that option, and the manner in which the Company must exercise any such option;

(h) the obligation, if any, of the Company to redeem or purchase Securities of the series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof and the period or periods within which, the price or prices (whether denominated in cash, securities or otherwise) at which and the terms and conditions upon which, Securities of the series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(i) the denomination in which any Securities of that series shall be issuable, if other than denominations of \$1,000 and any integral multiple thereof;

(j) the currency or currencies (including composite currencies or currency units) in which payment of the principal of (and premium, if any), any interest on and any Additional Amounts with respect to the Securities of the series shall be payable if other than the currency of the United States of America;

(k) if the principal of (and premium, if any) or interest on the Securities of the series are to be payable, at the election of the Company or a Holder thereof, in a currency or currencies (including composite currencies or currency units) other than that in which the Securities are stated to be payable, the currency or currencies (including composite currencies or currency units) in which payment of the principal of (and premium, if any) and interest on, and any Additional Amounts with respect to, Securities of such series as to which such election is made shall be payable, and the periods within which and the terms and conditions upon which such election is to be made;

(l) if the amount of payments of principal of (and premium, if any), any interest on and any Additional Amounts with respect to the Securities of the series may be determined with reference to any commodities, currencies or indices, or values, rates or prices, the manner in which such amounts shall be determined;

(m) if other than the principal amount thereof, the portion of the principal amount of Securities of the series which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 502;

(n) any additional means of satisfaction and discharge of this Indenture with respect to Securities of the series pursuant to Section 401, any additional conditions to discharge pursuant to Section 401 or 403 and the application, if any, of Section 403 to Securities of the series;

(o) any deletions or modifications of or additions to the Events of Default set forth in Section 501 or covenants of the Company set forth in Article IX pertaining to the Securities of the series;

(p) provisions, if any, with regard to the conversion or exchange of the Securities of such series, at the option of the Holders thereof or the Company, as the case may be, for or into new Securities of a different series, Capital Stock or other securities and, if the Securities of such series are convertible into Common Stock or other Marketable Securities, the Conversion Price therefore;

(q) information with respect to book-entry procedures; and

(r) any other terms of the series (which terms shall not be inconsistent with the provisions of this Indenture).

All Securities of any one series shall be substantially identical except as to denomination and except as may otherwise be provided in or pursuant to the Board Resolution referred to above and (subject to Section 303) set forth, or determined in the manner provided, in the Officers' Certificate referred to above or in any such indenture supplemental hereto.

At the option of the Company, interest on the Securities of any series that bears interest may be paid by

mailing a check to the address of any Holder as such address shall appear in the Security Register.

If any of the terms of the series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action together with such Board Resolution shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the series.

SECTION 302. Denominations. The Securities of each series shall be issuable in such denominations as shall be specified as contemplated by Section 301. In the absence of any such provisions with respect to the Securities of any series, the Securities of such series denominated in dollars shall be issuable in denominations of \$1,000 and any integral multiple thereof. Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, any Securities of a series denominated in a currency other than dollars shall be issuable in denominations that are the equivalent, as determined by the Company by reference to the noon buying rate in The City of New York for cable transfers for such currency, as such rate is reported or otherwise made available by the Federal Reserve Bank of New York, on the applicable issue date for such Securities, of \$1,000 and any integral multiple thereof.

SECTION 303. Execution, Authentication, Delivery and Dating. The Securities shall be executed on behalf of the Company by its Chairman of the Board, its Chief Executive Officer, its President or one of its Vice Presidents, under its corporate seal, which may be in facsimile form, reproduced thereon or affixed thereto and attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile. Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities, and the Trustee in accordance with the Company Order shall authenticate and deliver such Securities as in this Indenture provided and not otherwise.

If the form or terms of the Securities of the series have been established in or pursuant to one or more Board Resolutions as permitted by Sections 201 and 301, in authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating,

(a) if the form of such Securities has been established by or pursuant to Board Resolution as permitted by Section 201, that such form has been established in conformity with the provisions of this Indenture;

(b) If the terms of such Securities have been established by or pursuant to Board Resolution as permitted by Section 301, that such terms have been established in conformity with the provisions of this Indenture;

(c) That such Securities, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute legal, valid and binding obligations of the Company, enforceable in accordance with their terms, except as such enforcement is subject to the effect of (i) bankruptcy, insolvency, reorganization or other laws of general applicability relating to or affecting creditors' rights and (b) general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law); and

(d) Authentication and delivery of such Securities by the Trustee will not violate the terms of this Indenture.

If such form or terms have been so established, the Trustee shall not be required to authenticate such Securities if the issue of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of

authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such security has been duly authenticated and delivered hereunder. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 309 together with a written statement (which need not comply with Section 103 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

SECTION 304. Temporary Securities. Pending the preparation of definitive Securities of any series, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, in registered form and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

Except in the case of temporary Securities in global form (which shall be exchanged in accordance with the provisions of the following paragraphs), if temporary Securities of any series are issued, the Company will cause definitive Securities of that series to be prepared without unreasonable delay. After the preparation of definitive Securities of such series, the temporary Securities of such series shall be exchangeable for definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Company in a Place of Payment for that series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of the same series of authorized denominations. Until so exchanged the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series.

SECTION 305. Registration, Registration of Transfer and Exchange. The Company shall cause to be kept for each

series of Securities at one of the offices or agencies maintained pursuant to Section 1002 a register (the register maintained in such office and in any other office or agency of the Company in a Place of Payment being herein sometimes collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities of such series. The Trustee is hereby initially appointed "Security Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security of any series at the office or agency in a Place of Payment for that series, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series and of like tenor, of any authorized denominations and of a like aggregate principal amount.

At the option of the Holder, Securities of any series may be exchanged for other Securities of the same series and of like tenor, of any authorized denominations and of a like aggregate principal amount, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

Notwithstanding the foregoing, except as otherwise specified as contemplated by Section 301, any global Security shall be exchangeable only as provided in this paragraph. If the beneficial owners of interests in a global Security are entitled to exchange such interest for Securities of such series and of like tenor and principal amount of another authorized form and denomination, as specified as contemplated by Section 301, then without unnecessary delay but in any event not later than the earliest date on which such interests may be so exchanged, the Company shall deliver to the Trustee definitive Securities of that series in an aggregate principal amount equal to the principal amount of such global Security, executed by the Company. On or after the earliest date on which such interests may be so exchanged, such global Security shall be surrendered from time to time in accordance with instructions given to the Trustee and the Depository (which instructions shall be in writing but need not comply with Section 103 or be accompanied by an opinion of Counsel) by the Common Depository or such other depository or Common Depository as shall be specified in the Company Order with

respect thereto to the Trustee, as the Company's agent for such purpose, to be exchanged, in whole or in part, for definitive Securities of the same series without charge and the Trustee shall authenticate and deliver, in exchange for each portion of such global Security, a like aggregate principal amount of other definitive Securities of the same series of authorized denominations and of like tenor as the portion of such global Security to be exchanged; provided, however, that no such exchanges may occur during a period beginning at the opening of business 15 days before any selection of Securities of that series is to be redeemed and ending on the relevant Redemption Date. Promptly following any such exchange in part, such global Security shall be returned by the Trustee to the Common Depositary or such other depositary or Common Depositary referred to above in accordance with the instructions of the Company referred to above. If a Security is issued in exchange for any portion of a global Security after the close of business at the office or agency where such exchange occurs on (a) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (b) any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date; or proposed date for payment, as the case may be, in respect of such Security, but will be payable on such Interest Payment Date or proposed for payment, as the case may be, only to the Person to whom interest in respect of such portion of such global Security is payable in accordance with the provisions of this Indenture.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than

exchange pursuant to Section 304, 806 or 1107 not involving any transfer.

The Company shall not be required (a) to issue, register the transfer of or exchange Securities of any series during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Securities of such series selected for redemption and ending at the close of business on the day of the mailing of the relevant notice of redemption, or (b) to register the transfer of or exchange any Registered Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part; provided that such Security shall be simultaneously surrendered for redemption.

SECTION 306. Mutilated, Destroyed, Lost and Stolen Securities. If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (a) evidence to their satisfaction of the destruction, loss or theft of any Security and (b) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee connected therewith).

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 307. Payment of Interest; Interest Rights Preserved. Interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Securities of such series at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. The Trustee may, in its discretion, in the name and at the expense of the Company, cause a similar notice to be published at least once in an Authorized Newspaper, but such publication

shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

(2) The Company may make payment of any Defaulted Interest on the Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee. At the option of the Company, interest on Debt Securities of any series that bear interest may be paid by mailing a check to the address of the person entitled thereto as such address shall appear in the Security Register or by wire transfer to an account maintained by the person entitled thereto as specified in the Security Register.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture, upon registration of transfer of, in exchange for or in lieu of, any other Security, shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 308. Persons Deemed Owners. Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of (and premium, if any) and (subject to Sections 305 and 307) interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 309. Cancellation. All Securities surrendered for payment, redemption, repayment at option of the Holder, registration of transfer or exchange or for credit against any sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee. All Securities so delivered shall be promptly cancelled by the

Trustee. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of as directed by a Company Order.

SECTION 310. Computation of Interest. Except as otherwise specified as contemplated by Section 301 for Securities of any series, interest on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 311. CUSIP Numbers. The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

ARTICLE IV

Satisfaction and Discharge

SECTION 401. Satisfaction and Discharge of Indenture. This Indenture shall upon Company Request cease to be of further effect with respect to Securities of a series, and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to Securities of such series, when

(a) Either

(i) All Securities of such series theretofore authenticated and delivered (other than (A) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306 and (B) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or

discharged from such trust, as provided in Section 903) have been delivered to the Trustee for cancellation; or

(ii) With respect to all outstanding Securities of such series not theretofore delivered to the Trustee for cancellation the Company has deposited or caused to be deposited with the Trustee as trust funds, under the terms of an irrevocable trust agreement in form and substance satisfactory to the Trustee, for the purpose money or U.S. Government Obligations maturing as to principal and interest in such amounts and at such times as will, together with the income to accrue thereon, without consideration of any reinvestment thereof, be sufficient to pay and discharge the entire indebtedness on all Outstanding Securities of such series not theretofore delivered to the Trustee for cancellation for principal (and premium and Additional Amounts, if any) and interest to the Stated Maturity or any Redemption Date contemplated by the penultimate paragraph of this Section, as the case may be; or

(iii) The Company has properly fulfilled such other means of satisfaction and discharge as is specified, as contemplated by Section 301, to be applicable to the Securities of such series;

(b) The Company has paid or caused to be paid all other sums payable hereunder by the Company with respect to the Outstanding Securities of such series;

(c) The Company has complied with any other conditions specified pursuant to Section 301 to be applicable to the satisfaction and discharge of Securities of such series pursuant to this Section 401;

(d) The Company has delivered to the Trustee an Officers, Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture with respect to the Outstanding Securities of such series have been complied with;

(e) If the conditions set forth in Section 401(a)(i) have not been satisfied, and unless otherwise specified pursuant to Section 301 for the Securities of such series, the Company has delivered to the Trustee an Opinion of Counsel to the effect that the Holders of Securities of such series will not recognize income, gain

or loss for United States federal income tax purposes as a result of such deposit, satisfaction and discharge and will be subject to United States Federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit, satisfaction and discharge had not occurred; and

(f) No default or Event of Default with respect to the Securities of such issue shall have occurred and be continuing on the date of such deposit or, insofar as clause (e) or (f) of Section 501 is concerned, at any time in the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period).

For the purposes of this Indenture, "U.S. Government Obligations" means direct noncallable obligations of, or noncallable obligations the payment of principal of and interest on which is guaranteed by, the United States of America, or to the payment of which obligations or guarantees the full faith and credit of the United States of America is pledged, or beneficial interests in a trust the corpus of which consists exclusively of money or such obligations or a combination thereof.

