

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10
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 TO BE SO REGISTERED	NAME OF EACH EXCHANGE ON WHICH EACH CLASS IS TO BE REGISTERED
Common Stock, \$.01 par value per share	New York Stock Exchange, Inc.
Preferred Stock Purchase Rights	New York Stock Exchange, Inc.

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

NONE

EXPLANATORY NOTE

THIS REGISTRATION STATEMENT HAS BEEN PREPARED ON A PROSPECTIVE BASIS ON THE ASSUMPTION THAT, AMONG OTHER THINGS, THE DISTRIBUTION (AS DEFINED IN THE INFORMATION STATEMENT WHICH IS A PART OF THIS REGISTRATION STATEMENT) AND THE RELATED TRANSACTIONS CONTEMPLATED TO OCCUR PRIOR TO OR CONTEMPORANEOUSLY WITH THE DISTRIBUTION WILL BE CONSUMMATED AS CONTEMPLATED BY THE INFORMATION STATEMENT. THERE CAN BE NO ASSURANCE, HOWEVER, THAT ANY OR ALL OF SUCH TRANSACTIONS WILL OCCUR OR WILL OCCUR AS SO CONTEMPLATED. ANY SIGNIFICANT MODIFICATIONS OR VARIATIONS IN THE TRANSACTIONS CONTEMPLATED WILL BE REFLECTED IN AN AMENDMENT OR SUPPLEMENT TO THIS REGISTRATION STATEMENT.

CROSS REFERENCE

L&C SPINCO, INC.

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

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

ITEM NO.	ITEM CAPTION	LOCATION IN INFORMATION STATEMENT
1	Business.....	"SUMMARY;" "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS;" and "SPINCO'S BUSINESSES."
2	Financial Information.....	"HISTORICAL AND PRO FORMA COMBINED CAPITALIZATION;" "PRO FORMA FINANCIAL INFORMATION;" "SELECTED FINANCIAL DATA;" "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS;" and "COMBINED FINANCIAL STATEMENTS OF NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT AND CHEMICALS BUSINESSES."
3	Properties.....	"SPINCO'S BUSINESSES -- Properties."
4	Security Ownership of Certain Beneficial Owners and Management.....	"BENEFICIAL OWNERSHIP OF SPINCO SHARES."
5	Directors and Executive Officers.....	"SPINCO'S MANAGEMENT."
6	Executive Compensation.....	"SPINCO'S MANAGEMENT."
7	Certain Relationships and Related Transactions.....	"SUMMARY;" "RELATIONSHIP BETWEEN NSI AND SPINCO FOLLOWING THE DISTRIBUTION;" and "SPINCO'S MANAGEMENT."
8	Legal Proceedings.....	"SPINCO'S BUSINESSES -- Legal Proceedings."
9	Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters.....	"SUMMARY;" "THE DISTRIBUTION -- Listing and Trading of the Spinco Shares;" and "DIVIDEND POLICIES."

ITEM NO.	ITEM CAPTION	LOCATION IN INFORMATION STATEMENT
10	Description of Registrant's Securities to be Registered.....	"DESCRIPTION OF SPINCO'S CAPITAL STOCK."
11	Indemnification of Officers and Directors.....	"LIABILITY AND INDEMNIFICATION OF DIRECTORS AND OFFICERS."
12	Financial Statements and Supplementary Data.....	"PRO FORMA FINANCIAL INFORMATION;" "SELECTED FINANCIAL DATA;" and "COMBINED FINANCIAL STATEMENTS OF NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT AND CHEMICALS BUSINESSES."

II. INFORMATION NOT INCLUDED IN INFORMATION STATEMENT

Item 10. Recent Sales of Unregistered Securities.

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

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

None.

Item 15. Financial Statements and Exhibits.

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

Report of Independent Public Accountants.

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

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

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

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

Report of Independent Public Accountants on Schedule

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

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

EXHIBIT

NO.

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2.1*	--	Form of Agreement and Plan of Distribution.
3.1	--	Form of Restated Certificate of Incorporation of L&C Spinco, Inc.
3.2	--	By-Laws of L&C Spinco, Inc.
4.1*	--	Form of certificate representing L&C Spinco, Inc. common stock.
4.2*	--	Form of Stockholder Protection Rights Agreement
10.1*	--	Form of Tax Disaffiliation Agreement.
10.2	--	Form of Transition Services Agreement.
10.3*	--	Form of Agreement and Plan of Distribution (see Exhibit 2.1).
10.4*	--	Form of Employee Benefits Agreement.
10.5*	--	L&C Spinco Long-Term Incentive Plan.
10.6*	--	L&C Spinco 2001 Non-Employee Director Stock Option Plan.
10.7	--	Form of Indemnification Agreement.
10.8*	--	Form of Severance Protection Agreement.
10.9*	--	Form of Lease Agreement
10.10*	--	Form of First Supplemental Indenture to Indenture dated as of January 26, 1999.
10.11*	--	Indenture dated as of January 26, 1999.
10.12*	--	Form of 6% Note due 2009.
10.13*	--	Form of 8.375% Note due August 1, 2010.
21.1*	--	List of Subsidiaries.

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* To be filed by amendment.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this 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: July 3, 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 has submitted an application to list the Spinco shares 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 JULY 3, 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 44.

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 has submitted an application to list the Spinco shares 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 73.

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 has submitted an application to list the Spinco shares 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 has submitted an application to list the shares of Spinco common stock you will receive in the Distribution 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 33.

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:

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 business, 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 business, which are described in this document beginning on page 8.

SPINCO'S BUSINESSES

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

LIGHTING EQUIPMENT

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

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

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

CHEMICALS

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

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

THE DISTRIBUTION

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

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

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

Trading Market and Symbol..... There is no current trading market for the Spinco Shares, although a when-issued market will likely develop prior to completion of the Distribution. Spinco has submitted an application to list the Spinco Shares 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.....	
Transfer Agent and Registrar for the Spinco Shares.....	
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 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 between 9 and 11 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 54.

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 54.

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 33.

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 73.

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. Spinco has submitted an application to list the Spinco Shares on the New York Stock Exchange under the symbol " " following completion of the Distribution.

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

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

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

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

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

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

Even if the Distribution qualifies as tax-free, NSI could nevertheless incur a substantial corporate tax liability under Section 355(e) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code" or the "Code"), if NSI or Spinco were to undergo a change in control (whether by acquisition, additional share issuance or otherwise) within the four-year period beginning two years prior to the Distribution and NSI fails to establish that the change in control of NSI or Spinco and the Distribution were not made pursuant to a plan or a series of related transactions. Under certain circumstances, Spinco would be obligated to indemnify NSI for all or a portion of this substantial corporate tax liability under the tax disaffiliation agreement. This indemnification obligation would have a material adverse effect on the results of operations and financial position of Spinco. NSI stockholders would not recognize gain or loss under

Section 355(e) of the Code solely because either NSI or Spinco undergoes a change in control after the Distribution.

CREDITORS OF NSI MAY CHALLENGE THE DISTRIBUTION AS A FRAUDULENT CONVEYANCE

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

RISKS RELATING TO SPINCO

SPINCO'S BUSINESSES ARE DEPENDENT ON CYCLICAL INDUSTRIES

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

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

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

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

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

THE INDUSTRIES IN WHICH SPINCO WILL OPERATE ARE HIGHLY COMPETITIVE

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

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

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

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

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

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

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

SPINCO IS DEPENDENT ON CERTAIN KEY PERSONNEL

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

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

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

HISTORICAL FINANCIAL INFORMATION MAY BE OF LIMITED RELEVANCE

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

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

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

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

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

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

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

SPINCO WILL BE SUBJECT TO FOREIGN CURRENCY RISKS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THE DISTRIBUTION

INTRODUCTION

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

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

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

REASONS FOR THE DISTRIBUTION

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

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

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

MANNER OF EFFECTING THE DISTRIBUTION

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

The Distribution will be made on the basis of one Spinco Share for every share of NSI common stock outstanding on the Record Date. The actual total number of Spinco Shares to be distributed will depend on the number of NSI shares outstanding on , 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 70.

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. Spinco has applied to list the Spinco Shares you will receive in the Distribution 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 within the four-year period beginning two years prior to the Distribution and NSI failed to establish that the change in control of NSI or Spinco and the Distribution were not made pursuant to a plan or a series of related transactions. 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 83.

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 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 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 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. 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

Spinco and NSI will enter 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 _____ 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 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. All 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 is expected to be 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.

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 principal operating subsidiaries 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 upon the effective date of the Distribution. Upon the execution of the supplemental indenture, Spinco and its principal operating subsidiaries will become the obligors of the Notes, and NSI 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.

	HISTORICAL	(UNAUDITED) 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 and paid-in capital(1).....	--	432,496	432,496
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 fourth fiscal quarter of 2001 or 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 not have any operations, assets, or liabilities until immediately prior to the Distribution.

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"). 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. 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 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-18 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-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 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.

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, four facilities in Canada, four facilities in Mexico, and four facilities in Europe.

LIGHTING EQUIPMENT

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

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

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

CHEMICALS

The Zep Group manufactures products that comprise approximately 75% of the chemicals segment's sales volume, with facilities located in the United States, Canada, Holland and Italy. The remaining 25% of the chemicals segment's sales volume is derived from finished goods that supplement the manufactured product line. Approximately 4% of the inhouse manufactured goods are produced outside of the U.S.

