

NATIONAL SERVICE INDUSTRIES, INC.

ASBESTOS CLAIM ALTERNATIVE DISPUTE RESOLUTION PROCEDURES

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ASBESTOS CLAIM ALTERNATIVE DISPUTE RESOLUTION (ADR) PROCEDURES

Pursuant to Section VIII of the NSI Asbestos Claim Procedures, the following Alternative Dispute Resolution (“ADR”) Procedures shall be used to resolve Asbestos Personal Injury Claims as that term is defined in the NSI Asbestos Claim Procedures. All capitalized terms herein shall be as defined and/or referenced within the NSI Asbestos Claim Procedures.

These rules are applicable to all ADR Procedures involving disputed Asbestos Personal Injury Claims against National Service Industries, Inc., including North Brothers, which are not resolved by mediation as provided for by the NSI Asbestos Claim Procedures. No claimant may have the Bankruptcy Court determine their claim without first having exhausted the ADR Procedures outlined below. In the context of these procedures, “ADR” refers to both binding or non-binding arbitration proceedings. These rules may be amended from time to time.

I. OVERVIEW

These ADR Procedures shall not be applied to resolve conflicts relating to threshold legal issues. This includes, but is not limited to, questions about jurisdiction, standing, choice of law, and statutes of limitations. All unresolved disputes relating to threshold legal issues, including those described in this paragraph, shall be brought before the Bankruptcy Court.

The Trustee shall administer these ADR Procedures with the assistance of professionals he deems appropriate, at the estate’s expense. To initiate these procedures, the claimant must have completed a mediation under the NSI Asbestos Claim Procedures and make a written request to the Trustee within 30 days of the conclusion of the mediation. Within fifteen (15) days of a claimant's request for ADR, the Trustee will send the claimant an ADR packet containing the documents necessary to pursue the ADR process. These ADR Procedures shall not be construed as imparting to any claimant any substantive or procedural rights beyond those conferred by the NSI Asbestos Claim Procedures.

These ADR Procedures must be pursued by claimants on an individual basis. Claims of different claimants cannot be grouped together even if the claimants are represented by the same counsel, unless the Trustee, in his sole discretion, decides it would be expeditious to conduct ADR with respect to more than one claim involving different exposed claimants. In such a case, however, the arbitrator must individually value each such claim using the valuation factors set forth in the NSI Asbestos Claim Procedures.

A deficient claim is not eligible for ADR Procedures unless the Trustee has issued a rejection of the claim. A claim that is under review pursuant to the NSI Asbestos Claim Procedures shall not be eligible for participation in the ADR Procedures until that review has been completed.

Initiation of ADR Proceedings

An ADR proceeding must be commenced within thirty (30) days of completion of mediation by providing the Trustee with a written notice of ADR. A notice form is attached.

Within fifteen (15) days of the Trustee's receipt of the notice of ADR, the Trustee will send the claimant an ADR packet containing a copy of the ADR Procedures.

The claimant is the moving party and shall have the burden of proof at each stage described below to prove his or her claim by a preponderance of the evidence.

It is the claimant's responsibility to comply with the time deadlines set forth in these ADR Procedures.

Binding and Non-binding Arbitration

Arbitration will be conducted in the format also known as "baseball style" arbitration. Baseball arbitration is a type of arbitration in which each party to the arbitration submits a proposed monetary award of Total Liquidated Value to the arbitrator. After a final hearing, the arbitrator will choose one award of Total Liquidated Value from the submitted awards of Total Liquidated Value without modification.

The arbitrator shall return an award of Total Liquidated Value no greater than the Maximum Value for the relevant Disease Level set forth in Section V of the NSI Asbestos Claims Procedures.

If the claimant requests arbitration, either binding or non-binding, then the Trustee shall execute the appropriate Election Form and Agreement. The Trustee may not decline the claimant's election of either binding or non-binding arbitration, but reserves all rights to reject any award of Total Liquidated Value in a non-binding arbitration proceeding.

II. RULES GOVERNING NON-BINDING AND BINDING ARBITRATION

Arbitration may proceed after mediation has occurred under the NSI Asbestos Claim Procedures.