If any Outstanding Securities of such series are to be redeemed prior to their Stated Maturity, whether pursuant to any optional redemption provisions or in accordance with any mandatory sinking fund requirement, the trust agreement referred to in subclause (ii) of clause (a) of this Section shall provide therefor and the Company shall make such arrangements as are satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company.

Notwithstanding the satisfaction and discharge of this Indenture with respect to the Outstanding Securities of such series pursuant to this Section 401, the obligations of the Company to the Trustee under Section 607, the obligations of the Trustee to any Authenticating Agent under Section 614 and, except for a discharge pursuant to subclause (i) of clause (a) of this Section, the obligations of the Company under Sections 305, 306, 404, 601, 607, 610(e), 1001 and 1002 and the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. Application of Trust Money. Subject to the provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the

provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest and Additional Amounts for the payment of which such money has been deposited with the Trustee.

SECTION 403. Discharge of Liability on Securities of Any Series. If this Section is specified, as contemplated by Section 301, to be applicable to Securities of any series, the Company shall be deemed to have paid and discharged the entire indebtedness on all the Outstanding Securities of such series, the obligation of the Company under this Indenture and the Securities of such series to pay the principal of (and premium, if any) and interest on Securities of such series shall cease, terminate and be completely discharged and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging such satisfaction and discharge, when

(a) The Company has complied with the provisions of Section 401 of this Indenture (other than any additional conditions specified pursuant to Sections 301 and 401(c) and except that the opinion referred to in Section 401(e) shall state that it is based on a ruling by the Internal Revenue Service or other change since the date hereof under applicable Federal income tax law) with respect to all Outstanding Securities of such series;

(b) The Company has delivered to the Trustee a Company Request requesting such satisfaction and discharge;

(c) The Company has complied with any other conditions specified pursuant to Section 301 to be applicable to the satisfaction and discharge of Securities of such series pursuant to this Section 403; and

(d) The Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of the indebtedness on the Outstanding Securities of such series have been complied with.

Upon the satisfaction of the conditions set forth in this Section with respect to all the Outstanding Securities of any series, the terms and conditions of such series, including the terms and conditions with respect thereto set forth in

this Indenture, shall no longer be binding upon, or applicable to, the Company; provided, that the Company shall not be discharged from any payment obligations in respect of Securities of such series which are deemed not to be outstanding under clause (c) of the definition thereof if such obligations continue to be valid obligations of the Company under applicable law or pursuant to Section 305 or 306.

SECTION 404. Reinstatement. If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations deposited with respect to Securities of any series in accordance with Section 401 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture with respect to the Securities of such series and the Securities of such series shall be revived and reinstated as though no deposit had occurred pursuant to Section 401 until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with Section 401; provided, however, that if the Company has made any payment of principal of (or premium, if any), or interest on and any Additional Amounts with respect to any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE V

Remedies

SECTION 501. Events of Default. "Event of Default", wherever used herein with respect to Securities of any series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), unless it is either inapplicable to a particular series or it is specifically deleted or modified in or pursuant to the supplemental indenture or Board Resolution establishing such series of Securities, or in the form of Security for such series:

- (a) Default in the payment of any interest or any Additional Amounts upon any Security of that series when such interest or Additional Amounts become due and

payable, and continuance of such default for a period of 30 days;

(b) Default in the payment of the principal of (or premium, if any, on) any Security of that series at its Maturity;

(c) Default in the deposit of any sinking fund payment, when and as due by the terms of a Security of that series;

(d) Default in the performance or breach of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with or which has expressly been included in this Indenture solely for the benefit of one or more series of Securities other than that series), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of all Outstanding Securities of that series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;

(e) The entry by a court having jurisdiction in the premises of (i) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or state bankruptcy, insolvency, reorganization or other similar law or (ii) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days;

(f) The commencement by the Company of a voluntary case or proceeding under any applicable Federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the

Company in an involuntary case or proceeding under any applicable Federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it, of a petition or answer or consent seeking reorganization or relief under any applicable Federal or state law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action; or

(g) Any other Event of Default provided with respect to Securities of that series.

Notwithstanding the foregoing provisions of this Section 501, if the principal of (and premium, if any) or any interest on, or Additional Amounts with respect to, any Security is payable in a currency or currencies (including a composite currency or currency unit) other than Dollars and such currency (or currencies) is (or are) not available to the Company for making payment thereof due to the imposition of exchange controls or other circumstances beyond the control of the Company (a "Conversion Event"), the Company will be entitled to satisfy its obligations to Holders of the Securities by making such payment in Dollars in an amount equal to the Dollar equivalent of the amount payable in such other currency, as determined by the Company by reference to the noon buying rate in The City of New York for cable transfers for such currency ("Exchange Rate"), as such Exchange Rate is certified for customs purposes by the Federal Reserve Bank of New York on the date of such payment, or, if such rate is not then available, on the basis of the most recently available Exchange Rate.

Notwithstanding the foregoing provisions of this Section 501, any payment made under such circumstances in Dollars where the required payment is in a currency other than Dollars will not constitute an Event of Default under this Indenture. Promptly after the occurrence of a Conversion Event, the Company shall give written notice thereof to the Trustee; and the Trustee, promptly after receipt of such notice, shall give notice thereof in the manner provided in Section 106 to the Holders. Promptly after the making of any payment in Dollars as a result of a Conversion Event, the

Company shall give notice in the manner provided in Section 106 to the Holders, setting forth the applicable Exchange Rate and describing the calculation of such payments.

SECTION 502. Acceleration of Maturity; Rescission and

Annulment.

If an Event of Default with respect to any Securities of any series at the time Outstanding occurs and is continuing, then in every such case the Trustee or the Holders of not less than 25% in principal amount of the outstanding Securities of (a) the series affected by such default (in the case of an Event of Default described in clause (a), (b), (c), (d) or (g) of Section 501) or (b) all series of Securities (subject to the immediately following sentence, in the case of other Events of Default) may declare the principal amount (or, if any such Securities are original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all of the Securities of the series affected by such default or all series, as the case may be, to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable. If an Event of Default described in clause (e) or (f) of Section 501 shall occur, the principal amount of the Outstanding Securities of all series ipso facto shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder. At any time after such a declaration of acceleration with respect to Securities of any series (or of all series, as the case may be) has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities of that series (or of all series, as the case may be), by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(a) The Company has paid or deposited with the Trustee a sum sufficient to pay

(i) All overdue interest on, and any Additional Amounts with respect to, all Securities of that series (or of all series, as the case may be);

(ii) The principal of (and premium, if any, on) any Securities of that series (or of all series, as the case may be) which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Securities (in the case of

Original Issue Discount Securities, the Securities' Yield to Maturity);

(iii) To the extent that payment of such interest is lawful, interest upon overdue interest and any Additional Amounts at the rate or rates prescribed therefor in such Securities (in the case of Original Issue Discount Securities, the Securities, Yield to Maturity);

(iv) All sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(b) All Events of Default with respect to Securities of that series (or of all series, as the case may be), other than the nonpayment of the principal of Securities of that series (or of all series, as the case may be) which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513. No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee. The Company covenants that if

(a) Default is made in the payment of any installment of interest on, or any Additional Amounts with respect to, any Security of any series when such interest or Additional Amounts shall have become due and payable and such default continues for a period of 30 days; or

(b) Default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal (and premium, if any) and on any overdue interest and Additional Amounts, at the rate or rates prescribed therefor in such Securities (or in the case of Original Issue Discount Securities, the Securities' Yield to Maturity), and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation,

expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 504. Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal (or lesser amount in the case of Original Issue Discount Securities) of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal (premium, if any), interest or Additional Amounts) shall be entitled and empowered, by intervention in such proceeding or otherwise, (a) to file and prove a claim for the whole amount of principal (or lesser amount in the case of Original Issue Discount Securities) (and premium, if any) and interest and any Additional Amounts owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and (b) to collect and receive any moneys, or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other

similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceedings; provided, however, that the Trustee may, on behalf of the Holders, vote for the election of a trustee in bankruptcy or similar official.

SECTION 505. Trustee May Enforce Claims Without Possession of Securities. All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

SECTION 506. Application of Money Collected. Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any), interest or any Additional Amounts, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 607;

SECOND: To the payment of the amounts then due and unpaid for principal of (and premium, if any) and interest and any Additional Amounts on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or

priority of any kind, according to the amounts due and payable on such Securities; and

THIRD: The balance, if any, to the Person or Persons entitled thereto.

To the fullest extent allowed under applicable law, if for the purpose of obtaining judgment against the Company in any court it is necessary to convert the sum due in respect of the principal of (or premium, if any) or interest on the Securities of any series (the "Required Currency") into the currency (a "Judgment Currency") other than United States dollars, the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in The City of New York the Required Currency with the Judgment Currency on the New York Business Day next preceding that on which final judgment is given. Neither the Company nor the Trustee shall be liable for any shortfall nor shall it benefit from any windfall in payments to Holders of Securities under this Section caused by a change in exchange rates between the time the amount of a judgment against it is calculated as above and the time the Trustee converts the Judgment Currency into the Required Currency to make payments under this Section to Holders of Securities, but payment of such judgment shall discharge all amounts owed by the Company on the claim or claims underlying such judgment.

SECTION 507. Limitation on Suits. No Holder of any Security of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(a) An Event of Default with respect to Securities of such series shall have occurred and be continuing and such Holder has previously given written notice to the Trustee of such continuing Event of Default;

(b) The Holders of not less than 25% in principal amount of the Outstanding Securities of that series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) Such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) The Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(e) No direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of that series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

SECTION 508. Unconditional Right of Holders To Receive Principal, Premium and Interest. Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Section 307) interest on and any Additional Amounts with respect to such Security on the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption or repayment at the option of the Holder, on the Redemption Date or the repayment date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 509. Restoration of Rights and Remedies. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding has been instituted.

SECTION 510. Rights and Remedies Cumulative. Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent

permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 511. Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Holder of any Securities to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 512. Control by Holders. With respect to Securities of any series, the holders of a majority in principal amount of the Outstanding Securities of such series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, relating to or arising under an Event of Default described in clauses (a), (b), (c), (d) or (g) of Section 501, and with respect to all Securities the Holders of a majority in principal amount of all Outstanding Securities shall have the right to direct the time, method and place of conducting any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, not relating to or arising under such an Event of Default, provided that in each such case

(a) Such direction shall not be in conflict with any rule of law or with this Indenture, and

(b) The Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 513. Waiver of Past Defaults. The Holders of a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past default hereunder with respect to such series and its consequences, and the Holders of a majority in principal amount of all Outstanding Securities may on behalf of the Holders of all Securities waive any other past default hereunder and its consequences, except in each case a default

(a) In the payment of the principal of (or premium, if any) or interest on, or any Additional Amounts with respect to, any Security; or

(b) in respect of a covenant or provision hereof which under Article IX cannot be modified or amended without the consent of the Holder of each Outstanding Security affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 514. Undertaking for Costs. All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Securities of any series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of (or premium, if any) or interest on, or any Additional Amounts with respect to, any Security on or after the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption, on or after the Redemption Date).

SECTION 515. Waiver of Stay or Extension Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the

execution of every such power as though no such law had been enacted.