Core manufacturing and distribution processes are being integrated to provide the lowest possible costs. The Zep Group is focused on efforts to maximize return on employed capital through Six Sigma to lead productivity improvement programs. In

addition, efforts are underway to optimize inventories through a Stock Keeping Unit (SKU) reduction program.

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

DISTRIBUTION

LIGHTING EQUIPMENT

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

CHEMICALS

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

RESEARCH AND DEVELOPMENT

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

SALES AND MARKETING

LIGHTING EQUIPMENT

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

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

CHEMICALS

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

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

COMPETITION

LIGHTING EQUIPMENT

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

CHEMICALS

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

ENVIRONMENTAL REGULATION

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

Spinco will assume certain environmental liabilities in the Distribution relating to ongoing legal proceedings in connection with state and federal Superfund sites. While Spinco does not believe these claims will result in material liability, there can be no assurance that Spinco will not be required pay a substantial amount of money relating to these claims. Such payment could have a material adverse effect on Spinco's results of operations. See "Note 6: Commitments and Contingencies" in the "Notes to the Combined Financial Statements" beginning on page F-18 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. Management of Spinco is not aware of any such material unauthorized use or of any claims that Spinco does not have the right to use any intellectual property material to Spinco's businesses. While patents and patent applications in the aggregate are important to Spinco's competitive position, no single patent or patent application is material to Spinco.

SEASONALITY AND CYCLICALITY

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

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

INTERNATIONAL OPERATIONS

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

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

EMPLOYEES

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

PROPERTIES

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

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

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-18 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 between 9 and 11 directors. Each director of Spinco who is a director of NSI 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. Spinco expects to determine the composition of its board of directors before the NSI board of directors declares the Distribution.

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 nominating and 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.

NAME	AGE	POSITION WITH SPINCO	POSITION WITH NSI AND PRINCIPAL BUSINESS AFFILIATIONS DURING PAST FIVE YEARS
-----	---	-----	-----
James S. Balloun.....	63	Chairman, President and Chief Executive Officer	Mr. Balloun has served as 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 and Chief Financial Officer	Mr. Hattox has served as Executive Vice President and 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.
Kenneth W. Honeycutt.....	50	President of Lithonia Lighting	Mr. Honeycutt has served as 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.

NAME	AGE	POSITION WITH SPINCO	POSITION WITH NSI AND PRINCIPAL BUSINESS AFFILIATIONS DURING PAST FIVE YEARS
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 Group	Mr. Heagle has served as President of The Zep Group (formerly known as NSI Chemicals Group) since May 2000. He previously served as President and Chief Operating Officer of Calgon Corporation from 1996 until 2000. Prior to Calgon, Mr. Heagle spent 24 years in various management positions with Mobil Chemical.
Kenyon W. Murphy.....	44	Senior Vice President and General Counsel	Mr. Murphy has served as 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, Jr.....	51	Senior Vice President, Human Resources	Mr. Parham has served as 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

NAME AND PRINCIPAL POSITION	FISCAL YEAR	ANNUAL COMPENSATION			LONG-TERM COMPENSATION		ALL OTHER COMPENSATION (\$)(4)
		SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION (\$)(1)	AWARDS UNDERLYING OPTIONS/SARS (#)(2)	PAYOUT LTIP PAYOUT (\$)(3)	
James S. Balloun.....	2000	850,000	0	4,800	312,489	0	0
Chairman, President and Chief Executive Officer	1999	850,000	985,000	4,800	100,000	1,045,657	0
	1998	750,000	513,750	4,800	65,000	0	2,500
Brock A. Hattox.....	2000	395,000	0	4,800	105,001	0	5,250
Executive Vice President and Chief Financial Officer	1999	385,000	311,850	4,800	40,000	574,483	9,177
	1998	370,000	114,071	4,800	40,000	0	5,447
Kenneth W. Honeycutt..	2000	283,750	123,425	0	6,000	560,000	21,008
President of Lithonia Lighting	1999	229,167	108,113	0	4,500	490,000	20,160
	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 Holophane	1999	222,500	98,503	0	4,000	415,000	22,882
	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 The Zep Group	1999	--	--	--	--	--	--
	1998	--	--	--	--	--	--

-
- (1) Each amount shown includes an automobile allowance of \$400 per month.
- (2) The amounts shown for fiscal year 2000 include long-term 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 long-term 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.

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED(1)	% OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE (\$/SHARE)	EXPIRATION DATE(2)	GRANT DATE PRESENT VALUE \$(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.

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

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

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

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

NAME	NUMBER OF SHARES, UNITS OR OTHER RIGHTS (#)	PERFORMANCE OR OTHER PERIOD UNTIL MATURATION OR PAYOUT(1)	ESTIMATED FUTURE PAYOUT UNDER NON-STOCK PRICE-BASED PLANS		
			THRESHOLD (\$)	TARGET (\$)	MAXIMUM (\$)
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

Spincor expects its board will adopt, with the approval of NSI (or a subsidiary thereof) in its capacity as Spincor's sole stockholder, the Spincor 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 Spincor has filed with the Commission which relates to this information statement. Spincor will establish the Plan to provide long-term incentive compensation to officers and other key management personnel who make substantial contributions to Spincor's success, and to assist in attracting and retaining the highest quality individuals in key executive positions.

Spincor'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. 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), 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.

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 (which shall not be less than two years) 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).

REMUNERATION	YEARS OF SERVICE				
	15	20	25	30	35
\$ 400,000.....	\$128,100	\$170,800	\$170,800	\$170,800	\$170,800
500,000.....	161,800	215,800	215,800	215,800	215,800
600,000.....	195,600	260,800	260,800	260,800	260,800
700,000.....	229,300	305,800	305,800	305,800	305,800
800,000.....	263,100	350,800	350,800	350,800	350,800
900,000.....	296,800	395,800	395,800	395,800	395,800
1,000,000.....	330,600	440,800	440,800	440,800	440,800
1,200,000.....	398,100	530,800	530,800	530,800	530,800

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

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

Messrs. Honeycutt and Morgan are not currently participants in any defined benefit or actuarial 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 all 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 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 May 31, 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. Spinco expects to determine the composition of its board of directors before the NSI board of directors declares the Distribution and the following table will be updated at the time of such determination.

NAME OF BENEFICIAL OWNER -----	NUMBER OF SHARES BENEFICIALLY OWNED			PERCENT OF CLASS(4) -----
	(1)	(2)	(3)	
James S. Balloun.....	840,851			2.0
Brock A. Hattox.....	240,783			*
Kenneth W. Honeycutt.....	51,317			*
John K. Morgan(5).....	37,260			*
James H. Heagle.....	4,280			*
All executive officers and directors as a group (persons).....				%

* 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, 713,140 shares; Mr. Hattox, 222,313 shares; Mr. Honeycutt, 27,194 shares; Mr. Morgan, 16,857 shares; Mr. Heagle, 2,500 shares; and all current executive officers as a group, 1,027,664 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 33.

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 77.

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" on page 54.

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. Spinco has submitted an application to list the Spinco Shares 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)

	MAY 31, 2001	AUGUST 31,	
	(UNAUDITED)	2000	1999
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
COSTS AND EXPENSES:					
Cost of products sold.....	845,063	847,480	1,168,221	978,274	902,851
Selling and administrative expenses.....	512,793	489,366	656,112	570,792	517,851
Interest expense, net.....	37,710	31,016	43,299	12,697	4,412
Amortization expense.....	13,521	13,899	18,441	5,802	3,102
Loss on sale of businesses....	14,557	--	--	--	--
Other (income) expense, net...	825	(469)	1,347	(1,765)	1,712
Total costs and expenses....	1,424,469	1,381,292	1,887,420	1,565,800	1,429,928
Income before provision for income taxes.....	58,488	85,330	135,291	142,585	129,859
Provision for income taxes....	24,384	32,545	51,600	53,469	48,048
Net income.....	\$ 34,104	\$ 52,785	\$ 83,691	\$ 89,116	\$ 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)

	NSI'S EQUITY	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL EQUITY	COMPREHENSIVE 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 ENDED MAY 31,		YEARS ENDED AUGUST 31,		
	2001	2000	2000	1999	1998
	(UNAUDITED)				
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES					
Net income.....	\$ 34,104	\$ 52,785	\$ 83,691	\$ 89,116	\$ 81,811
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization.....	48,584	45,322	58,485	33,297	28,669
(Gain)/loss on sale of property, plant & equipment.....	(237)	(44)	(156)	69	767
Loss on sale of businesses.....	14,557	--	--	--	--
Provision for losses on accounts receivable.....	2,471	1,999	2,667	2,744	2,580
Change in assets and liabilities net of effect of acquisitions -					
Receivables.....	27,899	2,442	(37,464)	(16,047)	(44,037)
Inventories.....	3,007	(45,469)	(40,054)	10,920	(20,906)
Deferred income taxes.....	(2,385)	8,333	321	(14,697)	(4,281)
Prepayments and other current assets.....	(4,812)	(4,698)	(3,335)	(3,940)	(455)
Accounts payable and accrued liabilities.....	(17,971)	(33,819)	(12,202)	43,383	(12,392)
Self-insurance reserves and other long-term liabilities.....	(4,400)	(1,512)	12,038	3,225	4,605
Net Cash Provided by Operating Activities.....	100,817	25,339	63,991	148,070	36,361
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES					
Purchases of property, plant, and equipment.....	(38,326)	(48,270)	(62,913)	(38,555)	(46,708)
Proceeds from the sale of property, plant and equipment.....	1,361	1,378	1,866	378	450
Proceeds from the sale of businesses.....	1,799	--	--	--	--
Acquisitions.....	--	(14,477)	(16,214)	(514,370)	(11,398)
Change in other assets.....	4,052	1,827	(9,764)	(1,898)	(2,394)
Net Cash Used for Investing Activities.....	(31,114)	(59,542)	(87,025)	(554,445)	(60,050)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES					
Net (repayments) borrowings of notes payable.....	(1,595)	(229)	8,814	3,588	805
Issuances (repayments) of commercial paper, net (less than 90 days)....	(107,188)	93,699	(87,762)	352,265	--
Issuances of commercial paper (greater than 90 days).....	1,347	186,024	194,953	--	--
Repayments of commercial paper (greater than 90 days).....	(10,200)	(182,750)	(222,750)	--	--
Proceeds from short-term secured borrowings.....	118,900	--	--	--	--
Proceeds from issuances of long-term debt.....	--	--	199,798	267,585	52,000