A. Election by the Claimant

The claimant must elect Arbitration within thirty (30) days after completing mediation by sending written notice to the Trustee. Within fifteen (15) days of the Trustee's receipt of the notice, the Trustee will send the claimant an Election Form and Agreement for Binding or Non-Binding Arbitration.

B. Selection of the Arbitrator

As soon as practicable after the Trustee's receipt of the signed Arbitration Agreement, but no more than thirty (30) days after the receipt of the signed Arbitration Election Form and Agreement, the Trustee shall select three (3) potential arbitrators from a list kept by the Trustee. The Trustee shall promptly notify the arbitrators and the parties of the potential arbitrators' selection. If a potential arbitrator is unable or unwilling to serve, then a replacement selection will be made by the Trustee. This selection will occur with best efforts to meet thirty (30) days after the Trustee receives the Arbitration Election Form and Agreement. All parties will cooperate to cause the selection to occur as soon as practicable.

Within fifteen (15) days of receipt of the list of the three (3) potential arbitrators, the claimant or claimant's counsel may select an arbitrator.

Upon appointment of the arbitrator, the Trustee shall promptly send copies of the Arbitration Election Form and Agreement, and all of the materials utilized in the mediation, which include the ADR packet, Demand Form, Affidavit of Completeness, Affidavit of Accuracy, complete copies of all materials submitted to the Trustee by the claimant and information in the Trustee's file gathered by the Trustee from other sources upon which the Trustee is relying in setting the Total Liquidated Value for the Claim (except that the Trustee is not required to provide work product or confidential material), and copies of the NSI Asbestos Claim Procedures to the arbitrator.

The arbitrator shall not receive any information from or about the mediation.

C. Submission of Pre-Arbitration Statements

Within twenty (20) days of the appointment of an arbitrator each party shall submit to the opposing party and to the arbitrator a written statement (not to exceed ten (10) double spaced pages) containing that party's positions and arguments. Each party may then submit a supplement to its written statement (not to exceed five (5) double-spaced pages) following the initial pre-arbitration conference to respond to the opposing party's positions and arguments and addressing issues raised at the initial pre-arbitration conference. Supplements must be sent to the opposing party and to the arbitrator within ten (10) days after the date of the initial pre-arbitration conference. The arguments may not introduce matters not contained in the documents in the Trustee's file. The arbitrator shall disregard any argument that does not comply with this rule.

D. Initial Pre-Arbitration Conference, Scheduling Oral Arguments, Telephone Conference for Oral Arguments

Within fifteen (15) days of the receipt of both parties' briefs, the arbitrator shall contact the claimant or claimant's counsel and the Trustee to schedule the initial pre-arbitration conference. The initial pre-arbitration conference shall be presided over by the arbitrator and held by telephone conference call.

During the initial pre-arbitration conference, the arbitrator shall schedule the date of the arbitration oral arguments.

During the initial pre-arbitration conference, the arbitrator shall seek to achieve agreement between the

parties on narrowing the issues and any other matters that will expedite the arbitration proceedings. If appropriate, or if the parties do not agree on these issues, then the arbitrator must issue orders governing the process.

E. No Discovery

There shall be no discovery. The purpose of the arbitration is to resolve differences between the estate and the claimant based only on the documents that have been previously submitted to the Trustee by the claimant and any other documents relied upon by the Trustee to make a settlement offer to the claimant or to reject the claim.

F. No Record of Proceedings

There will be no record or transcript of the proceedings.

G. Postponement of Oral Arguments

For good cause the arbitrator may postpone the oral arguments upon the request of a party or upon the arbitrator's own initiative, and shall also grant such postponement when all of the parties agree.

H. Duration of Oral Arguments

The arbitrator shall complete the oral arguments in three (3) hours. The arbitrator shall set time limits on the respective presentations, and shall enforce those set limits.

I. Evidence at Hearing

The arbitrator shall require the parties to follow the rules of evidence used in judicial proceedings. The arbitrator shall determine the applicability of any privilege or immunity and the admissibility, relevance, materiality and weight of the evidence offered. In the absence of a well-founded and substantiated objection raising a substantial question of authenticity or foundation, all:

- i. documents (such as medical records, expert reports, social security records, employment and union records, military records, business records, deposition transcripts, verified discovery responses, declarations and affidavits, etc.) normally submitted in connection with claims will be presumed to be authentic, and
- ii. hearsay objections to such documents, and to discovery responses and declarations that clearly disclose the foundation and source of information presented, and the adequacy of the foundation, will be waived.