ARTICLE VI

The Trustee

SECTION 601. Certain Duties and Responsibilities. (a) Except during the continuance of an Event of Default with respect to the Securities of any series,

(i) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform on their face to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing with respect to the Securities of any series, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that

(i) This Subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) The Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Securities of any series or of all series, determined as provided in Section 512, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such series; and

(iv) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(v) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

(vi) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 602. Notice of Defaults. Within 90 days after the occurrence of any default hereunder with respect to the Securities of any series, the Trustee shall transmit in the manner and to the extent provided in the TIA Section 313(c) notice of such default hereunder actually known to the Trustee to all Holders of Securities of such series in the manner provided in Section 106, unless such default or breach shall have been cured or waived; provided, however, that except in the case of a default in the payment of the principal of (or premium, if any) or interest on, or any Additional Amounts with respect to, any Security of such series or in the payment of any sinking fund installment with respect to Securities of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Holders of Securities of such series; and provided, further, that in the case of any default

of the character specified in Section 501(d) with respect to Securities of such series, no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

SECTION 603. Certain Rights of Trustee. Subject to the provisions of Section 601:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) Any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) The Trustee may consult with counsel, and as a condition to the taking, suffering, or omission of any action hereunder, may require an Opinion of Counsel, and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 604. Not Responsible for Recitals or Issuance of Securities. The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 605. May Hold Securities. The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

SECTION 606. Money Held in Trust. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 607. Compensation and Reimbursement. The Company agrees

(a) To pay to the Trustee from time to time reasonable compensation for all services rendered by it

hereunder, including services rendered in connection with or during the continuation of a default hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) To reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the reasonable expenses and disbursements of its agents and counsel), except to the extent any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(c) To indemnify the Trustee and each of their respective directors, officers, agents, and employees, for, and to hold them harmless against, any loss, damages, claims, liability or expense of whatsoever kind incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts or the performance of its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the obligations of the Company under this Section, the Trustee shall have a lien prior to the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of, premium, if any, or interest, if any, on, or any Additional Amounts with respect to, particular Securities. Any expenses and compensation for any services rendered by the Trustee after the occurrence of an Event of Default specified in clause (e) or (f) of Section 501 shall constitute expenses and compensation for services of administration under all applicable Federal or state bankruptcy, insolvency, reorganization or other similar laws.

The provisions of this Section shall survive the termination of this Indenture.

SECTION 608. Disqualification; Conflicting Interests. (a) If the Trustee has or shall acquire any conflicting interest, as defined in this Section, with respect to the Securities of any series, it shall, within 90 days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign with

respect to the Securities of that series in the manner and with the effect hereinafter specified in this Article.

(b) In the event that the Trustee shall fail to comply with the provisions of subsection (a) of this Section with respect to the Securities of any series, the Trustee shall, within 10 days after the expiration of such 90-day period, transmit by mail to all Holders of Securities of that series, as their names and addresses appear in the Security Register, notice of such failure.

(c) For the purposes of this Section, the term "conflicting interest" shall have the meaning specified in Section 310(b) of the Trust Indenture Act and the Trustee shall comply with Section 310(b) of the Trust Indenture Act; provided that there shall be excluded from the operation of Section 310(b)(1) of the Trust Indenture Act with respect to the Securities of any series the Indenture between the Company and the Trustee relating to the Company's subordinated debt securities, this Indenture with respect to the Securities of any series other than that series and any other indenture or indentures under which other securities, or certificates of interest or participation in other securities, of the Company are outstanding, if the requirements for such exclusion set forth in Section 310(b)(1) of the Trust Indenture Act are met. For purposes of the preceding sentence, the optional provision permitted by the second sentence of Section 310(b)(9) of the Trust Indenture Act shall be applicable.

SECTION 609. Corporate Trustee Required; Eligibility. There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by Federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 610. Resignation and Removal; Appointment of Successor. (a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this

Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 611.

(b) The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 611 shall not have been delivered to the resigning Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(c) The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and to the Company.

(d) If at any time:

(i) The Trustee shall fail to comply with Section 608(a) after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months; or

(ii) The Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder of Securities; or

(iii) The Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (A) the Company by a Board Resolution may remove the Trustee with respect to all Securities, or (B) subject to Section 514, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to any or all series of Securities and the appointment of a successor Trustee or Trustees with respect to such series.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the

office of the Trustee for any cause, with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and such successor Trustee or Trustees shall comply with the applicable requirements of Section 611. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 611, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 611, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series by mailing written notice of such event by first-class mail, postage prepaid, to all Holders of Securities of such series as their names and addresses appear in the Security Register. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

SECTION 611. Acceptance of Appointment by Successor. (a) In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the

request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (i) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (ii) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee and (iii) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture, the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully

and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 612. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 613. Preferential Collection of Claims Against Company. The Trustee shall comply with Section 311(a) of the Trust Indenture Act, excluding any creditor relationship described in Section 311(b) of the Trust Indenture Act. A Trustee who has resigned or been removed shall be subject to Section 311(a) of the Trust Indenture Act to the extent indicated therein.

SECTION 614. Appointment of Authenticating Agent. The Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issue and upon exchange, registration of transfer or partial redemption or pursuant to Section 306, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent

shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than \$50,000,000 and subject to supervision or examination by Federal or state authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent for any series of securities may resign at any time by giving written notice thereof to the Trustee for such series and to the Company. The Trustee for any series may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee for such series may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall mail written notice of such appointment by first-class mail, postage prepaid, to all Holders as their names and addresses appear in the Security Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Trustee agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section, and the Trustee shall be entitled to be reimbursed for such payments, subject to the provisions of Section 607.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

"This is one of the Securities of the series designated therein and referred to in the within-mentioned Indenture.

SUNTRUST BANK, ATLANTA, AS TRUSTEE

By: -----
As Authenticating Agent

By: -----
Authorized Signatory

Notwithstanding any provision of this Section 614 to the contrary, if at any time any Authenticating Agent appointed hereunder with respect to any series of Securities shall not also be acting as the Security Registrar hereunder with respect to any series of Securities, then, in addition to all other duties of an Authenticating Agent hereunder, such Authenticating Agent shall also be obligated: (a) to furnish to the Security Registrar promptly all information necessary to enable the Security Registrar to maintain at all times an accurate and current Security Register; and (b) prior to authenticating any Security denominated in a foreign currency, to ascertain from the Company the units of such foreign currency that are required to be determined by the Company pursuant to Section 302.

ARTICLE VII

Holder's Lists and Reports by Trustee and Company

SECTION 701. Company To Furnish Trustee Names and Addresses of Holders. With respect to each series of Securities, the Company will furnish or cause to be furnished to the Trustee:

(a) Semiannually, not more than 15 days after each Regular Record Date relating to that series (or, if there

is no Regular Record Date relating to that series, on June 30 and December 31), a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders of that series as of such dates; and

(b) At such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content, such list to be dated as of a date not more than 15 days prior to the time such list is furnished;

provided that so long as the Trustee is the Security Registrar, the Company shall not be required to furnish or cause to be furnished such a list to the Trustee.

SECTION 702. Preservation of Information; Communications to Holders. (a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders of each series contained in the most recent list furnished to the Trustee as provided in Section 701 and the names and addresses of Holders of each series received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

(b) Holders of Securities may communicate pursuant to the Trust Indenture Act with other Holders with respect to their rights under this Indenture or under the Securities.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with Section 702(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 702(b).

SECTION 703. Reports by Trustee. (a) Within 60 days after January 31 of each year commencing with the year 1999, the Trustee shall transmit by mail to Holders a brief report dated as of such reporting date that complies with Section 313(a) of the Trust Indenture Act.

(b) The Trustee shall comply with Section 313(b) of the Trust Indenture Act.

(c) Reports pursuant to this Section shall be transmitted by mail:

(i) To all Holders of Securities, as the names and addresses of such Holders appear in the Security Register;

(ii) To such Holders of Securities as have, within the two years preceding such transmissions, filed their names and addresses with the Trustee for that purpose; and

(iii) Except in the case of reports pursuant to subsection (b) of this Section, to each Holder of a Security whose name and address is preserved at the time by the Trustee, as provided in Section 702(a).

(d) A copy of each report pursuant to Subsection (a) or (b) of this Section 703 shall, at the time of its transmission to Holders, be filed by the Trustee with each stock exchange upon which any Securities are listed, with the Commission and with the Company. The Company will notify the Trustee when any Securities are listed on any stock exchange.

SECTION 704. Reports by Company. The Company shall file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 12 or Section 15(d) of the Securities Exchange Act of 1934, as amended, and shall otherwise comply with Section 314(a) of the Trust Indenture Act.

ARTICLE VIII

Consolidation, Merger, Conveyance, Transfer or Lease

SECTION 801. Company May Consolidate, etc., Only on Certain Terms. The Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless:

(a) The Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the

properties and assets of the Company substantially as an entirety shall be a corporation, partnership or trust, shall be organized and existing under the laws of the United States or any state thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest (including all Additional Amounts, if any) on all the Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(b) Immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and

(c) The Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

SECTION 802. Successor Person Substituted. Upon any consolidation by the Company with or merger by the Company into any other Person or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety in accordance with Section 801, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein, and thereafter, except in the case of such lease, the predecessor Person shall be relieved of all obligations and covenants under this indenture and the Securities.

ARTICLE IX

Supplemental Indentures

SECTION 901. Supplemental Indentures Without Consent of Holders. Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the

Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(a) To evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities;

(b) To add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series), to convey, transfer, assign, mortgage or pledge any property to or with the Trustee or otherwise secure any series of the Securities or to surrender any right or power herein conferred upon the Company;

(c) To add any additional Events of Default with respect to all or any series of the Securities (and, if such Event of Default is applicable to less than all series of Securities, specifying the series to which such Event of Default is applicable);

(d) To add to, change or eliminate any of the provisions of this Indenture in respect of one or more series of securities; provided that any such addition, change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is adversely affected by such addition or such change in or elimination of such provision;

(e) To establish the form or terms of Securities of any series as permitted by Sections 201 and 301 and to provide for uncertificated Securities in addition to or in place of certificated Securities, or to provide for certificated Securities in addition to or in place of uncertificated Securities;

(f) To supplement any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of any series of Securities pursuant to Section 401 or Section 403; provided, however, that any such action shall not adversely affect the interest of the Holders of Securities of such series or any other series of Securities in any material respect;

(g) To evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 611(b);

(h) To cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture; provided that such action under this clause shall not adversely affect the interests of the Holders of Securities of any series in any material respect;

(i) To provide for the terms and conditions of conversion into Common Stock or other Marketable Securities of the Securities of any series which are convertible into Common Stock or other Marketable Securities, if different from those set forth in Article Fourteen; or

(j) To comply with any requirement in order to effect or maintain the qualification of this Indenture under the Trust Indenture Act.

SECTION 902. Supplemental Indentures with Consent of Holders.

With the consent of the Holders of a majority in principal amount of the Outstanding Securities of each series affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities of such series under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(a) Change the Stated Maturity of the principal of, or any installment of principal of interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon, any Additional Amounts with respect thereto or any premium payable upon the redemption thereof, or change any obligation of the Company to pay Additional Amounts (except as contemplated by Section 801(a) and permitted by Section 901(a)), or

reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502, or adversely affects any right of repayment at the option of the Holder of any security, or change any Place of Payment where, or the coin or currency or currencies (including composite currencies or currency units) in which, any Security or any premium or any interest thereon or Additional Amounts with respect thereto is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption or repayment at the option of the Holder, on or after the Redemption Date or the Repayment Date, as the case may be);

(b) Reduce the percentage in principal amount of Outstanding Securities, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture; or

(c) Modify any of the provisions of this Section, Section 513 or Section 1008, except to increase any such percentage or to provide with respect to any particular series the right to condition the effectiveness of any supplemental indenture as to that series on the consent of the Holders of a specified percentage of the aggregate principal amount of Outstanding Securities of such series (which provision may be made pursuant to Section 301 without the consent of any Holder) or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby; provided, however, that this clause shall not be deemed to require the comment of any Holder with respect to changes in the references to "the Trustee" and concomitant changes in this Section and Section 1010, or the deletion of this proviso, in accordance with the requirements of Sections 611(b) and 901(f).

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 903. Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties, immunities or liabilities under this Indenture or otherwise.

SECTION 904. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 905. Conformity with Trust Indenture Act. Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 906. Reference in Securities to Supplemental Indentures. Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for outstanding Securities of such series.

