

April 19, 2000

IN THE MATTER OF THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA,
ONTARIO, Québec, NEW BRUNSWICK, PRINCE EDWARD ISLAND,
NOVA SCOTIA, NEWFOUNDLAND, NORTH WEST TERRITORIES,
YUKON AND NUNAVUT

AND

IN THE MATTER OF THE MUTUAL RELIANCE REVIEW
SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF NATIONAL SERVICE INDUSTRIES, INC.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland, North West Territories, Yukon and Nunavut (collectively, the "Jurisdictions") have received an application from National Service Industries, Inc. (the "Filer") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that (i) trades made to or by officers and key executives of the Filer or its subsidiaries (the "Participants") in securities of the Filer pursuant to the Filer's Long-Term Achievement Incentive Plan (the "Plan"), (ii) including any resale of such securities, be exempt from the prospectus and registration requirements contained in the Legislation and (iii) the issuer bid requirements contained in the Legislation do not apply upon the cancellation of Shares (as defined below) in accordance with the provisions of the Plan.

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Commission des valeurs mobilières du Québec is the principal regulator for this application since the head office of NSI Holdings Inc. ("Holdings"), a Canadian subsidiary of the Filer, is located in Montreal, Québec;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. The Filer, an American service and manufacturing company, is a public corporation incorporated in 1928, of which a total of 40,690,942 voting and participating shares ("Shares") are listed on the New York Stock Exchange (the "NYSE").
2. The Filer is a holding company and its assets consist primarily of investments in its subsidiaries. The Filer, through its subsidiaries, occupies leadership positions in four markets: lighting equipment, chemicals, textile rental and envelopes.

3. The address of the Filer's principal executive offices is 1420 Peachtree Street, N.E., Atlanta, Georgia.

4. The Filer is not a reporting issuer within the meaning of the Legislation in any of the Jurisdictions.

5. Holdings is a Canadian subsidiary of the Filer.

6. Holdings was incorporated under Part IA of the *Companies Act* (Qu^灑c), and has its head office located at 1170 Peel Street, 5th Floor, Montreal, Quebec, H3B 4S8.

7. Holdings is not a reporting issuer within the meaning of the Legislation in any of the Jurisdictions. Holdings has employees located in all provinces of Canada.

8. The Filer may issue various securities to the Participants whose substantial contributions are essential to the continued growth and profitability of the Filer's businesses, to strengthen this commitment to the Filer and its subsidiaries, to further motivate those Participants to perform their assigned responsibilities diligently and skillfully, and to attract and retain competent and dedicated individuals whose efforts will result in the long term growth and profitability of the Filer and, over time, appreciation in the market value of its stock.

9. To accomplish these purposes, the Plan provides that the Filer may grant Incentive Stock Options, Nonqualified Stock Options, Aspiration Achievement Incentive Awards, Restricted Stock, Performance Units and Performance Shares (as such terms are defined in the Plan) (collectively, the "Awards").

10. The Plan is administered by a committee (the "Committee") consisting of two or more members of the Board of Directors who are appointed by the Board to administer the Plan and to perform the functions thereunder. 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.

11. The Committee will (i) select those Participants to whom Awards will be granted and (ii) 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.

12. 5,750,000 Shares of the Corporation 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 International Revenue Code of 1986 (the "Code") in the case of Incentive Stock Options), and the purchase price therefor, if applicable.

13. *Stock Options.* Both Incentive Stock Options and Nonqualified Stock Options may be granted pursuant to the Plan. The maximum number of Shares subject to Stock Options which can be granted under the Plan to any Participant during a fiscal year of the Corporation is 500,000 Shares. All Stock Options granted under the Plan will have an exercise price per Share equal to at least the fair market value of a 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 Shares acquired pursuant to the exercise of a Stock Option must be paid, as determined by the Committee, in cash, by check, or by transferring Shares to the Corporation 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.

14. Upon a Change in Control (as defined in the Plan), all outstanding Stock Options under the Plan on the date of a Change in Control will become immediately and fully exercisable and the optionee may, during the 60-day period following the Change in Control, surrender for cancellation any Stock Option (or portion thereof) for a cash payment in respect of each Share covered by the Stock Option, or portion thereof surrendered, equal to the excess of (i)(a) in the case of an Incentive Stock Option, the per-Share Fair Market Value (as defined in the Plan) on the date of surrender or (b) in the case of a Nonqualified Stock Option, the higher of (x) the highest per-share price at which Shares traded during the 90-day period preceding the date of the Change in Control or (y) the price per Share paid in any transaction (or series of transactions) constituting or resulting in a Change in Control or (z) the per-Share Fair Market Value on the date preceding the date of surrender, over (ii) the purchase price of each Share.

15. *Aspiration Achievement Incentive Awards.* Aspiration Achievement Incentive Awards ("Aspiration Awards") granted by the Committee will be payable based on the level of achievement of the performance measure or measures specified by the Committee, selected from the performance measures listed on Appendix A of the Plan, over the performance period specified by the Committee (the "Performance Cycle"). The performance measure may relate to the performance of the Corporation or its subsidiaries or divisions, or any combination of the foregoing, and the Performance Cycle will equal or exceed two years. Performance measures and the length of the Performance Cycle will be determined by the Committee at or near the beginning of the Performance Cycle when the Aspiration Award is granted. Performance levels may be absolute or relative and may be expressed in terms of a progression within a specified range. The agreement setting forth the grant of an Aspiration Award may provide for such adjustments to performance as the Committee deems appropriate and are not inconsistent with Section 162(m) of the Code. Aspiration Awards may also include performance levels that relate to individual achievements or goals. Except with respect to Named Executive Officers (as defined in the Plan), the Committee may establish performance measures in addition to those

specified in the Plan; moreover, the Committee may establish additional performance measures with respect to Named Executive Officers without stockholder approval if laws change to give the Committee that discretion. No Participant may receive an Aspiration Award in excess of \$4 million with respect to a single Performance Cycle.