Nothing herein shall prevent the Trustee or claimant from arguing the weight, or its absence, to be given to evidence in light of its source, foundation, or provenance.

The evidence that the arbitrator may consider shall be limited to the documents supplied to the Trustee

prior to the execution of the Affidavit of Completeness, the Agreement for Binding or Non-Binding Arbitration, and the underlying data that was used by the Trustee to determine initial liquidated value.

The arguments shall be limited to the evidence contained and the issues raised in the documents referred to above.

J. Option to Waive Oral Arguments

The parties may request a waiver of oral arguments. Oral arguments will only be waived if all parties consent.

K. Arbitration Decision

The arbitrator shall issue a reasoned decision, not to exceed two pages, no later than fifteen (15) days after the date of the close of the oral arguments. Punitive, exemplary, trebled or other like damages or attorneys' fees, and prejudgment and post-judgment interest and costs shall not be sought or allowed. The award of Total Liquidated Value shall dispose of all monetary claims presented to the arbitrator and shall determine fully the only issue to be decided: the amount, if any, at which the claims Total Liquidated Value should be fixed. The arbitrator may dismiss the claim if the claimant fails to comply with these ADR Procedures.

L. Non-binding Award of Total Liquidated Value

A party in a non-binding arbitration proceeding that wishes to reject the award of Total Liquidated Value must notify the other party within thirty (30) days from the date a non-binding award of Total Liquidated Value is issued. If no rejection is received or sent by the Trustee, then the decision will stand and the arbitrator's award of Total Liquidated Value will be deemed accepted by both parties.

M. Procedure for Rejected Award of Total Liquidated Value

If the claimant wishes to reject a non-binding award of Total Liquidated Value and wishes to pursue the claim before the Bankruptcy Court, then the claimant must notify the Trustee no later than thirty (30) days from the date of the non-binding award of Total Liquidated Value. Within fifteen (15) days of receipt of notification, the Trustee will file a Motion objecting to the claim in the Bankruptcy Court.

If the Trustee wishes to reject the non-binding award of Total Liquidated Value, he must send notification no later than thirty (30) days from the date of the non-binding award of Total Liquidated Value. Within fifteen (15) days of receipt of notification, the Trustee will file a Motion objecting to the claim in the Bankruptcy Court.

III. GENERAL ADR PROCEDURES

A. ADR Submissions

If the claimant's submissions contain materials not previously submitted in support of the claim, then the ADR proceedings shall cease and the claim shall be returned to the Trustee for processing in the ordinary course of business. Whether further processing shall include mediation shall be agreed upon by the parties.

B. No *Ex Parte* Communication

There shall be no ex parte communication between the arbitrator and any counsel or party on any matter relating to the arbitration.

C. Costs of ADR

The parties each will be responsible for one-half of the arbitrator's fees and costs pursuant to Section 8.2 of the NSI Asbestos Claim Procedures.

D. Exclusion of Liability and Arbitrator Immunity

The mediator and arbitrator shall not be liable to any party for any act or omission in connection with any evaluation conducted under these rules. Mediators and arbitrators who serve pursuant to these rules shall have the same immunity as judges for their official acts.

F. Relationship of Rules to Agreement

These Rules shall be deemed a part of and incorporated by reference in the Notice of ADR form and shall be binding on all parties.

G. Jurisdiction

Any dispute under these rules shall be subject to the jurisdiction of the Bankruptcy Court.

H. Statement of Confidentiality

All arbitration proceedings and information relating to the proceeding will be confidential. Neither party shall disclose the information obtained during the proceedings, nor the valuation placed on the case by an arbitrator, to anyone or use such information or valuation in any further proceeding except as necessary to maintain the Trustee's obligation to report to the Bankruptcy Court. Except for documents prepared by a non-party which are introduced as evidence before an arbitrator, any document prepared by another party, attorney or other participant in anticipation of the arbitration is privileged and shall not be disclosed to any court or arbitrator or construed for any purpose as an admission against interest. Documents that are not otherwise privileged or confidential do not become confidential simply because they have been used in the arbitration proceedings.