COMBINED STATEMENTS OF CASH FLOWS -- (CONTINUED)

	NINE MONTHS ENDED MAY 31,		YEARS ENDED 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 Spingo, Inc., a soon-to-be formed holding company, and then distributing all of the shares of common stock of L&C Spingo, Inc. to NSI's stockholders. NSI's stockholders will receive one share of L&C Spingo, 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 Spingo, Inc. and NSI will be two separate public companies. L&C Spingo, 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 "Spingo"). 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 Spingo'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 Spingo based on an estimate of the proportion of corporate amounts allocable to Spingo, 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 Spingo are a reasonable representation of the costs that would have been incurred if Spingo 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, Spingo 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 \$359.4 million in 1999) and other intangible assets are being amortized on a straight-line basis over various periods ranging from 2 to 40 years.

Spinco periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful lives of goodwill and other long-lived assets or whether the remaining balance of goodwill should be evaluated for possible impairment. Spinco uses an estimate of related undiscounted cash flows over the remaining life of the goodwill in measuring whether the goodwill is recoverable.

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)

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)

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.

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.

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)

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.

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

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

Weighted average assumptions in 2000 and 1999 included the following:

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

During 2000, the discount rate used to determine the projected benefit obligation was increased to 8.2% to more closely approximate rates on high-quality, long-term obligations.

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

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

NOTE 4: LONG-TERM DEBT AND LINES OF CREDIT

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

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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

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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.

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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

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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)
	\$13,621	\$15,158	\$19,213
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.

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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.

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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 additional goodwill of \$251.8 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,

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

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, 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.

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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
	=====	=====	=====

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

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

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

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NOTE 9: BUSINESS SEGMENT INFORMATION

	SALES	OPERATING PROFIT (LOSS)	TOTAL ASSETS	DEPRECIATION EXPENSE	AMORTIZATION EXPENSE	CAPITAL EXPENDITURES AND ACQUISITIONS
	-----	-----	-----	-----	-----	-----
	(IN THOUSANDS)					
2000						
Lighting Equipment.....	\$1,511,641	\$144,149	\$1,142,227	\$31,792	\$14,994	\$ 68,721
Chemicals.....	511,070	48,699	241,645	7,705	3,447	9,946
	-----	-----	-----	-----	-----	-----
	2,022,711	192,848	1,383,872	39,497	18,441	78,667
Corporate.....		(14,258)	39,008	547		460
Interest Expense, net.....		(43,299)				
	-----	-----	-----	-----	-----	-----
	\$2,022,711	\$135,291	\$1,422,880	\$40,044	\$18,441	\$ 79,127
	=====	=====	=====	=====	=====	=====
1999						
Lighting Equipment.....	\$1,220,602	\$121,755	\$1,073,936	\$20,351	\$ 2,322	\$541,649
Chemicals.....	487,783	45,206	233,461	6,681	3,480	10,980
	-----	-----	-----	-----	-----	-----
	1,708,385	166,961	1,307,397	27,032	5,802	552,629
Corporate.....		(11,679)	29,641	463		296
Interest Expense, net.....		(12,697)				
	-----	-----	-----	-----	-----	-----
	\$1,708,385	\$142,585	\$1,337,038	\$27,495	\$ 5,802	\$552,925
	=====	=====	=====	=====	=====	=====
1998						
Lighting Equipment.....	\$1,105,255	\$109,286	\$ 397,962	\$18,819	\$ 295	\$ 37,541
Chemicals.....	454,532	36,460	235,269	6,387	2,807	20,217
	-----	-----	-----	-----	-----	-----
	1,559,787	145,746	633,231	25,206	3,102	57,758
Corporate.....		(11,475)	66,881	361		348
Interest Expense, net.....		(4,412)				
	-----	-----	-----	-----	-----	-----
	\$1,559,787	\$129,859	\$ 700,112	\$25,567	\$ 3,102	\$ 58,106
	=====	=====	=====	=====	=====	=====

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NATIONAL SERVICE INDUSTRIES, INC. LIGHTING EQUIPMENT
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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)

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO			BALANCE AT END OF PERIOD
		COSTS AND EXPENSES	OTHER ACCOUNTS(1)	DEDUCTIONS(2)	
	-----	-----	-----	-----	-----
YEAR ENDED AUGUST 31, 2000:					
Deducted in the balance sheet from the asset to which it applies -- Reserve for doubtful accounts.....	\$5,470	2,667	1,927	3,494	\$6,570
	=====	=====	=====	=====	=====
YEAR ENDED AUGUST 31, 1999:					
Deducted in the balance sheet from the asset to which it applies -- Reserve for doubtful accounts.....	\$3,746	2,744	1,595	2,615	\$5,470
	=====	=====	=====	=====	=====
YEAR ENDED AUGUST 31, 1998:					
Deducted in the balance sheet from the asset to which it applies -- Reserve for doubtful accounts.....	\$3,566	2,580	87	2,487	\$3,746
	=====	=====	=====	=====	=====

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

(2) Uncollectible accounts written off and net currency translation adjustments.

RESTATED CERTIFICATE OF INCORPORATION

OF

L & C SPINCO, INC.

L & C SPINCO, INC., a Delaware corporation (the "Corporation"), hereby certifies as follows:

1. The name of the Corporation is L & C Spinco, Inc. The date of filing of its original certificate of incorporation with the Secretary of State was _____, 2001.

2. This Restated Certificate of Incorporation amends, restates and integrates the provisions of the Certificate of Incorporation as currently in effect of said Corporation and has been duly adopted in accordance with the provisions of Sections 242 and 245 of the Delaware General Corporation Law by written consent of the holders of all of the outstanding stock entitled to vote thereon in accordance with the provisions of Section 228 of the Delaware General Corporation Law.

3. The text of the Certificate of Incorporation as currently in effect is hereby amended and restated to read as set forth in full herein:

ARTICLE I

The name of the Corporation is L & C Spinco, Inc.

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400 in the City of Wilmington, County of New Castle, Delaware 19808. The name of its registered agent at such address is Corporation Service Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.

ARTICLE IV

The total number of shares of all classes of stock which the Corporation shall have authority to issue is 550,000,000, of which 500,000,000 shares of the par value of \$.01 per share shall be a separate class designated as Common Stock and 50,000,000 shares of the par value of \$.01 per share shall be a separate class designated as Preferred Stock.

A. COMMON STOCK

(i) Voting. Except as may be provided in this Certificate of Incorporation or required by law, the Common Stock shall have voting rights in the election of directors and on all other matters presented to stockholders, with each holder of Common Stock being entitled to one vote for each share of Common Stock held of record by such holder on such matters.

(ii) Dividends. Subject to the rights of the holders of any series of Preferred Stock, holders of Common Stock shall be entitled to receive such dividends and distributions (whether payable in cash or otherwise) as may be declared on the Common Stock by the board of directors of the Corporation from time to time out of assets or funds of the Corporation legally available therefor.

(iii) Subdivisions, Combinations and Mergers. In the event of any merger, statutory share exchange, consolidation or similar form of corporate transaction involving the Corporation (whether or not the Corporation is the surviving entity), the holders of Common Stock shall be entitled to receive the same per share consideration, if any.

(iv) Rights on Liquidation. Subject to the rights of the holders of any series of Preferred Stock, in the event of any liquidation, dissolution or winding-up of the Corporation (whether voluntary or involuntary), the assets of the Corporation available for distribution to stockholders shall be distributed in equal amounts per share to the holders of Common Stock.

For purposes of this paragraph, a merger, statutory share exchange, consolidation or similar corporate transaction involving the Corporation (whether or not the Corporation is the surviving entity), or the sale, transfer or lease by the Corporation of all or substantially all its assets, shall not constitute or be deemed a liquidation, dissolution or winding-up of the Corporation.