After the applicable Performance Cycle has ended, the Committee may adjust the achieved performance levels to exclude the effects of unusual charges or income items or other events, such as acquisitions or divestitures, which are distortive of financial results for the Performance Cycle; provided that with respect to Named Executive Officers, the Committee must, and can only, exclude items with the effect of increasing the Aspiration Award payable if such items constitute "extraordinary" or "unusual" events or items under generally accepted accounting principles. The Committee will also adjust performance calculations to exclude the unanticipated effect on financial results of changes in tax laws or regulations. The Committee is allowed to decrease the Aspiration Award otherwise payable if the performance during the Performance Cycle justifies such adjustment, regardless of the extent to which the applicable performance measure was achieved. The agreement evidencing the granting of an Aspiration Award may provide the Committee with the right to revise performance levels and Aspiration Awards payable if unforeseen events occur which have a substantial effect on financial results and which in the Committee's judgment make the application of the performance levels unfair; provided that for Named Executive Officers such changes must be made in a manner not inconsistent with Section 162(m) of the Code. Payment of an earned Aspiration Award will be made in cash, in Shares, or in some combination of cash and Shares, as determined by the Committee. The agreement evidencing the grant will also set forth the terms and conditions of the Aspiration Award applicable in the event of termination of the Participant's employment and in the event of a Change in Control.

16. *Restricted Stock.* The aggregate maximum number of 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 the Corporation is 100,000. The terms of a Restricted Stock Award, including the restrictions placed on such Shares and the time or times 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.

17. *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, selected from the performance measures listed on Appendix A of the Plan, over the performance period

specified by the Committee (the "Performance Cycle"). The performance measure may relate to the performance of the Corporation or its subsidiaries or division, 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 year) 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 is 100,000.

At the time an Award is made, the Committee will determine the total number of Performance Shares subject to an Award and the time or times at which the Performance Shares will be issued to the grantee. In addition, the Committee will determine (a) the time or times at which the awarded but not issued Performance Shares shall be issued to the grantee and (b) the time or times at which awarded and issued Performance Shares shall become vested in or forfeited by the grantee, in either case based upon the attainment of specified performance objectives within the Performance Cycle. At the time the Award of Performance Shares is made, the Committee may determine that dividends be paid or deferred on the Performance Shares issued. Deferred dividends (together with any interest accrued thereon) will be paid upon the lapsing of restrictions on Performance Shares and forfeited upon the forfeiture of Performance Shares. Upon a Change in Control, unless the Committee provides otherwise in the agreement evidencing the Award, (x) a percentage of Performance Units, as determined by the Committee at the time an Award of Performance Units is made, 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 (y) with respect to Performance Shares, all restrictions shall lapse on a percentage of the Performance Shares, as determined by the Committee at the time the Award of Performance Shares is made.

18. The provisions of the Plan specify that (i) the Filer may, in certain circumstances, accept payment of the exercise price of an Award to purchase the underlying Shares by way of remittance by a Participant of Shares of the Filer, (ii) a Participant may surrender an Award for cancellation upon a Change in Control, and (iii) a Participant may make a written election, which may be accepted or rejected in the discretion of the Committee, to have withheld a portion of the underlying Shares issuable to him having an aggregate Fair Market Value equal to the applicable withholding taxes.

19. Awards under the Plan and the resale of the underlying shares by Participants are distributions that are subject to the prospectus and registration requirements provided in the Legislation. Certain forms of exemptive relief from these registration and prospectus requirements are provided in Ontario legislation

20. Participation in the Plan is voluntary and Participants are not induced to participate in the Plan by expectation of employment or continued employment.

21. A copy of a Plan prospectus will be distributed to all Participants in connection with the registration of the Shares under the Plan pursuant to the United States Securities Act of 1933;

22. There is no market in the Jurisdictions for the Shares and none is expected to develop;

23. The Shares are listed on the NYSE and any resale of Shares by a Participant may be made through a U.S. broker-dealer in accordance with applicable U.S. securities laws through the facilities of such exchange.

24. The Plan satisfies the requirements of applicable U.S. securities laws.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS the Decision Makers are of the opinion that it would not be prejudicial to the public interest to grant the Decision;

The Decision of the Decision Makers pursuant to the Legislation is that

(i) except in the province of Ontario, the prospectus and registration requirements contained in the Legislation shall not apply to future distributions of securities of National Service Industries Inc. made by Participants pursuant to the Plan;

(ii) the prospectus and registration requirements provided in the Legislation shall not apply to the resale of securities distributed to Participants of National Service Industries. Inc. by the Filer;

(iii) a copy of a document written in French explaining the terms of the Plan shall be given to every Participant residing in Québec;

(iv) a copy of information documents respecting the standards established by regulatory authorities in the United States of America shall be given to each Participant in Québec contemplated by the distribution; and

(v) the issuer bid requirements contained in the Legislation shall not apply upon cancellation of Shares as provided in the Plan.

This decision is rendered on condition that the first alienation of Shares of National Service Industries, Inc. by the individual Participants is subject to the prospectus requirement unless such alienation takes place through an Exchange outside Canada, takes place in accordance with the rules of the Exchange on which it takes place and knowingly involves, wholly or in part, a person or company that is a resident of Canada or acts on behalf of a resident of Canada

Done at Montreal, on "April 19", 2000.

Viateur Gagnon Guy Lemoine