All arbitration proceedings shall be deemed a settlement conference pursuant to Rule 408 of the Federal Rules of Evidence. Except by agreement of the parties, the parties will not introduce into evidence in any other proceedings the fact that there was an arbitration, the nature or amount of the award, and written submissions may not be used for purposes of showing accord and satisfaction or res judicata. In binding arbitration, the decision of the arbitrator may be admissible in the event the claimant improperly seeks to litigate the claim. The binding arbitration award shall be admissible in support of a motion to enjoin such litigation or to enforce the binding arbitration award. No arbitrator will ever be subpoenaed or otherwise required by any party or any third party, to testify or produce records, notes or work product in any future proceedings.

NATIONAL SERVICE INDUSTRIES, INC.

NOTICE OF ADR

PLEASE TAKE NOTICE that I, _____ (Claimant), Claim
Number _____, hereby wish to submit all disputes relating to the Trustee's valuation of
my claim to ADR under the ADR Procedures established pursuant to Section VIII of the NSI
Asbestos Claim Procedures.

Dated: _____

Claimant or Claimant's Attorney

STATE OF _____)
) ss.
COUNTY OF _____)

AFFIDAVIT OF COMPLETENESS

I, _____, as the person or legal representative of the person who has filed a claim in the National Service Industries, Inc. bankruptcy case, No. 12-12057 (MFW), being duly sworn, depose and say:

I verify that all information with respect to my claim that will be considered in the ADR process has been previously provided to the Trustee.

I have received and reviewed the copies of all materials I submitted to the Trustee and information in the Trustee's file, if any, gathered by the Trustee from other sources, and a copy of the NSI Asbestos Claim Procedures and the National Service Industries, Inc. Asbestos Alternative Dispute Resolution Procedures and verify that the documentation with respect to my claim is complete.

I have no other information which I wish to be considered in the valuation of my Claim Number _____.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: _____

Claimant

Sworn to before me this _____ day of _____, _____.

Notary Public

STATE OF _____)
) ss.
COUNTY OF _____)

AFFIDAVIT OF ACCURACY

I, Charles M. Forman, Trustee for National Service Industries, Inc., being duly sworn,
depose and say:

I verify that attached to this affidavit is a true and correct copy of all information which I
considered in the valuation of Claim Number _____.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: _____

Charles M. Forman, Trustee

Sworn to before me this _____ day of

_____, _____.

Notary Public

**NATIONAL SERVICE INDUSTRIES, INC.
ELECTION FORM AND AGREEMENT
FOR BINDING OR NON-BINDING
ARBITRATION**

I, _____ (Claimant), Claim Number _____, hereby

elect and agree to:

Non-Binding Arbitration of my Asbestos Personal Injury Claim. Submit all disputes with the Trustee relating to my Asbestos Personal Injury Claim to Non-Binding Arbitration under the terms for Non-Binding Arbitration established by the NSI Asbestos Claim Procedures. I have been provided with a copy of the ADR Procedures established pursuant to Section VIII of the NSI Asbestos Claim Procedures and I understand and agree to abide by those rules in the course of the Non-Binding Arbitration.

Binding Arbitration of my Asbestos Personal Injury Claim. Submit all disputes with the Trustee relating to my Asbestos Personal Injury Claim to Binding Arbitration under the terms for Binding Arbitration established by the NSI Asbestos Claim Procedures. I have been provided with a copy of the ADR Procedures established pursuant to Section VIII of the NSI Asbestos Claim Procedures and I understand and agree to abide by those rules in the course of the Binding Arbitration. I understand that as a result of this agreement, if accepted by the Trustee, I waive my rights to litigate my Asbestos Personal Injury Claim in court and agree to be bound by the arbitration award of Total Liquidated Value.

Claimant and, if represented by counsel, Claimant's Attorney must both sign

Claimant

Claimant's Attorney

Dated: _____

Accepted and Consented to:

By accepting this agreement, the Trustee agrees to be bound by the arbitration award of Total Liquidated Value.

Charles M. Forman, Trustee

Dated: _____