B. PREFERRED STOCK

Shares of Preferred Stock may be issued in one or more series from time to time as determined by the board of directors of the Corporation, and the board of directors of the Corporation is authorized to fix by resolution or resolutions the designations and the powers, preferences and rights, and the qualifications, limitations and restrictions thereof, of the shares of each series of Preferred Stock, including the following:

(i) the distinctive serial designation of such series which shall distinguish it from other series;

(ii) the number of shares included in such series;

(iii) whether dividends shall be payable to the holders of the shares of such series and, if so, the basis on which such holders shall be entitled to receive dividends (which may include, without limitation, a right to receive such dividends or distributions as may be declared on the shares of such series by the board of directors of the Corporation, a right to receive such dividends or distributions, or any portion or multiple thereof, as may be declared on the Common Stock or any other class of stock or, in addition to or in lieu of any other right to receive dividends, a right to receive dividends at a particular rate or at a rate determined by a particular method, in which case such rate or method of determining such rate may be set forth), the form of such dividend, any conditions on which such dividends shall be payable and the date or dates, if any, on which such dividends shall be payable;

(iv) whether dividends on the shares of such series shall be cumulative and, if so, the date or dates or method of determining the date or dates from which dividends on the shares of such series shall be cumulative;

(v) the amount or amounts, if any, which shall be payable out of the assets of the Corporation to the holders of the shares of such series upon the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, and the relative rights of priority, if any, of payment of the shares of such series;

(vi) the price or prices (in cash, securities or other property or a combination thereof) at which, the period or periods within which and the terms and conditions upon which the shares of such series may be redeemed, in whole or in part, at the option of the Corporation or at the option of the holder or holders thereof or upon the happening of a specified event or events;

(vii) the obligation, if any, of the Corporation to purchase or redeem shares of such series pursuant to a sinking fund or otherwise and the price or prices (in cash, securities or other property or a combination thereof) at which, the period or periods within which and the terms and conditions upon which the shares of such series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(viii) whether or not the shares of such series shall be convertible or exchangeable, at any time or times at the option of the holder or holders thereof or at the option of the Corporation or upon the happening of a specified event or events, into shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation or any other securities or property of the Corporation or any other entity, and the price or prices (in cash, securities or other property or a combination thereof) or rate or rates of conversion or exchange and any adjustments applicable thereto; and

(ix) whether or not the holders of the shares of such series shall have voting rights, in addition to the voting rights provided by law, and if so the terms of such voting rights, which may provide, among other things and subject to the other provisions of this Certificate of Incorporation, that each share of such series shall carry one vote or more or less than one vote per share, that the holders of such series shall be entitled to vote on certain matters as a separate class (which for such purpose may be comprised solely of such series or of such series and one or more other series or classes of stock of the Corporation) and that all the shares of such series entitled to vote on a particular matter shall be deemed to be voted on such matter in the manner that a specified portion of the voting power of the shares of such series or separate class are voted on such matter.

For all purposes, this Certificate of Incorporation shall include each certificate of designations (if any) setting forth the terms of a series of Preferred Stock.

Subject to the rights, if any, of the holders of Preferred Stock, an amendment of this Certificate of Incorporation to increase or decrease the number of authorized shares of Preferred Stock (but not below the number of shares thereof then outstanding) may be adopted by resolution adopted by the board of directors of the Corporation and approved by the affirmative vote of the holders of a majority of the voting power of all outstanding shares of Common Stock of the Corporation and all other outstanding shares of stock of the Corporation entitled to vote thereon, with such outstanding shares of Common Stock and other stock considered for this purpose as a single class, and no vote of the holders of Preferred Stock, voting as a separate class, shall be required therefor.

Except as otherwise required by law or provided in the certificate of designations for the relevant series, holders of Common Stock, as such, shall not be entitled to vote on any amendment of this Certificate of Incorporation that alters or changes the powers, preferences, rights or other terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other series of Preferred Stock, to vote thereon as a separate class pursuant to this Certificate of Incorporation or pursuant to the Delaware General Corporation Law as then in effect.

C. 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.

ARTICLE V

All corporate powers shall be exercised by the board of directors of the Corporation, except as otherwise specifically required by law or as otherwise provided in this Certificate of Incorporation. Any meeting of stockholders may be postponed by action of the board of directors at any time in advance of such meeting. The board of directors of the Corporation shall have the power to adopt such rules and regulations for the conduct of the meetings and management of the affairs of the Corporation as they may deem proper and the power to adjourn any meeting of stockholders without a vote of the stockholders, which powers may be delegated by the board of directors to the chairman of such meeting either in such rules and regulations or pursuant to the by-laws of the Corporation.

Special meetings of stockholders of the Corporation may be called at any time by, but only by, the board of directors of the Corporation, to be held at such date, time and place either within or without the State of Delaware as may be stated in the notice of the meeting.

The board of directors of the Corporation is authorized to adopt, amend or repeal by-laws of the Corporation. No adoption, amendment or repeal of a by-law by action of stockholders shall be effective unless approved by the affirmative vote of the holders of not less than 80% of the voting power of all outstanding shares of Common Stock of the Corporation and all other outstanding shares of stock of the Corporation entitled to vote on such matter, with such outstanding shares of Common Stock and other stock considered for this purpose as a single class. Any vote of stockholders required by this Article V shall be in addition to any other vote

of stockholders that may be required by law, this Certificate of Incorporation, the by-laws of the Corporation, any agreement with a national securities exchange or otherwise.

ARTICLE VI

Elections of directors need not be by written ballot except and to the extent provided in the by-laws of the Corporation.

ARTICLE VII

The directors of the Corporation shall be divided into three classes. The number of directors of the Corporation and the number of directors in each class of directors shall be fixed only by resolution of the board of directors of the Corporation from time to time. The initial term of office of the first such class of directors shall expire at the first annual meeting of stockholders, the initial term of office of the second such class of directors shall expire at the second annual meeting of stockholders and the initial term of office of the third such class of directors shall expire at the third annual meeting of stockholders, with each such class of directors to hold office until their successors have been duly elected and qualified. At each annual meeting of stockholders, directors elected to succeed the directors whose terms expire at such annual meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders in the third year following the year of their election and until their successors have been duly elected and qualified. If the number of directors is changed, any increase or decrease shall be apportioned among the classes in such manner as the board of directors of the Corporation shall determine, but no decrease in the number of directors may shorten the term of any incumbent director.

No director who is part of any such class of directors may be removed except both for cause and with the affirmative vote of the holders of not less than 80% of the voting power of all outstanding shares of stock of the Corporation entitled to vote generally in the election of directors, considered for this purpose as a single class.

Vacancies and newly created directorships resulting from any increase in the authorized number of directors or from any other cause (other than vacancies and newly created directorships which the holders of any class or classes of stock or series thereof are expressly entitled by this Certificate of Incorporation to fill) shall be filled by, and only by, a majority of the directors then in office, although less than a quorum, or by the sole remaining director (and not by stockholders). Any director appointed to fill a vacancy or a newly created directorship shall hold office until the next election of the class of directors of the director which such director replaced or the class of directors to which such director was appointed, and until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Notwithstanding the foregoing, in the event that the holders of any class or series of Preferred Stock of the Corporation shall be entitled, voting separately as a class, to elect any

directors of the Corporation, then the number of directors that may be elected by such holders voting separately as a class shall be in addition to the number fixed pursuant to a resolution of the board of directors of the Corporation. Except as otherwise provided in the terms of such class or series, (i) the terms of the directors elected by such holders voting separately as a class shall expire at the annual meeting of stockholders next succeeding their election without regard to the classification of other directors and (ii) any director or directors elected by such holders voting separately as a class may be removed, without cause, by the holders of a majority of the voting power of all outstanding shares of stock of the Corporation entitled to vote separately as a class in an election of such directors.

ARTICLE VIII

No action of stockholders of the Corporation required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting of stockholders, without prior notice and without a vote, and the power of stockholders of the Corporation to consent in writing to the taking of any action without a meeting is specifically denied. Notwithstanding this Article VIII, the holders of any series of Preferred Stock of the Corporation shall be entitled to take action by written consent to such extent, if any, as may be provided in the terms of such series.

ARTICLE IX

A. In addition to any approval of the board of directors or any stockholder vote or consent required by the laws of the State of Delaware or any other provision of this Certificate of Incorporation or otherwise, there shall be required for the approval, adoption, or authorization of a Business Combination with an Interested Person the affirmative vote or consent of the holders of a majority of the shares of stock of the Corporation entitled to vote in elections of directors considered separately for the purposes of this Article IX, which are not beneficially owned, directly or indirectly, by such Interested Person; provided, however, that said voting requirement shall not be applicable if all of the conditions specified in subparagraphs (1) and (2) below are met or if all of the conditions specified in subparagraph (3) are met:

(1) The consideration to be received per share in such Business Combination by holders of the stock of the Corporation is payable in cash or Acceptable Securities, or a combination of both, and the Acceptable Securities (plus the cash, if any) have a fair market value per share of the Corporation's stock of not less than either:

(a) the highest price (including the highest per share brokerage commissions, transfer tax, and soliciting dealers fees) paid by said Interested Person in acquiring any of the Corporation's stock; or

(b) a price per share obtained by multiplying the aggregate earnings per share of stock of the Corporation (appropriately adjusted for any subdivision of shares, stock

dividend, or combination of shares during the period) for the four full consecutive fiscal quarters immediately preceding the record date for solicitation of votes or consents on such Business Combination by the figure obtained by dividing the highest per share price (including the highest per share brokerage commissions, transfer tax, and soliciting dealers fees) paid by such Interested Person acquiring any of the Corporation's stock by the aggregate earnings per share of the Corporation for the four full consecutive fiscal quarters immediately preceding the time when the Interested Person shall have become the beneficial owner of five percent (5%) or more of the stock of the Corporation entitled to vote in elections of directors.

If any securities were issued by an Interested Person in exchange for stock of the Corporation prior to the proposed Business Combination, the fair market value of said securities at the time of issue shall be used in determining the per share price paid for said stock.