ARTICLE X

Covenants

SECTION 1001. Payment of Principal, Premium and Interest. The Company covenants and agrees for the benefit of

each series of Securities that it will duly and punctually pay the principal of (and premium, if any), interest on and any Additional Amounts with respect to the Securities of that series in accordance with the terms of the Securities and this Indenture.

SECTION 1002. Maintenance of Office or Agency. The Company will maintain in each Place of Payment for any series of Securities an office or agency where Securities of that series may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. Unless otherwise designated by the Company by written notice to the Trustee, such office or agency shall be at the office of the Trustee in the City of New York, which, on the date hereof, is located at SunTrust Bank, Atlanta, c/o First Chicago Trust Company, Corporate Trust, 8th Floor, Suite 4607, 14 Wall Street, New York, New York 10005. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Securities of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency. The Company hereby designates the Corporate Trust Office of the Trustee as one such office or agency of the Company in accordance with Section 305.

SECTION 1003. Money for Securities Payments To Be Held in Trust. If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of (and premium, if any) or interest on or any Additional Amounts with respect to any of the Securities of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or

interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for any series of Securities, the Company will, on or before each due date of the principal of (and premium, if any) or interest on any Securities of that series, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent for any series of Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(a) Hold all sums held by it for the payment of the principal of (and premium, if any), interest on or any Additional Amounts with respect to Securities of that series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(b) Give the Trustee notice of any default by the Company (or any other obligor upon the Securities of that series) in the making of any payment of principal (and premium, if any), interest on or any Additional Amounts with respect to the Securities of that series; and

(c) At any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or interest on any Security of any series and remaining unclaimed for three years after such principal (and premium, if any) or interest has become due and payable shall, unless otherwise required by mandatory provisions of applicable escheat, or abandoned or unclaimed property law, be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in an Authorized Newspaper in The Borough of Manhattan, The City of New York, notice that such money remains unclaimed and that, after a date specified herein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will, unless otherwise required by mandatory provisions of applicable escheat, or abandoned or unclaimed property law, be repaid to the Company.

SECTION 1004. Existence. Subject to Article VII, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

SECTION 1005. Maintenance of Properties. The Company will cause all properties used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent that Company from discontinuing the operation or maintenance of any of such properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business or the business of any Subsidiary and not disadvantageous in any material respect to the Holders.

SECTION 1006. Limitation on Sale/Leaseback Transactions. The Company shall not, and shall not permit any Restricted Subsidiary to, enter into any arrangement providing for the leasing by the Company or any Restricted Subsidiary

for a period of more than three years, of any real or tangible personal property, which property has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person in contemplation of such leasing (a "Sale/Leaseback Transaction") with any Person (other than the Company or a Restricted Subsidiary) unless:

(a) The Company or such Restricted Subsidiary would, at the time of entering into such sale/leaseback Transaction, be entitled to incur Indebtedness, in a principal amount equal to the Attributable Indebtedness with respect to such Sale/Leaseback Transaction, secured by a Lien on the property subject to such Sale/Leaseback Transaction pursuant to Section 1007 without equally and ratably securing the Securities pursuant to such Section;

(b) After the Issue Date and within a period commencing six months prior to the consummation of such Sale/Leaseback Transaction and ending six months after the consummation thereof, the Company or such Restricted Subsidiary shall have expended for property used or to be used in the ordinary course of business of the Company and the Restricted Subsidiaries an amount equal to all or a portion of the Net Proceeds of such Sale/Leaseback Transaction and the Company shall have elected to designate such amount as a credit against such Sale/Leaseback Transaction (with any such amount not being so designated to be applied as set forth in clause (c) below); or

(c) The Company, during the 12-month period after the effective date of such Sale/Leaseback Transaction, shall have applied to the voluntary defeasance or retirement of Securities or any Pari Passu Indebtedness an amount equal to the greater of the Net Proceeds of the sale or transfer of the property leased in such Sale/Leaseback Transaction and the fair value, as determined by the Board of Directors of the Company, of such property at the time of entering into such Sale/Leaseback Transaction (in either case adjusted to reflect the remaining term of the lease and any amount expended by the Company as set forth in clause (b) above), less an amount equal to the principal amount of Securities and Pari Passu Indebtedness voluntarily defeased or retired by the Company within such 12-month period and not designated as a credit against any other Sale/Leaseback Transaction entered into by the Company or any Subsidiary during such period.

SECTION 1007. Limitation on Liens. No provision of this Indenture or the Securities shall in any way restrict or

prevent the Company or any Restricted Subsidiary from issuing, assuming, guaranteeing or otherwise incurring any Indebtedness; provided, however, that the Company shall not, and shall not permit any Restricted Subsidiary to, issue, assume or guarantee any Indebtedness secured by any Lien on any property or asset now owned or hereafter acquired by the Company or such Restricted Subsidiary without making effective provision whereby any and all Securities then or thereafter outstanding will be secured by a Lien equally and ratably with any and all other obligations thereby secured for so long as any such obligations shall be so secured. Notwithstanding the foregoing, the Company or any Restricted Subsidiary may, without so securing the Securities, issue, assume or guarantee Indebtedness secured by the following Liens:

(a) Liens existing on the Issue Date or provided for under the terms of agreements existing on the Issue Date;

(b) Liens on property securing (i) all or any portion of the cost of acquiring, constructing, altering, improving or repairing any property or assets, real or personal, or improvements used or to be used in connection with the property of the Company or Restricted Subsidiaries or (ii) Indebtedness incurred by the Company or any Restricted Subsidiary to provide funds for the activities set forth in clause (i) above;

(c) Liens securing Indebtedness owed by a Restricted Subsidiary to the Company or to any other Restricted Subsidiary;

(d) Liens on the property of any Person existing at the time such Person becomes a Subsidiary of the Company and not incurred as a result of (or in connection with or in anticipation of) such Person becoming a Subsidiary of the Company; provide that such Liens do not extend to or cover any property or assets of the Company or any of its Subsidiaries other than the property so acquired;

(e) Liens on any property securing (i) Indebtedness incurred in connection with the construction, installation or financing of pollution control or abatement facilities or other forms of industrial revenue bond financing or (ii) Indebtedness issued or guaranteed by the United States or any State thereof or any department, agency or instrumentality of either;

(f) Any Lien extending, renewing or replacing (or successive extensions, renewals or replacements of) any Lien of any type permitted under clauses (a) through (e) above; provided that such Lien extends to or covers only

the property that is subject to the Lien being extended, renewed or replaced;

(g) Any Ordinary Course Lien arising, but only so long as continuing, in the ordinary course of business of the Company and the Restricted Subsidiaries; or

(h) Liens (exclusive of any Lien of any type otherwise permitted under clauses (a) through (g) above) securing Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount which, together with the aggregate amount of Attributable Indebtedness deemed to be outstanding in respect of all Sale/Leaseback Transactions entered into pursuant to clause (a) of Section 1006 (exclusive of any such Sale/Leaseback Transactions otherwise permitted under clauses (a) through (g) above), does not at the time such Indebtedness is incurred exceed 15% of the Consolidated Tangible Assets of the Company (as shown in the most recent audited consolidated balance sheet of the Company and its Subsidiaries).

SECTION 1008. Payment of Taxes and Other Claims. The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (a) all material taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or upon the income, profits or property of the Company or any Subsidiary, and (b) all material lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Company or any Subsidiary; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 1009. Statement by Officers as to Default. The Company will deliver to the Trustee, within 120 days after the end of each fiscal year of the Company ending after the date hereof so long as any Security is outstanding hereunder, an Officers' Certificate, stating that a review of the activities of the Company during such year and of performance under this Indenture has been made under the supervision of the signers thereof and whether or not to the best of their knowledge, based upon such review, the Company is in default in the performance, observance or fulfillment of any of its covenants and other obligations under this Indenture, and if the Company shall be in default, specifying each such default known to them and the nature and status thereof. One of the officers signing the Officers' Certificate delivered pursuant

to this Section 1009 shall be the principal executive, financial or accounting officer of the Company.

For purposes of this Section, such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture.

SECTION 1010. Waiver of Certain Covenants. The Company may omit in any particular instance to comply with any covenant or condition set forth in Sections 1005 to 1008, inclusive, with respect to the Securities of any series, or any covenant added for the benefit of any series of Securities as contemplated by Section 301 (unless otherwise specified pursuant to Section 301) if before or after the time for such compliance the Holders of a majority in principal amount of the Outstanding Securities of such series affected by such omission (acting as one class) shall, by act of such Holders, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant, or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such covenant or condition shall remain in full force and effect.

SECTION 1011. Additional Amounts. If the Securities of a series provide for the payment of Additional Amounts, the Company will pay to the Holder of any Security of such series Additional Amounts as provided therein. Whenever in this Indenture there is mentioned, in any context, the payment of the principal of or any premium or interest on, or in respect of, any Security of any series or the net proceeds received on the sale or exchange of any Security of any series, such mention shall be deemed to include mention of the payment of Additional Amounts provided for in this Section to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to the provisions of this Section and express mention of the payment of Additional Amounts (if applicable) in any provisions hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

If the Securities of a series provide for the payment of Additional Amounts, at least 10 days prior to the first interest Payment Date with respect to that series of Securities (or if the Securities of that series will not bear interest prior to Maturity, the first day on which a payment of principal and any premium is made), and at least 10 days prior to each date of payment of principal and any premium or interest if there has been any change with respect to the

matters set forth in the below-mentioned Officers' Certificate, the Company shall furnish the Trustee and the Company's principal Paying Agent or Paying Agents, if other than the Trustee, with an Officers' Certificate instructing the Trustee and such Paying Agent or Paying Agents whether such payment of principal of and any premium or interest on the Securities of that series shall be made to Holders of Securities of that series who are United States Aliens without withholding for or on account of any tax, assessment or other governmental charge described in the Securities of that series. If any such withholding shall be required, then such Officers' Certificate shall specify by country the amount, if any, required to be withheld on such payments to such Holders of Securities and the Company will pay to such Paying Agent the Additional Amounts required by this Section. The Company covenants to indemnify the Trustee and any Paying Agent for, and to hold them harmless against any loss, liability or expense reasonably incurred without negligence or bad faith on their part arising out of or in connection with actions taken or omitted by any of them in reliance on any Officers' Certificate furnished pursuant to this Section.

ARTICLE XI

Redemption of Securities

SECTION 1101. Applicability of Article. Securities of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 301 for Securities of any series) in accordance with this Article.

SECTION 1102. Election To Redeem; Notice to Trustee. The election of the Company to redeem any Securities shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company of less than all the Securities of any series, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date, the principal amount of Securities of such series to be redeemed, the Redemption Price of such Securities and the amount of any accrued interest and Additional Amounts payable with respect thereto on the Redemption Date. In the case of any redemption of Securities prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction.

SECTION 1103. Selection by Trustee of Securities to be Redeemed. If less than all the Securities of any series are to be redeemed, the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series not previously called for redemption, pro rata or by lot or by such other method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities of that series or any integral multiple thereof) of the principal amount of Securities of such series of a denomination larger than the minimum authorized denomination for Securities of that series or of the principal amount of global Securities of such series.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

SECTION 1104. Notice of Redemption. Notice of redemption shall be given in the manner provided in Section 107 to each Holder of Securities to be redeemed not less than 30 nor more than 60 days prior to the Redemption Date.

All notices of redemption shall state:

- (a) The Redemption Date;
- (b) The Redemption Price, including each component thereof;
- (c) If less than all the Outstanding Securities of any series are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Securities to be redeemed;
- (d) That on the Redemption Date the Redemption Price will become due and payable upon each such Security to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date;

- (e) The place or places where such Securities are to be surrendered for payment of the Redemption Price;
 - (f) That the redemption is for a sinking fund, if such is the case;
 - (g) The aggregate principal amount of Securities being redeemed;
 - (h) The "CUSIP" number of the Securities, if applicable;
- and
- (i) Such other information as the Trustee in its reasonable discretion deems appropriate.