(2) After the Interested Person has become the beneficial owner of five percent (5%) or more of the stock of the Corporation entitled to vote in the election of directors and prior to the consummation of such Business Combination, there shall have been no reduction in the rate of dividends payable on the Corporation's stock which would result in a quarterly dividend rate per share which is less than the average quarterly dividend rate per share for the four full consecutive fiscal quarters immediately preceding the time when the Interested Person shall have become the beneficial owner of five percent (5%) or more of the stock of the Corporation unless such reduction in the rate of dividends has been approved by the board of directors of the Corporation and a majority of the members of the board of directors approving such reduction were duly elected and acting members of the board of directors prior to the time that such Interested Person shall have become a beneficial owner of five percent (5%) or more of the shares of the Corporation. For the purposes of this paragraph, "quarterly dividend rate per share" for any quarterly dividend shall be equal to the percentage said quarterly dividend per share bears to the earnings per share for the four full fiscal quarters immediately preceding the declaration of said quarterly dividend.

(3) The board of directors of the Corporation has approved a memorandum of understanding with such other Interested Person with respect to such Business Combination prior to the time that such Interested Person shall have become a beneficial owner of five percent (5%) or more of the shares of stock entitled to vote in elections of directors, or thereafter if such Business Combination is otherwise approved by the board of directors of the Corporation, provided that a majority of the members of the board of directors voting for the approval of such transaction were duly elected and acting members of the board of directors prior to the time that such Interested Person shall have become a beneficial owner of five percent (5%) or more of the shares of stock of the Corporation entitled to vote in elections of directors.

B. For the purposes of this Article IX:

(1) "Affiliate" and "associate" shall have the respective meanings given those terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

(2) A person shall be the "beneficial owner" and "beneficially owns" shares of stock of the Corporation (other than shares of the Corporation's stock held in its treasury) (a) which such person and its affiliates and associates beneficially own, directly or indirectly, whether of record or not, (b) which such person or any of its affiliates or associates has the right to acquire, pursuant to any agreement upon the exercise of conversion rights, warrants, or options, or otherwise, (c) which such person or any of its affiliates or associates has the right to sell or vote pursuant to any agreement, or (d) which are beneficially owned, directly or indirectly, by any other person with which such first mentioned person or any of its affiliates or associates has any agreement, arrangement, or understanding for the purpose of acquiring, holding, voting, or disposing of securities of the Corporation.

(3) "Business Combination" is

(a) any merger or consolidation of the Corporation or any subsidiary of the Corporation with or into any Interested Person (regardless of the identity of the surviving corporation);

(b) any sale, lease, or other disposition of all or any substantial part of the assets of the Corporation or any subsidiary of the Corporation to any Interested Person for cash or securities or both;

(c) any issuance or delivery of securities of the Corporation or a subsidiary of the Corporation (which the beneficial owner shall have the right to vote, or to vote upon exercise, conversion, or by contract) to an Interested Person in consideration for or in exchange of any securities or other property (including cash);

(4) "Acceptable Securities" shall mean (a) securities of the same class or series, with the same rights, powers, and benefits and of the same denomination, term, and interest, or dividend, if any, as the securities issued and delivered by the Interested Person in exchange for the majority of the stock of the Corporation acquired by the Interested Person or (b) the class of common stock of the Interested Person which is beneficially owned by the most persons.

(5) "Interested Person" is any person which, as of the record date for the determination of stockholders entitled to notice of any Business Combination and to vote thereon or consent thereto, or as of the date of any such vote or consent, or immediately prior to the consummation of any Business Combination, beneficially owns, directly or indirectly, five percent (5%) or more of the shares of stock of the Corporation entitled to vote in elections of directors.

(6) "Person" is an individual, partnership, corporation, limited liability company, or other entity.

(7) "Subsidiary of the Corporation" is any corporation of which fifty percent (50%) or more of any class of stock is beneficially owned, directly or indirectly, by the Corporation.

C. No amendment to this Certificate of Incorporation shall amend, alter, change, or repeal any of the provisions of this Article IX unless such amendment, in addition to receiving any stockholder vote or consent required by the laws of the State of Delaware in effect at the time, shall receive the affirmative vote or consent of the holders of a majority of the shares of stock of the Corporation entitled to vote in elections of directors which are not beneficially owned, directly or indirectly, by any person which would be an Interested Person if the vote or consent on such amendment were a vote or consent on a Business Combination.

ARTICLE X

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE XI

No provision of Article V, Article VII, Article VIII or Article X or of this Article XI shall be amended, modified or repealed, and no provision inconsistent with any such provision shall become part of this Certificate of Incorporation, unless such matter is approved by the affirmative vote of the holders of not less than 80% of the voting power of all outstanding shares of Common Stock of the Corporation and all other outstanding shares of stock of the Corporation entitled to vote on such matter, with such outstanding shares of Common Stock and other stock considered for this purpose as a single class. Any vote of stockholders required by this Article XI shall be in addition to any other vote of the stockholders that may be required by

law, this Certificate of Incorporation, the by-laws of the Corporation, any agreement with a national securities exchange or otherwise.

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed and attested by its duly authorized officer on this ____ day of _____, 2001.

L & C SPINCO, INC.

By: -----
Name:
Title:

L & C SPINCO, INC.

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. Certificates of Stock.

Each stockholder shall be entitled to a certificate signed by, or in the name of the Corporation by, the President or a Vice President, and by the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer, certifying the number of shares owned by him or her. Any or all of the signatures on the certificate may be by facsimile.

Section 2. Transfers of Stock.

Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation or by transfer agents designated to transfer shares of the stock of the Corporation. Except where a certificate is issued in accordance with Section 4 of Article V of these By-laws, an outstanding certificate for the number of shares involved shall be surrendered for cancellation before a new certificate is issued therefor.

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.

TRANSITION SERVICES AGREEMENT

THIS TRANSITION SERVICES AGREEMENT, dated as of _____, 2001 (this "Agreement"), is made by and between National Service Industries, Inc., a Delaware corporation ("Parent"), and L & C Spinco, Inc., a Delaware corporation ("Spinco").

WITNESSETH:

WHEREAS, Parent and Spinco are parties to an Agreement and Plan of Distribution, dated as of _____, 2001 (the "Distribution Agreement"), pursuant to which Parent will transfer certain assets to Spinco and have Spinco assume certain liabilities of Parent;

WHEREAS, in connection with the transactions contemplated by the Distribution Agreement, Parent and Spinco wish to enter into this Agreement for purposes of continuity and transition; and

WHEREAS, Spinco desires to cause Parent to provide the Services set forth on Schedule A to Spinco, and Parent is willing to provide such Services, and Parent desires to cause Spinco to provide the Services set forth on Schedule B to Parent, and Spinco is willing to provide such Services, all on the terms and conditions set forth below;

NOW, THEREFORE, the parties hereto, in consideration of the premises and the mutual covenants contained herein, agree as follows:

SECTION 1. SPECIFIC DEFINITIONS.

In addition to the terms defined elsewhere in this Agreement, as used in this Agreement, the following terms have the respective meanings set forth below:

"Applicable Rate" shall mean the rate of interest per annum announced from time to time by _____ as its prime lending rate plus 4% per annum.

"Bankruptcy Event" with respect to a party shall mean the filing of an involuntary petition in bankruptcy or similar proceeding against such party seeking its reorganization, liquidation or the appointment of a receiver, trustee or liquidator for it or for all or substantially all of its assets, whereupon such petition shall not be dismissed within sixty (60) days after the filing thereof, or if such party shall (i) apply for or consent in writing to the appointment of a receiver, trustee or liquidator of all or substantially all of its assets, (ii) file a voluntary petition or admit in writing its inability to pay its debts as they become due, (iii) make a general assignment for the benefit of creditors, (iv) file a petition or an answer seeking reorganization or an arrangement with its creditors or take advantage of any insolvency law with respect to itself as debtor, or (v) file an answer admitting the material allegations of a petition filed against it in any bankruptcy, reorganization, insolvency proceedings or any similar proceedings.

"Change in Control" shall have the meaning given to that term in that certain Severance Protection Agreement for Key Management entered into between Parent and certain of its key management.

"Loss" 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.

"Parent Services" shall mean those transitional services to be provided by Parent to Spinco set forth on Schedule A hereto to assist Spinco in operating Spinco's business.

"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.

"Services" shall mean, collectively, the Parent Services and the Spinco Services.

"Spinco Services" shall mean those transitional services to be provided by Spinco to Parent set forth on Schedule B hereto to assist Parent in operating Parent's business.

SECTION 2. SERVICES.

Section 2.1 Services. (a) Parent shall provide to Spinco each Parent Service for the term set forth opposite the description of such Parent Service in Schedule A. Additional services may be provided to Spinco by Parent if such arrangement is agreed to in writing and executed by Parent and Spinco.

(b) Spinco shall provide to Parent each Spinco Service for the term set forth opposite the description of such Spinco Service in Schedule B. Additional services may be provided by Spinco to Parent if such arrangement is agreed in writing and executed by Parent and Spinco.

Section 2.2 Standard of Service. In performing the Services, Parent and Spinco shall 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 date hereof, subject in each case to any provisions set forth on Schedule A or Schedule B with respect to each such Service.

SECTION 3. LICENSES AND PERMITS.

Each party warrants and covenants that all duties and obligations (including with respect to Parent, all Parent Services and with respect to Spinco, all Spinco Services) to be performed hereunder shall be performed in compliance with all material applicable federal, state, provincial and local laws, rules and regulations. Each party shall obtain and maintain all material permits, approvals and licenses necessary or appropriate to perform its duties and obligations (including with respect to Parent, the Parent Services and with respect to Spinco, the Spinco Services) hereunder and shall at all times comply with the terms and conditions of such permits, approvals and licenses.

SECTION 4. PAYMENT.

Section 4.1 Service Fees. (a) In consideration for the provision of each of the Parent Services, Spinco shall pay to Parent the fee set forth for such Parent Service on Schedule A.

(b) In consideration for the provision of each of the Spinco Services, Parent shall pay to Spinco the fee set forth for such Spinco Service on Schedule B.

Section 4.2 Costs and Expenses. (a) In addition to the fees payable in accordance with Section 4.1(a), Spinco shall reimburse Parent for all reasonable and necessary out-of-pocket costs and expenses (including postage and other delivery costs, telephone, telecopy and similar expenses) incurred by Parent with respect to third parties in connection with the provision of Parent Services to Spinco pursuant to the terms of this Agreement or paid by Parent on behalf of Spinco.

(b) In addition to the fees payable in accordance with Section 4.1(b), Parent shall reimburse Spinco for all reasonable and necessary out-of-pocket costs and expenses (including postage and other delivery

costs, telephone, telecopy and similar expenses) incurred by Spinco with respect to third parties in connection with the provision of Spinco Services to Parent pursuant to the terms of this Agreement or paid by Spinco on behalf of Parent.

Section 4.3 Invoices. (a) Parent will invoice Spinco in U.S. dollars: (i) as of the last day of each calendar month for any fees payable by Spinco in accordance with Section 4.1(a) for Parent Services listed on Schedule A provided pursuant to the terms of this Agreement during such month; (ii) as of the last day of each calendar month for any amounts payable by Spinco in accordance with Section 4.2(a) for any out-of-pocket costs and expenses incurred during the immediately preceding month to the extent Parent has received an invoice from such third party; and (iii) as of the last day of each calendar month for any taxes (excluding income taxes) payable with respect to the provision of Parent Services to Spinco during such month. Parent shall deliver or cause to be delivered to Spinco each such invoice within thirty (30) days following the last day of the calendar month to which such invoice relates. Spinco shall pay each such invoice received by electronic funds transfer within thirty (30) days of the date on which such invoice was received.

(b) Spinco will invoice Parent in U.S. dollars: (i) as of the last day of each calendar month for any fees payable by Parent in accordance with Section 4.1(b) for Spinco Services listed on Schedule B provided pursuant to the terms of this Agreement during such month; (ii) as of the last day of each calendar month for any amounts payable by Parent in accordance with Section 4.2(b) for any out-of-pocket costs and expenses incurred during the immediately preceding month to the extent Spinco has received an invoice from such third party; and (iii) as of the last day of each calendar month for any taxes (excluding income taxes) payable with respect to the provision of Spinco Services to Parent during such month. Spinco shall deliver or cause to be delivered to Parent each such invoice within thirty (30) days following the last day of the calendar month to which such invoice relates. Parent shall pay each such invoice received by electronic funds transfer within thirty (30) days of the date on which such invoice was received.

Section 4.4 Late Payment. Any amount not paid when due shall be subject to a late payment fee computed daily at a rate equal to the Applicable Rate. Notwithstanding the foregoing, in the event a party disputes the accuracy of any invoice, a party shall pay the undisputed portion of such invoice as provided herein, and the parties hereto will promptly meet and seek to resolve the disputed amount of the invoice. Each party agrees to pay the other party's reasonable attorneys' fees and other costs incurred in collection of any amounts owed to such other party hereunder and not paid when due. Notwithstanding anything to the contrary contained herein, in the event either party fails to make a payment when due hereunder, and such failure continues for a period of thirty (30) days following delivery of written notice to such non-paying party of such failure, the other party shall have the right to cease provision of Services to such non-paying party until such overdue payment (and any applicable late payment fee accrued with respect thereto) is paid in full. Such right of the party providing Services shall not in any manner limit or prejudice any of such party's other rights or remedies in the event of the non-paying party's failure to make payments when due hereunder, including any rights or remedies pursuant to Section 7.

Section 4.5 Fees, Etc. Upon Termination of Services. In the event of a termination of Services pursuant to Section 7.1, with respect to the calendar month in which such Services cease to be provided, the recipient of such Services shall be obligated to pay a pro rata share of the fee for such Service set forth on Schedule A or Schedule B, as applicable, equal to the product of (x) the fee set forth on Schedule A or Schedule B, as applicable, multiplied by (y) a fraction, the numerator of which is the number of days in the calendar month in which such Services cease to be provided preceding and including the last date on which such Services are provided, and the denominator of which is 30.

SECTION 5. INDEMNIFICATION.

Section 5.1 Indemnification by Principal. (a) Spinco agrees to indemnify, defend and hold Parent harmless from and against any Loss to which Parent may become subject arising out of, by reason of or otherwise in connection with the provision hereunder by Parent of Parent Services, other than Losses resulting from Parent's gross negligence, willful misconduct or material breach of its obligations pursuant to this Agreement. Notwithstanding any provision in this Agreement to the contrary, Spinco shall not be liable under this Section 5.1 for any consequential, special or punitive damages (including lost profits), except to the extent that such

consequential, special or punitive damages relate to a Loss resulting from a Third-Party Claim (as defined in the Distribution Agreement).

(b) Parent agrees to indemnify, defend and hold Spinco harmless from and against any Loss to which Spinco may become subject arising out of, by reason of or otherwise in connection with the provision hereunder by Spinco of Spinco Services, other than Losses resulting from Spinco's gross negligence, willful misconduct or material breach of its obligations pursuant to this Agreement. Notwithstanding any provision in this Agreement to the contrary, Parent shall not be liable under this Section 5.1 for any consequential, special or punitive damages (including lost profits), except to the extent that such consequential, special or punitive damages relate to a Loss resulting from a Third-Party Claim (as defined in the Distribution Agreement).

Section 5.2 Indemnification by Provider. (a) Parent agrees to indemnify, defend and hold Spinco harmless from and against any Loss to which Spinco may become subject arising out of, by reason of or otherwise in connection with the provision hereunder by Parent of Parent Services to Spinco where such Losses resulted from Parent's gross negligence, willful misconduct or material breach of its obligations pursuant to this Agreement.

(b) Spinco agrees to indemnify, defend and hold Parent harmless from and against any Loss to which Parent may become subject arising out of, by reason of or otherwise in connection with the provision hereunder by Spinco of Spinco Services to Parent where such Losses resulted from Spinco's gross negligence, willful misconduct or material breach of its obligations pursuant to this Agreement.

Section 5.3 Procedures for Indemnification. Any indemnification claims made hereunder shall be made in accordance with Article III of the Distribution Agreement.

SECTION 6. CONFIDENTIALITY.

Each party shall keep confidential the Schedules to this Agreement and all information received from the other party regarding the Services, including any information received with respect to Parent or Spinco, and to use such information only for the purposes set forth in this Agreement unless otherwise agreed to in writing by the party from which such information was received. In the event a party is required by any court or legislative or administrative body (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigation demand or similar process) to disclose any confidential information provided pursuant to this Agreement, the party shall provide the other party with prompt notice of such requirement in order to afford the other party an opportunity to seek an appropriate protective order or other remedy. However, if the other party is unable to obtain or does not seek such protective order and the party required to disclose the confidential information is, in the opinion of its counsel, legally compelled to disclose such confidential information, disclosure of such information may be made without liability under this Agreement. The covenants in this Section 6 shall survive any termination of this Agreement indefinitely with respect to information qualifying as a trade secret under applicable law and for a period of three (3) years from the date such termination becomes effective with respect to all other information.

SECTION 7. TERM.

Section 7.1 Duration. (a) Subject to Sections 6, 7.2, 7.3 and 7.4, the term of this Agreement shall commence on the date hereof and shall continue in full force and effect with respect to each Service until the earlier of (i) the first anniversary of the Distribution Date (as defined in the Distribution Agreement) or (ii) the termination of such Service in accordance with Section 7.1(b).

(b) Each party acknowledges that the purpose of this Agreement is for Parent to provide the Parent Services to Spinco on an interim basis until Spinco can perform the Parent Services for itself, and for Spinco to provide the Spinco Services to Parent on an interim basis until Parent can perform the Spinco Services for itself. Accordingly, each of Parent and Spinco shall use its commercially reasonable efforts to make or obtain such approvals, permits and licenses and implement such systems, as shall be necessary for it to provide the appropriate

Services for itself as promptly as practicable. As Spinco becomes self-sufficient or engages other sources to provide any Parent Service, Spinco shall be entitled to release Parent from providing any or all of the Parent Services hereunder by delivering a written notice thereof to Parent at least thirty (30) days prior to the effective date of release of such Parent Service(s). At the end of such thirty (30) day period (or such shorter period as may be agreed by the parties), Parent shall discontinue the provision of the Parent Services specified in such notice and any such Parent Services shall be excluded from this Agreement, and Schedule A shall be deemed to be amended accordingly. As Parent becomes self-sufficient or engages other sources to provide any Spinco Service, Parent shall be entitled to release Spinco from providing any or all of the Spinco Services hereunder by delivering a written notice thereof to Spinco at least thirty (30) days. At the end of such thirty (30) day period (or such shorter period as may be agreed by the parties), Spinco shall discontinue the provision of the Spinco Services specified in such notice and any such Spinco Services shall be excluded from this Agreement, and Schedule B shall be deemed to be amended accordingly.