A notice of redemption as contemplated by Section 107 need not identify particular Securities to be redeemed. Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

SECTION 1105. Deposit of Redemption Price. On or before any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, and any Additional Amounts with respect to, all the Securities which are to be redeemed on that date.

SECTION 1106. Securities Payable on Redemption Date. Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price, accrued interest on Additional Amounts, if any, payable) such Securities shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with accrued interest (and any Additional Amounts) to the Redemption Date; and provided, however, that installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security or, in the case of Original Issue Discount Securities, the Securities, Yield to Maturity.

SECTION 1107. Securities Redeemed in Part. Any Security which is to be redeemed only in part shall be surrendered at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities of the same series and Stated Maturity, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

SECTION 1108. Purchase of Securities. Unless otherwise specified as contemplated by Section 301, the Company and any Affiliate of the Company may at any time purchase or otherwise acquire Securities in the open market or by private agreement. Such acquisition shall not operate as or be deemed for any purpose to be a redemption of the indebtedness represented by such Securities. Any Securities purchased or acquired by the Company may be delivered to the Trustee and, upon such delivery, the indebtedness represented thereby shall be deemed to be satisfied. Section 309 shall apply to all Securities so delivered.

SECTION 1109. Rescission of Redemption. In the event that this Section 1109 is specified to be applicable to a series of Securities pursuant to Section 301 and a Redemption Rescission Event shall occur following any day on which a notice of redemption shall have been given pursuant to Section 1104 hereof but at or prior to the time and date fixed for redemption as set forth in such notice of redemption, the Company may, at its sole option, at any time prior to the earlier of (i) the close of business on that day which is two Trading Days following such Redemption Rescission Event and (ii) the time and date fixed for redemption as set forth in such notice of redemption shall have related by making a public announcement of such rescission (the date on which such public announcement shall have been made being hereinafter referred to as the "Rescission Date"). The Company shall be deemed to have made such announcement if it shall issue a release to the Dow Jones New Service, Reuters Information

Services or any successor news wire service. From and after the making of such announcement, the Company shall have no obligation to redeem Securities called for redemption pursuant to such notice of redemption or to pay the Redemption Price therefor and all rights of Holders of Securities shall be restored as if such notice of redemption had not been given. As promptly as practicable following the making of such announcement, the Company shall telephonically notify the Trustee and the Paying Agent of such rescission. The Company shall give notice of any such rescission by first-class mail, postage prepaid, mailed as promptly as practicable but in no event later than the close of business on that day which is five Trading Days following the Rescission Date to each Holder of Securities at the close of business on the Rescission Date, to any other Person that was a Holder of Securities and that shall have surrendered Securities for conversion following the giving of notice of the subsequently rescinded redemption and to the Trustee and the Paying Agent. Each notice of rescission shall (w) state that the redemption described in the notice of redemption has been rescinded, (x) state that any Converting Holder shall be entitled to rescind the conversion of Securities surrendered for conversion following the day on which notice of redemption was given but on or prior to the date of the mailing of the Company's notice of rescission, (y) be accompanied by a form prescribed by the Company to be used by any Converting Holder rescinding the conversion of Securities so surrendered for conversion (and instructions for the completion and delivery of such form, including instructions with respect to any payment that may be required to accompany such delivery) and (z) state that such form must be properly completed and received by the Company no later than the close of business on a date that shall be 15 Trading Days following the date of the mailing of such notice of rescission.

SECTION 1110. Repayment at the Option of Holders.

Securities of any series which are repayable at the option of the Holders thereof before their Stated Maturity shall be repaid in accordance with the terms of the Securities of such series. The repayment of any principal amount of Securities pursuant to such option of the Holder to require repayment of Securities before their stated Maturity, for purposes of Section 309 shall not operate as a payment, redemption or satisfaction of the indebtedness represented by such Securities unless and until the Company, at its option, shall deliver or surrender the same to the Trustee with a directive that such Securities be cancelled. Notwithstanding anything to the contrary contained in this Section 1110, in connection with any repayment of Securities, the Company may arrange for the purchase of any Securities by an agreement with one or more investment bankers or other purchasers to purchase such

Securities by paying to the Holders of such Securities on or before the close of business on the repayment date an amount not less than the repayment price payable by the Company on repayment of such Securities, and the obligation of the Company to pay the repayment price of such Securities shall be satisfied and discharged to the extent such payment is so paid by such purchasers.

ARTICLE XII

Sinking Funds

SECTION 1201. Applicability of Article. The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of a series except as otherwise specified as contemplated by Section 301 for Securities of such series.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment." Unless otherwise provided by the terms of Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 1202. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series.

SECTION 1202. Satisfaction of Sinking Fund Payments with Securities. The Company (a) may deliver Outstanding Securities of a series (other than any previously called for redemption), and (b) may apply as a credit Securities of a series which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Securities of such series required to be made pursuant to the terms of such Securities as provided for by the terms of such series; provided that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

SECTION 1203. Redemption of Securities for Sinking Fund. Not less than 60 days prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers. Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivery of or by crediting Securities of that series pursuant to Section 1202 and will also deliver to the Trustee any Securities to be so delivered. Not less than 30 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 1103 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 1104. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 1106 and 1107.

ARTICLE XIII

Meetings of Holders of Securities

SECTION 1301. Purposes for Which Meetings May Be Called. A meeting of Holders of Securities of any or all series may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Securities of such series.

SECTION 1302. Call, Notice and Place of Meetings. (a) The Trustee may at any time call a meeting of Holders of Securities of any series for any purpose specified in Section 1301, to be held at such time and at such place in Atlanta, Georgia, in The Borough of Manhattan, The City of New York, or in any other location, as the Trustee shall determine. Notice of every meeting of Holders of Securities of any series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 107, not less than 20 nor more than 180 days prior to the date fixed for the meeting.

(b) In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of any series, shall have requested the Trustee for any such series to call a meeting of the Holders of Securities of such series for any

purpose specified in Section 1301, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the first publication of the notice of such meeting within 30 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of Securities of such series in the amount above specified, as the case may be, may determine the time and the place in Atlanta, Georgia, or in The Borough of Manhattan, The City of New York, for such meeting and may call such meeting for such purposes by giving notice thereof as provided in Subsection (a) of this Section.

SECTION 1303. Persons Entitled To Vote at Meetings. To be entitled to vote at any meeting of Holders of Securities of any series, a Person shall be (a) a Holder of one or more Outstanding Securities of such series, or (b) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities of such series by such Holder or Holders. The only Persons who shall be entitled to be present or to speak at any meeting of Holders of Securities of any series shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 1304. Quorum; Action. The Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of a series shall constitute a quorum for a meeting of Holders of Securities of such series. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series, be dissolved. In any other case, the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Subject to Section 1305(d), notice of the reconvening of any adjourned meeting shall be given as provided in Section 1302(a), except that such notice need be given only once not less than five days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly that Persons entitled to vote a majority in principal amount of the Outstanding Securities of such series shall constitute a quorum.

Except as limited by the proviso to Section 902, any resolution presented to a meeting or adjourned meeting duly

reconvened at which a quorum is present as aforesaid may be adopted by the affirmative vote of the Holders of a majority in aggregate principal amount of the Outstanding Securities of that series; provided, however, that, except as limited by the proviso to Section 902, any resolution with respect to any request, demand, authorization, direction, notice, consent or waiver which this Indenture expressly provides may be made, given or taken by the Holders of a specified percentage that is less than a majority in aggregate principal amount of the Outstanding Securities of a series may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the Holders of such specified percentage in aggregate principal amount of the Outstanding Securities of that series.

Except as limited by the proviso to Section 902, any resolution passed or decision taken at any meeting of Holders of Securities of any series duly held in accordance with this Section shall be binding on all the Holders of Securities of such series, whether or not present or represented at the meeting.

SECTION 1305. Determination of Voting Rights; Conduct and Adjournment of Meetings. (a) The holding of Securities shall be proved in the manner specified in Section 105 and the appointment of any proxy shall be proved in the manner specified in Section 105. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 105 or other proof.

(b) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of Securities as provided in Section 1302(b), in which case the Company or the Holders of Securities of the series calling the meeting, as the case may be, shall appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of such series represented at the meeting.

(c) At any meeting each Holder of a Security of such series and each proxy shall be entitled to one vote for each \$1,000 principal amount of the Outstanding Securities of such series held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote,

except as a Holder of a Security of such series or as a proxy.

(d) Any meeting of Holders of Securities of any series duly called pursuant to Section 1302 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of such series represented at the meeting; and the meeting may be held as so adjourned without further notice.

SECTION 1306. Counting Votes and Recording Action of Meetings. The vote upon any resolution submitted to any meeting of Holders of Securities of any series shall be by written ballots on which shall be subscribed the signatures of the Holders of Securities of such series or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Securities of such series held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record, at least in duplicate, of the proceedings of each meeting of Holders of Securities of any series shall be prepared by the secretary of the meeting and there shall be attached to such record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that such notice was given as provided in Section 1302 and, if applicable, Section 1304. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

ARTICLE XIV

Conversion

SECTION 1401. Conversion Privilege. If so provided in a Board Resolution with respect to the Securities of any series, the Holder of a Security of such series shall have the right, at such Holder's option, to convert, in accordance with the terms of such series of Securities and this Article XIV, all or any part (in a denomination of, unless otherwise specified in a Board Resolution or supplemental indenture with respect to Securities of such series, \$1,000 in principal

amount or any integral multiple thereof) of such Security into shares of Common Stock or other Marketable Securities specified in such Board Resolution at any time or, as to any Securities called for redemption, at any time prior to the time and date fixed for such redemption (unless the Company shall default in the payment of the Redemption Price, in which case such right shall not terminate at such time and date). The provisions of this Article XIV shall not be applicable to the Securities of a series unless otherwise specified in a Board Resolution with respect to the Securities of such series.

SECTION 1402. Conversion Procedure; Rescission of Conversion; Conversion Price; Fractional Shares. (a) Each Security to which this Article is applicable shall be convertible at the office of the Conversion Agent, and at such other place or places, if any, specified in a Board Resolution with respect to the Securities of such series, into fully paid and nonassessable shares (calculated to the nearest 1/100th of a share) of Common Stock or other Marketable Securities. The Securities will be converted into shares of Common Stock or such other Marketable Securities at the Conversion Price therefor. No payment or adjustment shall be made in respect of dividends on the Common Stock or such other Marketable Securities, or accrued interest on a converted Security except as described in Section 1409. The Company may, but shall not be required, in connection with any conversion of Securities, to issue a fraction of a share of Common Stock or of such other Marketable Security, and, if the Company shall determine not to issue any such fraction, the Company shall, subject to Section 1403(4), make a cash payment (calculated to the nearest cent) equal to such fraction multiplied by the Closing Price of the Common Stock or such other Marketable Security on the last Trading Day prior to the date of conversion.

(b) Before any Holder of a Security shall be entitled to convert the same into Common Stock or other Marketable Securities, such Holder shall surrender such Security duly endorsed to the Company or in blank, at the office of the Conversion Agent or at such other place or places, if any, specified in a Board Resolution with respect to the Securities of such series, and shall give written notice to the Company at said office or place that he elects to convert the same and shall state in writing therein the principal amount of Securities to be converted and the name or names (with addresses) in which he wishes the certificate or certificates for Common Stock or for such other Marketable Securities to be issued; provided, however, that no Security or portion thereof shall be accepted for conversion unless the principal amount of such Security or such portion, when added to the principal amount of all other Securities or portions

thereof then being surrendered by the Holder thereof for conversion, exceeds the then effective Conversion Price with respect thereto. If more than one Security shall be surrendered for conversion at one time by the same Holder, the number of full shares of Common Stock or such other Marketable Securities which shall be deliverable upon conversion shall be computed on the basis of the aggregate principal amount of the Securities (or specified portions thereof to the extent permitted thereby) so surrendered. Subject to the next succeeding sentence, the Company will, as soon as practicable thereafter, issue and deliver at said office or place to such Holder of a Security, or to his nominee or nominees, certificates for the number of full shares of Common Stock or other Marketable Security to which he shall be entitled as aforesaid, together, subject to the last sentence of paragraph (a) above, with cash in lieu of any fraction of a share to which he would otherwise be entitled. The Company shall not be required to deliver certificates for shares of Common Stock or other Marketable Securities while the stock transfer books for such stock or the transfer books for such Marketable Securities, as the case may be, or the Security Register are duly closed for any purpose, but certificates for shares of Common Stock or other Marketable Securities shall be issued and delivered as soon as practicable after the opening of such books or Security Register. A Security shall be deemed to have been converted as of the close of business on the date of the surrender of such Security for conversion as provided above, and the person or persons entitled to receive the Common Stock or other Marketable Securities issuable upon such conversion shall be treated for all purposes as the record Holder or Holders of such Common Stock or other Marketable Securities as of the close of business on such date. In case any Security shall be surrendered for partial conversion, the Company shall execute and the Trustee shall authenticate and deliver to or upon written order of the Holder of the Securities so surrendered, without charge to such Holder of the Securities so surrendered, without charge to such Holder (subject to the provisions of Section 1408), a new Security or Securities in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Security.

(c) Notwithstanding anything to the contrary contained herein, in the event the Company shall have rescinded a redemption of Securities pursuant to Section 1109 hereof, any Holder of Securities that shall have surrendered Securities for conversion following the day on which notice of the subsequently rescinded redemption shall have been given but prior to the later of (a) the close of business on the Trading Day next succeeding the date on which public announcement of the rescission of such redemption shall have

been made and (b) the date of the mailing of the notice of rescission required by Section 1109 hereof (a "Converting Holder") may rescind the conversion of such Securities surrendered for conversion by (i) properly completing a form prescribed by the Company and mailed to Holders of Securities (including Converting Holders) with the Company's notice of rescission, which form shall provide for the certification by any Converting Holder rescinding a conversion on behalf of any beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934) of Securities that the beneficial ownership (within the meaning of such Rule) of such Securities shall not have changed from the date on which such Securities were surrendered for conversion to the date of such certification and (ii) delivering such form to the Company no later than the close of business on that date which is fifteen Trading Days following the date of the mailing of the Company's notice of rescission. The delivery of such form by a Converting Holder shall be accompanied by (x) any certificates representing shares of Common Stock or other securities issued to such Converting Holder upon a conversion of Securities that shall be rescinded by the proper delivery of such form (the "Surrendered Securities"), (y) any securities, evidences of indebtedness or assets (other than cash) distributed by the Company to such Converting Holder by reason of such Converting Holder being a record holder of Surrendered Securities and (z) payment in New York Clearing House funds or other funds acceptable to the Company of an amount equal to the sum of (I) any cash such Converting Holder may have received in lieu of the issuance of fractional Surrendered Securities and (II) any cash paid or payable by the Company to such Converting Holder by reason of such Converting Holder being a record holder of Surrendered Securities. Upon receipt by the Company of any such form properly completed by a Converting Holder and any certificates, securities, evidences of indebtedness, assets or cash payments required to be returned by such Converting Holder to the Company as set forth above, the Company shall instruct the transfer agent or agents for shares of Common Stock or other Securities to cancel any certificates representing Surrendered Securities (which Surrendered Securities shall be deposited in the treasury of the Company) and shall instruct the Registrar to reissue certificates representing Securities to such Converting Holder (which Securities shall be deemed to have been Outstanding at all times during the period following their surrender for conversion). The Company shall, as promptly as practicable, and in no event more than five Trading Days following the receipt of any such properly completed form and any such certificates, securities, evidences or indebtedness, assets or cash payments required to be so returned, pay to the Holder of Securities surrendered to the Company pursuant to a rescinded

conversion or as otherwise directed by such Holder any interest paid or other payment made to Holders of Securities during the period from the time such Securities shall have been surrendered for conversion to the rescission of such conversion. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any form submitted to the Company to rescind the conversion of Securities, including questions as to the proper completion or execution of any such form or any certification contained therein, shall be resolved by the Company, whose determination shall be final and binding.

SECTION 1403. Adjustment of Conversion Price for Common Stock or Marketable Securities. The Conversion Price with respect to any Security which is convertible into Common Stock or other Marketable Securities shall be adjusted from time to time as follows:

(1) In case the Company shall, at any time or from time to time while any of such Securities are outstanding, (i) pay a dividend in shares of its Common Stock or other Marketable Securities, (ii) combine its outstanding shares of Common Stock or other Marketable Securities into a smaller number of shares or securities, (iii) subdivide its outstanding shares of Common Stock or other Marketable Securities or (iv) issue by reclassification of its shares of Common Stock or other Marketable Securities any shares of stock or other Marketable Securities of the Company, then the Conversion Price in effect immediately before such action shall be adjusted so that the Holders of such Securities, upon conversion thereof into Common Stock or other Marketable Securities immediately following such event, shall be entitled to receive the kind and amount of shares of capital stock of the Company or other Marketable Securities which they would have owned or been entitled to receive upon or by reason of such event if such Securities had been converted immediately before the record date (or, if no record date, the effective date) for such event. An adjustment made pursuant to this Section 1403(1) shall become effective retroactively immediately after the record date in the case of a dividend or distribution and shall become effective retroactively immediately after the effective date in the case of a subdivision, combination or reclassification. For the purposes of this Section 1403(1), each Holder of Securities shall be deemed to have failed to exercise any right to elect the kind or amount of securities receivable upon the payment of any such dividend, subdivision, combination or reclassification (provided that if the kind or amount of securities receivable upon

such dividend, subdivision, combination or reclassification is not the same for each nonelecting share, then the kind and amount of securities or other property receivable upon such dividend, subdivision, combination or reclassification for each nonelecting share shall be deemed to be the kind and amount so receivable per share by a plurality of the nonelecting shares).

(2) in case the Company shall, at any time or from time to time while any of such Securities are outstanding, issue rights or warrants to all holders of shares of its Common Stock or other Marketable Securities entitling them (for a period expiring within 45 days after the record date for such issuance) to subscribe for or purchase shares of Common Stock or other Marketable Securities (or securities convertible into shares of Common Stock or other Marketable Securities) at a price per share less than the Current Market Price of the Common Stock or other Marketable Securities at such record date (treating the price per share of the securities convertible into Common Stock or other Marketable Securities as equal to (x) the sum of (i) the price for a unit of the security convertible into Common Stock or other Marketable Securities plus (ii) any additional consideration initially payable upon the conversion of such security into Common Stock or other Marketable Securities divided by (y) the number of shares of Common Stock or other Marketable Securities initially underlying such convertible security), the Conversion Price with respect to such Securities shall be adjusted so that it shall equal the price determined by dividing the Conversion Price in effect immediately prior to the date of issuance of such rights or warrants by a fraction, the numerator of which shall be the number of shares of Common Stock or other Marketable Securities outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock or other Marketable Securities offered for subscription or purchase (or into which the convertible securities so offered are initially convertible), and the denominator of which shall be the number of shares of Common Stock or other Marketable Securities outstanding on the date of issuance of such rights or warrants plus the number of shares or securities which the aggregate offering price of the total number of shares or securities so offered for subscription or purchase (or the aggregate purchase price of the convertible securities so offered plus the aggregate amount of any additional consideration initially payable upon conversion of such Securities into Common Stock or other

Marketable Securities) would purchase at such Current Market Price of the Common Stock or other Marketable Securities. Such adjustment shall become effective retroactively immediately after the record date for the determination of stockholders entitled to receive such rights or warrants.

(3) In case the Company shall, at any time or from time to time while any of such Securities are outstanding, distribute to all holders of shares of its Common Stock or other Marketable Securities (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing corporation and the Common Stock or other Marketable Securities are not changed or exchanged) cash, evidences of its indebtedness, securities or assets (excluding (i) regular periodic cash dividends in amounts, if any, determined from time to time by the Board of Directors, (ii) dividends payable in shares of Common Stock or other Marketable Securities for which adjustment is made under Section 1403(1) or (iii) rights or warrants to subscribe for or purchase securities of the Company (excluding those referred to in Section 1403(2)), then in each such case the Conversion Price with respect to such Securities shall be adjusted so that it shall equal the price determined by dividing the Conversion Price in effect immediately prior to the date of such distribution by a fraction, the numerator of which shall be the Current Market Price of the Common Stock or other Marketable Securities on the record date referred to below, and the denominator of which shall be such Current Market Price of the Common Stock or other Marketable Securities less the then fair market value (as determined by the Board of Directors of the Company, whose determination shall be conclusive) of the portion of the cash or assets or evidences of indebtedness or securities so distributed or of such subscription rights or warrants applicable to one share of Common Stock or one other Marketable Security (provided that such denominator shall never be less than 1.0); provided, however, that no adjustment shall be made with respect to any distribution of rights to purchase securities of the Company if a Holder of Securities would otherwise be entitled to receive such rights upon conversion at any time of such Securities into Common Stock or other Marketable Securities unless such rights are subsequently redeemed by the Company, in which case such redemption shall be treated for purposes of this Section as a dividend on the Common Stock or other Marketable Securities. Such adjustment shall become effective retroactively immediately after the record date for the

determination of stockholders or holders of Marketable Securities entitled to receive such distribution; and in the event that such distribution is not so made, the Conversion Price shall again be adjusted to the Conversion Price which would then be in effect if such record date had not been fixed.

(4) The Company shall be entitled to make such additional adjustments in the Conversion Price, in addition to those required by subsections 1403(1), 1403(2) and 1403(3), as shall be necessary in order that any dividend or distribution of Common Stock or other Marketable Securities, any subdivision, reclassification or combination of shares of Common Stock or other Marketable Securities or any issuance of rights or warrants referred to above shall not be taxable to the holders of Common Stock or other Marketable Securities for United States Federal income tax purposes.

(5) In any case in which this Section 1403 shall require that any adjustment be made effective as of or retroactively immediately following a record date, the Company may elect to defer (but only for five (5) Trading Days following the filing of the statement referred to in Section 1405) issuing to the Holder of any Securities converted after such record date the shares of Common Stock and other capital stock of the Company or other Marketable Securities issuable upon such conversion over and above the shares of Common Stock and other capital stock of the Company or other Marketable Securities issuable upon such conversion on the basis of the Conversion Price prior to adjustment; provided, however, that the Company shall deliver to such Holder a due bill or other appropriate instrument evidencing such Holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(6) All calculations under this Section 1403 shall be made to the nearest cent or one-hundredth of a share or security, with one-half cent and .005 of a share, respectively, being rounded upward. Notwithstanding any other provision of this Section 1403, the Company shall not be required to make any adjustment of the conversion Price unless such adjustment would require an increase or decrease of at least 1% of such price. Any lesser adjustment shall be carried forward and shall be made at the time of and together with the next subsequent adjustment which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least 1% in such price. Any adjustments under this Section 1403 shall be made

successively whenever an event requiring such an adjustment occurs.

(7) In the event that at any time, as a result of an adjustment made pursuant to this Section 1403, the Holder of any Security thereafter surrendered for conversion shall become entitled to receive any shares of stock of or other Marketable Securities of the Company other than shares of Common Stock or Marketable Securities into which the Securities originally were convertible, the Conversion Price of such other shares or Marketable Securities so receivable upon conversion of any such Security shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock and Marketable Securities contained in subparagraphs (1) through (6) of this Section 1403, and the provisions of Sections 1401, 1402 and 1404 through 1409 with respect to the Common Stock or other Marketable Securities shall apply on like or similar terms to any such other shares or Marketable Securities and the determination of the Board of Directors as to any such adjustment shall be conclusive.

(8) No adjustment shall be made pursuant to this Section (i) if the effect thereof would be to reduce the Conversion Price below the par value (if any) of the Common Stock or other Marketable Security, if any, or (ii) subject to 1403(5) hereof, with respect to any Security that is converted prior to the time such adjustment otherwise would be made.

SECTION 1404. Consolidation or Merger of the Company. In case of either (a) any consolidation or merger to which the Company is a party, other than a merger or consolidation in which the Company is the surviving or continuing corporation and which does not result in a reclassification of, or change (other than a change in par value or from par value to no par value or from no par value to par value, as a result of a subdivision or combination) in, outstanding shares of Common Stock or other Marketable Securities or (b) any sale or conveyance of all or substantially all of the property and assets of the Company to another Person, then each Security then Outstanding shall be convertible from and after such merger, consolidation, sale or conveyance of property and assets into the kind and amount of shares of stock or other securities and property (including cash) receivable upon such consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock or other Marketable Securities into which such Securities would have been converted immediately prior to such

consolidation, merger, sale or conveyance, subject to adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article XIV (and assuming such holder of Common Stock or other Marketable Securities failed to exercise his rights of election, if any, as to the kind or amount of securities, cash or other property (including cash) receivable upon such consolidation, merger, sale or conveyance (provided that, if the kind or amount of securities, cash or other property (including cash) receivable upon such consolidation, merger, sale or conveyance is not the same for each nonelecting share, then the kind and amount of securities, cash or other property (including cash) receivable upon such consolidation, merger, sale or conveyance for each nonelecting share shall be deemed to be the kind and amount so receivable per share by a plurality of the nonelecting shares or securities)). The Company shall not enter into any of the transactions referred to in clause (a) or (b) of the preceding sentence unless effective provision shall be made so as to give effect to the provisions set forth in this Section 1404. The provisions of this Section 1404 shall apply similarly to successive consolidations, mergers, sales or conveyances.

SECTION 1405. Notice of Adjustment. Whenever an adjustment in the Conversion Price with respect to a series of Securities is required:

(1) The Company shall forthwith place on file with the Trustee and any Conversion Agent for such Securities a certificate of the Treasurer of the Company, stating the adjusted Conversion Price determined as provided herein and setting forth in reasonable detail such facts as shall be necessary to show the reason for and the manner of computing such adjustment, such certificate to be conclusive evidence that the adjustment is correct; and

(2) A notice stating that the Conversion Price has been adjusted and setting forth the adjusted Conversion Price shall forthwith be mailed, first class postage prepaid, by the Company to the Holders of record of such Outstanding Securities.

SECTION 1406. Notice in Certain Events. In case:

- (1) Of a consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required, or of the sale or conveyance to another person or entity or group of persons or entities acting in concert as a partnership, limited partnership, syndicate or other group (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934) of all or substantially all of the property and assets of the Company; or
- (2) Of the voluntary or involuntary dissolution, liquidation or winding up of the Company; or
- (3) Of any action triggering an adjustment of the Conversion Price pursuant to this Article XIV;

then, in each case, the Company shall cause to be filed with the Trustee and the Conversion Agent for the applicable Securities, and shall cause to be mailed, first class postage prepaid, to the Holders of record of applicable Securities, at least fifteen (15) days prior to the applicable date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of any distribution or grant of rights or warrants triggering an adjustment to the Conversion Price pursuant to this Article XIV, or, if a record is not to be taken, the date as of which the holders of record of Common Stock or other Marketable Securities entitled to such distribution, rights or warrants are to be determined, or (y) the date on which any reclassification, consolidation, merger, sale, conveyance, dissolution, liquidation or winding up triggering an adjustment to the Conversion Price pursuant to this Article XIV is expected to become effective, and the date as of which it is expected that holders of Common Stock or other Marketable Securities of record shall be entitled to exchange their Common Stock or other Marketable Securities for securities or other property deliverable upon such reclassification, consolidation, merger, sale, conveyance, dissolution, liquidation or winding up.

Failure to give such notice or any defect therein shall not affect the legality or validity of the proceedings described in clause (1), (2) or (3) of this Section.

SECTION 1407. Company To Reserve Stock or other Marketable Securities; Registration; Listing. (a) The Company shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued shares of Common Stock or other Marketable Securities, for the purpose of effecting the conversion of the Securities, such

number of its duly authorized shares of Common Stock or number or principal amount of other Marketable Securities as shall from time to time be sufficient to effect the conversion of all applicable outstanding Securities into such Common Stock or other Marketable Securities at any time (assuming that, at the time of the computation of such number of shares or securities, all such Securities would be held by a single Holder); provided, however, that nothing contained herein shall preclude the Company from satisfying its obligations in respect of the conversion of the Securities by delivery of purchased shares of Common Stock or other Marketable Securities which are held in the treasury of the Company. The Company shall from time to time, in accordance with the laws of the State of Delaware, use its best efforts to cause the authorized amount of the Common Stock or other Marketable Securities to be increased if the aggregate of the authorized amount of the Common Stock or other Marketable Securities remaining unissued and the issued shares of such Common Stock or other Marketable Securities in its treasury (other than any such shares reserved for issuance in any other connection) shall not be sufficient to permit the conversion of all Securities.

(b) If any shares of Common Stock or other Marketable Securities which would be issuable upon conversion of Securities hereunder require registration with or approval of any governmental authority before such shares or securities may be issued upon such conversion, the Company will in good faith and as expeditiously as possible endeavor to cause such shares or securities to be duly registered or approved, as the case may be. The Company will endeavor to list the shares of Common Stock or other Marketable Securities required to be delivered upon conversion of the Securities prior to such delivery upon the principal national securities exchange upon which the outstanding Common Stock or other Marketable Securities is listed at the time of such delivery.

SECTION 1408. Taxes on Conversion. The Company shall pay any and all documentary, stamp or similar issue or transfer taxes that may be payable in respect of the issue or delivery of shares of Common Stock or other Marketable Securities on conversion of Securities pursuant hereto. The Company shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock or other Marketable Securities or the portion, if any, of the Securities which are not so converted in a name other than that in which the Securities so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Company the

amount of such tax or has established to the satisfaction of the Company that such tax has been paid.

SECTION 1409. Conversion After Record Date. If any Securities are surrendered for conversion subsequent to the record date preceding an Interest Payment Date but on or prior to such Interest Payment Date (except Securities called for redemption on a Redemption Date between such record date and Interest Payment Date), the Holder of such Securities at the close of business on such record date shall be entitled to receive the interest payable on such Securities on such Interest Payment Date notwithstanding the conversion thereof. Securities surrendered for conversion during the period from the close of business on any record date next preceding any Interest Payment Date to the opening of business on such Interest Payment Date shall (except in the case of Securities which have been called for redemption on a Redemption Date within such period) be accompanied by payment in New York Clearing House funds or other funds acceptable to the Company of an amount equal to the interest payable on such Interest Payment Date on the Securities being surrendered for conversion. Except as provided in this Section 1409, no adjustments in respect of payments of interest on Securities surrendered for conversion or any dividends or distributions or interest on the Common Stock or other Marketable Securities issued upon conversion shall be made upon the conversion of any Securities.

SECTION 1410. Corporate Action Regarding Par Value of Common Stock. Before taking any action which would cause an adjustment reducing the applicable Conversion Price below the then par value (if any) of the shares of Common Stock or other Marketable Securities deliverable upon conversion of the Securities, the Company will take any corporation action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock or other Marketable Securities at such adjusted Conversion Price.

SECTION 1411. Company Determination Final. Any determination that the Company or the Board of Directors must make pursuant to this Article is conclusive.

SECTION 1412. Trustee's Disclaimer. The Trustee has no duty to determine when an adjustment under this Article should be made, how it should be made or what it should be. The Trustee makes no representation as to the validity or value of any securities or assets issued upon conversion of Securities. The Trustee shall not be responsible for the Company's failure to comply with this Article. Each

Conversion Agent other than the Company shall have the same protection under this Section as the Trustee.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

(Execution page follows)

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

NATIONAL SERVICE INDUSTRIES, INC.

by /s/ CHESTER J. POPKOWSKI

Name: Chester J. Popkowski
Title: Vice President and
Treasurer

SUNTRUST BANK, ATLANTA, as Trustee

by /s/ SANDRA THOMPSON

Name: Sandra Thompson
Title: Vice President

by /s/ KRISTINE PRALL

Name: Kristine Prall
Title: Trust Officer

\$160,000,000

NATIONAL SERVICE INDUSTRIES, INC.

6% Notes due 2009
REGISTERED GLOBAL SECURITY

CUSIP NO.: 637657AA5

PRINCIPAL AMOUNT
REPRESENTED
\$160,000,000

No. R-1

NATIONAL SERVICE INDUSTRIES, INC., a corporation duly organized and existing under the laws of the State of Delaware (the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & Co., as the nominee of The Depository Trust Company (the "Depository"), or registered assigns, the principal sum of ONE HUNDRED SIXTY MILLION UNITED STATES DOLLARS (\$160,000,000) on February 1, 2009 and to pay interest thereon semiannually in arrears on each February 1 and August 1 (each, an "Interest Payment Date"), beginning August 1, 1999, and at maturity, from January 26, 1999, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate of six 6% per annum, until the principal hereof becomes due and payable, and at such rate on any overdue principal and (to the extent that the payment of such interest shall be legally enforceable) on any overdue installment of interest.

UNLESS THIS REGISTERED GLOBAL SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE THEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNLESS OR UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL NOTES REPRESENTED HEREBY, THIS REGISTERED GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH DEPOSITARY.

This Registered Global Security is one of the duly authorized debt securities of the Company (the "Debt Securities"), issued or to be issued in one or more series under an Indenture, dated as of January 26, 1999 (the "Indenture"), between the Company and SunTrust Bank, Atlanta, as trustee (the "Trustee", which term includes any successor Trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and each of the Holders of the Debt Securities

and of the terms upon which the Debt Securities are, and are to be, authenticated and delivered. The terms of the Indenture are hereby incorporated by reference herein. The Debt Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different redemption or repayment provisions (if any), may be subject to different sinking, purchase or analogous funds (if any) and may otherwise vary as provided in the Indenture. This Registered Global Security is a global certificate issued on the date hereof, which represents 100% of the principal face amount of the Company's 6% Notes due 2009 (the "Notes"). All terms used in this Registered Global Security which are not defined herein shall have the meanings assigned to them in the Indenture.

The interest payable hereunder, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the Person in whose name this Registered Global Security representing the Notes is registered at the close of business on the fifteenth calendar day of the month prior to the month in which each Interest Payment Date occurs. "Business Day" with respect to the Notes means any day that is not a Saturday, a Sunday or a day on which banking institutions or trust companies in the City of New York are authorized or obligated by law or executive order to close. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered Holder on such Regular Record Date by virtue of such Person having been such Holder, and may either be paid to the Person in whose name this Registered Global Security representing the Notes is registered at the close of business on a Special Record Date to be fixed by the Trustee for the payment of such Defaulted Interest, notice of which having been given to each Holder of Notes not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

Payment of the principal of and interest on the Notes will be made by the Company to the Trustee, and if such payments are made by the Company, the Trustee in turn will make such payments to the Depositary. Place of Payment will be at the Offices of the Trustee in the Borough of Manhattan, The City of New York.

Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months. Each payment of interest in respect of an Interest Payment Date will include interest accrued through the day before such Interest Payment Date. If an Interest Payment Date falls on a day that is not a Business Day, the interest payment to be made on such Interest Payment Date will be made on the next succeeding Business Day with the same force and effect as if made on such Interest Payment Date, and no

additional interest will accrue as a result of such delayed payment.

The Notes will be redeemable, as a whole or in part, at the option of the Company, at any time or from time to time, on at least 30 days, but not more than 60 days, prior notice mailed to the registered address of each Holder of Notes. The redemption prices will be equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed or (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) discounted, on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months), at a rate equal to the sum of the Treasury Rate (as defined below) and 20 basis points. In the case of each of clause (1) and (2), accrued interest will be payable to the redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity (computed as of the second business day immediately preceding such redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such Redemption Date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (2) if such release (or any successor release) is not published or does not contain such prices on such business day, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Trustee obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations. "Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

"Independent Investment Banker" means one of the Reference Treasury Dealers identified in clause (1) of the definition thereof appointed by the Company.

"Reference Treasury Dealer" means (1) each of Salomon Smith Barney Inc., Goldman, Sachs & Co., and J.P. Morgan Securities Inc. and their respective successors and (2) any other primary U.S. Government securities dealer (a "Primary Treasury Dealer") selected by the Independent Investment Banker after consultation with the Company. If any of the firms identified in clause (1) shall cease to be a Primary Treasury Dealer, the Company shall substitute another nationally recognized investment banking firm that is a Primary Treasury Dealer.

"Remaining Scheduled Payments" means, with respect to any Note, the remaining scheduled payments of principal of and interest on such Note that would be due after the related redemption date but for such redemption. If such redemption date is not an interest payment date with respect to such Note, the amount of the next succeeding scheduled interest payment on such Note will be reduced by the amount of interest accrued on such Note to such redemption date.

On and after the redemption date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption (unless the Company defaults in the payment of the redemption price and accrued interest). On or before the redemption date, the Company will deposit with a paying agent (or the Trustee) money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on such date. If less than all the Notes are to be redeemed, the Notes to be redeemed shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate.

The Notes will not be subject to any sinking fund.

The Trustee will maintain at its office in the Borough of Manhattan, The City of New York, a register for the registration and transfer of Notes. Subject to the limitations, terms and conditions set forth herein and in the Indenture, this Registered Global Security may be transferred at the aforesaid office of the Trustee by surrendering this Registered Global Security for cancellation and thereupon the Company shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees, in exchange herefor, a new Registered Global Security or Registered Global Securities having identical terms and provisions and having a like aggregate principal amount in authorized denomination.

The Registered Global Security presented for registration of transfer or exchange shall be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company and the Trustee and executed by, the registered Holder or by the Holder's attorney duly authorized in writing. No service charge shall be made for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Prior to the due presentment of this Registered Global Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Registered Global Security is registered as the owner hereof for all purposes, whether or not this Registered Global Security

be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

In case an Event of Default with respect to the Notes shall have occurred and be continuing, the principal hereof may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Debt Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the Debt Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Debt Securities of any series at the time Outstanding, on behalf of the Holders of all the Debt Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Debt Security shall be conclusive and binding upon such Holder and upon all future Holders of this Debt Security and of any Debt Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Debt Security.

Holders of Debt Securities may not enforce their rights pursuant to the Indenture or the Debt Securities except as provided in the Indenture. No reference herein to the Indenture and no provision of this Registered Global Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Registered Global Security at the times, place and rate, and in the coin or currency, herein prescribed.

The Notes are issuable only in registered form without coupons in denominations of \$1,000 and integral multiples thereof.

Unless the certificate of authentication hereon has been duly executed by the Trustee by manual signature, this Debt

Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purposes.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:

NATIONAL SERVICE INDUSTRIES, INC.,

by

Name:
Title:

Corporate Seal
Attest:

by

Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Debt Securities issued under the within-mentioned Indenture.

SunTrust Bank, Atlanta
as Trustee

by

/s/

Authorized Officer

L&C Spinco, Inc. a Delaware corporation (the "Company"), has assumed the obligations of National Service Industries, Inc. ("NSI") as successor to the NSI in connection with the transfer of the properties and assets of NSI substantially as an entirety. The Company has expressly assumed the due and punctual payment of the principal of and interest on all the Notes and the due and punctual performance and observance of all the covenants and obligations in the Indenture to be performed by NSI, and NSI will be relieved from all covenants and obligations under the Notes, the Securities and the Indenture in accordance with the First Supplemental Indenture referred to below. The Indenture dated as of January 26, 1999 referred to in this Note has been amended by a First Supplemental Indenture dated as of _____, 2001 to provide for such assumptions of obligations by the Company and the release of NSI from such obligations. Reference is hereby made to said First Supplemental Indenture, copies of which are on file with SunTrust Bank, as Trustee, for a description of the amendments therein made.

UNLESS THIS REGISTERED GLOBAL SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE THEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNLESS OR UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL NOTES REPRESENTED HEREBY, THIS REGISTERED GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

\$200,000,000

NATIONAL SERVICE INDUSTRIES, INC.

8.375% NOTES DUE AUGUST 1, 2010

REGISTERED GLOBAL SECURITY

CUSIP NO.: 637657 AB 3

PRINCIPAL AMOUNT
REPRESENTED

No. R-1

\$200,000,000

NATIONAL SERVICE INDUSTRIES, INC., a corporation duly organized and existing under the laws of the State of Delaware (the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & Co., as the nominee of The Depository Trust Company (the "Depository"), or registered assigns, the principal sum of \$200,000,000 (TWO HUNDRED MILLION DOLLARS) on August 1, 2010 and to pay interest thereon semiannually in arrears on each May 1 and November 1 (each, an "Interest Payment Date"), beginning November 1, 2000, and at maturity, from August 8, 2000, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate of 8.375% per annum, until the principal hereof becomes due and payable, and at such rate on any overdue principal and (to the extent that the payment of such interest shall be legally enforceable) on any overdue installment of interest.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:

NATIONAL SERVICE INDUSTRIES, INC.,

by

Name:
Title:

Corporate Seal
Attest:

by

Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Debt Securities issued under the within-mentioned Indenture.

SunTrust Bank,
as Trustee

by

L&C Spinco, Inc. a Delaware corporation (the "Company"), has assumed the obligations of National Service Industries, Inc. ("NSI") as successor to NSI in connection with the transfer of the properties and assets of NSI substantially as an entirety. The Company has expressly assumed the due and punctual payment of the principal of and interest on all the Notes and the due and punctual performance and observance of all the covenants and obligations in the Indenture to be performed by NSI, and NSI will be relieved from all covenants and obligations under the Notes, the Securities and the Indenture in accordance with the First Supplemental Indenture referred to below. The Indenture dated as of January 26, 1999 referred to in this Note has been amended by a First Supplemental Indenture dated as of _____, 2001 to provide for such assumptions of obligations by the Company and the release of NSI from such obligations. Reference is hereby made to said First Supplemental Indenture, copies of which are on file with SunTrust Bank, as Trustee, for a description of the amendments therein made.

This Registered Global Security is one of the duly authorized debt securities of the Company (the "Debt Securities"), issued or to be issued in one or more series under the Indenture, dated as of January 26, 1999 (the "Indenture"), between the Company and SunTrust Bank, as trustee (the "Trustee", which term includes any successor Trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and each of the Holders of the Debt Securities and of the terms upon which the Debt Securities are, and are to be, authenticated and delivered. The terms of the Indenture are hereby incorporated by reference herein. The Debt Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different redemption or repayment provisions (if any), may be subject to different sinking, purchase or analogous funds (if any) and may otherwise vary as provided in the Indenture. This Registered Global Security is a global certificate issued on the date hereof, which represents 100% of the principal face amount of the Company's 8.375% Notes due August 1, 2010 (the "Notes"). All terms used in this Registered Global Security which are not defined herein shall have the meanings assigned to them in the Indenture.

The interest payable hereunder, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the Person in whose name this Registered Global Security representing the Notes is registered at the close of business on the applicable preceding April 15 and October 15. "Business Day" with respect to the Notes means any day that is not a Saturday, a Sunday or a day on which banking institutions or trust companies in the City of New York are authorized or obligated by law or executive order to close. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered Holder on such Regular Record Date by virtue of such Person having been such Holder, and may either be paid to the Person in whose name this Registered Global Security representing the Notes is registered at the close of business on a Special Record Date to be fixed by the Trustee for the payment of such Defaulted Interest, notice of which having been given to each Holder of Notes not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

Payment of the principal of and interest on the Notes will be made by the Company to the Trustee, and if such payments are made by the Company, the Trustee in turn will make such payments to the Depository. Place of Payment will be at the

office or agency of the Trustee in the Borough of Manhattan, The City of New York.

Interest on the Notes will be computed on the basis of a 360-day year of the twelve 30-day months. Each payment of interest in respect of an Interest Payment Date will include interest accrued through the day before such Interest Payment Date. If an Interest Payment Date falls on a day that is not a Business Day, the interest payment to be made on such Interest Payment Date will be made on the next succeeding Business Day with the same force and effect as if made on such Interest Payment Date, and no additional interest will accrue as a result of such delayed payment.

The Notes will be redeemable, as a whole or in part, at the option of the Company, at any time or from time to time, on at least 30 days, but not more than 60 days, prior notice mailed to the registered address of each Holder of the Notes. The redemption prices will be equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed or (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) discounted, on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months), at a rate equal to the sum of the Treasury Rate (as defined below) and 20 basis points. In the case of each of clause (1) and (2), accrued interest will be payable to the redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity (computed as of the second business day immediately preceding such redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such Redemption Date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (2) if such release (or any successor release) is not published or does not contain such prices on such business day, (A) the average of the Reference Treasury Dealer Quotations for such redemption

date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Trustee obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations. "Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

"Independent Investment Banker" means one of the Reference Treasury Dealers identified in clause (1) of the definition thereof appointed by the Company.

"Reference Treasury Dealer" means (1) each of Goldman, Sachs & Co., Salomon Smith Barney Inc. and Wachovia Securities, Inc. and their respective successors and (2) any other primary U.S. Government securities dealer (a "Primary Treasury Dealer") selected by the Independent Investment Banker after consultation with the Company. If any of the firms identified in clause (1) shall cease to be a Primary Treasury Dealer, the Company shall substitute another nationally recognized investment banking firm that is a Primary Treasury Dealer.

"Remaining Scheduled Payments" means, with respect to any Note, the remaining scheduled payments of principal of and interest on such Note that would be due after the related redemption date but for such redemption. If such redemption date is not an interest payment date with respect to such Note, the amount of the next succeeding scheduled interest payment on such Note will be reduced by the amount of interest accrued on such Note to such redemption date.

On and after the redemption date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption (unless the Company defaults in the payment of the redemption price and accrued interest). On or before the redemption date, the Company will deposit with a paying agent (or the Trustee) money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on such date. If less than all the Notes are to be redeemed, the Notes to be redeemed shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate.

The Notes will not be subject to any sinking fund.

The Trustee will maintain at its office or agency in the Borough of Manhattan, The City of New York, a register for the registration and transfer of Notes. Subject to the limitations, terms and conditions set forth herein and in the Indenture, this Registered Global Security may be transferred at the aforesaid office or agency of the Trustee by surrendering

this Registered Global Security for cancellation and thereupon the Company shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees, in exchange herefor, a new Registered Global Security or Registered Global Securities having identical terms and provisions and having a like aggregate principal amount in authorized denomination.

The Registered Global Security presented for registration of transfer or exchange shall be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company and the Trustee and executed by, the registered Holder or by the Holder's attorney duly authorized in writing. No service charge shall be made for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Prior to the due presentment of this Registered Global Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Registered Global Security is registered as the owner hereof for all purposes, whether or not this Registered Global Security is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

In case an Event of Default with respect to the Notes shall have occurred and be continuing, the principal hereof may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Debt Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the Debt Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Debt Securities of any series at the time Outstanding, on behalf of the Holders of all the Debt Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Debt Security shall be conclusive and binding upon such Holder and upon all future Holders of this Debt Security and of any Debt Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Debt Security.

Holders of Debt Securities may not enforce their rights pursuant to the Indenture or the Debt Securities except as provided in the Indenture. No reference herein to the Indenture

and no provision of this Registered Global Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Registered Global Security at the times, place and rate, and in the coin or currency, herein prescribed.

The Notes are issuable only in registered form without coupons in denominations of \$1,000 and integral multiples thereof.

Unless the certificate of authentication hereon has been duly executed by the Trustee by manual signature, this Debt Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purposes.