Section 7.2 Early Termination by Parent. Parent may terminate this Agreement by giving written notice to Spinco under the following circumstances:

- (a) if Spinco shall default in the performance of any of its material obligations under, or breach any of its warranties set forth in, this Agreement, and such default or breach shall continue and not be remedied for a period of thirty (30) days after Parent has given written notice to Spinco specifying such default or breach and requiring it to be remedied;
- (b) if a Bankruptcy Event has occurred with respect to Spinco; or
- (c) upon the occurrence of a Change in Control of Spinco.

Section 7.3 Early Termination by Spinco. Spinco may terminate this Agreement by giving written notice to Parent under the following circumstances:

- (a) if Parent shall default in the performance of any of its material obligations under, or breach any of its warranties set forth in, this Agreement and such default or breach shall continue and not be remedied for a period of thirty (30) days after Spinco has given written notice to Parent specifying such default or breach and requiring it to be remedied;
- (b) if a Bankruptcy Event has occurred with respect to Parent; or
- (c) upon the occurrence of a Change in Control of Parent.

Section 7.4 Force Majeure. In the event the performance by Spinco or Parent of their respective duties or obligations hereunder is interrupted or interfered with by reason of any cause beyond its reasonable control, including fire, storm, flood, earthquake, explosion, war, strike or labor disruption, rebellion, insurrection, quarantine, act of God, boycott, embargo, shortage or unavailability of supplies, riot, or governmental law, regulation or edict (collectively, the "Force Majeure Events"), the party affected by such Force Majeure Event shall not be deemed to be in default of this Agreement by reason of its nonperformance due to such Force Majeure Event, but shall give prompt written notice to the other party of the Force Majeure Event. The party affected by the Force Majeure Event shall cooperate with the other party in obtaining, at the other party's sole expense, an alternative source for the affected Services, and the other party shall be released from any payment obligation to the party affected by the Force Majeure Event with respect to such Services during the period of such Force Majeure Event. Additionally, upon and during the occurrence of a Force Majeure Event, at the sole option of the party receiving the Services affected by the Force Majeure Event, the term of this Agreement shall be tolled with respect to any Services that are not being provided by a third party.

Section 7.5 Consequences on Termination. In the event this Agreement expires or is terminated in accordance with this Section 7, then (a) all Services to be provided will promptly cease, (b) each of Parent and Spinco shall promptly return all confidential information received from the other party in connection with this Agreement (including the return of all information received with respect to the Services of Parent or Spinco, as the case may

be), without retaining a copy thereof, and (c) each of Parent and Spinco shall honor all credits and make any accrued and unpaid payment to the other party as required pursuant to the terms of this Agreement, and no rights already accrued hereunder shall be affected.

SECTION 8. RECORDS.

Each of the parties shall create and, for a period of six (6) years after the termination or expiration of this Agreement, maintain full and accurate books in connection with the provision of the Services, and all other records relevant to this Agreement, and upon reasonable notice from the other party shall make available for inspection and copy by such other party's agents such records during reasonable business hours.

SECTION 9. DISPUTE RESOLUTION.

SECTION 9.1 Dispute Resolution under Distribution Agreement. Any dispute arising out of or relating to the performance, breach or interpretation of this Agreement shall be handled in accordance with Article V of the Distribution Agreement.

SECTION 9.2 Continuity of Service and Performance. Unless otherwise agreed herein or in writing, the parties will continue to provide Services and honor all other commitments under this Agreement and each Ancillary Agreement (as defined in the Distribution Agreement) during the course of dispute resolution pursuant to the provisions of this Section 9 with respect to all matters not subject to such dispute, controversy or claim.

SECTION 10. 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: _____
Telephone: _____
Facsimile: _____

With a copy to:

National Service Industries, Inc.

Attention: _____
Telephone: _____
Facsimile: _____

To Spinco:

L & C Spinco, Inc.

Attention: _____
Telephone: _____
Facsimile: _____

With a copy to:

L & C Spinco, Inc.

Attention: _____
Telephone: _____
Facsimile: _____

SECTION 11. MISCELLANEOUS.

SECTION 11.1 Waivers, Modifications, Amendments. Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by Spinco, on the one hand, and Parent, on the other hand, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and in addition to other or further remedies provided by law or equity.

SECTION 11.2 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 11.3 Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any person, corporation, partnership or other entity or any circumstance, is invalid and unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other persons, corporations, partnerships or other entities or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any jurisdiction.

SECTION 11.4 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 Sections and Schedules shall be deemed references to Sections of, 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 Section or provision of this Agreement. This Agreement shall not be construed against either party as the principal drafter hereof.

SECTION 11.5 Entire Agreement. This Agreement (including all Schedules hereto) contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters.

SECTION 11.6 Assignment. Neither Parent nor Spinco may, directly or indirectly, assign or subcontract, or attempt to assign or subcontract, any of its rights or obligations hereunder, in whole or in part, by operation of law or otherwise, except with the prior written consent of the other party; it being understood that such consent shall not be unreasonably withheld if Parent or Spinco assigns or subcontracts the Agreement to one of its Affiliates (as defined in the Distribution Agreement) with the financial and other resources and expertise to perform all of the obligations of such party hereunder. Any attempted assignment or delegation not in compliance with the forgoing shall be null and void and of no effect. Nothing contained herein shall prevent a party from providing Services through or with the assistance of third parties whom such party regularly used to provide such Services prior to the date hereof.

SECTION 11.7 Binding Effect. This Agreement shall be binding upon the parties hereto and their respective successors and permitted assigns, if any, and except as provided herein, shall inure to the benefit of the parties hereto and their respective successors and permitted assigns, if any.

SECTION 11.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same Agreement.

SECTION 11.9 No Agency or Partnership. Nothing in this Agreement will create, or will be deemed to create, a partnership or the relationship of principal and agent or of employer and employee between the parties.

SECTION 11.10 Provisions Unaffected. Nothing contained in this Agreement shall affect the rights and obligations of Parent and Spinco pursuant to the Distribution Agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered on behalf of the parties as of the date first herein above written.

NATIONAL SERVICE INDUSTRIES, INC.

By: -----

Name:

Title:

L & C SPINCO, INC.

By: -----

Name:

Title:

INDEMNIFICATION AGREEMENT

This Agreement made as of _____, 2001, between L & C Spinco, Inc., a Delaware corporation (the "Company") and _____, a director, officer, employee or agent of the Company (the "Indemnitee").

WHEREAS, the Company and the Indemnitee are also aware of the exposure to litigation of officers, directors, employees and agents of corporations as such persons exercise their duties to the Company;

WHEREAS, the Company desires to continue to benefit from the services of highly qualified and experienced persons such as the Indemnitee; and

WHEREAS, the Indemnitee desires to serve or to continue to serve the Company as a director, officer, employee or agent, including service at the request of the Company as a director, officer or trustee of another corporation, joint venture, trust or other enterprise, for so long as the Company continues to provide on an acceptable basis indemnification against certain liabilities and expenses which may be incurred by the Indemnitee.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained, the parties hereto agree as follows:

1. INDEMNIFICATION. The Company shall indemnify the Indemnitee with respect to his activities as a director, officer or employee of the Company or as a person who is serving or has served at the request of the Company ("Agent") as a director, officer or trustee of another corporation, joint venture, trust or other enterprise against expenses (including attorneys' fees, judgments, fines, and amounts paid in settlement) actually and reasonably incurred by him ("Expenses") in connection with any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), to which he was, is, or is threatened to be made a party by reason of facts which include his being or having been such a director, officer, employee or agent to the extent of the highest and most advantageous to the Indemnitee, as determined by the Indemnitee, of one or any combination of the following:

(a) The benefits provided by the Company's Restated Certificate of Incorporation (the "Certificate of Incorporation") or By-Laws of the Company (the "By-Laws") in effect on the date hereof, a copy of the relevant portions of which are attached hereto as Exhibit I;

(b) The benefits provided by the Certificate of Incorporation or By-Laws or their equivalent in effect at the time Expenses are incurred by Indemnitee;

(c) The benefits allowable under Delaware law in effect at the date hereof;

(d) The benefits allowable under the law of the jurisdiction under which the Company exists at the time Expenses are incurred by the Indemnatee;

(e) The benefits available under liability insurance obtained by the Company; and

(f) Such other benefits as may be otherwise available to Indemnatee under then existing practices of the Company.

A combination of two or more of the benefits provided by (a) through (f) shall be available only to the extent that the Applicable Document, as hereafter defined, does not require that the benefits provided therein must be exclusive of other benefits. The document or law providing for the benefits listed in items (a) through (f) above is called the "Applicable Document" in this Agreement. The Company hereby undertakes to assist Indemnatee, in all proper and legal ways, to obtain the benefits selected by Indemnatee under items (a) through (f) above.

2. **INSURANCE.** The Company shall maintain directors' and officers' liability insurance for so long as Indemnatee's services are covered hereunder, provided and to the extent that such insurance is available on a commercially reasonable basis. In the event the Company maintains directors' and officers' liability insurance, Indemnatee shall be named as an insured in such manner as to provide Indemnatee the same rights and benefits as are accorded to the most favorably insured of the Company's officers or directors. However, the Company agrees that the provisions hereof shall remain in effect regardless of whether liability or other insurance coverage is at any time obtained or retained by the Company; except that any payments made to, or on behalf of, Indemnatee under an insurance policy shall reduce the obligations of the Company hereunder.

3. **PAYMENT OF EXPENSES.** At Indemnatee's request, the Company shall pay the Expenses when incurred by Indemnatee upon receipt of an undertaking in the form of Exhibit II attached hereto by or on behalf of Indemnatee to repay such amounts so paid on his behalf if it shall ultimately be determined under the Applicable Document that he is not entitled to be indemnified by the Company for such Expenses. That portion of Expenses which represents attorneys' fees and other costs incurred in defending any Proceeding shall be paid by the Company within thirty (30) days of its receipt of such request, together with such reasonable documentation evidencing the amount and nature of such Expenses as the Company shall require, subject to its also receiving such undertaking.

4. **ADDITIONAL RIGHTS.** The indemnification provided in this Agreement shall not be deemed exclusive of any other indemnification or rights to which Indemnatee may be entitled and shall continue after Indemnatee has ceased to occupy a position as an officer, director, employee or agent as described in Paragraph 1 above with respect to Proceedings relating to or arising out of Indemnatee's acts or omissions during his service in such position.

5. **NOTICE TO COMPANY.** Indemnatee shall provide to the Company prompt written notice of any proceeding brought, threatened, asserted or commenced against Indemnatee with respect to which Indemnatee may assert a right to indemnification hereunder. Indemnatee shall not effect any settlement without the Company's written consent,

unless Indemnitee shall have determined to undertake his own defense in such matter and has waived the benefits of this Agreement as to amounts payable with respect to such settlement. The Company shall not settle any Proceeding to which Indemnitee is a party in any manner which would impose any penalty on Indemnitee without his written consent. Neither Indemnitee nor the Company will unreasonably withhold consent to any proposed settlement. Indemnitee shall cooperate to the extent reasonably possible with the Company and/or its insurers, in attempts to defend and/or settle such Proceeding.

6. ASSUMPTION OF DEFENSE. Except as otherwise provided below, to the extent that it may wish, the Company jointly with any other indemnifying party similarly notified will be entitled to assume Indemnitee's defense in any Proceeding, with counsel mutually satisfactory to Indemnitee and the Company. After notice from the Company to Indemnitee of the Company's election so to assume such defense, the Company will not be liable to Indemnitee under this Agreement for Expenses subsequently incurred by Indemnitee in connection with the defense thereof other than reasonable costs of investigation or as otherwise provided below. Indemnitee shall have the right to employ counsel in such Proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense thereof shall be at Indemnitee's expense unless:

(a) The employment of counsel by Indemnitee has been authorized by the Company;

(b) Indemnitee shall have reasonably concluded that there may be a conflict of interest between Indemnitee and the Company in the conduct of the defense of such Proceeding; or

(c) The Company shall not in fact have employed counsel to assume the defense of such Proceeding, in each of which cases the fees and expenses of counsel shall be at the expense of the Company. The Company shall not be entitled to assume the defense of Indemnitee in any Proceeding brought by or on behalf of the Company or as to which Indemnitee shall have made the conclusion provided for in clause (b) above.

7. ARBITRATION AND ENFORCEMENT.

(a) In the event that any dispute or controversy shall arise between Indemnitee and the Company with respect to whether the Indemnitee is entitled to indemnification in connection with any Proceeding or with respect to the amount of Expenses incurred, such dispute or controversy shall be submitted by the parties to binding arbitration before a single arbitrator at Atlanta, Georgia. If the parties cannot agree on a designated arbitrator fifteen (15) days after arbitration is requested in writing by either of them, the arbitration shall proceed before an arbitrator appointed by, and in accordance with the rules then in effect of, one of the following bodies, which shall be chosen by the initiator of such arbitration:

- (i) the American Arbitration Association;
- (ii) the CPR Institute for Dispute Resolution; or
- (iii) Judicial Arbitration and Mediation Services, Inc.

The award shall be rendered in such form that judgment may be entered thereon in any court having jurisdiction thereof.

(b) Reasonable expenses incurred by Indemnitee in connection with his request for indemnification hereunder shall be borne by the Company, unless Indemnitee is determined according to the preceding paragraph of this Section 7 not to be entitled to indemnification for any liability or expense hereunder. In the event that Indemnitee is a party to or intervenes in any proceeding in which the validity of this Agreement is at issue or seeks an award in arbitration pursuant to the preceding paragraph of this Section 7 to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee, if he prevails in whole or in part in such action, shall be entitled to recover from the Company and shall be indemnified by the Company against any expenses actually and reasonably incurred by him.

(c) In any proceeding in which the validity or enforceability of this Agreement is at issue, or in which Indemnitee seeks an award in arbitration to enforce his rights hereunder, the Company shall have the burden of proving that Indemnitee is not entitled to indemnification hereunder.

8. EXCLUSIONS. No indemnification, reimbursement or payment shall be required of the Company hereunder:

(a) With respect to any claim as to which Indemnitee shall have been adjudged by a court of competent jurisdiction to have acted with bad faith, willful misfeasance, or willful disregard of his duties, except to the extent that such court shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnify for such expenses as the court shall deem proper; or

(b) With respect to any obligation of Indemnitee under Section 16(b) of the Exchange Act.

9. EXTRAORDINARY TRANSACTIONS The Company covenants and agrees that, in the event of any merger, consolidation or reorganization in which the Company is not the surviving entity, any sale of all or substantially all of the assets of the Company or any liquidation of the Company (each such event is hereinafter referred to as an "extraordinary transaction"), the Company shall use its best efforts to:

(a) Obtain insurance in Indemnitee's favor from a reputable insurance carrier in reasonable amounts (if such insurance is available at commercially reasonable rates) for a period of not less than one (1) year from the date of such extraordinary transaction against any liability to which the indemnification provided in this Agreement relates;

(b) Have the obligations of the Company under this Agreement expressly assumed by the survivor, purchaser or successor, as the case may be, in such extraordinary transaction; or

(c) Otherwise adequately provide for the satisfaction of the Company's obligations under this Agreement, in a manner acceptable to Indemnitee.

10. NO PERSONAL LIABILITY. Indemnatee agrees that neither the Directors, nor any officer, employee, representative or agent of the Company shall be personally liable for the satisfaction of the Company's obligations under this Agreement, and Indemnatee shall look solely to the assets of the Company for satisfaction of any claims hereunder.

11. SEVERABILITY. If any provision, phrase, or other portion of this Agreement should be determined by any court of competent jurisdiction to be invalid, illegal or unenforceable, in whole or in part, and such determination should become final, such provision, phrase or other portion shall be deemed to be severed or limited, but only to the extent required to render the remaining provisions and portions of the Agreement enforceable, and the Agreement as thus amended shall be enforced to give effect to the intention of the parties insofar as that is possible.

12. GOVERNING LAW. The parties hereto agree that this Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Delaware.

13. NOTICES. All notices, requests, demands and other communications hereunder shall be in writing and shall be considered to have been duly given if delivered by hand and receipted for by the party to whom the notice, request, demand or other communication shall have been directed, or mailed by registered mail with postage prepaid:

(a) If to the Company, to:
L & C Spinco, Inc.
1420 Peachtree Street, N.E.
Atlanta, Georgia 30309
Attention: Secretary

(b) If to Indemnatee, to:

14. TERMINATION. This Agreement may be terminated by either party upon not less than sixty (60) days prior written notice delivered to the other party, but such termination shall not in any way diminish the obligations of Company hereunder with respect to Indemnatee's activities prior to the effective date of termination. Indemnatee's right to indemnification and advancement of expenses pursuant to this Agreement shall continue regardless of whether Indemnatee has ceased for any reason to be a director of the Company and shall inure to the benefit of the heirs of Indemnatee and the executors and administrators of Indemnatee's estate.

This Agreement is and shall be binding upon and shall inure to the benefits of the parties hereto and their respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

INDEMNITEE

[SPINCO]

Name:

Name:
Title:

EXHIBIT I

RESTATED CERTIFICATE OF INCORPORATION

ARTICLE X

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

BYLAWS

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.

EXHIBIT II
FORM OF UNDERTAKING

THIS UNDERTAKING has been entered into by _____ (hereinafter "Indemnatee") pursuant to an Indemnification Agreement dated _____, 2001 (the "Indemnification Agreement") between L & C Spinco, Inc. (hereinafter "Company"), a Delaware corporation and Indemnatee.

WITNESSETH:

WHEREAS, pursuant to the Indemnification Agreement, Company agreed to pay Expenses (within the meaning of the Indemnification Agreement) as and when incurred by Indemnatee in connection with any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, to which indemnatee was, is, or is threatened to be made a party by reason of facts which include Indemnatee's being or having been a director, officer or employee of the Company or a person who is serving or has served at the request of the Company as a director, officer, or trustee of another corporation, joint venture, trust or other enterprise;

WHEREAS, a claim has been asserted against the Indemnatee and the Indemnatee has notified the company thereof in accordance with the terms of Section 6 of the Indemnification Agreement (hereinafter the "Proceeding");

WHEREAS, Indemnatee believes that Indemnatee should prevail in this proceeding and it is in the interest of both the Indemnatee and the Company to defend against the claim against Indemnatee thereunder.

NOW THEREFORE, Indemnatee hereby agrees that in consideration of the Company's advance payment of Indemnatee's Expenses incurred prior to a final disposition of the proceeding, Indemnatee hereby undertakes to reimburse the Company for any and all legal fees, costs and expenses paid by Company on behalf of the Indemnatee prior to a final disposition of the Proceeding in the event that Indemnatee is determined under the Applicable Document (within the meaning of the Indemnification Agreement) not to be entitled to indemnification. Such payments or arrangements for payments shall be consummated within ninety (90) days after a determination that Indemnatee is not entitled to indemnification and reimbursement pursuant to the Indemnification Agreement and applicable law.

IN WITNESS WHEREOF, the undersigned has set his/her hand this ____ day of , 20____.

Name: