

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY
PERIOD ENDED MARCH 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 001-15149

LENNOX INTERNATIONAL INC.
Incorporated pursuant to the Laws of the State of DELAWARE

Internal Revenue Service Employer Identification No. 42-0991521

2140 LAKE PARK BLVD.
RICHARDSON, TEXAS 75080
(972) 497-5000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES /X/ NO

As of May 13, 2002, the number of shares outstanding of the registrant's common stock, par value \$.01 per share, was 57,143,480.

LENNOX INTERNATIONAL INC.

INDEX

Page No.

Part I. Financial Information

Item 1. Financial Information

| | |
|--|---|
| Consolidated Balance Sheets-March 31, 2002 (Unaudited) and December 31, 2001..... | 3 |
| Consolidated Statements of Income (Unaudited)-Three Months Ended March 31, 2002 and 2001..... | 4 |
| Consolidated Statements of Cash Flows (Unaudited)-Three Months Ended March 31, 2002 and 2001..... | 5 |
| Notes to Consolidated Financial Statements, (Unaudited)..... | 6 |

| | |
|---|----|
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations..... | 11 |
|---|----|

| | |
|--|----|
| Item 3. Quantitative and Qualitative Disclosures About Market Risk.... | 15 |
|--|----|

Part II. Other Information

| | |
|---|----|
| Item 4. Exhibits and Reports on Form 8-K..... | 16 |
|---|----|

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of March 31, 2002 and December 31, 2001
(In thousands, except share data)

ASSETS

| | March 31, 2002 ---- | December 31, 2001 ---- |
|---|---------------------------|------------------------------|
| | (unaudited) | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents..... | \$ 25,068 | \$ 34,393 |
| Accounts and notes receivable, net..... | 339,748 | 291,485 |
| Inventories..... | 297,586 | 281,170 |
| Deferred income taxes..... | 44,136 | 42,662 |
| Other assets..... | 62,022 | 63,655 |
| | ----- | ----- |
| Total current assets..... | 768,560 | 713,365 |
| PROPERTY, PLANT AND EQUIPMENT, net..... | 281,371 | 291,531 |
| GOODWILL, net..... | 414,916 | 704,713 |
| OTHER ASSETS..... | 119,012 | 84,379 |
| | ----- | ----- |
| TOTAL ASSETS..... | \$1,583,859 | \$1,793,988 |
| | ===== | ===== |

LIABILITIES AND STOCKHOLDERS EQUITY

| | | |
|---|-------------|-------------|
| CURRENT LIABILITIES | | |
| Short-term debt..... | \$ 33,715 | \$ 23,701 |
| Current maturities of long-term debt..... | 27,817 | 28,895 |
| Accounts payable..... | 271,251 | 242,534 |
| Accrued expenses..... | 247,462 | 249,546 |
| Income taxes payable..... | 14,007 | 9,870 |
| | ----- | ----- |
| Total current liabilities..... | 594,252 | 554,546 |
| LONG-TERM DEBT..... | 462,385 | 465,163 |
| DEFERRED INCOME TAXES..... | 630 | 673 |
| POSTRETIREMENT BENEFITS, OTHER THAN PENSIONS..... | 13,404 | 14,014 |
| OTHER LIABILITIES..... | 104,643 | 103,301 |
| | ----- | ----- |
| Total liabilities..... | 1,175,314 | 1,137,697 |
| MINORITY INTEREST..... | 1,738 | 1,651 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, \$.01 par value, 25,000,000 shares authorized, no shares issued or outstanding..... | -- | -- |
| Common stock, \$.01 par value, 200,000,000 shares authorized, 61,062,051 shares and 60,690,198 shares issued for 2002 and 2001, respectively..... | 611 | 607 |
| Additional paid-in capital..... | 375,806 | 372,877 |
| Retained earnings..... | 129,496 | 383,566 |
| Accumulated other comprehensive loss..... | (64,862) | (68,278) |
| Deferred compensation..... | (3,578) | (3,710) |
| Treasury stock, at cost, 3,005,861 and 2,980,846 shares for 2002 and 2001, respectively..... | (30,666) | (30,422) |
| | ----- | ----- |
| Total stockholders' equity..... | 406,807 | 654,640 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY..... | \$1,583,859 | \$1,793,988 |
| | ===== | ===== |

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2002 and 2001
(Unaudited, in thousands, except per share data)

| | For the Three Months Ended March 31, | |
|--|--|-------------|
| | 2002 | 2001 |
| NET SALES..... | \$ 675,774 | \$ 715,966 |
| COST OF GOODS SOLD..... | 466,899 | 502,381 |
| | 208,875 | 213,585 |
| Gross Profit..... | | |
| OPERATING EXPENSES: | | |
| Selling, general and administrative expense..... | 199,385 | 217,556 |
| Restructurings..... | 653 | -- |
| | 8,837 | (3,971) |
| Income (loss) from operations..... | | |
| INTEREST EXPENSE, net..... | 7,883 | 12,777 |
| OTHER..... | (85) | 663 |
| MINORITY INTEREST..... | 66 | 107 |
| | 973 | (17,518) |
| Income (loss) before income taxes and cumulative effect of accounting change..... | | |
| PROVISION FOR (BENEFIT FROM) INCOME TAXES..... | 402 | (7,270) |
| | 571 | (10,248) |
| Income (loss) before cumulative effect of accounting change..... | | |
| CUMULATIVE EFFECT OF ACCOUNTING CHANGE..... | 249,224 | -- |
| | \$ (248,653) | \$ (10,248) |
| Net loss..... | ===== | ===== |
| INCOME (LOSS) PER SHARE BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE: | | |
| Basic..... | \$ 0.01 | \$ (0.18) |
| Diluted..... | \$ 0.01 | \$ (0.18) |
| CUMULATIVE EFFECT OF ACCOUNTING CHANGE PER SHARE: | | |
| Basic..... | \$ (4.39) | \$ -- |
| Diluted..... | \$ (4.39) | \$ -- |
| NET LOSS PER SHARE: | | |
| Basic..... | \$ (4.38) | \$ (0.18) |
| Diluted..... | \$ (4.38) | \$ (0.18) |

The accompanying notes are an integral part of these consolidated financial statements.

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2002 and 2001
(Unaudited, in thousands)

| | For the Three Months Ended March 31, | |
|---|--|-------------|
| | 2002 | 2001 |
| | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (248,653) | \$ (10,248) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities: | | |
| Minority interest..... | 66 | 107 |
| Joint venture profit..... | (628) | (41) |
| Non-cash cumulative effect of accounting change..... | 249,224 | -- |
| Depreciation and amortization..... | 15,411 | 21,741 |
| Loss on disposal of equipment..... | 6 | 113 |
| Other..... | 1,100 | 983 |
| Changes in assets and liabilities, net of effects of acquisitions: | | |
| Accounts and notes receivable..... | (49,154) | 27,121 |
| Inventories..... | (15,451) | (23,814) |
| Other current assets..... | 4,151 | (8,841) |
| Accounts payable..... | 28,133 | 2,686 |
| Accrued expenses..... | (1,779) | 14,813 |
| Deferred income taxes..... | 4,196 | (150) |
| Income taxes payable and receivable..... | 2,478 | (12,287) |
| Long-term warranty, deferred income and other liabilities..... | 4,465 | (4,033) |
| | ----- | ----- |
| Net cash (used in) provided by operating activities..... | (6,435) | 8,150 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from the disposal of property, plant and equipment..... | 427 | 769 |
| Purchases of property, plant and equipment..... | (4,685) | (5,036) |
| Acquisitions, net of cash acquired..... | -- | (1,413) |
| | ----- | ----- |
| Net cash used in investing activities..... | (4,258) | (5,680) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from revolving short-term debt..... | 8,739 | 1,997 |
| Proceeds from (repayments of) revolving long-term debt..... | 7,300 | (14,558) |
| Repayment of long-term debt..... | (12,000) | -- |
| Sales of common stock..... | 2,933 | 1,036 |
| Repurchases of common stock..... | (244) | (214) |
| Cash dividends paid..... | (5,374) | (5,274) |
| | ----- | ----- |
| Net cash provided by (used in) financing activities..... | 1,354 | (17,013) |
| DECREASE IN CASH AND CASH EQUIVALENTS..... | (9,339) | (14,543) |
| EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS..... | 14 | (601) |
| | ----- | ----- |
| CASH AND CASH EQUIVALENTS, beginning of period..... | 34,393 | 40,633 |
| | ----- | ----- |
| CASH AND CASH EQUIVALENTS, end of period..... | \$ 25,068 | \$ 25,489 |
| | ===== | ===== |
| Supplementary disclosures of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest..... | \$ 4,570 | \$ 11,612 |
| | ===== | ===== |
| Income taxes..... | \$ 2,705 | \$ 2,380 |
| | ===== | ===== |

The accompanying notes are an integral part of these consolidated financial statements.

LENNOX INTERNATIONAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation and other Accounting Information:

The accompanying unaudited consolidated balance sheet as of March 31, 2002, and the consolidated statements of income and cash flows for the three months ended March 31, 2002 and 2001 should be read in conjunction with Lennox International Inc.'s (the "Company"; or "LII") consolidated financial statements and the accompanying footnotes as of December 31, 2001 and 2000 and for each of the three years in the period ended December 31, 2001. In the opinion of management, the accompanying consolidated financial statements contain all material adjustments, consisting principally of normal recurring adjustments, necessary for a fair presentation of the Company's financial position, results of operations, and cash flows. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to applicable rules and regulations, although the Company believes that the disclosures herein are adequate to make the information presented not misleading. The operating results for the interim periods are not necessarily indicative of the results to be expected for a full year.

The Company's fiscal year ends on December 31 of each year, and the Company's quarters are each comprised of 13 weeks. For convenience, throughout these financial statements, the 13 weeks comprising each three month period are denoted by the last day of the respective calendar quarter.

2. Reportable Business Segments:

In accordance with Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information," the Company discloses business segment data for its reportable business segments, which have been determined using the "management approach." The management approach is based on the way segments are organized within the Company for making operating decisions and assessing performance. The Company's business operations are organized within five reportable business segments as follows (in thousands):

| | Three Months Ended March 31, | |
|----------------------------------|---------------------------------|-----------|
| | 2002 | 2001 |
| Net Sales | | |
| North American residential..... | \$275,209 | \$282,025 |
| North American retail..... | 205,014 | 222,424 |
| Commercial air conditioning..... | 86,804 | 93,378 |
| Commercial refrigeration..... | 85,263 | 85,089 |
| Heat transfer (1)..... | 48,676 | 58,275 |
| Eliminations..... | (25,192) | (25,225) |
| | \$675,774 | \$715,966 |

| | For the Three Months Ended March 31, | | |
|------------------------------------|--------------------------------------|------------|------------------|
| | 2002 | 2001 | 2001 Adjusted(2) |
| Income (Loss) from Operations | | | |
| North American residential(3)..... | \$ 14,849 | \$ 12,306 | \$ 13,024 |
| North American retail..... | (2,793) | (9,973) | (6,684) |
| Commercial air conditioning..... | (163) | (1,817) | (1,992) |
| Commercial refrigeration..... | 8,259 | 6,221 | 6,431 |
| Heat transfer..... | (800) | 1,788 | 2,012 |
| Corporate and other..... | (9,933) | (11,003) | (10,901) |
| Eliminations..... | (582) | (1,493) | (1,493) |
| | \$ 8,837 | \$ (3,971) | \$ 397 |

(1) The Heat Transfer segment had intersegment sales of \$5,731 and \$7,036 for the three months ended March 31, 2002 and 2001, respectively.

(2) Reported segment income (loss) from operations for the three months ended March 31, 2001 has been adjusted to reflect the discontinuation of goodwill amortization under Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

(3) Includes \$653 restructuring charge in 2002.

| | As of March 31, 2002 | As of March 31, 2001 |
|----------------------------------|-------------------------|-------------------------|
| Total Assets | | |
| ----- | ---- | ---- |
| North American residential..... | \$ 424,190 | \$ 475,494 |
| North American retail..... | 512,850 | 702,451 |
| Commercial air conditioning..... | 161,244 | 156,206 |
| Commercial refrigeration..... | 233,246 | 224,971 |
| Heat transfer..... | 114,446 | 125,083 |
| Corporate and other..... | 158,155 | 126,995 |
| Eliminations..... | (20,272) | (17,212) |
| | ----- | ----- |
| | \$1,583,859 | \$1,793,988 |
| | ===== | ===== |

3. Inventories:

Components of inventories are as follows (in thousands):

| | As of March 31, 2002 | As of December 31, 2001 |
|---------------------------------------|-------------------------|----------------------------|
| | ---- | ---- |
| Finished goods..... | \$ 191,886 | \$ 179,965 |
| Repair parts..... | 37,077 | 37,197 |
| Work in process..... | 22,017 | 17,664 |
| Raw materials..... | 93,574 | 95,438 |
| | ----- | ----- |
| | 344,554 | 330,264 |
| Reduction for last-in, first-out..... | (46,968) | (49,094) |
| | ----- | ----- |
| | \$ 297,586 | \$ 281,170 |
| | ===== | ===== |

<4. Shipping and Handling:

Shipping and handling costs are included as part of Selling, General and Administrative Expense in the accompanying Consolidated Statements of Income in the following amounts (in thousands):

| Three Months Ended March 31, | |
|---------------------------------|----------|
| 2002 | 2001 |
| ----- | ---- |
| \$29,643 | \$30,955 |

5. Lines of Credit and Financing Arrangements:

The Company has bank lines of credit aggregating \$405 million, of which \$260 million was borrowed and outstanding, and \$33 million was committed to standby letters of credit at March 31, 2002. The remaining \$112 million was available for future borrowings, subject to covenant limitations. Included in the lines of credit are two domestic facilities in the amounts of \$300 million and \$30 million, each governed by agreements between the Company and syndicates of banks. The facilities contain certain financial covenants and bear interest, at the Company's option, at a rate equal to either (a) the greater of the bank's prime rate or the federal funds rate plus 0.5% or (b) the London Interbank Offered Rate plus a margin equal to 0.5% to 2.25%, depending upon the ratio of total funded debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"). The Company pays a commitment fee equal to 0.10% to 0.30% of the unused commitment, depending upon the ratio of total funded debt to EBITDA. The agreements place restrictions on the Company's ability to incur additional indebtedness, encumber its assets, sell its assets, or pay dividends.

6. Earnings per Share:

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed by dividing net income by the sum of the weighted average number of shares and the number of equivalent shares assumed outstanding, if dilutive, under the Company's stock-based compensation plans. Weighted average shares outstanding used to calculate diluted earnings per share are determined as follows (in thousands):

| | Three Months Ended March 31, | |
|---|---------------------------------|--------|
| | 2002 | 2001 |
| Weighted average shares outstanding..... | 56,769 | 55,775 |
| Effect of diluted securities attributable to stock options and performance share awards..... | 877 | -- |
| Weighted average shares outstanding, as adjusted..... | 57,646 | 55,775 |

7. Derivatives:

The Company hedges its exposure to the fluctuation on the prices paid for copper and aluminum by purchasing futures contracts on these metals. Gains or losses recognized on the closing of these contracts negate the losses or gains realized through physical deliveries of these metals. Quantities covered by these commodity futures contracts are for less than expected actual quantities to be purchased. As of March 31, 2002, the Company had metals futures contracts maturing at various dates through March 31, 2004 with a fair value as an asset of \$1.7 million. These are hedges of forecasted transactions, and under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," such contracts are to be considered cash flow hedges. Accordingly, the Company recorded an after-tax credit of \$1.0 million to Accumulated Other Comprehensive Loss, a direct component of owner's equity. The credit to Accumulated Other Comprehensive Loss will be reclassified into earnings when the related inventory is sold, generally within three to six months.

The Company also hedges its exposure to fluctuations in foreign currency exchange rates incurred by its Australian subsidiary. This subsidiary manufactures sophisticated machine tools, which generally require long manufacturing and installation times and which generally are sold at prices denominated in the local currency of the purchasing entity. This exposure to the fluctuations in foreign currency exchange rates is hedged through the sale of futures contracts for the various currencies. Since the customers are not invoiced and payments are not received until the equipment has been installed and operating satisfactorily, the currency futures contracts are deemed to be cash flow hedges and as such are recorded at fair value with an offset to accumulated other comprehensive income (loss) until realized. Gains or losses on the currency futures are transferred from accumulated other comprehensive income (loss) to the income statement when the related equipment is sold, generally within three to six months. As of March 31, 2002, the Company had currency futures contracts maturing at various dates through December 31, 2002, for which the fair value was a liability of \$0.7 million. Accordingly, \$0.4 million, net of applicable income tax, was charged to Accumulated Other Comprehensive Loss.

8. Comprehensive Loss:

Comprehensive loss is computed as follows (in thousands):

| | Three Months Ended March 31, | |
|---|---------------------------------|-------------|
| | 2002 | 2001 |
| Net loss..... | \$ (248,653) | \$ (10,248) |
| Foreign currency translation adjustments... | (289) | (23,558) |
| Derivatives..... | 3,704 | (5,027) |
| Total comprehensive loss..... | \$ (245,238) | \$ (38,833) |

9. Restructuring Charges:

The Company recorded pre-tax restructuring charges totaling \$73.2 million in 2001. The restructuring charges were related to closures of manufacturing plants in Toronto, Ontario, Canada and Brookvale, NSW, Australia. Charges were also recorded for closing and consolidating a distribution facility in the U.S., for office consolidation of the Company's corporate headquarters, for elimination of excess manufacturing capacity in Europe and for final close-down costs for its Mexico sales operation. These restructuring charges also included the closure of certain retail centers and the merger of certain other retail centers.

Changes in the Company's restructuring reserve since December 31, 2001 are summarized as follows (in thousands):

| | December 31, 2001 | | | March 31, 2002 |
|-----------------------------|-------------------|----------|----------|----------------|
| | Reserve | Payments | Other | Reserve |
| | ----- | ----- | ----- | ----- |
| Severance and Benefits..... | \$ 5,621 | \$3,864 | \$ (216) | \$ 1,973 |
| Contract Exit Costs..... | 15,039 | 423 | 1,604 | 13,012 |
| | ----- | ----- | ----- | ----- |
| Total..... | \$20,660 | \$4,287 | \$ 1,388 | \$14,985 |
| | ===== | ===== | ===== | ===== |

Unpaid severance and benefits and unpaid contract exit costs as of March 31, 2002 are expected to be paid by the end of 2002.

The Company incurred an additional \$0.7 million of restructuring charges in the first quarter of 2002 related to the 2001 restructuring projects summarized above.

10. Goodwill:

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"), and recorded a \$285.7 million impairment of goodwill (\$248.7 million, net of taxes). The adoption of SFAS No. 142 requires that goodwill and other intangible assets with an indefinite useful life no longer be amortized as expenses of operations but rather tested at least annually by applying a fair-value-based test. During the first quarter of 2002, LII, in consultation with independent valuation advisors, conducted such tests. The charge relates primarily to the 1998 - 2000 acquisitions of the Company's retail and hearth products operations where lower than expected operating results occurred. The fair value of the related reporting units was determined based on a combination of the latest earnings forecasts using discounted values of projected cash flows and market values of comparable businesses.

The changes in the carrying amount of goodwill for the quarter ended March 31, 2002, in total and by segment, are as follows (in thousands):

| Segment | Balance December 31, 2001 | Goodwill Impairment | Foreign Currency Translation & Other | Balance March 31, 2002 |
|--------------------------------|------------------------------|------------------------|---|---------------------------|
| ----- | ----- | ----- | ----- | ----- |
| North American residential.... | \$104,089 | \$ (77,124) | \$ -- | \$ 26,965 |
| North American retail..... | 510,804 | (200,514) | (4,773) | 305,517 |
| Commercial air conditioning... | 18,471 | -- | (179) | 18,292 |
| Commercial refrigeration..... | 54,313 | -- | 882 | 55,195 |
| Heat transfer..... | 17,036 | (8,047) | (42) | 8,947 |
| | ----- | ----- | ----- | ----- |
| Total..... | \$704,713 | \$(285,685) | \$(4,112) | \$ 414,916 |
| | ===== | ===== | ===== | ===== |

The following reflects the Company's income (loss) before the cumulative effect of accounting change and income (loss) adjusted to exclude goodwill amortization for all periods presented (in thousands):

| | Ended March 31, 2002 | Ended March 31, 2001 |
|--|-------------------------|-------------------------|
| | ----- | ----- |
| Income (loss) before cumulative effect of accounting change..... | \$ 571 | \$ (10,248) |
| Add back: goodwill amortization, net of income tax..... | -- | 3,821 |
| | ----- | ----- |
| Adjusted income (loss) before cumulative effect of accounting change..... | \$ 571 | \$ (6,427) |
| | ===== | ===== |
| Basic and diluted earnings per share: | | |
| Income (loss) before cumulative effect of accounting change..... | \$ 0.01 | \$ (0.18) |
| Add back: goodwill amortization, net of income tax..... | -- | 0.07 |
| | ----- | ----- |
| Adjusted income (loss) before cumulative effect of accounting change..... | \$ 0.01 | \$ (0.11) |
| | ===== | ===== |
| Reported net loss..... | \$ (248,653) | \$ (10,248) |
| Add back: goodwill amortization, net of income tax..... | -- | 3,821 |

| | | |
|---------------------------------------|--------------------------------|------------------------------|
| Adjusted net loss..... | ----- \$ (248,653) ===== | ----- \$ (6,427) ===== |
| Basic and diluted earnings per share: | | |
| Reported net loss..... | \$ (4.38) | \$ (0.18) |
| Add back: goodwill amortization..... | -- | 0.07 |
| | ----- | ----- |
| Adjusted net loss..... | \$ (4.38) ===== | \$ (0.11) ===== |

Identifiable intangible assets as of March 31, 2002 are recorded in Other Assets in the Consolidated Balance Sheet and are comprised of the following (in thousands):

| | Gross Amount ----- | Accumulated Amortization ----- |
|-------------------------------|--------------------------|--------------------------------------|
| Patents..... | \$ 6,500 | \$ (1,071) |
| Deferred financing costs..... | 5,109 | (1,906) |
| Non-competes and other | 10,225 | (4,639) |
| | ----- | ----- |
| Total..... | \$ 21,834 | \$ (7,616) |
| | ===== | ===== |

Amortization of intangible assets for the three months ended March 31, 2002 and March 31, 2001 was approximately \$0.8 million and \$1.5 million, respectively. Amortization expense for 2002 to 2006 is estimated to be approximately \$5 million in 2002, \$4 million in 2003, \$3 million in 2004, \$1 million in 2005 and \$1 million in 2006. During 2004, the Company anticipates that a certain non-compete agreement and certain deferred financing costs will become fully amortized resulting in lower estimated aggregate amortization expense in 2004, 2005 and 2006. As of March 31, 2002, the Company had \$4.1 million of intangible assets, primarily trademarks, which are not subject to amortization.

11. Subsequent Events:

On April 22, 2002, the Company announced it had entered into a memorandum of agreement for the formation of a joint venture with Outokumpu Oyj of Finland ("Outokumpu"). Outokumpu will purchase a 55 percent interest in the Company's heat transfer business segment for \$55 million, with the Company retaining 45 percent ownership. After a period of three years, Outokumpu will have the option to purchase the remainder of the business contingent upon several factors, including operating performance of the joint venture. The agreement, which has been approved by the board of directors of both companies and is contingent upon regulatory approvals, is currently targeted for completion in mid-year 2002.

On May 8, 2002, the Company closed on the private placement of \$143.75 million of its 6.25% convertible subordinated notes due 2009. The notes are convertible into shares of LII common stock upon certain specified circumstances at the option of the holder at a conversion price of \$18.0875 per share. LII used the net proceeds of the issuance to reduce its indebtedness under its revolving credit facilities.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company participates in five reportable business segments of the heating, ventilation, air conditioning and refrigeration ("HVACR") industry. The first segment is the North American residential market, in which LII manufactures and markets a full line of heating, air conditioning and hearth products for the residential replacement and new construction markets in the United States and Canada. The second segment is the North American retail market which includes sales and installation of, and maintenance and repair services for, HVACR equipment by LII-owned service centers in the United States and Canada. The third segment is the global commercial air conditioning market, in which LII manufactures and sells rooftop products and applied systems for commercial applications. The fourth segment is the global commercial refrigeration market, which consists of unit coolers, condensing units and other commercial refrigeration products. The fifth segment is the heat transfer market, in which LII designs, manufactures and sells evaporator and condenser coils, copper tubing and related manufacturing equipment to original equipment manufacturers and other specialty purchasers on a global basis.

LII sells its products to numerous types of customers, including distributors, installing dealers, property owners, national accounts and original equipment manufacturers. The demand for LII's products is influenced by national and regional economic and demographic factors, such as interest rates, the availability of financing, regional population and employment trends, new construction and general economic conditions, especially consumer confidence. In addition to economic cycles, demand for LII's products is seasonal and dependent on the weather. Hotter than normal summers generate strong demand for replacement air conditioning and refrigeration products and colder than normal winters have the same effect on heating products. Conversely, cooler than normal summers and warmer than normal winters depress sales of HVACR products.

The principal components of cost of goods sold are component costs, raw materials, factory overhead, labor and estimated costs of warranty expense. The principal raw materials used in LII's manufacturing processes are copper, aluminum and steel. In instances where LII is unable to pass on to its customers increases in the costs of copper and aluminum, LII enters into forward contracts for the purchase of those materials. LII attempts to minimize the risk of price fluctuations in key components by entering into contracts, typically at the beginning of the year, which generally provide for fixed prices for its needs throughout the year. These hedging strategies enable LII to establish product prices for the entire model year while minimizing the impact of price increases of components and raw materials on its margins. Warranty expense is estimated based on historical trends and other factors.

LII's fiscal year ends on December 31 of each year and its fiscal quarters are each comprised of 13 weeks. For convenience, throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, the 13 week periods comprising each fiscal quarter are denoted by the last day of the calendar quarter.

Results of Operations

The following table sets forth, as a percentage of net sales, income data for the three months ended March 31, 2002 and 2001:

| | Three Months Ended March 31, | | |
|---|------------------------------|--------|------------------|
| | 2002 | 2001 | 2001 Adjusted(1) |
| | ---- | ---- | ----- |
| Net sales..... | 100.0% | 100.0% | 100.0% |
| Cost of goods sold..... | 69.1 | 70.2 | 70.2 |
| | ----- | ----- | ----- |
| Gross profit..... | 30.9 | 29.8 | 29.8 |
| Selling, general and administrative expense.. | 29.5 | 30.4 | 29.8 |
| Restructurings..... | 0.1 | -- | -- |
| | ----- | ----- | ----- |
| Income (loss) from operations..... | 1.3 | (0.6) | 0.0 |
| Interest expense, net..... | 1.2 | 1.8 | 1.8 |
| Other..... | 0.0 | 0.0 | 0.0 |
| Minority interest..... | 0.0 | 0.0 | 0.0 |
| | ----- | ----- | ----- |
| Income (loss) before income taxes and cumulative effect of accounting change.... | 0.1 | (2.4) | (1.8) |
| Provision for (benefit from) income taxes.... | 0.1 | (1.0) | (0.9) |
| | ----- | ----- | ----- |
| Income (loss) before cumulative effect of accounting change..... | 0.0 | (1.4) | (0.9) |
| Cumulative effect of accounting change..... | 36.8 | -- | -- |

| | | | |
|---------------|---------|--------|--------|
| Net loss..... | (36.8)% | (1.4)% | (0.9)% |
| | ===== | ===== | ===== |

- -----

(1) Income data, as a percentage of sales, has been adjusted for the three months ended March 31, 2001 to reflect the discontinuation of goodwill amortization under Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

The following table sets forth net sales by business segment and geographic market (dollars in millions):

| | Three Months Ended March 31, | | | |
|----------------------------------|------------------------------|--------|---------|--------|
| | 2002 | | 2001 | |
| | Amount | % | Amount | % |
| Business Segment: | | | | |
| North American residential..... | \$275.2 | 40.7% | \$282.0 | 39.4% |
| North American retail..... | 205.0 | 30.3 | 222.4 | 31.1 |
| Commercial air conditioning..... | 86.8 | 12.8 | 93.4 | 13.0 |
| Commercial refrigeration..... | 85.3 | 12.6 | 85.1 | 11.9 |
| Heat transfer..... | 48.7 | 7.2 | 58.3 | 8.1 |
| Eliminations..... | (25.2) | (3.6) | (25.2) | (3.5) |
| | ----- | ----- | ----- | ----- |
| Total net sales..... | \$675.8 | 100.0% | \$716.0 | 100.0% |
| | ===== | ===== | ===== | ===== |
| Geographic Market: | | | | |
| U.S..... | \$533.5 | 78.9% | \$562.4 | 78.5% |
| International..... | 142.3 | 21.1 | 153.6 | 21.5 |
| | ----- | ----- | ----- | ----- |
| Total net sales..... | \$675.8 | 100.0% | \$716.0 | 100.0% |
| | ===== | ===== | ===== | ===== |

Three Months Ended March 31, 2002 Compared to Three Months Ended March 31, 2001

Net sales. Net sales decreased \$40.2 million, or 5.6%, to \$675.8 million for the three months ended March 31, 2002 from \$716.0 million for the three months ended March 31, 2001. Adjusted for the impact of currency translation, net sales decreased 4.8% compared to the first three months of 2001.

Net sales in the North American residential segment were \$275.2 million for the three months ended March 31, 2002, a decrease of \$6.8 million, or 2.4%, from \$282.0 million for the three months ended March 31, 2001. The decrease in net sales was due largely to lower sales of hearth products. Adjusted for the impact of currency translation, net sales declined 1.6% compared to the first three months of 2001.

Net sales in the North American retail segment were \$205.0 million for the three months ended March 31, 2002, a decrease of \$17.4 million, or 7.8%, from \$222.4 million for the three months ended March 31, 2001. LII realized an additional week of net sales in 2002 in the North American retail segment when compared to the same period last year. Due to the decentralized nature of LII's retail operations, LII's reporting of retail results in the first quarter historically lagged other operations by one week. However, with an enhanced enterprise system in place in fiscal 2002, LII was able to synchronize the timing of its retail results with the results of its other operations. Accounting for the additional week added \$11.7 million of net sales to the North American retail segment results for the three months ended March 31, 2002. On a same store basis, after adjusting for sold or closed service centers and the additional week of results, net sales declined 8.7% for the three months ended March 31, 2002 compared to the same period last year.

Commercial air conditioning segment net sales decreased \$6.6 million, or 7.0%, to \$86.8 million for the three months ended March 31, 2002 compared to the three months ended March 31, 2001. Adjusted for the impact of currency translation, net sales declined 5.6% compared to the first three months of 2001. North American industry shipments of unitary commercial heating, ventilation and air conditioning equipment were down approximately 17% in the first three months of 2002 compared to the first three months of last year. As a result, the Company outperformed the market due primarily to strong performance in the Company's domestic national accounts business.

Net sales in the commercial refrigeration segment were \$85.3 million for the three months ended March 31, 2002, a slight increase from \$85.1 million for the three months ended March 31, 2001. Adjusted for the impact of currency translation, net sales increased 2.6%, or \$2.0 million. A strengthening order rate for commercial refrigeration equipment in the Company's domestic and European operations helped maintain sales levels in this segment.

Heat transfer segment revenues decreased \$9.6 million, or 16.5%, to \$48.7 million for the three months ended March 31, 2002 compared to the three months ended March 31, 2001. Adjusted for the impact of currency translation, net trade sales decreased 15.8% compared to the first three months of 2001. A continuing soft economy in the United States coupled with project shortfalls in the Company's Australian operations were the principal reasons for the decline.

Gross profit. Gross profit was \$208.9 million for the three months ended March 31, 2002, compared to \$213.6 million for the three months ended March 31, 2001, a decrease of \$4.7 million. Gross profit margin improved

from 29.8% for the three months ended March 31, 2001 to 30.9% for the three months ended March 31, 2002. The primary cause of the increase in gross profit margin was improvement in factory efficiencies, particularly in the areas of labor utilization, purchasing savings and lower overhead.

Selling, general and administrative expense. Selling, general and administrative expenses ("SG&A") were \$199.4 million for the three months ended March 31, 2002, a decrease of \$18.2 million, or 8.4%, from \$217.6 million for the three months ended March 31, 2001. Selling, general and administrative expenses represented 29.5% and 30.4% of total revenues for the three months ended 2002 and 2001, respectively. The first quarter of 2001 includes \$4.4 million of goodwill amortization which has been discontinued with the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," ("SFAS No. 142") on January 1, 2002. The balance of the SG&A decrease was largely due to cost reduction programs, expense control initiatives and reductions in personnel, particularly in the North American retail segment.

Restructurings. Pre-tax restructuring charges for the three months ended March 31, 2002 were \$0.7 million. These charges stem from personnel terminations related to the restructuring program announced in 2001 and relate to LII's North American residential segment. The tax benefit of these charges for the three months ended March 31, 2002 was \$0.3 million.

Interest expense, net. Interest expense, net, for the three months ended March 31, 2002 was \$7.9 million, a \$4.9 million decline from \$12.8 million in the same period of last year. The decrease in interest expense is attributable to lower debt levels and lower interest rates.

Other. Other expense (income) was \$(0.1) million for the three months ended March 31, 2002 and \$0.7 million for the three months ended March 31, 2001. Other expense (income) is primarily comprised of currency exchange gains or losses, which relate principally to the Company's operations in Canada, Australia and Europe.

Minority Interest. Minority interest was \$0.1 million for the three months ended March 31, 2002, essentially flat compared to the same period last year.

Provision for (benefit from) income taxes. The provision for (benefit from) income taxes was \$0.4 million for the three months ended March 31, 2002 and \$(7.3) million for the three months ended March 31, 2001. The effective tax rate was 41.3% and 41.5% for the three months ended March 31, 2002 and 2001, respectively. This rate differs from the statutory federal rate of 35.0% principally due to state and local taxes, non-deductible goodwill expenses (in 2001 only), foreign operating losses for which no tax benefits have been recognized and foreign taxes at rates other than 35%. The effective tax rate was 40.2% after excluding the tax benefit of \$0.3 million as a result of restructuring charges recognized during the three months ended March 31, 2002. Had SFAS No. 142 been in effect in the first quarter of 2001, the tax benefit would have been \$0.5 million lower than reported.

Cumulative effect of accounting change. The cumulative effect of accounting change represents an after-tax non-cash goodwill impairment charge of \$249.2 million for the three months ended March 31, 2002. This charge resulted from the adoption of SFAS No. 142 which became effective January 1, 2002 and requires that goodwill and other intangible assets with an indefinite useful life no longer be amortized as expenses of operations but rather be tested for impairment at least annually by applying a fair-value-based test. During the first quarter of 2002, LII, in consultation with independent valuation advisors, conducted such fair-value-based tests and recorded a pre-tax goodwill impairment charge of \$285.7 million. The charge primarily relates to the Company's North American retail and residential business segments. The tax benefit of this charge was \$36.5 million.

Liquidity and Capital Resources

Lennox's working capital and capital expenditure requirements are generally met through internally generated funds and bank lines of credit.

During the first three months of 2002, cash used in operating activities was \$6.4 million compared to \$8.2 million provided by operating activities for the comparable period in 2001. If the effects of asset securitization were excluded, the comparison would have been \$11.9 million cash provided by operating activities in 2002 and a usage of \$21.4 million in 2001. The change is a reflection of better management of working capital. Cash provided by (or used in) financing activities for 2002 reflects \$4.0 million in net proceeds from debt.

Capital expenditures of \$4.7 million and \$5.0 million in 2002 and 2001, respectively, were primarily for production equipment in the North American heat transfer and residential products manufacturing plants.

The Company has bank lines of credit aggregating \$405 million, of which \$260 million was borrowed and outstanding, and \$33 million was committed to standby letters of credit at March 31, 2002. The remaining \$112 million was available for future borrowings, subject to covenant limitations. Included in the lines of credit are two domestic facilities in the amounts of \$300 million and \$30 million, each governed by agreements between the Company and syndicates of banks. The facilities contain certain financial covenants and bear interest, at the Company's option, at a rate equal to either (a) the greater of the bank's prime rate or the federal funds rate plus 0.5% or (b) the London Interbank Offered Rate plus a margin equal to 0.5% to 2.25%, depending upon the ratio of total funded debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"). The Company pays a commitment fee equal to 0.10% to 0.30% of the unused commitment, depending upon the ratio of total funded debt to EBITDA. The agreements place restrictions on the Company's ability to incur additional indebtedness, encumber its assets, sell its assets, or pay dividends.

Under an on-going asset securitization arrangement, the Company had sold, at March 31, 2002, \$124.8 million of receivables on a non-recourse basis. The accounts receivable that were sold are shown as a reduction of accounts and notes receivable in the accompanying Consolidated Balance Sheets. The discount of \$0.7 million incurred in the sale of such receivables is included as part of Selling, General and Administrative Expense in the accompanying Consolidated Statements of Income.

LII's domestic revolving and term loans contain certain financial covenant restrictions. As of March 31, 2002, LII was in compliance with all covenant requirements and LII believes that cash flow from operations, as well as available borrowings under its revolving credit facility and other sources of funding, will be sufficient to fund its operations for the foreseeable future. LII is currently reviewing its capital structure, and this review may include modifying current sources of capital or obtaining alternative sources of capital with a goal of providing additional financial flexibility.

On April 22, 2002, the Company announced it had entered into a memorandum of agreement for the formation of a joint venture with Outokumpu Oyj of Finland ("Outokumpu"). Outokumpu will purchase a 55 percent interest in the Company's heat transfer business segment for \$55 million, with the Company retaining 45 percent ownership. After a period of three years, Outokumpu will have the option to purchase the remainder of the business contingent upon several factors, including operating performance of the joint venture. The agreement, which has been approved by the board of directors of both companies and is contingent upon regulatory approvals, is currently targeted for completion in mid-year 2002.

On May 8, 2002, the Company closed on the private placement of \$143.75 million of its 6.25% convertible subordinated notes due 2009. The notes are convertible into shares of LII common stock upon certain specified circumstances at the option of the holder at a conversion price of \$18.0875 per share. LII used the net proceeds of the issuance to reduce its indebtedness under its revolving credit facilities.

Recent Accounting Pronouncements

Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") became effective for the Company on January 1, 2002. SFAS 144 addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. This statement supersedes SFAS 121; however, this statement retains the fundamental provisions of SFAS 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. This Statement also supersedes the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" for segments of a business to be disposed of. Through March 31, 2002, the adoption of SFAS 144 has not had an effect on the Company's financial position or results of operations.

Forward Looking Information

This Report contains forward-looking statements and information that are based on the beliefs of Lennox's management as well as assumptions made by and information currently available to management. All statements other than statements of historical fact included in this Report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including but not limited to statements identified by the words "may," "will," "should," "plan," "predict," "anticipate," "believe," "intend," "estimate" and "expect" and similar expressions. Such statements reflect Lennox's current views with respect to future events, based on what it believes are reasonable assumptions; however, such statements are subject to certain risks, uncertainties and assumptions. These include, but are not limited to, warranty and product liability claims; ability to successfully complete and integrate acquisitions; ability to manage new lines of business; the consolidation trend in the HVACR industry; adverse reaction from customers to the Company's acquisitions or other activities; the impact of the weather on business; competition in the HVACR business; increases in the prices of components and raw materials; general economic conditions in the U.S. and abroad; labor relations problems; operating risks and environmental risks. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ materially from those in the forward-looking statements. Lennox disclaims any intention or obligation to update or review any forward-looking statements or information, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Lennox's results of operations can be affected by changes in exchange rates. Net sales and expenses in currencies other than the United States dollar are translated into United States dollars for financial reporting purposes based on the average exchange rate for the period. Net sales from outside the United States represented 21.1% and 21.5% of total net sales for the three months ended March 31, 2002 and 2001, respectively. Historically, foreign currency transaction gains (losses) have not had a material effect on Lennox's overall operations.

The Company from time to time enters into foreign exchange contracts to hedge receivables or payables denominated in foreign currencies. These contracts do not subject the Company to risk from exchange rate movements because the gains or losses on the contracts offset losses or gains, respectively, on the items being hedged. As of March 31, 2002, the Company had currency futures contracts maturing at various dates through December 31, 2002, for which the fair value was a liability of \$0.7 million. Accordingly, an after-tax charge of \$0.4 million was recorded to Accumulated Other Comprehensive Loss.

The Company enters into commodity futures contracts to stabilize prices to be paid for raw materials and parts containing high copper and aluminum content. These contracts are for quantities equal to, or less than, quantities expected to be consumed in future production. As of March 31, 2002, the Company had metal futures contracts maturing at various dates through March 31, 2004 with a fair value as an asset of \$1.7 million. Accordingly, the Company recorded an after-tax credit of \$1.0 million to Accumulated Other Comprehensive Loss.

Item 4. Exhibits and Reports on Form 8-K.

| Exhibit Number | Description |
|----------------|--|
| *3.1 -- | Restated Certificate of Incorporation of Lennox (Incorporated herein by reference to Exhibit 3.1 to Lennox' Registration Statement on Form S-1 (Registration No. 333-75725)). |
| *3.2 -- | Amended and Restated Bylaws of Lennox (Incorporated herein by reference to Exhibit 3.2 to Lennox' Registration Statement on Form S-1 (Registration No. 333-75725)). |
| *4.1 -- | Specimen stock certificate for the Common Stock, par value \$.01 per share, of Lennox (Incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (Registration No. 333-75725)). |
| 10.1 -- | Third Amendment to 364 Day Revolving Credit Facility Agreement dated as of January 22, 2002 among Lennox, each of the lenders listed as a lender or a terminating lender thereto, JPMorgan Chase Bank, as administrative agent, and Wachovia Bank, N.A., as syndication agent. (filed herewith). |
| 10.2 -- | Indenture dated as of May 8, 2002 between Lennox International Inc. and The Bank of New York, as Trustee |
| 10.3 -- | Registration Right Agreement dated as of May 8, 2002 by and between Lennox International Inc. and UBS Warburg LLC and the Other Initial Purchasers |

*Incorporated herein by reference as indicated.

SIGNATURE

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

LENNOX INTERNATIONAL INC.

By: /s/ Richard A. Smith

Principal Financial Officer
and Duly Authorized Signatory

Dated: May 14, 2002

THIRD AMENDMENT TO 364 DAY REVOLVING CREDIT FACILITY AGREEMENT

THIS THIRD AMENDMENT TO 364 DAY REVOLVING CREDIT FACILITY AGREEMENT (the "Amendment"), dated as of January 22, 2002, is among LENNOX INTERNATIONAL INC., a Delaware corporation (the "Borrower"), each of the lenders listed as a lender or a terminating lender on the signatures pages hereto who is a party hereto, JPMORGAN CHASE BANK (successor in interest by merger to The Chase Manhattan Bank), as administrative agent (in such capacity, the "Administrative Agent") and WACHOVIA BANK, N.A., a national banking association, as syndication agent (in such capacity, the "Syndication Agent" and together with the Administrative Agent, herein the "Agents").

RECITALS:

A. The Borrower, the Agents, The Bank of Nova Scotia as documentation agent and certain lenders are party to that certain 364 Day Revolving Credit Facility Agreement dated as of January 25, 2000 (as amended by that certain First Amendment to 364 Day Revolving Credit Facility Agreement dated as of January 22, 2001 and that certain Second Amendment to 364 Day Revolving Credit Facility Agreement dated as of June 29, 2001, herein the "Credit Agreement").

B. The Borrower has requested that the Credit Agreement be amended to, among other things, extend the Maturity Date. In connection with such request, the lenders listed on the signature pages hereto under the heading "Terminating Lenders" who are currently lenders under the Credit Agreement (individually a "Terminating Lender" and collectively the "Terminating Lenders") desire to allow their respective Commitments to terminate in accordance with their terms and JPMorgan Chase Bank and Wachovia Bank, N.A. have requested that the aggregate amount of the remaining Commitments be reduced and reallocated between them. As of the date hereof, no loans (other than swingline loans) nor any letters of credit are outstanding under the Credit Agreement.

C. The Borrower, the Administrative Agent, JPMorgan Chase Bank, Wachovia Bank, N.A., and the other parties hereto have agreed to amend the Credit Agreement as herein set forth.

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows effective as of the date hereof:

ARTICLE 1

Definitions

Section 1.1 Definitions. Capitalized terms used in this Amendment and defined in the Credit Agreement, to the extent not otherwise defined herein, shall have the same meaning as in the Credit Agreement, as amended hereby.

1

ARTICLE 2

Amendments

Section 2.1 Amendment to references to "The Chase Manhattan Bank". All references to The Chase Manhattan Bank in the Credit Agreement are amended to read "JPMorgan Chase Bank, successor in interest by merger to The Chase Manhattan Bank".

Section 2.2 Additions to Section 1.01. The following definitions are added to Section 1.01 of the Credit Agreement in proper alphabetical order:

"Increase Amount" shall have the meaning assigned to such term in Section 2.19

"Increased Commitment Supplement" shall have the meaning assigned to such term in Section 2.19.

"New Lender" shall have the meaning assigned to such term in Section 2.19.

Section 2.3 Amendment to the terms "Lenders" and "Maturity Date" in Section 1.01. The terms "Lenders" and "Maturity Date" contained in Section 1.01 of the Credit Agreement are amended in their respective entireties to read as follows:

"Lenders" means the parties listed on Schedule 2.01.

"Maturity Date" shall mean April 17, 2002.

Section 2.4 Amendment of Sections 2.19, 2.20 and 2.21. Sections 2.19, 2.20 and 2.21 of the Credit Agreement are deleted therefrom (and as a result thereof, the Borrower, the Administrative Agent and the other parties hereto agree that both the commitment of the Swingline Lender to make Swingline Loans to the

Borrower and the commitment of the Issuing Bank to issue Letters of Credit are terminated) and a new Section 2.19 is added to the Credit Agreement to read in its entirety as follows:

SECTION 2.19. Increase of Commitments. By written notice sent to the Administrative Agent (which the Administrative Agent shall promptly distribute to the Lenders), the Borrower may request an increase of the aggregate amount of the Commitments by an aggregate amount determined as follows (the "Increase Amount"): (i) an aggregate amount equal to any integral multiple of \$5,000,000 and not less than \$10,000,000 and (ii) an aggregate amount not to exceed \$20,000,000; provided that (i) no Default shall have occurred and be continuing, (ii) the aggregate amount of the Commitments shall not have been reduced, nor shall the Borrower have given notice of any such reduction under Section 2.09, and (iii) the aggregate amount of the Commitments shall not previously have been increased pursuant to this Section 2.19. If one or more of the Lenders is not willing to increase its Commitment (no Lender having any obligation to do so), then another one or more financial institutions, each as approved by the Borrower and the Administrative Agent (a "New Lender"), may commit to provide an amount equal to the aggregate amount of the requested increase that will not be provided by the existing Lenders; provided, that (i) the Commitment of each New Lender shall be at least \$5,000,000; (ii) the maximum number of New Lenders shall be three (3); and (iii) prior to the increase in the Commitments hereunder in accordance with this Section 2.19, each of JPMorgan Chase Bank and Wachovia Bank, N.A. shall have the option to assign to such New Lender or New Lenders at least \$5,000,000 of their respective Commitment in

accordance with Section 8.04(b) hereto (but without giving effect to the minimum amount required to be assigned pursuant thereto), with the aggregate amount to be so assigned: (i) not to exceed \$10,000,000; (ii) to be allocated equally as between JPMorgan Chase and Wachovia Bank, N.A.; and (iii) to be allocated between or among the New Lenders on a pro rata basis based on the proposed commitments of each. When the Lenders, or sufficient Lenders and New Lenders, have agreed to commit to an aggregate amount equal to the Increase Amount (or such lesser amount as the Borrower shall agree, which shall be at least \$10,000,000 and an integral multiple of \$5,000,000 in excess thereof), then: provided that no Default exists at such time or after giving effect to the requested increase, the Borrower, the Administrative Agent and the Lenders willing to increase their respective Commitments and the New Lenders (if any) shall execute and deliver an Increased Commitment Supplement (herein so called) in the form attached hereto as Exhibit F. Notwithstanding anything in Section 8.08 to the contrary, no other Lender shall be required to consent or agree to the modification of this Agreement pursuant to an Increased Commitment Supplement executed in accordance with the terms of this Section 2.19. If all existing Lenders shall not have provided their pro rata portion of the requested increase, on the effective date of the Increased Commitment Supplement the Lenders who have increased their Commitment and, if applicable, the New Lenders shall deliver immediately available funds to the Agent and the Agent shall deliver such funds to the other Lenders, in each case in amounts sufficient so that after giving effect thereto, the Loans shall be held by the Lenders pro rata according to their respective Commitments. The amounts funded under the foregoing sentence shall be deemed an ABR Loan and a continuation and assignment of the Loans made by the Lenders receiving such funds. The Borrower agrees to pay each Lender receiving such funds under the foregoing sentence any amounts due under Section 8.05(b) arising from the payment of any Eurodollar Loan prior to the end of the Interest Period applicable thereto resulting from such receipt of funds.

In light of the foregoing deletion of the swingline facility under the Credit Agreement, if any Swingline Loan is outstanding on the Effective Date (hereafter defined), then on the Effective Date when all the conditions in Section 3.1 have been satisfied, the Borrower shall be deemed to have requested a ABR Borrowing under the Credit Agreement from the Lenders listed on Schedule 2.01, the proceeds of which shall be used to repay such Swingline Loans. Subject to the terms and conditions of the Credit Agreement as amended hereby, each Lender listed on Schedule 2.01 agrees to make an ABR Loan for such purpose. The Borrower's failure to repay such Swingline Loans shall be an Event of Default under the Credit Agreement.

Section 2.5 Amendment to Schedule 2.01; Expiration of Terminating Lenders Commitments. Schedule 2.01 to the Credit Agreement is amended in its entirety to read as set forth on Schedule 2.01 attached hereto. In accordance with the foregoing amendment to Schedule 2.01 and the amendment to the definition of the term "Lenders" herein, the Borrower, the

Administrative Agent and the other parties hereto agree and acknowledge that: (i) the Commitment of each Terminating Lender has expired and is therefore terminated and of no further force of effect; (ii) all references to the "Lenders" or any "Lender" in the Credit Agreement: (i) specifically include only JPMorgan Chase Bank and Wachovia Bank, N.A. and (ii) specifically exclude the Terminating Lenders. Each Terminating Lender agrees that it shall no longer be a party to the Credit Agreement and, as a result but subject to the next sentence, the Credit Agreement may be amended without the consent or agreement of any Terminating Lender. However, for all matters arising prior to the effective date of this Amendment (including, without limitation, the accrual and payment of interest and fees and matters relating to indemnification of the Lenders), the terms of the Credit Agreement (as unmodified by this Amendment) shall control and are hereby ratified and confirmed by the Borrower, the Administrative Agent and the other parties hereto.

Section 2.6 Addition of Exhibit F. Exhibit F is added to the Credit Agreement to read as set forth on Exhibit F attached hereto.

ARTICLE 3

Conditions

Section 3.1 Conditions. The effectiveness of Article 2 of this Amendment is subject to the satisfaction of the following conditions precedent on or before January 22, 2002 (the "Effective Date"):

(a) The Administrative Agent shall have received: (i) a certificate as to the good standing of the Borrower as of a recent date from such Secretary of State; (ii) a certificate of the Secretary or an Assistant Secretary of the Borrower dated the Effective Date and certifying (A) that the Borrower's bylaws previously certified to the Administrative Agent under the Assistant Secretary's Certificate dated July 29, 1999 remain in full force and effect on and as of the Effective Date without further modifications or amendments in any respect; (B) attached thereto is a true and complete copy of resolutions, duly adopted by the Board of Directors authorizing the execution, delivery and performance of this Amendment and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the Articles of Incorporation dated January 12, 2001 previously delivered to the Administrative Agent in January 2001 remain in full force and effect on and as of the Effective Date without further modifications or amendments in any respect; and (D) as to the incumbency and specimen signature of each officer executing this Agreement or any other document delivered in connection herewith on behalf of the Borrower; (iii) a certificate of another officer of the Borrower as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to (ii) above; and (iv) such other documents as the Lenders or the Administrative Agent, shall reasonably request.

(b) The Administrative Agent and the Lenders shall have received all fees and other amounts due and payable on or prior to the Effective Date.

(c) The Borrower shall have paid to the Administrative Agent all unpaid interest and fees owed under the Credit Agreement as of the Effective Date and each Terminating Lender shall have received the repayment in full of all outstanding principal, all accrued and unpaid interest and fees and all other outstanding amounts, in each case which are owed to it as of the Effective Date.

(d) All representations and warranties contained in the Credit Agreement (as amended hereby) shall be true, correct, and complete in all material respects except for representations specifically relating to a prior date;

(e) No Default or Event of Default shall have occurred and be continuing;

(f) All corporate proceedings taken in connection with the transactions contemplated by this Amendment and all other agreements, documents, and instruments executed and/or delivered pursuant hereto, and all legal matters incident thereto, shall be satisfactory to the Administrative Agent and its legal counsel;

(g) Payment or reimbursement to the Lenders, and the Agents of all outstanding expenses, fees and other costs incurred by, or due to, the Lenders, and the Agents for which such entity has presented an invoice to the Borrower prior to the Effective Date; and

(h) The Administrative Agent shall have received such additional agreements, certificates, documents, instruments and information as the Administrative Agent or its legal counsel may request to effect the transactions contemplated hereby.

ARTICLE 4

Miscellaneous

Section 4.1 Ratification. The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Credit Agreement and except as expressly modified and superseded by this Amendment, the terms and provisions of the Credit Agreement and the other documents executed pursuant thereto are ratified and confirmed and shall continue in full force and effect. Borrower, the Agents, and the other parties hereto agree that the Credit Agreement as amended hereby and such other documents shall continue to be legal, valid, binding and enforceable in accordance with their respective terms.

Section 4.2 Representations and Warranties. Borrower hereby represents and warrants to the Agents and the Lenders as follows: (a) after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing; and (b) after giving effect to this Amendment, the representations and warranties set forth in the Credit Agreement are true and correct on and as of the date hereof with the same effect as though made on and as of such date except with respect to any representations and warranties limited by their terms to a specific date. All representations and warranties made in this Amendment shall survive the execution and delivery of this Amendment, and no investigation by any Agent or any Lender or any closing shall affect the representations and warranties or the right of Agents or any Lender to rely upon them.

Section 4.3 Reference to Credit Agreement. Each of the agreements, documents, or instruments now or hereafter executed and delivered pursuant to the terms of the Credit Agreement are hereby amended so that any reference in such agreements, documents or instruments to the Credit Agreement shall mean a reference to the Credit Agreement as amended hereby.

Section 4.4 Fees and Expenses. In accordance with the terms of Section 8.05 of the Credit Agreement, the Borrower agrees to pay all costs and expenses incurred by all Agents in connection with the preparation, negotiation and execution of this Amendment, including, without limitation, the costs and fees of legal counsel.

Section 4.5 Applicable Law. This Amendment shall be governed by and construed in accordance with the laws of the State of Texas.

Section 4.6 Successors and Assigns. This Amendment is binding upon and shall inure to the benefit of the Agents, the Lenders, the Terminating Lenders and Borrower and their respective successors and assigns.

Section 4.7 Counterparts. This Amendment may be executed in one or more counterparts and on telecopy counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same agreement.

Section 4.8 Headings. The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

Section 4.9 ENTIRE AGREEMENT. THIS AMENDMENT EMBODIES THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO AND SUPERSEDES ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THIS AMENDMENT, AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSION OF THE PARTIES HERETO. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO.

Section 4.10 Required Lenders. Pursuant to Section 8.08(b) of the Credit Agreement, the Credit Agreement may be modified as provided in this Amendment with the agreement of the Required Lenders which means lenders party to the Credit Agreement prior to the date hereof having sixty-six and two-thirds percent (66-2/3%) or more of the Total Commitments (such percentage applicable to such a Lender, herein such Lender's "Required Lender Percentage"). For purposes of determining the effectiveness of this Amendment, each Lender's Required Lender Percentage is set forth on Schedule 4.10 hereto.

Executed as of the date first written above.

Borrower:

LENNOX INTERNATIONAL INC.

By:

Richard A. Smith, Executive Vice
President and Chief Financial Officer

Agents and Lenders:

JPMORGAN CHASE BANK, as successor in
interest by merger to The Chase Manhattan
Bank, individually as Lender, Issuing Bank,
and as Administrative Agent

By:

Allen King
Vice President

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

By:

Name: _____

Title: _____

Terminating Lenders:

UBS AG, Stamford Branch, as a Terminating Lender

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

FIRST UNION NATIONAL BANK, as a Terminating Lender

By: _____
Name: _____
Title: _____

THE BANK OF NOVA SCOTIA,
individually as a Terminating Lender and as
documentation agent

By: _____
Name: _____
Title: _____

ABN AMBO BANK, N.V., as a Terminating Lender

BY: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

U.S. BANK NATIONAL ASSOCIATION (formerly
Firststar Bank N.A.), as a Terminating Lender

By: _____
Gregory L. Dryden, Vice President

ROYAL BANK OF CANADA, as a Terminating
Lender

By: _____
Name: _____
Title: _____

THE BANK OF NEW YORK, as a Terminating
Lender

By: _____
Name: _____
Title: _____

THE BANK OF TOKYO-MITSUBISHI, LTD., as a
Terminating Lender

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

THE NORTHERN TRUST COMPANY, as a Terminating
Lender

By: _____
Name: _____
Title: _____

CONSENT OF MATERIAL RESTRICTED SUBSIDIARIES

Each Material Restricted Subsidiary: (i) consents and agrees to this Amendment; (ii) agrees that the Subsidiary Guaranty is in full force and effect and continues to be its legal, valid and binding obligation enforceable in accordance with its terms; and (iii) agrees that the obligations, indebtedness and liabilities of the Borrower arising under the Credit Agreement as amended hereby are "Guaranteed Obligations" as defined in the Subsidiary Guaranty.

LENNOX INDUSTRIES INC.
SERVICE EXPERTS INC.
ARMSTRONG AIR CONDITIONING INC.
EXCEL COMFORT SYSTEMS INC.

By:

Richard A. Smith, Authorized Officer for
each of the foregoing companies

INDEX TO SCHEDULES AND EXHIBITS

| | |
|---------------|---------------------------------|
| Schedule 4.10 | Required Lender Percentage |
| Exhibit F | Increased Commitment Supplement |
| Schedule 2.01 | Commitments |

SOLO

Schedule 4.10
to
Third Amendment to Credit Agreement

REQUIRED LENDER PERCENTAGE

| Lender | Required Lender Percentage Held Prior to the Effective Date | Lenders Agreeing to Amendment (insert % from prior column if Lender signs this Amendment then total percentages in this column) |
|------------------------------------|--|--|
| The Chase Manhattan Bank | 13.5385% | 13.5385% |
| Wachovia Bank, N.A. | 12.9231% | 12.9231% |
| The Bank of Nova Scotia | 9.2308% | 9.2308% |
| ABN AMRO BANK, N.V. | 7.6923% | 7.6923% |
| First Union National Bank | 12.3077% | 12.3077% |
| Firststar Bank N.A. | 9.2308% | 9.2308% |
| Royal Bank of Canada | 9.8462% | 9.8462% |
| The Bank of New York | 3.0769% | 3.0769% |
| The Bank of Tokyo-Mitsubishi, Ltd. | 3.0769% | 3.0769% |
| The Northern Trust Company | 3.6923% | 3.6923% |
| UBS AG, Stamford Branch | 15.3846% | 15.3846% |
| TOTAL | 100.00% | |

SOLO

INCREASED COMMITMENT SUPPLEMENT

This INCREASED COMMITMENT SUPPLEMENT (this "Supplement") is dated as of _____, ___ and entered into by and among LENNOX INTERNATIONAL INC., a Delaware corporation (the "Borrower"), each of the banks or other lending institutions which is a signatory hereto (the "Lenders"), JPMORGAN CHASE BANK (successor in interest by merger to The Chase Manhattan Bank), as agent for itself and the other Lenders (in such capacity, together with its successors in such capacity, the "Agent"), and is made with reference to that certain 364 Day Revolving Credit Facility Agreement dated as of January 25, 2000 (as amended, the "Credit Agreement"), by and among the Borrower, the Administrative Agent, and the Lenders. Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Credit Agreement.

RECITALS

WHEREAS, pursuant to Section 2.19 of the Credit Agreement, the Borrower and the Lenders are entering into this Increased Commitment Supplement to provide for the increase of the aggregate Commitments;

WHEREAS, each Lender [party hereto and already a party to the Credit Agreement] wishes to increase its Commitment [,and each Lender, to the extent not already a Lender party to the Credit Agreement (herein a "New Lender"), wishes to become a Lender party to the Credit Agreement];¹

WHEREAS, the Lenders are willing to agree to supplement the Credit Agreement in the manner provided herein.

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

Section 1. Increase in Commitments. Subject to the terms and conditions hereof, each Lender severally agrees that its Commitment shall be increased to [or in the case of a New Lender, shall be] the amount set forth opposite its name on the signature pages hereof.

Section 2. [New Lenders. Each New Lender (i) confirms that it has received a copy of the Credit Agreement, together with copies of the most recent financial statements of the Borrower delivered under Section 5.20 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Supplement; (ii) agrees that it has, independently and without reliance upon the Administrative Agent, any other Lender or any of their Affiliates and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Supplement; (iii) agrees that it will, independently and without reliance upon the Administrative Agent, any other Lender or any of their Affiliates and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iv) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Administrative Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; and (v) agrees that it is a

[1] Bracketed alternatives should be included if there are New Banks.

"Lender" under the Credit Agreement and will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender.]

Section 3. Conditions to Effectiveness. Section 1 of this Supplement shall become effective only upon the satisfaction of the following conditions precedent:

(a) receipt by the Administrative Agent of an opinion of counsel to the Borrower as to the matters referred to in Sections 3.01, 3.02, 3.03 and 3.04 of the Credit Agreement (with the term "Agreement" as used therein meaning this Supplement for purposes of such opinion), dated the date hereof, satisfactory in form and substance to the Administrative Agent.

(b) receipt by the Administrative Agent of certified copies of all corporate action taken by the Borrower to authorize the execution, delivery and performance of this Supplement; and

(c) receipt by the Administrative Agent of a certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Supplement and the other documents to be delivered hereunder.

Section 4. Representations and Warranties. In order to induce the Lenders to enter into this Supplement and to supplement the Credit Agreement in the manner provided herein, Borrower represents and warrants to Agent and each Lender that (a) the representations and warranties contained in Article 3 of the Credit Agreement are and will be true, correct and complete in all material respects on and as of the effective date hereof to the same extent as though made on and as of that date and for that purpose, this Supplement shall be deemed to be the Agreement referred to therein, and (b) no event has occurred and is continuing or will result from the consummation of the transactions contemplated by this Supplement that would constitute a Default.

Section 5. Effect of Supplement. The terms and provisions set forth in this Supplement shall modify and supersede all inconsistent terms and provisions set forth in the Credit Agreement and except as expressly modified and superseded by this Supplement, the terms and provisions of the Credit Agreement are ratified and confirmed and shall continue in full force and effect. The Borrower, the Administrative Agent, and the Lenders party hereto agree that the Credit Agreement as supplemented hereby shall continue to be legal, valid, binding and enforceable in accordance with their respective terms. Any and all agreements, documents, or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Credit Agreement as supplemented hereby, are hereby amended so that any reference in such documents to the Agreement shall mean a reference to the Agreement as supplemented hereby.

Section 6. Applicable Law. This Supplement shall be governed by, and construed in accordance with, the laws of the State of Texas and applicable laws of the United States of America.

Section 7. Counterparts, Effectiveness. This Supplement may be executed in any number of counterparts, by different parties hereto in separate counterparts and on telecopy counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. This Supplement (other than the provisions of Section 1 hereof, the effectiveness of which is governed by Section 3 hereof) shall become effective upon the execution of a counterpart hereof by the Borrower, the Lenders and receipt by the Borrower and the Administrative Agent of written or telephonic notification of such execution and authorization of delivery thereof.

Section 8. ENTIRE AGREEMENT. THIS SUPPLEMENT EMBODIES THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND SUPERSEDE ANY AND ALL PREVIOUS COMMITMENTS, AGREEMENTS, REPRESENTATIONS AND UNDERSTANDINGS, WHETHER ORAL OR WRITTEN, RELATING TO THE SUBJECT MATTER HEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES HERETO.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

LENNOX INTERNATIONAL INC.

By: _____
Name: _____
Title: _____

New Total Commitment:

\$ _____

JPMORGAN CHASE Bank (successor in interest by merger to The Chase Manhattan Bank), [individually as a Lender and] as the Administrative Agent

By: _____
Name: _____
Title: _____

\$ _____

[Existing Lender]

By: _____
Name: _____
Title: _____

\$ _____

[NEW LENDER]

By: _____
Name: _____
Title: _____

Each Material Restricted Subsidiary: (i) consents and agrees to this Supplement; (ii) agrees that the Subsidiary Guaranty is in full force and effect and continues to be its legal, valid and binding obligation enforceable in accordance with its terms; and (iii) agrees that the obligations, indebtedness and liabilities of the Borrower arising as a result of the increase in the Commitments contemplated hereby are "Guaranteed Obligations" as defined in the Subsidiary Guaranty.

LENNOX INTERNATIONAL INC.
SERVICE EXPERTS INC.
ARMSTRONG AIR CONDITIONING INC.
EXCEL COMFORT SYSTEMS INC.

By: _____
Name: _____
Title: _____

Schedule 2.01

| Lender Name | Commitment as of January 22, 2002 | Title |
|---------------------|--------------------------------------|----------------------|
| JPMorgan Chase Bank | \$15,000,000.00 | Administrative Agent |
| Wachovia Bank, N.A. | \$15,000,000.00 | Syndication Agent |
| Total | \$30,000,000.00 | |

LENNOX INTERNATIONAL INC.

and

THE BANK OF NEW YORK

as Trustee

INDENTURE

Dated as of May 8, 2002

\$125,000,000 Principal Amount

(Plus Over-allotment Option)

6 1/4% CONVERTIBLE SUBORDINATED NOTES DUE 2009

CROSS-REFERENCE TABLE

| TIA Section ----- | Indenture Section ----- |
|-------------------------------|-------------------------------|
| 310 (a) (1) | 7.10 |
| (a) (2) | 7.10 |
| (a) (3) | N.A. |
| (a) (4) | N.A. |
| (b) | 7.08; 7.10; 12.02 |
| (c) | N.A. |
| 311 (a) | 7.11 |
| (b) | 7.11 |
| (c) | N.A. |
| 312 (a) | 2.05 |
| (b) | 12.03 |
| (c) | 12.03 |
| 313 (a) | 7.06 |
| (b) (1) | N.A. |
| (b) (2) | 7.06 |
| (c) | 7.06; 12.02 |
| (d) | 7.06 |
| 314 (a) | 4.02 |
| (b) | N.A. |
| (c) (1) | 12.04 |
| (c) (2) | 12.04 |
| (c) (3) | N.A. |
| (d) | N.A. |
| (e) | 12.05 |
| (f) | N.A. |
| 315 (a) | 7.01 (B) |
| (b) | 7.05; 12.02 |
| (c) | 7.01 (A) |
| (d) | 7.01 (C) |
| (e) | 6.11 |
| 316 (a) (last sentence) | 2.09 |
| (a) (1) (A) | 6.05 |
| (a) (1) (B) | 6.04 |
| (a) (2) | N.A. |
| (b) | 6.07 |
| 317 (a) (1) | 6.08 |
| (a) (2) | 6.09 |
| (b) | 2.04 |
| 318 (a) | 12.01 |

TABLE OF CONTENTS

Page

I. DEFINITIONS AND INCORPORATION BY REFERENCE

| | |
|--|---|
| 1.01 Definitions..... | 1 |
| 1.02 Other Definitions..... | 5 |
| .03 Incorporation by Reference of Trust Indenture Act..... | 5 |
| .04 Rules of Construction..... | 6 |

II. THE SECURITIES

| | |
|---|----|
| .01 Form and Dating..... | 6 |
| .02 Execution and Authentication..... | 7 |
| .03 Registrar, Paying Agent and Conversion Agent..... | 8 |
| .04 Paying Agent To Hold Money in Trust..... | 8 |
| .05 Securityholder Lists..... | 9 |
| .06 Transfer and Exchange..... | 9 |
| .07 Replacement Securities..... | 9 |
| .08 Outstanding Securities..... | 10 |
| .09 Securities Held by the Company or an Affiliate..... | 10 |
| .10 Temporary Securities..... | 10 |
| .11 Cancellation..... | 11 |
| .12 Defaulted Interest..... | 11 |
| .13 CUSIP Numbers..... | 11 |
| .14 Deposit of Moneys..... | 11 |
| .15 Book-Entry Provisions for Global Securities..... | 11 |
| .16 Special Transfer Provisions..... | 12 |
| .17 Restrictive Legends..... | 15 |

III. REDEMPTION

| | |
|---|----|
| .01 Right of Redemption..... | 15 |
| .02 Notices to Trustee..... | 15 |
| .03 Selection of Securities to Be Redeemed..... | 15 |
| .04 Notice of Redemption..... | 16 |
| .05 Effect of Notice of Redemption..... | 17 |
| .06 Deposit of Redemption Price..... | 17 |
| .07 Securities Redeemed in Part..... | 17 |
| .08 Repurchase at Option of Holder upon a Change in Control.. | 17 |
| .09 Conversion Arrangement on Call for Redemption..... | 21 |

IV. COVENANTS

| | |
|--|----|
| .01 Payment of Securities..... | 22 |
| .02 Maintenance of Office or Agency..... | 22 |
| .03 Reports..... | 22 |
| .04 Compliance Certificate..... | 23 |
| .05 Stay, Extension and Usury Laws..... | 23 |
| .06 Corporate Existence..... | 23 |
| .07 Notice of Default..... | 23 |

V. SUCCESSORS

.01 When Company May Merge, etc..... 24
.02 Successor Substituted..... 24

VI. DEFAUDIES

.01 Events of Default..... 24
.02 Acceleration..... 26
.03 Other Remedies..... 26
.04 Waiver of Past Defaults..... 26
.05 Control by Majority..... 27
.06 Limitation on Suits..... 27
.07 Rights of Holders to Receive Payment..... 27
.08 Collection Suit by Trustee..... 28
.09 Trustee May File Proofs of Claim..... 28
.10 Priorities..... 28
.11 Undertaking for Costs..... 29

VII. TRUSTEE

.01 Duties of Trustee..... 29
.02 Rights of Trustee..... 30
.03 Individual Rights of Trustee..... 31
.04 Trustee's Disclaimer..... 31
.05 Notice of Defaults..... 31
.06 Reports by Trustee to Holders..... 32
.07 Compensation and Indemnity..... 32
.08 Replacement of Trustee..... 33
.09 Successor Trustee by Merger, etc..... 33
.10 Eligibility; Disqualification..... 34
.11 Preferential Collection of Claims Against Company..... 34

VIII. DISCHARGE OF INDENTURE

.01 Termination of the Obligations of the Company..... 34
.02 Application of Trust Money..... 35
.03 Repayment to Company..... 35
.04 Reinstatement..... 35

IX. AMENDMENTS

.01 Without Consent of Holders..... 36
.02 With Consent of Holders..... 36
.03 Compliance with Trust Indenture Act..... 37
.04 Revocation and Effect of Consents..... 37
.05 Notation on or Exchange of Securities..... 38
.06 Trustee Protected..... 38

X. CONVERSION

0.01 Conversion Privilege; Restrictive Legends..... 38
0.02 Conversion Procedure..... 39
0.03 Fractional Shares..... 39
0.04 Taxes on Conversion..... 40
0.05 Company to Provide Stock..... 40
0.06 Adjustment of Conversion Rate..... 40
0.07 No Adjustment..... 45
0.08 Other Adjustments..... 46
0.09 Adjustments for Tax Purposes..... 46
0.10 Notice of Adjustment..... 46
0.11 Notice of Certain Transactions..... 46
0.12 Effect of Reclassifications, Consolidations, Mergers,
Binding Share Exchanges or Sales on Conversion Privilege 47
0.13 Trustee's Disclaimer..... 48

XI. SUBORDINATION

| | |
|---|----|
| 1.01 Agreement to Subordinate..... | 48 |
| 1.02 Certain Definitions..... | 48 |
| 1.03 Liquidation; Dissolution; Bankruptcy..... | 49 |
| 1.04 Company Not To Make Payments with Respect to Securities in Certain Circumstances..... | 49 |
| 1.05 Acceleration of Securities..... | 50 |
| 1.06 When Distribution Must Be Paid Over..... | 50 |
| 1.07 Notice by Company..... | 51 |
| 1.08 Subrogation..... | 51 |
| 1.09 Relative Rights..... | 51 |
| 1.10 Subordination May Not Be Impaired by Company..... | 52 |
| 1.11 Distribution or Notice to Representative..... | 52 |
| 1.12 Rights of Trustee and Paying Agent..... | 52 |
| 1.13 Officers' Certificate..... | 53 |
| 1.14 Not to Prevent Events of Default..... | 53 |

XII. MISCELLANEOUS

| | |
|--|----|
| 2.01 Trust Indenture Act Controls..... | 53 |
| 2.02 Notices. 53 | |
| 2.03 Communication by Holders with Other Holders..... | 54 |
| 2.04 Certificate and Opinion as to Conditions Precedent..... | 54 |
| 2.05 Statements Required in Certificate or Opinion..... | 54 |
| 2.06 Rules by Trustee and Agents..... | 55 |
| 2.07 Legal Holidays..... | 55 |
| 2.08 No Recourse Against Others..... | 55 |
| 2.09 Duplicate Originals..... | 55 |
| 2.10 Governing Law..... | 55 |
| 2.11 No Adverse Interpretation of Other Agreements..... | 56 |
| 2.12 Successors..... | 56 |
| 2.13 Separability..... | 56 |
| 2.14 Table of Contents, Headings, etc..... | 56 |

| | | |
|-----------|---|---|
| Exhibit A | - | Form of Global Security |
| Exhibit B | - | Form of Legends |
| Exhibit C | - | Form of Transfer Certificate - Regulation S |
| Exhibit D | - | Form of Transfer Certificate - Registration Statement |

INDENTURE, dated as of May 8, 2002 between LENNOX INTERNATIONAL INC., a Delaware corporation (the "Company"), and The Bank of New York, as trustee (the "Trustee").

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Company's 6 1/4% Convertible Subordinated Notes due 2009 (the "Securities").

I. DEFINITIONS AND INCORPORATION BY REFERENCE

1.01 DEFINITIONS.

"Affiliate" means any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company. For this purpose, "control" shall mean the power to direct the management and policies of a person through the ownership of securities, by contract or otherwise.

"Agent" means any Registrar, Paying Agent, Conversion Agent or co-registrar.

"Board of Directors" means the Board of Directors of the Company or any committee thereof authorized to act for it hereunder.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by its Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Capital Stock" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of the Company and all warrants or options to acquire such capital stock.

"Common Stock" means the common stock, par value \$0.01 per share, of the Company, or such other capital stock into which the Company's common stock is reclassified or changed.

"Company" means the party named as such above until a successor replaces it pursuant to the applicable provision hereof and thereafter means the successor.

"Company Request" or "Company Order" means a written request or order signed on behalf of the Company by its Chairman of the Board, its Chief Executive Officer, its President, its Chief Operating Officer, its Chief Financial Officer, any Executive Vice President or any Vice President and by its Treasurer or an Assistant Treasurer or its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Conversion Price" means the principal amount of Notes that can be exchanged for one share of Common Stock, subject to the adjustments of the conversion rate set forth in Section 10.06.

"Corporate Trust Office of the Trustee" shall be the principal office of the Trustee at which at any time its corporate trust business shall be administered, which office at the dated hereof is located at 101 Barclay Street,

New York, New York 10286, Attention: Corporate Trust Department, or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the principal corporate trust office of any successor Trustee (or such other address as such successor Trustee may designate from time to time by notice to the Holders and the Company).

"Daily Market Price" means the price of a share of Common Stock on the relevant date, determined (a) on the basis of the last reported sale price regular way of the Common Stock as reported on the New York Stock Exchange (the "NYSE"), or if the Common Stock is not then listed on the NYSE, as reported on such national securities exchange upon which the Common Stock is listed, or (b) if there is no such reported sale on the day in question, on the basis of the average of the closing bid and asked quotations regular way as so reported, or (c) if the Common Stock is not listed on the NYSE or on any national securities exchange or automated quotation system, on the basis of the average of the high bid and low asked quotations regular way on the day in question in the over-the-counter market as reported by the National Association of Securities Dealers Automated Quotation System, or if not so quoted, as reported by National Quotation Bureau, Incorporated, or a similar organization.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Depository" means The Depository Trust Company, its nominees and successors.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exempt Person" means any member of the Norris family; provided that such member does not participate in an extraordinary corporate transaction, such as a merger or a going private transaction, the result of which is that the Common Stock ceases to be listed on the NYSE or any other U.S. national securities exchange or automated quotation system. "Norris Family" means all persons who are lineal descendants of D.W. Norris (by birth or adoption), all spouses of such descendants, all estates of such descendants or spouses which are in the course of administration, all trusts for the benefit of such descendants or spouses, and all corporations or other entities in which, directly or indirectly, such descendants or spouses (either alone or in conjunction with other such descendants or spouses) have the right, whether by ownership of stock or other equity interests or otherwise, to direct the management and policies of such corporations or other entities (each such person, spouse, estate, trust, corporation or entity being referred to as a "member" of the Norris Family). In addition, members of the Norris Family will not be counted as affiliates or associates of any other person in determining beneficial ownership of a "group" (as such term is used for purposes of Sections 13(d) and 14(d) of the Exchange Act); provided that such member does not participate in an extraordinary corporate transaction, such as a merger or a going private transaction, the result of which is that the Common Stock ceases to be listed on the NYSE or any other U.S. national securities exchange or automated quotation system.

"Holder" or "Securityholder" means a person in whose name a Security is registered on the Registrar's books.

"Indenture" means this Indenture as amended or supplemented from time to time.

"Initial Purchasers" means UBS Warburg LLC, First Union Securities, Inc. and J.P. Morgan Securities Inc.

"Interest" includes liquidated damages, unless the context otherwise requires.

"Liquidated Damages" has the meaning provided in the Registration Rights Agreement.

"Maturity Date" means June 1, 2009.

"Non-recourse Indebtedness" means Indebtedness upon the enforcement of which recourse may be had by the holder(s) thereof only to identified assets of the Company or any Subsidiary and not to the Company or any Subsidiary personally.

"Non-u.s. Person" means a person who is not a U.S. person (as defined in Regulation S pursuant to the Securities Act).

"Officer" means the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, any Executive Vice President, any Vice President, the Treasurer or the Secretary of the Company.

"Officers' Certificate" means a certificate signed by two Officers or by an Officer and an Assistant Treasurer or an Assistant Secretary of the Company.

"Opinion of Counsel" means a written opinion from legal counsel who may be an employee of or counsel for the Company, or other counsel reasonably acceptable to the Trustee.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof.

"Purchase Agreement" means the Purchase Agreement dated as of May 2, 2002 between the Company and the Initial Purchasers.

"QIB" means a "qualified institutional buyer" within the meaning of Rule 144A under the Act.

"Redemption Price" means, with respect to a Security to be redeemed by the Company in accordance with Article III, the percentage of the outstanding principal amount of such Security payable by the Company upon such redemption.

"Registration Rights Agreement" means the Registration Rights Agreement dated as of May 8, 2002 between the Company and the Initial Purchasers.

"Regulation S" means Regulation S under the Securities Act.

"Regulation S Global Security" means a permanent Global Security in registered form representing the aggregate principal amount of Securities sold in reliance on Regulation S.

"Repurchase Price" means, with respect to a Security duly tendered for purchase by the Company in accordance with Section 3.08, 100% of the outstanding principal amount of such Security so tendered.

"Responsible Officer" shall mean, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

"Restricted Security" means a Security that constitutes a "restricted security" within the meaning of Rule 144(a)(3) under the Securities Act; provided, however, that the Trustee shall be entitled to request and conclusively rely on an Opinion of Counsel with respect to whether any Security constitutes a Restricted Security.

"Rule 144A" means Rule 144A under the Securities Act.

"Rule 144A Global Security" means a permanent Global Security in registered form representing the aggregate principal amount of Securities sold in reliance on Rule 144A.

"SEC" means the Securities and Exchange Commission.

"Securities" means the 6 1/4% Convertible Subordinated Notes due 2009 issued by the Company pursuant to this Indenture.

"Securities Act" means the Securities Act of 1933, as amended.

"Securityholder" has the meaning given to such term in the Registration Rights Agreement.

"Subsidiary" means (i) a corporation a majority of whose capital stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by the Company, by one or more subsidiaries of the Company or by the Company and one or more of its subsidiaries or (ii) any other person (other than a corporation) in which the Company, one or more its subsidiaries or the Company and one or more its subsidiaries, directly or indirectly, at the date of determination thereof, have at least majority ownership interest.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code ss.ss. 77aaa-77bbbb) as in effect on the date of this Indenture, except as provided in Section 9.03.

"Trustee" means the party named as such in this Indenture until a successor replaces it in accordance with the provisions hereof and thereafter means the successor.

1.02 OTHER DEFINITIONS.

| Term ----- | Defined in Section ----- |
|--------------------------------------|-----------------------------|
| "Additional Securities"..... | 2.01 |
| "Bankruptcy Law"..... | 6.01 |
| "business day"..... | 12.07 |
| "Change in Control"..... | 3.08 |
| "Change in Control Notice"..... | 3.08 |
| "Commencement Date"..... | 10.06 |
| "Combined Amount"..... | 10.06(d) |
| "Conversion Agent"..... | 2.03 |
| "Conversion Date"..... | 10.02 |
| "Conversion Shares"..... | 10.06(c) |
| "Custodian"..... | 6.01 |
| "Determination Date"..... | 10.06 |
| "Distribution Date"..... | 10.06(c) |
| "Distribution Declaration Date"..... | 10.06(d) |
| "Event of Default"..... | 6.01 |
| "Expiration Time"..... | 10.06(e) (2) |
| "Global Security"..... | 2.01 |
| "Indebtedness"..... | 11.02 |
| "Legal Holiday"..... | 12.07 |
| "Norris Family"..... | 1.01 |
| "NYSE"..... | 1.01 |
| "Participants"..... | 2.15 |
| "Paying Agent"..... | 2.03 |
| "Payment Blockage"..... | 11.04 |
| "Payment Blockage Notice"..... | 11.04 |
| "Physical Securities"..... | 2.01 |
| "Purchased Shares"..... | 10.06(e) (i) |
| "Private Placement Legend"..... | 2.17 |
| "Registrar"..... | 2.03 |
| "Representative"..... | 11.02 |
| "Repurchase Date"..... | 3.08 |
| "Repurchase Right"..... | 3.08 |
| "Rights"..... | 10.06(c) |
| "Senior Indebtedness"..... | 11.02 |
| "Triggering Distribution"..... | 10.06(d) |
| "U.S. Government Obligations"..... | 8.01 |

1.03 INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

- "Commission" means the SEC;
 - "indenture securities" means the Securities;
 - "indenture security holder" means a Securityholder or a Holder;
 - "indenture to be qualified" means this Indenture;
 - "indenture trustee" or "institutional trustee" means the Trustee; and
- "obligor"
on the indenture securities means the Company or any successor.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA and not otherwise defined herein have the meanings so assigned to them.

1.04 RULES OF CONSTRUCTION.

Unless the context otherwise requires:

- (i) a term has the meaning assigned to it;
- (ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles in effect on the date hereof;
- (iii) "or" is not exclusive;
- (iv) words in the singular include the plural and in the plural include the singular;
- (v) provisions apply to successive events and transactions; and
- (vi) "herein", "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

II. THE SECURITIES

2.01 FORM AND DATING.

The Securities and the Trustee's certificate of authentication shall be substantially in the form set forth in Exhibit A, which is incorporated in and forms a part of this Indenture. The Securities may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Security shall be dated the date of its authentication.

Securities offered and sold in reliance on Rule 144A shall be issued initially in the form of one or more United States global securities and Securities offered and sold in reliance on Regulation S under the Securities Act shall be issued initially in the form of one or more offshore global securities, each such United States or offshore global security substantially in the form set forth in Exhibit A (a "Global Security"), deposited with the Trustee, as custodian for the Depositary, duly executed by the Company and authenticated by the Trustee as hereinafter provided and bearing the legends set forth in EXHIBITS B-1 and B-2. The aggregate principal amount of the Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depositary, as hereinafter provided; provided, that in no event shall the aggregate principal amount of the Global Security or Securities exceed \$125,000,000, or \$143,750,000 if the Initial Purchasers elect to purchase Additional Securities pursuant to the over-allotment option provided for in Section 1 of the Purchase Agreement ("Additional Securities").

Securities issued in exchange for interests in a Global Security pursuant to Section 2.15 may be issued in the form of permanent certificated

Securities in registered form in substantially the form set forth in Exhibit A (the "Physical Securities") and, if applicable, bearing any legends required by Section 2.17.

All Securities offered and sold in reliance on Regulation S shall remain in the form of a Global Security for at least one year after the issue date for the Securities. Notwithstanding the foregoing, in the event that Physical Securities are issued in respect of beneficial interests in a Regulation S Global Security at any time prior to one year after the date of this Indenture (other than in a transaction subject to Rule 144A) the Company shall, as promptly as practicable, institute procedures, including appropriate certifications reasonably designed to ensure that any transfer of such Physical Securities prior to the end of such one year is made only in accordance with Regulation S, pursuant to a registration statement under the Securities Act or pursuant to an exemption from registration under the Securities Act.

2.02 EXECUTION AND AUTHENTICATION.

One Officer shall sign the Securities for the Company by manual or facsimile signature.

If an Officer whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall nevertheless be valid.

A Security shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

Upon a written order of the Company signed by one Officer of the Company, the Trustee shall authenticate Securities for original issue in the aggregate principal amount of \$125,000,000 and such additional principal amount, if any, as shall be determined pursuant to the next sentence of this Section 2.02. Upon receipt by the Trustee of an Officers' Certificate stating that the Initial Purchasers have elected to purchase from the Company a specified principal amount of Additional Securities, not to exceed \$18,750,000, pursuant to SECTION 1 of the Purchase Agreement, the Trustee shall authenticate and deliver such specified principal amount of Additional Securities to or upon the written order of the Company signed as provided in the immediately preceding sentence. Such Officers' Certificate must be received by the Trustee not later than the proposed date for delivery of such Additional Securities. Except as provided in SECTION 2.07, the aggregate principal amount of Securities outstanding at any time may not exceed \$125,000,000, or \$143,750,000 if the Initial Purchasers elect to purchase Additional Securities pursuant to the over-allotment option provided for in Section 1 of the Purchase Agreement.

Upon a written order of the Company signed by two Officers or by an Officer and an Assistant Treasurer of the Company, the Trustee shall authenticate Securities not bearing the Private Placement Legend to be issued to the transferee when sold pursuant to an effective registration statement under the Securities Act as set forth in Section 2.16(D).

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. An authenticating agent may authenticate

Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such Agent. An authenticating agent has the same rights as an Agent to deal with the Company and its Affiliates.

If a written order of the Company pursuant to this Section 2.02 of the Indenture has been, or simultaneously is, delivered, any instructions by the Company to the Trustee with respect to endorsement, delivery or redelivery of a Security issued in global form shall be in writing but need not comply with SECTION 12.04 hereof and need not be accompanied by an Opinion of Counsel.

The Securities shall be issuable only in registered form without interest coupons and only in denominations of \$1,000 principal amount and any positive integral multiple thereof.

2.03 REGISTRAR, PAYING AGENT AND CONVERSION AGENT.

The Company shall maintain an office or agency where Securities may be presented for registration of transfer or for exchange ("Registrar"), an office or agency where Securities may be presented for payment ("Paying Agent") and an office or agency where Securities may be presented for conversion ("Conversion Agent"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may appoint or change one or more co-registrars, one or more additional paying agents and one or more additional conversion agents without notice and may act in any such capacity on its own behalf. The term "REGISTRAR" includes any co-registrar; the term "Paying Agent" includes any additional paying agent; and the term "Conversion Agent" includes any additional conversion agent.

The Company shall enter into an appropriate agency agreement with any Agent not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any Agent not a party to this Indenture. If the Company fails to maintain a Registrar, Paying Agent or Conversion Agent, the Trustee shall act as such.

The Company initially appoints the Trustee as Paying Agent, Registrar and Conversion Agent.

2.04 PAYING AGENT TO HOLD MONEY IN TRUST.

Each Paying Agent shall hold in trust for the benefit of the Securityholders or the Trustee all moneys held by the Paying Agent for the payment of the Securities, and shall notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent shall have no further liability for the money. If the Company acts as Paying Agent, it shall segregate and hold as a separate trust fund all money held by it as Paying Agent.

2.05 SECURITYHOLDER LISTS.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses

of Securityholders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee on or before each interest payment date and at such other times as the Trustee may request in writing a list, in such form and as of such date as the Trustee may reasonably require, of the names and addresses of Securityholders.

2.06 TRANSFER AND EXCHANGE.

Subject to Sections 2.15 and 2.16 hereof, where Securities are presented to the Registrar with a request to register their transfer or to exchange them for an equal principal amount of Securities of other authorized denominations, the Registrar shall register the transfer or make the exchange if its requirements for such transaction are met. To permit registrations of transfer and exchanges, the Trustee shall authenticate Securities at the Registrar's request. The Company or the Trustee, as the case may be, shall not be required (a) to issue, authenticate, register the transfer of or exchange any Security during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of the Securities selected for redemption under Section 3.04 and ending at the close of business on the day of such mailing or (b) to register the transfer of or exchange any Security so selected for redemption or repurchase in whole or in part, except the unredeemed or unredeemed portion of Securities being redeemed or repurchased in part.

No service charge shall be made for any transfer, exchange or conversion of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer, exchange or conversion of Securities, other than exchanges pursuant to Sections 2.10, 3.07, 3.08, 9.05 or 10.02 not involving any transfer.

2.07 REPLACEMENT SECURITIES.

If the Holder of a Security claims that the Security has been mutilated, lost, destroyed or wrongfully taken, the Company shall issue and the Trustee shall authenticate a replacement Security if the Trustee's requirements are met and, in the case of a mutilated Security, such mutilated Security is surrendered to the Trustee. In the case of lost, destroyed or wrongfully taken Securities, if required by the Trustee, an indemnity bond must be provided by the Holder that is sufficient in the judgment of the Trustee to protect the Company, the Trustee or any Agent from any loss which any of them may suffer if a Security is replaced. The Trustee may charge for its expenses in replacing a Security.

In case any such mutilated, lost, destroyed or wrongfully taken Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security when due.

Every replacement Security is an additional obligation of the Company only as provided in Section 2.08.

2.08 OUTSTANDING SECURITIES.

Securities outstanding at any time are all the Securities authenticated by the Trustee except for those converted, those cancelled by it, those

delivered to it for cancellation and those described in this Section 2.08 as not outstanding. Except to the extent provided in Section 2.09, a Security does not cease to be outstanding because the Company or one of its subsidiaries or Affiliates holds the Security.

If a Security is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee receives proof satisfactory to it, or a court holds, that the replaced Security is held by a protected purchaser.

If the Paying Agent (other than the Company) holds on a redemption date, Repurchase Date or maturity date money sufficient to pay Securities payable on that date, then on and after that date, interest on them shall cease to accrue whether or not the Security is delivered to the Paying Agent. Thereafter, all other rights of the Holders of such Securities shall terminate with respect to such Securities, other than the right to receive the Redemption Price, Repurchase Price or principal amount, as applicable.

2.09 SECURITIES HELD BY THE COMPANY OR AN AFFILIATE.

In determining whether the Holders of the required aggregate principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company or any of its subsidiaries or an Affiliate shall be considered as though not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities which a Responsible Officer of the Trustee actually knows are so owned shall be so disregarded.

The Company or its subsidiaries may, to the extent permitted by law, purchase Securities in the open market or by tender offer at any price or by private agreement. Any Securities purchased by the Company or its subsidiaries may, to the extent permitted by law, be reissued or resold or may, at the Company's option or the option of such subsidiary, be surrendered to the Trustee for cancellation.

2.10 TEMPORARY SECURITIES.

Until definitive Securities are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Securities in exchange for temporary Securities.

2.11 CANCELLATION.

The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar, Paying Agent and Conversion Agent shall forward to the Trustee any Securities surrendered to them for transfer, exchange, payment or conversion. The Trustee shall cancel all Securities surrendered for transfer, exchange, payment, conversion or cancellation in accordance with its customary procedures. The Company may not issue new Securities to replace Securities that it has paid or delivered to the Trustee for cancellation or that any Securityholder has converted pursuant to Article X.

2.12 DEFAULTED INTEREST.

If and to the extent the Company defaults in a payment of interest on the Securities, the Company shall pay the defaulted interest in any lawful manner plus, to the extent not prohibited by applicable statute or case law, interest payable on the defaulted interest at the rate provided in the Securities. The Company may pay the defaulted interest to the persons who are Securityholders on a subsequent special record date. The Company shall fix such record date and payment date. At least 15 days before the record date, the Company shall mail to Securityholders a notice that states the record date, payment date and amount of interest to be paid.

2.13 CUSIP NUMBERS.

The Company in issuing the Securities may use one or more "CUSIP" numbers, and if so, the Trustee shall use the CUSIP numbers in notices of redemption or exchange as a convenience to Holders; provided, however, that no representation is hereby deemed to be made by the Trustee as to the correctness or accuracy of the CUSIP numbers printed in the notice or on the Securities, and that reliance may be placed only on the other identification numbers printed on the Securities. The Company shall promptly notify the Trustee of any change in the CUSIP numbers.

2.14 DEPOSIT OF MONEYS.

Prior to 11:00 A.M., New York City time, on each interest payment date, maturity date, redemption date and Repurchase Date, the Company shall have deposited with the Paying Agent in immediately available funds money sufficient to make cash payments, if any, due on such interest payment date, maturity date, redemption date and Repurchase Date, as the case may be, in a timely manner which permits the Paying Agent to remit payment to the Holders on such interest payment date, maturity date, redemption date and Repurchase Date, as the case may be.

2.15 BOOK-ENTRY PROVISIONS FOR GLOBAL SECURITIES.

(A) The Global Securities initially shall (i) be registered in the name of the Depositary or the nominee of such Depositary, (ii) be delivered to the Trustee as custodian for such Depositary and (iii) bear legends as set forth in Section 2.17.

Members of, or participants in, the Depositary ("Participants") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depositary, or the Trustee as its custodian, or under the Global Security, and the Depositary may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of the Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and Participants, the operation of customary practices governing the exercise of the rights of a Holder of any Security.

(B) Transfers of Global Securities shall be limited to transfers in whole, but not in part, to the Depositary, its successors or their respective

nominees. In addition, Physical Securities shall be transferred to all beneficial owners in exchange for their beneficial interests in Global Securities if (i) the Depository notifies the Company that it is unwilling or unable to continue as Depository for any Global Security and a successor Depository is not appointed by the Company within 90 days of such notice or (ii) an Event of Default has occurred and is continuing and the Registrar has received a written request from the Depository to issue Physical Securities.

(C) In connection with the transfer of a Global Security in its entirety to beneficial owners pursuant to Section 2.15(B), such Global Security shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and the Trustee shall upon written instructions from the Company authenticate and deliver, to each beneficial owner identified by the Depository in exchange for its beneficial interest in such Global Security, an equal aggregate principal amount of Physical Securities of authorized denominations.

(D) Any Physical Security constituting a Restricted Security delivered in exchange for an interest in a Global Security pursuant to Section 2.15(B) shall, except as otherwise provided by Section 2.16, bear the Private Placement Legend (as defined).

(E) The Holder of any Global Security may grant proxies and otherwise authorize any Person, including Participants and Persons that may hold interests through Participants, to take any action which a Holder is entitled to take under this Indenture or the Securities.

2.16 SPECIAL TRANSFER PROVISIONS.

(A) Transfers to Non-U.S. Persons. The following provisions shall apply with respect to the registration of any proposed transfer of a Restricted Security to any Non-U.S. Person:

(i) the Registrar shall register the transfer of any Restricted Security, whether or not such Security bears the Private Placement Legend, if (x) the requested transfer is after the second anniversary of the issue date for the Securities; provided, however, that neither the Company nor any of its Affiliates has held any beneficial interest in such Security, or portion thereof, at any time on or prior to the second anniversary of the issue date for the Securities or (y) the proposed transferor has delivered to the Registrar certificates substantially in the form of Exhibit C-1 and Exhibit C-2 hereto; and

(ii) if the proposed transferor is a Participant seeking to transfer an interest in one Global Security to a transferee who will hold such interest in another Global Security, upon receipt by the Registrar of (x) written instructions given in accordance with the Depository's and the Registrar's procedures and (y) the appropriate certificates and other documents, if any, required by clause (y) of paragraph (i) above, the Registrar shall register the transfer and reflect on its books and records the date and (A) a decrease in the aggregate principal amount of the Global Security through which the transferor held such interest in an amount equal to the aggregate principal amount of the Securities to be transferred and (B) an increase in the aggregate principal amount of

the Global Security through which the transferee proposes to hold such interest, in an amount equal to the aggregate principal amount of the Securities to be transferred.

(B) Transfers to QIBs. The Following provisions shall apply with respect to the registration of any proposed transfer of a Restricted Security to a QIB:

(i) the Registrar shall register the transfer of any Restricted Security, whether or not such Security bears the Private Placement Legend, if (x) the requested transfer is after the second anniversary of the issue date for the Securities; provided, however, that neither the Company nor any of its Affiliates has held any beneficial interest in such Security, or portion thereof, at any time on or prior to the second anniversary of the issue date for the Securities or (y) such transfer is being made by a proposed transferor who has checked the box provided for on the form of Security stating, or has otherwise advised the Company and the Registrar in writing, that the sale has been made in compliance with the provisions of Rule 144A to a transferee who has signed the certification provided for on the form of Security stating, or has otherwise advised the Company and the Registrar in writing, that it is purchasing the Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a QIB within the meaning of Rule 144A, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as it has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon its foregoing representations in order to claim the exemption from registration provided by Rule 144A; and

(ii) if the proposed transferor is a Participant seeking to transfer an interest in one Global Security to a transferee who will hold such interest in another Global Security, upon receipt by the Registrar of (x) written instructions given in accordance with the Depository's and the Registrar's procedures and (y) the appropriate certificates and other documents, if any, required by clause (y) of paragraph (i) above, the Registrar shall register the transfer and reflect on its books and records the date and (A) a decrease in the aggregate principal amount of the Global Security through which the transferor held such interest in an amount equal to the aggregate principal amount of the Securities to be transferred and (B) an increase in the aggregate principal amount of the Global Security through which the transferee proposes to hold such interest, in an amount equal to the aggregate principal amount of the Securities to be transferred.

(C) Restrictions on Transfer and Exchange of Global Securities. Notwithstanding any other provisions of this Indenture, a Global Security may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the

Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

(D) Private Placement Legend. Upon the transfer, exchange or replacement of Securities not bearing the Private Placement Legend, the Registrar or co-Registrar shall deliver Securities that do not bear the Private Placement Legend. Upon the transfer, exchange or replacement of Securities bearing the Private Placement Legend, the Registrar or co-Registrar shall deliver only Securities that bear the Private Placement Legend unless (i) the requested transfer is after the second anniversary of the issue date for the Securities (provided, however, that neither the Company nor any of its Affiliates has held any beneficial interest in such Security, or portion thereof, at any time prior to or on the second anniversary of the issue date), (ii) there is delivered to the Trustee an Opinion of Counsel reasonably satisfactory to the Trustee to the effect that neither such legend nor the related restrictions on transfer are required in order to maintain compliance with the provisions of the Securities Act or (iii) such Security has been sold pursuant to an effective registration statement under the Securities Act and the Holder selling such Securities has delivered to the Registrar or co-Registrar a notice in the form of Exhibit D hereto. Upon the effectiveness of the Shelf Registration Statement (as defined in the Registration Rights Agreement), the Company shall deliver to the Trustee a notice of effectiveness, a Security or Securities, an authentication order in accordance with Section 2.02 and an Opinion of Counsel reasonably satisfactory to the Trustee and, if required by the Depositary, the Company shall deliver to the Depositary a letter of representations in a form reasonably acceptable to the Depositary.

(E) General. By its acceptance of any Security bearing the Private Placement Legend, each Holder of such a Security acknowledges the restrictions on transfer of such Security set forth in this Indenture and in the Private Placement Legend and agrees that it will transfer such Security only as provided in this Indenture.

The Registrar shall retain copies of all letters, notices and other written communications received pursuant to Section 2.15 or this Section 2.16. The Company shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Registrar.

(F) Transfers of Securities Held by Affiliates. Any certificate (i) evidencing a Security that has been transferred to an Affiliate of the Company within two years after the issue date for the Securities, as evidenced by a notation on the Assignment Form for such transfer or in the representation letter delivered in respect thereof or (ii) evidencing a Security that has been acquired from an Affiliate (other than by an Affiliate) in a transaction or a chain of transactions not involving any public offering, shall, until two years after the last date on which the Company or any Affiliate of the Company was an owner of such Security, in each case, bear the Private Placement Legend, unless otherwise agreed by the Company (with written notice thereof to the Trustee).

2.17 RESTRICTIVE LEGENDS.

Each Global Security and Physical Security that constitutes a Restricted Security shall bear the legend (the "Private Placement Legend") as set forth in Exhibit B-1 on the face thereof until after the second anniversary of the later of (i) the issue date for the Securities, (ii) the last date on which the Company or any Affiliate of the Company was the owner of such Security (or any predecessor security) (or such shorter period of time as permitted by Rule 144(k) under the Securities Act or any successor provision thereunder) (or such longer period of time as may be required under the Securities Act or applicable state securities laws in the opinion of counsel for the Company, unless otherwise agreed between the Company and the Holder thereof).

Each Global Security shall also bear the legend as set forth in Exhibit B-2.

III. REDEMPTION

3.01 RIGHT OF REDEMPTION.

Redemption of the Securities, as permitted by any provision of this Indenture, shall be made in accordance with paragraphs 6 and 7 and, with respect to any repurchase upon a Change in Control, paragraph 8 of the Securities, and in each case in accordance with this Article III. The Company will not have the right to redeem any Securities prior to June 3, 2005. On or after June 3, 2005, the Company will have the right to redeem all or any part of the Securities at the Redemption Prices specified in paragraph 6 therein under the caption "Redemption Price," in each case including accrued and unpaid interest, if any, to, but excluding, the redemption date; provided that the Daily Market Price of the Company's Common Stock has exceeded 130% of the Conversion Price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day prior to the date of mailing of notice of redemption as required under pursuant to Section 3.04.

3.02 NOTICES TO TRUSTEE.

If the Company elects to redeem Securities pursuant to paragraph 6 of the Securities, it shall notify the Trustee at least 15 days prior to the mailing of the notice of redemption (unless a shorter notice period shall be satisfactory to the Trustee) of the redemption date and the aggregate principal amount of Securities to be redeemed.

3.03 SELECTION OF SECURITIES TO BE REDEEMED.

If less than all the Securities are to be redeemed, the Trustee shall select the Securities to be redeemed on a pro rata basis. The Trustee shall make the selection from Securities outstanding not previously called for redemption. The Trustee may select for redemption portions of the principal of Securities that have denominations larger than \$1,000 principal amount. Securities and portions of them it selects shall be in amounts of \$1,000 principal amount or positive integral multiples of \$1,000 principal amount. The Trustee shall promptly notify the Company in writing of the Securities selected for redemption and the principal amount thereof to be redeemed.

The Registrar need not transfer or exchange any Securities selected for redemption, except the unredeemed portion of the Securities redeemed in part. Also, the Registrar need not transfer or exchange any Securities for a period of 15 days before selecting Securities to be redeemed.

The Registrar need not, if a redemption is to occur after a regular record date but on or before the corresponding interest payment date, register the transfer or exchange of any Security after the regular record date and before the date of redemption.

3.04 NOTICE OF REDEMPTION.

At least 30 days but not more than 60 days before a redemption date, the Company shall mail by first-class mail a notice of redemption to each Holder whose Securities are to be redeemed.

The notice shall identify the Securities and the aggregate principal amount thereof to be redeemed and shall state:

- (i) the redemption date;
- (ii) the Redemption Price, plus the amount of accrued and unpaid interest to be paid on the Securities called for redemption;
- (iii) the then current conversion rate and Conversion Price;
- (iv) the name and address of the Paying Agent and Conversion Agent;
- (v) the date on which the right to convert the principal of the Securities called for redemption will terminate and the place or places where such Securities may be surrendered for conversion;
- (vi) that Holders who want to convert Securities must satisfy the requirements in Article X;
- (vii) the paragraph of the Securities pursuant to which the Securities are to be redeemed;
- (viii) that Securities called for redemption must be surrendered to the Paying Agent to collect the Redemption Price;
- (ix) that unless the Company shall default in the payment of the Redemption Price, interest on Securities called for redemption ceases to accrue on and after the redemption date and that the Securities will cease to be convertible after the close of business on the business day immediately preceding the redemption date; and
- (x) the CUSIP number or numbers, as the case may be, of the Securities.

The date on which the right to convert the principal of the Securities called for redemption will terminate shall be at the close of business on the business day immediately preceding the redemption date.

At the Company's request, upon reasonable prior notice, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense; provided that the form and content of such notice shall be prepared by the Company.

3.05 EFFECT OF NOTICE OF REDEMPTION.

Once notice of redemption is mailed, Securities called for redemption become due and payable on the redemption date at the Redemption Price plus accrued and unpaid interest to the date of redemption, and, on and after such date (unless the Company shall default in the payment of the Redemption Price), such Securities shall cease to bear interest. Upon surrender to the Paying Agent, such Securities shall be paid at the Redemption Price plus accrued interest to, but excluding, the redemption date, unless the redemption date is an interest payment date, in which case the accrued interest will be paid in the ordinary course.

3.06 DEPOSIT OF REDEMPTION PRICE.

On or before the redemption date, the Company shall deposit with the Paying Agent money in funds immediately available on the redemption date sufficient to pay the Redemption Price of and accrued interest on all Securities to be redeemed on that date. The Paying Agent shall return to the Company, as soon as practicable, any money not required for that purpose.

3.07 SECURITIES REDEEMED IN PART.

Upon surrender of a Security that is redeemed in part, the Company shall execute and the Trustee shall authenticate for the Holder a new Security or Securities in an aggregate principal amount equal to the unredeemed portion of the Security surrendered.

If any Security selected for partial redemption is converted in part, the converted portion of such Security shall be deemed to be the portion selected for redemption.

3.08 REPURCHASE AT OPTION OF HOLDER UPON A CHANGE IN CONTROL.

Upon any Change in Control (as defined below) with respect to the Company, each Holder of Securities shall have the right (the "Repurchase Right"), at the Holder's option, subject to the rights of the holders of Senior Indebtedness under Article XI of this Indenture, to require the Company to repurchase all of such Holder's Securities, or a portion thereof which is \$1,000 in principal amount or any positive integral multiple thereof, on the date (the "Repurchase Date") that is no later than 30 business days after the date of the mailing of the Change in Control Notice (as defined below) at the Repurchase Price set forth in paragraph 8 of the Securities, plus accrued and unpaid interest, if any, to, but excluding, the Repurchase Date.

Within 30 business days after the occurrence of a Change in Control of the Company, the Company shall mail to all Holders of record of the

Securities a notice (the "Change in Control Notice") of the occurrence of such Change in Control and the Repurchase Right arising as a result thereof. The Company shall deliver a copy of the Change in Control Notice to the Trustee and the Company shall issue a press release including the information required in the Change of Control Notice. To exercise the Repurchase Right, a Holder of Securities must deliver on or before the close of business on the third business day immediately preceding the Repurchase Date written notice to the Company (or an agent designated by the Company for such purpose), and the Trustee of the Holder's exercise of such right together with the Securities with respect to which the right is being exercised, duly endorsed for transfer.

Each Change in Control Notice shall state:

- (i) the events causing the Change in Control;
- (ii) the date of such Change in Control;
- (iii) the Repurchase Date;
- (iv) the date by which the Repurchase Right must be exercised;
- (v) the Repurchase Price, plus the amount of accrued interest to be paid on the Securities to be repurchased;
- (vi) the name and address of the Paying Agent and the Conversion Agent;
- (vii) a description of the procedure which a Holder must follow to exercise a Repurchase Right;
- (viii) that, in order to exercise the Repurchase Right, the Securities are to be surrendered for payment of the Repurchase Price;
- (ix) that Holders will be entitled to withdraw their election if the Company (if acting as its own Paying Agent), or the Paying Agent receives, not later than the close of business on the business day immediately preceding the Repurchase Date, or such longer period as may be required by law, a letter or telegram, telex or facsimile transmission (receipt of which is confirmed and promptly followed by a letter) setting forth the name of the Holder, the principal amount of Securities the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Securities repurchased, the certificate numbers of such Securities being withdrawn, if applicable, and the principal amount, if any, of the Securities that remain subject to a Change in Control Notice and that Securities with respect to which a Change in Control purchase notice is given by the Holder may be converted, if otherwise convertible, only if the Change in Control purchase notice has been withdrawn in accordance with the terms hereof;

(x) the then existing conversion rate, and any adjustment to the conversion rate that will result from the Change in Control;

(xi) the place or places where such Securities may be surrendered for conversion; and

(xii) the CUSIP number or numbers, as the case may be, of the Securities.

No failure of the Company to give the foregoing notice shall limit any Holder's right to exercise a Repurchase Right.

To exercise a Repurchase Right, a Holder shall deliver to the Company (if it is acting as its own Paying Agent), or to a Paying Agent designated by the Company for such purpose in the Change in Control Notice within the period set forth in the second paragraph of this Section 3.08, (i) the Option of Holder To Elect Purchase Notice on the back of the Securities with respect to which the Repurchase Right is being exercised, or any other form of written notice substantially similar to the Option of Holder To Elect Purchase Notice, in each case, duly completed and signed, with appropriate signature guarantee, and (ii) such Securities with respect to which the Repurchase Right is being exercised, duly endorsed for transfer to the Company and the Holder of such Securities shall be entitled to receive from the Company (if it is acting as its own Paying Agent), or such Paying Agent a nontransferable receipt of deposit evidencing such deposit.

In the event a Repurchase Right shall be exercised in accordance with the terms hereof, the Company shall pay or cause to be paid the applicable Repurchase Price (plus accrued and unpaid interest) with respect to the Securities as to which the Repurchase Right shall have been exercised to the Holder on the Repurchase Date, subject to the provisions of the immediately preceding paragraph.

On or prior to a Repurchase Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust in accordance with Section 2.04) an amount of money (to be available on the Repurchase Date) sufficient to pay the Repurchase Price (plus accrued and unpaid interest) of all of the Securities which are to be repurchased on that date.

Both the Change in Control Notice and the notice of the Holder to exercise a Repurchase Right having been duly given as specified in this Section 3.08, the Securities so to be repurchased shall, on the Repurchase Date, become due and payable at the Repurchase Price applicable thereto (plus accrued and unpaid interest) and from and after such date (unless there shall be a default in the payment of the Repurchase Price) such Securities shall cease to bear interest and shall cease to be convertible. Upon surrender of any such Security for repurchase in accordance with said notice, such Security shall be paid by the Company at the Repurchase Price (plus accrued and unpaid interest).

If any Security shall not be paid upon surrender thereof for repurchase, the principal shall, until paid, bear interest from the Repurchase Date at the rate borne by such Security on the principal amount of such Security and shall continue to be convertible.

Any Security which is to be submitted for repurchase only in part shall be delivered pursuant to this Section 3.08 (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by the Holder thereof or its attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and make available for delivery to the Holder of such Security without service charge, a new Security or Securities, of any authorized denomination as requested by such Holder, of the same tenor and in aggregate principal amount equal to the portion of such Security not submitted for repurchase.

Notwithstanding anything herein to the contrary, (i) if the option granted to Securityholders to require the repurchase of the Securities upon the occurrence of a Change in Control is determined to constitute a tender offer, the Company will comply with all applicable tender offer rules under the Exchange Act, including Rules 13e-4 and 14e-1, and file Schedule TO or any other schedules required under the Exchange Act and (ii) the Company may not purchase Securities at the option of Holders upon a Change in Control if there has occurred and is continuing an Event of Default with respect to the Securities, other than a Default in the payment of the Change in Control purchase price with respect to the Securities.

As used in this Section 3.08 of the Indenture and in the Securities:

A "Change in Control" of the Company shall be deemed to have occurred at such time as:

(i) any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act), other than an Exempt Person, is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50% or more of the voting power of the Company's Common Stock;

(ii) the individuals who on the issue date of the Securities constituted the Company's Board of Directors and any new directors whose election by the Company's Board of Directors or whose nomination for election by the Company's stockholders was approved by at least a majority of the directors then still in office who were either directors on the issue date of the Securities or whose election or nomination for election was previously so approved cease for any reason to constitute a majority of the Company's Board of Directors ;
or

(iii) the sale, lease or transfer of all or substantially all of the assets and property of the Company to any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), including any group acting for the purpose of acquiring, holding or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act; provided that the grant of a security interest in the Company's properties or assets in connection with a financing arrangement is not a conveyance, transfer or lease for the purposes of this subsection (iii).

However, a Change in Control will not be deemed to have occurred if either:

- (X) the Daily Market Price of the Company's Common Stock for any five trading days during the ten trading days immediately preceding the Change in Control is at least equal to 105% of the then effective Conversion Price on such trading date; or
- (Y) in the case of a merger or consolidation, all of the consideration (excluding cash payments for fractional shares and cash payments pursuant to dissenters' appraisal rights) in the merger or consolidation constituting the Change in Control consists of common stock traded on a U.S. national securities exchange or quoted on the Nasdaq National Market (or which will be so traded or quoted when issued or exchanged in connection with such Change in Control) and as a result of such transaction or transactions the Securities become convertible solely into such common stock and any such other consideration.

3.09 CONVERSION ARRANGEMENT ON CALL FOR REDEMPTION.

In connection with any redemption of Securities, the Company may arrange, in lieu of redemption, for the purchase and conversion of any Securities called for redemption by an agreement with one or more investment bankers or other purchasers to purchase all or a portion of such Securities by paying to the Trustee in trust for the Holders whose Securities are to be so purchased, on or before the close of business on the redemption date, an amount that, together with any amounts deposited with the Trustee by the Company for redemption of such Securities, is not less than the Redemption Price, together with interest, if any, accrued to the redemption date, of such Securities. Notwithstanding anything to the contrary contained in this Article III, the obligation of the Company to pay the Redemption Price of such Securities, including all accrued interest, if any, shall be deemed to be satisfied and discharged to the extent such amount is so paid by such purchasers, but no such agreement shall relieve the Company of its obligation to pay such Redemption Price and such accrued interest, if any. If such an agreement is entered into, any Securities not duly surrendered for conversion by the Holders thereof may, at the option of the Company, be deemed, to the fullest extent permitted by law, acquired by such purchasers from such Holders and (notwithstanding anything to the contrary contained in Article X) surrendered by such purchasers for conversion, all as of immediately prior to the close of business on the redemption date, subject to payment of the above amount as aforesaid. The Trustee shall hold and pay to the Holders whose Securities are selected for redemption any such amount paid to it for purchase and conversion in the same manner as it would moneys deposited with it by the Company for the redemption of Securities. Without the Trustee's prior written consent, no arrangement between the Company and such purchasers for the purchase and conversion of any Securities shall increase or otherwise affect any of the powers, duties, rights, immunities, responsibilities or obligations of the Trustee as set forth in this Indenture, and the Company agrees to indemnify the Trustee from, and hold it harmless against, any and all loss, liability or expense arising out of or in connection with any such arrangement for the purchase and conversion of any Securities between the Company and such purchasers, including the costs and expenses (including counsel fees and expenses) incurred by the Trustee in the defense of any claim or liability arising out of or in connection with the exercise or performance of any of its powers, duties, responsibilities or obligations

under this Indenture except to the extent arising from its bad faith, willful misconduct or negligence.

IV. COVENANTS

4.01 PAYMENT OF SECURITIES.

The Company shall pay all amounts due with respect to the Securities on the dates and in the manner provided in the Securities. All such amounts shall be considered paid on the date due if the Paying Agent holds (or, if the Company is acting as Paying Agent, if the Company has segregated and holds in trust in accordance with Section 2.04) on that date money sufficient to pay the amount then due with respect to the Securities.

The Company shall pay interest on any overdue amount (including, to the extent permitted by applicable law, overdue interest) at the rate borne by the Securities.

4.02 MAINTENANCE OF OFFICE OR AGENCY.

The Company will maintain in the Borough of Manhattan, the City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-Registrar) where Securities may be surrendered for registration of transfer or exchange or conversion and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, the City of New York for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates the Corporate Trust Office of the Trustee as an agency of the Company in accordance with Section 2.03.

4.03 REPORTS.

(A) The Company (at its own expense) will deliver to the Trustee within 15 days after the filing of the same with the Commission, copies of the quarterly and annual reports and of the information, documents and other reports, if any, which the Company may be required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act or which it furnishes to its stockholders. In addition, the Company will promptly provide to the Trustee and shall, upon request, provide to any Holder or beneficial owner of Securities or prospective purchaser of Securities that so requests, the information required to be delivered pursuant to Rule 144A(d)(4) until such time as the Securities and the underlying Common Stock have been registered by the Company for resale under the Securities Act pursuant to the Registration Rights Agreement. In addition, the Company will furnish such Rule

144A(d)(4) information if, at any time while the Securities or the Common Stock issuable upon conversion of the Securities are restricted securities within the meaning of the Securities Act, the Company is not subject to the informational requirements of the Exchange Act.

(B) The Company will comply with the provisions of TIA ss. 314(a).

(C) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on the Officers' Certificate).

4.04 COMPLIANCE CERTIFICATE.

The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company an Officers' Certificate stating whether or not the signers know of any Default or Event of Default by the Company in performing any of its obligations under this Indenture or the Securities. If they do know of any such Default or Event of Default, the certificate shall describe the Default or Event of Default and its status.

4.05 STAY, EXTENSION AND USURY LAWS.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (in each case, to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

4.06 CORPORATE EXISTENCE.

Subject to Article V, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence in accordance with its organizational documents and the rights (charter and statutory), licenses and franchises of the Company.

4.07 NOTICE OF DEFAULT.

In the event that any Default or Event of Default shall occur, the Company will give prompt written notice of such Default or Event of Default to the Trustee setting forth the details of such Default or Event of Default and the action the Company proposes to take with respect thereto.

V. SUCCESSORS

5.01 WHEN COMPANY MAY MERGE, ETC.

The Company shall not consolidate with or merge into, or transfer or lease all or substantially all of its properties and assets to, another person unless such other person is a corporation organized under the laws of the United States, any State thereof or the District of Columbia; such person assumes by supplemental indenture all the obligations of the Company, under the Securities and this Indenture; and immediately after giving effect to the transaction, no Default or Event of Default shall exist.

The Company shall deliver to the Trustee prior to the consummation of the proposed transaction an Officers' Certificate to the foregoing effect and an Opinion of Counsel, which may rely upon such Officers' Certificate as to the absence of Defaults and Events of Default, stating that the proposed transaction and such supplemental indenture will, upon consummation of the proposed transaction, comply with this Indenture.

5.02 SUCCESSOR SUBSTITUTED.

Upon any consolidation or merger or transfer or lease of all or substantially all of the assets of the Company in accordance with Section 5.01, the successor person formed by such consolidation or into which the Company is merged or to which such transfer or lease is made shall succeed to, and, except in the case of a lease, be substituted for, and may exercise every right and power of, and shall assume every duty and obligation of, the Company under this Indenture with the same effect as if such successor had been named as the Company herein. When the successor assumes all obligations of the Company hereunder, except in the case of a lease, all obligations of the predecessor shall terminate.

VI. DEFAULTS AND REMEDIES

6.01 EVENTS OF DEFAULT.

An "Event of Default" occurs if:

(i) the Company defaults in the payment of interest or liquidated damages on any Security when the same becomes due and payable and the default continues for a period of 30 days, whether or not such payment shall be prohibited by the provisions of Article XI hereof;

(ii) the Company defaults in the payment of the principal or Repurchase Price or Redemption Price of any Security when the same becomes due and payable, whether on the Maturity Date, upon redemption, on the Repurchase Date or otherwise, whether or not such payment shall be prohibited by the provisions of Article XI hereof;

(iii) the Company fails to comply with any of its other agreements in the Securities or this Indenture and the default continues for the period and after the notice specified below;

(iv) the Company defaults in the payment at the final maturity thereof, after the expiration of any applicable grace period, of principal of, or premium, if any, on indebtedness for money borrowed, other than Non-Recourse Indebtedness, in the aggregate principal amount then outstanding of \$25,000,000 or more, or the acceleration of indebtedness for money borrowed in such aggregate principal amount so that it becomes due and payable prior to the date on which it would otherwise become due and payable and such acceleration is not rescinded or such default is not cured within 30 business days after notice to the Company in accordance with this Indenture;

(v) the Company pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property, or

(D) makes a general assignment for the benefit of its creditors;
or

(vi) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company in an involuntary case or proceeding, or adjudicates the Company insolvent or bankrupt,

(B) appoints a Custodian of the Company for all or substantially all of the property of the Company, or

(C) orders the winding up or liquidation of the Company,

and the order or decree remains unstayed and in effect for 90 consecutive days.

The term "Bankruptcy Law" means Title 11, U.S. Code or any similar Federal or State law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

A default under clause (iii) is not an Event of Default until the Trustee or the Holders of at least 25% in aggregate principal amount of the Securities then outstanding notify the Company and the Trustee of the default and the default is not cured within 60 days after receipt of the notice. The notice must specify the default, demand that it be remedied and state that the notice is a "Notice of Default". If the Holders of 25% in aggregate principal amount of the outstanding Securities request the Trustee to give such notice on their behalf, the Trustee shall do so. When a default is cured, it ceases.

6.02 ACCELERATION.

If an Event of Default (other than an Event of Default specified in Section 6.01(v) or (vi) with respect to the Company) as to which the Trustee has received notice pursuant to the provisions of this Indenture occurs and is continuing, the Trustee by notice to the Company or the Holders of at least 25% in principal amount of the Securities then outstanding by notice to the Company and the Trustee may declare the Securities to be due and payable. Upon such declaration such principal and interest shall be due and payable immediately. If an Event of Default specified in Section 6.01(v) or (vi) with respect to the Company occurs, the principal of and accrued interest on all the Securities shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Securityholder. The Holders of a majority in aggregate principal amount of the Securities then outstanding by written notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any order or decree and if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration and if all amounts due to the Trustee under Section 7.07 have been paid.

6.03 OTHER REMEDIES.

Notwithstanding any other provision of this Indenture, if an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of amounts due with respect to the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Securityholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative.

6.04 WAIVER OF PAST DEFAULTS.

Subject to Sections 6.07 and 9.02, the Holders of a majority in aggregate principal amount of the Securities then outstanding by notice to the Trustee may waive any past Default or Event of Default and its consequences. When a Default or an Event of Default is waived, it is cured and ceases for every purpose of this Indenture.

6.05 CONTROL BY MAJORITY.

The Holders of a majority in aggregate principal amount of the Securities then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture, is unduly prejudicial to the rights of other Securityholders or would involve the Trustee in personal liability; provided that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

6.06 LIMITATION ON SUITS.

Except as provided in Section 6.07, a Securityholder may pursue a remedy with respect to this Indenture or the Securities only if:

(i) the Holder gives to the Trustee written notice of a continuing Event of Default;

(ii) the Holders of at least 25% in aggregate principal amount of the Securities then outstanding make a written request to the Trustee to pursue the remedy;

(iii) such Holder or Holders offer and, if requested, provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(iv) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(v) during such 60-day period, the Holders of a majority in aggregate principal amount of the Securities then outstanding do not give the Trustee a direction inconsistent with the request.

A Securityholder may not use this Indenture to prejudice the rights of another Securityholder or to obtain a preference or priority over another Securityholder.

6.07 RIGHTS OF HOLDERS TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of all amounts due with respect to the Securities, on or after the respective due dates expressed in the Securities, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Holder.

Notwithstanding any other provision of this Indenture, the right of any Holder to bring suit for the enforcement of the right to convert the Security shall not be impaired or affected without the consent of the Holder.

6.08 COLLECTION SUIT BY TRUSTEE.

If an Event of Default specified in Section 6.01(i) or (ii) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount due with respect to the Securities, including any unpaid and accrued interest.

6.09 TRUSTEE MAY FILE PROOFS OF CLAIM.

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee, any predecessor Trustee and the Securityholders allowed in any judicial proceedings relative to the Company or its creditors or properties.

The Trustee may collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same, and any custodian, receiver, assignee, trustee, liquidator, sequestrator or similar official in any judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

6.10 PRIORITIES.

If the Trustee collects any money pursuant to this Article VI, it shall pay out the money in the following order:

- First: to the Trustee for amounts due under Section 7.07;
- Second: to holders of Senior Indebtedness to the extent required by Article XI;
- Third: to Securityholders for all amounts due and unpaid on the Securities, without preference or priority of any kind, according to the amounts due and payable on the Securities; and
- Fourth: to the Company.

The Trustee, upon prior written notice to the Company may fix a record date and payment date for any payment by it to Securityholders pursuant to this Section 6.10.

6.11 UNDERTAKING FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit other than the Trustee of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07 or a suit by Holders of more than 10% in aggregate principal amount of the outstanding Securities.

VII. TRUSTEE

7.01 DUTIES OF TRUSTEE.

(A) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(B) Except during the continuance of an Event of Default:

(i) the Trustee need perform only those duties that are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith, willful misconduct or negligence on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(C) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of Section 7.01(B);

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05; and

(iv) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(D) Every provision of this Indenture that in any way relates to the Trustee is subject to the provisions of this Section 7.01.

(E) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

7.02 RIGHTS OF TRUSTEE.

(A) Subject to Section 7.01, the Trustee may conclusively rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document; if, however, the Trustee shall determine to make such further inquiry or investigation, it shall be entitled during normal business hours to examine the relevant books, records and premises of the Company, personally or by agent or attorney upon reasonable prior notice.

(B) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate and/or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel.

(C) Any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors shall be sufficiently evidenced by a Board Resolution.

(D) The Trustee may consult with counsel of its selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(E) The Trustee may act through agents or attorneys and shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care.

(F) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its discretion, rights or powers conferred upon it by this Indenture.

(G) Except with respect to Section 6.01, the Trustee shall have no duty to inquire as to the performance of the Company with respect to the covenants contained in Article IV. In addition, the Trustee shall not be deemed to have knowledge of an Event of Default except (i) any Default or Event of Default occurring pursuant to Sections 6.01(i) and 6.01(ii) or (ii) any Default or Event of Default of which a Responsible Officer of the Trustee shall have received written notification or obtained actual knowledge. Delivery of reports, information and documents to the Trustee under Article IV (other than Sections 4.04 and 4.07) is for informational purposes only and the Trustee's receipt of the foregoing shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

(H) The Trustee shall be under no obligation to exercise any of the rights or powers vested by this Indenture at the request or direction of any of the Holders pursuant to this Indenture unless such Holders shall have

offered to the Trustee security or indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(I) The rights, privileges, protections, immunities and benefits given to the Trustee, including without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder.

(J) The Trustee may request that the Company deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

7.03 INDIVIDUAL RIGHTS OF TRUSTEE.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or any of its Affiliates with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. The Trustee, however, must comply with Sections 7.10 and 7.11.

7.04 TRUSTEE'S DISCLAIMER.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities; it shall not be accountable for the Company's use of the proceeds from the Securities; and it shall not be responsible for any statement in the Securities other than its certificate of authentication.

7.05 NOTICE OF DEFAULTS.

If a Default or Event of Default occurs and is continuing as to which the Trustee has received notice pursuant to the provisions of this Indenture, the Trustee shall mail to each Securityholder a notice of the Default or Event of Default within 30 days after it occurs unless such Default or Event of Default has been cured or waived. Except in the case of a Default or Event of Default in payment of any amounts due with respect to any Security, the Trustee may withhold the notice if and so long as it in good faith determines that withholding the notice is in the interests of Securityholders.

7.06 REPORTS BY TRUSTEE TO HOLDERS.

Within 60 days after each May 15 beginning with May 15, 2002, the Trustee shall mail to each Securityholder if required by TIA ss. 313(a) a brief report dated as of such May 15 that complies with TIA ss. 313(c). In such event, the Trustee also shall comply with TIA ss. 313(b).

A copy of each report at the time of its mailing to Securityholders shall be mailed to the Company and filed by the Trustee with the SEC and each stock exchange, if any, on which the Securities are listed. The Company

shall promptly notify the Trustee when the Securities are listed on any stock exchange and of any delisting thereof.

7.07 COMPENSATION AND INDEMNITY.

The Company shall pay to the Trustee from time to time such compensation for its services as shall be agreed upon in writing. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it. Such expenses shall include the reasonable compensation and out-of-pocket expenses of the Trustee's agents and counsel.

The Company shall indemnify the Trustee and its agents against any and all loss, liability, damage, claim or expense (including the reasonable fees and expenses of counsel and taxes other than those based upon the income of the Trustee) incurred by it in connection with the acceptance or administration of this trust and the performance of its duties hereunder, including the reasonable costs and expenses of defending itself against any claim (whether asserted by the Company, any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers and duties hereunder. The Company need not pay for any settlement made without its consent. The Trustee shall notify the Company promptly of any claim for which it may seek indemnification. The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through the Trustee's negligence, bad faith or willful misconduct.

To secure the Company's payment obligations in this Section 7.07, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee, except that held in trust to pay amounts due on particular Securities.

The indemnity obligations of the Company with respect to the Trustee provided for in this Section 7.07 shall survive any resignation or removal of the Trustee.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(v) or (vi) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

7.08 REPLACEMENT OF TRUSTEE.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08.

The Trustee may resign by so notifying the Company in writing 30 business days prior to such resignation. The Holders of a majority in aggregate principal amount of the Securities then outstanding may remove the Trustee by so notifying the Trustee and the Company in writing and may appoint a successor Trustee with the Company's consent. The Company may remove the Trustee if:

- (i) the Trustee fails to comply with Section 7.10;

(ii) the Trustee is adjudged a bankrupt or an insolvent;

(iii) a receiver or other public officer takes charge of the Trustee or its property; or

(iv) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee (at the Company's expense), the Company or the Holders of at least 10% in aggregate principal amount of the outstanding Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Securityholders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.07.

7.09 SUCCESSOR TRUSTEE BY MERGER, ETC.

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee, if such successor corporation is otherwise eligible hereunder.

7.10 ELIGIBILITY; DISQUALIFICATION.

There shall at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least \$100 million as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA ss. 310(b).

7.11 PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

The Trustee shall comply with TIA ss. 311(a), excluding any creditor relationship listed in TIA ss. 311(b). A Trustee who has resigned or been removed shall be subject to TIA ss. 311(a) to the extent indicated.

VIII. DISCHARGE OF INDENTURE

8.01 TERMINATION OF THE OBLIGATIONS OF THE COMPANY.

The Company may terminate all of its obligations under this Indenture if all Securities previously authenticated and delivered (other than mutilated, destroyed, lost or stolen Securities which have been replaced or paid as provided in Section 2.07) have been delivered to the Trustee for cancellation or if:

(i) the Securities mature within one year or all of them are to be called for redemption within one year under arrangements satisfactory to the Trustee for giving the notice of redemption;

(ii) the Company irrevocably deposits in trust with the Trustee money or U.S. Government Obligations sufficient to pay the principal or Redemption Price of and any unpaid and accrued interest on the Securities to maturity or redemption, as the case may be. Immediately after making the deposit, the Company shall give notice of such event to the Securityholders;

(iii) the Company has paid or caused to be paid all sums then payable by the Company to the Trustee hereunder as of the date of such deposit; and

(iv) the Company has delivered to the Trustee an Opinion of Counsel and an Officers' Certificate stating that all conditions precedent provided for herein relating to the satisfaction and discharge of this Indenture have been complied with. The Company may make the deposit only during the one-year period and only if Article XI permits it.

However, the Company's obligations in Sections 2.02, 2.03, 2.04, 2.05, 2.06, 2.07, 2.08, 2.15, 2.16, 2.17, 4.01, 4.02, 7.07, 7.08 and Article VIII and Article X shall survive until the Securities are no longer outstanding. Thereafter the obligations of the Company in Sections 7.07 and 8.03 shall survive.

After a deposit pursuant to this Section 8.01, the Trustee upon request shall acknowledge in writing the discharge of the obligations of the Company under the Securities and this Indenture, except for those surviving obligations specified above.

In order to have money available on a payment date to pay the principal or Redemption Price of and any unpaid and accrued interest on the Securities, the U.S. Government Obligations shall be payable as to principal and any unpaid and accrued interest on or before such payment date in such amounts as will provide the necessary money.

"U.S. Government Obligations" means direct non-callable obligations of, or non-callable obligations guaranteed by, the United States of America for the payment of which the full faith and credit of the United States of America is pledged.

8.02 APPLICATION OF TRUST MONEY.

The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 8.01. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of the principal or Redemption Price of and any unpaid and accrued interest on the Securities. Money and securities so held in trust are not subject to the subordination provisions of Article XI.

8.03 REPAYMENT TO COMPANY.

The Trustee and the Paying Agent shall promptly notify the Company of, and pay to the Company upon the request of the Company, any excess money or securities held by them at any time. The Trustee and the Paying Agent shall pay to the Company upon the written request of the Company any money held by them for the payment of the principal or Redemption Price of and any unpaid and accrued interest that remains unclaimed for two years; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may, at the expense and request of the Company, cause to be published once in a newspaper of general circulation in the City of New York or cause to be mailed to each Holder, notice stating that such money remains and that, after a date specified therein, which shall not be less than 30 days from the date of such publication or mailing, any unclaimed balance of such money then remaining will be repaid to the Company. After payment to the Company, Securityholders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person and all liability of the Trustee and the Paying Agent shall cease.

8.04 REINSTATEMENT.

If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with Sections 8.01 and 8.02 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the obligations of the Company under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to Sections 8.01 and 8.02 until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with Sections 8.01 and 8.02; provided, however, that if the Company has made any payment of amounts due with respect to any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 8.01 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of outstanding Securities.

IX. AMENDMENTS

9.01 WITHOUT CONSENT OF HOLDERS.

The Company, with the consent of the Trustee, may amend or supplement this Indenture or the Securities without notice to or the consent of any Securityholder:

(i) to cure any ambiguity, inconsistency or other defect in this Indenture;

(ii) to comply with Sections 5.01 and 10.12;

(iii) to make any changes or modifications to this Indenture necessary in connection with the registration of the Securities under the Securities Act and the qualification of the Indenture under the TIA;

(iv) to secure the obligations of the Company in respect of the Securities;

(v) to add to the covenants of the Company described in this Indenture for the benefit of Securityholders or to surrender any right or power conferred upon the Company; or

(vi) to make any changes or modifications to this Indenture that do not adversely affect the rights of any Holder.

Notwithstanding the foregoing, no supplemental indenture pursuant to the foregoing clauses (i), (iii), (iv) or (v) of the preceding paragraph may be entered into without the consent of the Holders of a majority in principal amount of the Securities if such supplemental indenture would materially and adversely affect the interests of the Holders of the Securities.

9.02 WITH CONSENT OF HOLDERS.

The Company, with the consent of the Trustee, may amend or supplement this Indenture or the Securities without notice to any Securityholder but with the written consent of the Holders of at least a majority in aggregate principal amount of the outstanding Securities. Subject to Section 6.07, the Holders of a majority in aggregate principal amount of the outstanding Securities may waive compliance by the Company with any provision of this Indenture or the Securities without notice to any other Securityholder. However, without the consent of each Securityholder affected, an amendment, supplement or waiver, including a waiver pursuant to Section 6.04, may not:

(i) reduce the amount of Securities whose Holders must consent to an amendment, supplement or waiver;

(ii) reduce the rate of or change the time for payment of interest (including any liquidated damages) on any Security;

(iii) reduce the principal, Redemption Price or Repurchase Price of or change the stated maturity of any Security;

(iv) make any Security payable in money or securities other than as stated in such Security; or

(v) make any change that adversely affects the right to convert, or receive payment with respect to, any Security or the right to institute suit for the enforcement of any payment with respect to, or conversion of, any Security or the right to require the Company to repurchase any of the Securities upon a Change in Control.

An amendment under this Section 9.02 may not make any change that adversely affects the rights under Article XI of any holder of Senior Indebtedness unless the holders of such Senior Indebtedness pursuant to its terms consent to the change.

Promptly after an amendment under Section 9.01 and this Section 9.02 becomes effective, the Company shall mail to Securityholders a notice briefly describing the amendment. Any failure of the Company to mail such notice shall not in any way impair or affect the validity of such amendment, supplement or waiver.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment or supplement, but it shall be sufficient if such consent approves the substance thereof.

9.03 COMPLIANCE WITH TRUST INDENTURE ACT.

Every amendment, waiver or supplement to this Indenture or the Securities shall comply with the TIA as then in effect.

9.04 REVOCATION AND EFFECT OF CONSENTS.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to its Security or portion of a Security if the Trustee receives the notice of revocation before the date the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Securityholder.

After an amendment, supplement or waiver becomes effective with respect to the Securities, it shall bind every Securityholder unless it makes a change described in Section 9.02. In that case, the amendment, supplement or waiver shall bind each Holder of a Security who has consented to it and, provided that notice of such amendment, supplement or waiver is reflected on a Security that evidences the same debt as the consenting Holder's Security, every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security.

9.05 NOTATION ON OR EXCHANGE OF SECURITIES.

If an amendment, supplement or waiver changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security as directed and prepared by the Company about the changed terms and return it to the Holder. Alternatively, if the Company so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms.

9.06 TRUSTEE PROTECTED.

The Trustee need not sign any amendment, supplement or waiver authorized pursuant to this Article IX that adversely affects the Trustee's rights, duties, liabilities or immunities. The Trustee shall be entitled to receive and conclusively rely upon an Opinion of Counsel and an Officers' Certificate that any supplemental indenture, amendment or waiver complies with the Indenture.

X. CONVERSION

10.01 CONVERSION PRIVILEGE; RESTRICTIVE LEGENDS.

A Holder of a Security may convert such Security into Common Stock at any time during the period stated in paragraph 9 of the Securities. The initial conversion rate is stated in paragraph 9 of the Securities. The conversion rate is subject to adjustment in accordance with Sections 10.06 through 10.12.

A Holder may convert a portion of the principal of such Security if the portion is \$1,000 principal amount or a positive integral multiple of \$1,000 principal amount. Provisions of this Indenture that apply to conversion of all of a Security also apply to conversion of a portion of it.

Any shares issued upon conversion of a Security shall bear the Private Placement Legend until after the second anniversary of the later of the issue date for the Securities and the last date on which the Company or any Affiliate of the Company was the owner of such shares or the Security (or any predecessor security) from which such shares were converted (or such shorter period of time as permitted by Rule 144(k) under the Securities Act or any successor provision thereunder) (or such longer period of time as may be required under the Securities Act or applicable state securities laws in the Opinion of Counsel for the Company, unless otherwise agreed by the Company and the Holder thereof).

10.02 CONVERSION PROCEDURE.

To convert a Security, a Holder must satisfy the requirements in paragraph 9 of the Securities. The date on which the Holder satisfies those requirements is the Conversion Date. As soon as practicable following the Conversion Date, the Company shall deliver to the Holder through the Conversion Agent a certificate for the number of full shares of Common Stock issuable upon the conversion and a check in lieu of any fractional share. The person in whose name the certificate is registered shall be treated as a stockholder of record on and after the Conversion Date.

Except as described below, no payment or adjustment will be made for accrued interest on, or liquidated damages with respect to, a converted Security or for dividends on any Common Stock issued on or prior to conversion. If any Holder surrenders a Security for conversion after the close of business on the record date for the payment of an installment of interest and prior to the opening of business on the next interest payment date, then, notwithstanding such conversion, the interest payable on such interest payment date shall be paid to the Holder of such Security on such record date; provided, however, that such Security, when surrendered for conversion, must be accompanied by payment to the Trustee on behalf of the Company of an amount equal to the interest payable on such interest payment date on the portion so converted; provided, further, however, that such payment to the Trustee described in the immediately preceding proviso shall not be required in connection with any conversion of a Security called for redemption pursuant to Section 3.04 hereof on a redemption date that is after a record date for the payment of interest and on or before the day that is one business day following the corresponding interest payment date.

If a Holder converts more than one Security at the same time, the number of full shares issuable upon the conversion shall be based on the total principal amount of the Securities converted.

Upon surrender of a Security that is converted in part the Trustee shall authenticate for the Holder a new Security equal in principal amount to the unconverted portion of the Security surrendered.

If the last day on which a Security may be converted is a Legal Holiday in a place where a Conversion Agent is located, the Security may be surrendered to that Conversion Agent on the next succeeding day that is not a Legal Holiday.

10.03 FRACTIONAL SHARES.

The Company will not issue fractional shares of Common Stock upon conversion of Securities and instead will deliver a check in an amount equal to the value of such fraction computed on the basis of the last sale price of the Common Stock as reported on the NYSE (or if not listed for trading thereon, then on the principal securities exchange or on the principal automated quotation system on which the Common Stock is listed or admitted to trading) at the close of business on the last trading day prior to the date of conversion. If on the date of conversion, the Common Stock is not quoted by any such organization, the fair value of such Common Stock on such day, as reasonably determined in good faith by the Board of Directors shall be used.

10.04 TAXES ON CONVERSION.

If a Holder converts its Security, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of Common Stock upon the conversion. However, the Holder shall pay any such tax which is due because the shares are issued in a name other than the Holder's name.

10.05 COMPANY TO PROVIDE STOCK.

The Company shall reserve out of its authorized but unissued Common Stock or Common Stock held in its treasury enough shares of Common Stock to permit the conversion of all of the Securities.

All shares of Common Stock which may be issued upon conversion of the Securities shall be validly issued, fully paid and non-assessable.

The Company will endeavor to comply with all securities laws regulating the offer and delivery of shares of Common Stock upon conversion of Securities and will endeavor to list such shares on each national securities exchange or automated quotation system on which the Common Stock is listed.

10.06 ADJUSTMENT OF CONVERSION RATE.

The conversion rate shall be subject to adjustment from time to time as follows:

(a) In case the Company shall (1) pay a dividend on shares of Common Stock in shares of Common Stock, (2) make a distribution on shares of Common Stock in shares of other Capital Stock, (3) subdivide the outstanding shares of Common Stock into a greater number of shares of Common Stock or (4) combine the outstanding shares of Common Stock into a smaller number of shares of Common Stock, the conversion rate in effect immediately prior to such action shall be adjusted so that the holder of any Security thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock which he would have owned immediately following such action had such Securities been converted immediately prior thereto. Any adjustment made pursuant to this Section 10.06(a) shall become effective immediately after the record date in the case of a dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision or combination.

(b) In case the Company shall issue rights or warrants to all holders of Common Stock entitling them (for a period commencing no earlier than the record date for the determination of holders of Common Stock entitled to receive such rights or warrants and expiring not more than 60 days after such record date) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock), at a price per share less than the then current market price (as determined pursuant to Section 10.06(g) below) of Common Stock on such record date, the conversion rate shall be increased by multiplying the conversion rate in effect immediately prior to such record date by a fraction of which the numerator shall be the number of shares of Common Stock outstanding on such record date, plus the number of shares of Common Stock so offered for subscription or purchase, and the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on such record date plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at such current market price. Such adjustments shall become

effective immediately after such record date; provided that the conversion rate will be readjusted to the extent that such rights or warrants are not exercised prior to their expiration.

(c) In case the Company shall distribute to all holders of Common Stock debt securities or other assets (other than cash dividends out of current or retained earnings), or shall distribute to all holders of Common Stock rights or warrants to subscribe for securities (other than those referred to in Section 10.06(b) above), then in each such case the conversion rate shall be increased by multiplying the conversion rate in effect immediately prior to the close of business on the record date for the determination of shareholders entitled to such distribution by a fraction of which the numerator shall be the current market price of Common Stock (determined as provided in subsection (g) below), on such date and the denominator shall be such current market price less the fair market value (as determined by the Board of Directors whose determination shall be conclusive and described in a Board Resolution) on such date of the portion of the evidences of indebtedness, shares of capital stock, cash and other assets to be distributed or of such subscription rights or warrants applicable to one share of Common Stock, such increase to become effective immediately prior to the opening of business on the day following such record date. Notwithstanding the foregoing, in the event that the Company shall distribute rights or warrants (other than those referred to in Section 10.06(b) above) ("Rights") pro rata to holders of Common Stock, the Company may, in lieu of making any adjustment pursuant to this Section 10.06(c), make proper provision so that each Holder of a Security who converts such Security (or any portion thereof) after the record date for such distribution and prior to the expiration or redemption of the Rights shall be entitled to receive upon such conversion, in addition to the shares of Common Stock issuable upon such conversion (the "Conversion Shares"), a number of Rights to be determined as follows: (i) if such conversion occurs on or prior to the date for the distribution to the holders of Rights of separate certificates evidencing such Rights (the "Distribution Date"), the same number of Rights to which a holder of a number of shares of Common Stock equal to the number of shares of Conversion Shares is entitled at the time of such conversion in accordance with the terms and provisions of and applicable to the Rights; and (ii) if such conversion occurs after the Distribution Date, the same number of Rights to which a holder of the number of shares of Common Stock into which the principal amount of the Security so converted was convertible immediately prior to the Distribution Date would have been entitled on the Distribution Date in accordance with the terms and provisions of and applicable to the Rights.

(d) In case the Company shall, by dividend or otherwise, at any time make a distribution (the "Triggering Distribution," and the amount of the Triggering Distribution, together with the sum of (w) and (x) below, the "Combined Amount") to all or substantially all holders of its Common Stock of cash (including any distributions of cash out of current or retained earnings of the Company, but excluding any cash that is distributed as part of a distribution requiring a conversion rate adjustment pursuant to subsection

(c) above or subsection (e) below) in an aggregate amount that, together with the sum of (w) the aggregate amount of any cash and the fair market value (as determined in good faith by the Board of Directors, whose determination shall be conclusive thereof and described in a Board Resolution), as of the expiration of the tender or exchange offer referred to below, of any other consideration payable in respect of any tender or exchange offer by the Company or a subsidiary of the Company for all or any portion of the Common Stock consummated within the 12 months preceding the date of payment of the Triggering Distribution and in respect of which no conversion rate adjustment has been made pursuant to this Section 10.06, and (x) the aggregate amount of all other cash distributions to all or substantially all holders of Common Stock made within the 12 months preceding the date of payment of the Triggering Distribution and in respect of which no conversion rate adjustment has been made pursuant to this Section 10.06, exceeds 10% of the product of the current market price per share (as determined in accordance with subsection (g) of this Section 10.06) of the Common Stock on the close of business, New York City time, on the business day (the "Distribution Declaration Date") immediately preceding the day on which the Triggering Distribution is declared by the Company and the number of shares of Common Stock outstanding on the Distribution Declaration Date (excluding shares held in the treasury of the Company), the conversion rate shall be adjusted by multiplying the conversion rate in effect immediately prior to the effectiveness of the conversion rate adjustment contemplated by this subsection (d) by a fraction (y) the numerator of which shall be such current market price per share of Common Stock on the Distribution Declaration Date and (z) the denominator of which shall be (I) such current market price per share of Common Stock on the Distribution Declaration Date less (II) the number obtained by dividing the Combined Amount by such number of shares of Common Stock outstanding. Such adjustment shall become effective immediately prior to the opening of business on the day following the Distribution Declaration Date.

(e) In case a tender offer or exchange offer made by the Company or any of its subsidiaries for all or any portion of the Common Stock shall expire and such tender offer or exchange offer (as amended upon the expiration thereof) shall require the payment to stockholders (based on the acceptance (up to any maximum specified in the terms of the tender offer or exchange offer) of Purchased Shares (as defined below)) of an aggregate consideration having a fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution) that combined together with:

- (1) the aggregate of the cash plus the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution), as of the expiration of such tender offer or exchange offer, of consideration payable in respect of any other tender offers or exchange offers, by the Company or any of its subsidiaries for all or any portion of the Common Stock

expiring within the 12 months preceding the expiration of such tender offer or exchange offer and in respect of which no adjustment pursuant to this Section 10.06 has been made, and

- (2) the aggregate amount of any distributions to all or substantially all holders of the Company's Common Stock made exclusively in cash within the 12 months preceding the expiration of such tender offer or exchange offer and in respect of which no adjustment pursuant to Section 10.06 has been made,

exceeds 10% of the product of the current market price per share (as determined in accordance with subsection (g) of this Section 10.06) as of the last time (the "Expiration Time") tenders or exchanges could have been made pursuant to such tender offer or exchange offer (as it may be amended) times the number of shares of Common Stock outstanding (including any tendered shares or exchanged shares but excluding shares held in the treasury of the Company) at the Expiration Time,

then, and in each such case, immediately prior to the opening of business on the day after the date of the Expiration Time, the conversion rate shall be adjusted by multiplying the conversion rate in effect immediately prior to the close of business on the date of the Expiration Time by a fraction:

- (i) the numerator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer or exchange offer of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the current market price of the Common Stock as of the Expiration Time; and
- (ii) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares but excluding shares held in the treasury of the Company) at the Expiration Time multiplied by the current market price of the Common Stock as of the Expiration Time.

Such adjustment (if any) shall become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender offer or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded,

the conversion rate shall again be adjusted to be the conversion rate which would then be in effect if such tender offer or exchange offer had not been made. If the application of this Section 10.06(e) to any tender offer or exchange offer would result in a decrease in the conversion rate, no adjustment shall be made for such tender offer or exchange offer under this Section 10.06(e).

(f) In addition to the foregoing adjustments in subsections (a), (b), (c), (d) and (e) above, the Company, from time to time and to the extent permitted by law, may increase the conversion rate by any amount for at least 20 days or such longer period as may be required by law, if the Board of Directors of the Company has made a determination, which determination shall be conclusive, that such increase would be in the best interests of the Company, provided that the effective Conversion Price is not less than the par value of a share of Common Stock. The Company shall give notice to the Trustee and cause notice of such increase to be mailed to each Holder of Securities at such Holder's address as the same appears on the registry books of the Registrar, at least 15 days prior to the date on which such increase commences. Such conversion rate increase shall be irrevocable during such period.

(g) For the purpose of any computation under subsections (a), (b), (c), (d) and (e) above of this Section 10.06, the current market price per share of Common Stock on the date fixed for determination of the stockholders entitled to receive the issuance or distribution requiring such computation (the "Determination Date") shall be deemed to be the average of the Daily Market Prices for the ten consecutive trading days immediately preceding the Determination Date; provided, however, that (i) if the "ex" date for any event (other than the issuance or distribution requiring such computation) that requires an adjustment to the conversion rate pursuant to subsection (a), (b), (c), (d) or (e) above occurs on or after the tenth trading day prior to the Determination Date and prior to the "ex" date for the issuance or distribution requiring such computation, the Daily Market Price for each trading day prior to the "ex" date for such other event shall be

adjusted by multiplying such Daily Market Price by the reciprocal of the fraction by which the conversion rate is so required to be adjusted as a result of such other event, (ii) if the "ex" date for any event (other than the issuance or distribution requiring such computation) that requires an adjustment to the conversion rate pursuant to subsection (a), (b), (c), (d) or (e) above occurs on or after the "ex" date for the issuance or distribution requiring such computation and on or prior to the Determination Date, the Daily Market Price for each business day on and after the "ex" date for such other event shall be adjusted by multiplying such Daily Market Price by the same fraction by which the conversion rate is so required to be adjusted as a result of such other event, and (iii) if the "ex" date for the issuance or distribution requiring such computation is on or prior to the Determination Date, after taking into account any adjustment required pursuant to clause (i) or (ii) of this proviso, the Daily Market Price for each trading day on and after the "ex" date shall be adjusted by adding thereto the amount of any cash and the fair market value (as determined by the Board of Directors in a manner consistent with any determination of such value for the purposes of this Section 10.06, whose determination shall be conclusive and described in a Resolution of the Board of Directors) of the evidences of indebtedness, shares of capital stock or other securities or assets being distributed (in the distribution requiring such computation) applicable to one share of Common Stock as of the close of business on the day before such "ex" date. For the purpose of any computation under subsection (e) of this Section 10.06, the current market price per share of Common Stock at the expiration time for the tender offer requiring such computation shall be deemed to be the average of the Daily Market Price for the ten consecutive trading days commencing on the business day immediately following the expiration time of such tender offer (the "Commencement Date"); provided, however, that if the "ex" date for any event (other than the tender offer requiring such computation) that requires an adjustment to the conversion rate pursuant to subsection (a), (b), (c), (d) or (e) above occurs on or after the expiration time for the tender offer requiring such computation and prior to the day in question, the Daily Market Price for each trading day on or after to the "ex" date for such other event shall be adjusted by multiplying such Daily Market Price by the same fraction by which the conversion rate is so required to be adjusted as a result of such other event. For purposes of this subsection, the term "ex" date, (i) when used with respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Daily Market Price was obtained without the right to receive such issuance or distribution, (ii) when used with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and (iii) when used with respect to any tender offer means the first date on which the Common Stock trades regular way on such exchange or in such market after the expiration time of such tender offer (as it may be amended or extended).

10.07 NO ADJUSTMENT.

No adjustment in the conversion rate shall be required until cumulative adjustments amount to 1% or more of the conversion rate as last adjusted; provided, however, that any adjustments which by reason of this Section 10.07 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Article X shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be. No adjustment need be made for rights to purchase Common Stock pursuant to a Company plan for reinvestment of dividends or interest. No adjustment need be made for a change in the par value of the Common Stock.

If any rights, options or warrants issued by the Company as described in Section 10.06 are only exercisable upon the occurrence of certain triggering events, then the conversion rate will not be adjusted as provided in Section 10.06 until the earliest of such triggering event occurs. Upon the expiration or termination of any rights, options or warrants without the

exercise of such rights, options or warrants, the conversion rate then in effect shall be adjusted immediately to the conversion rate which would have been in effect at the time of such expiration or termination had such rights, options or warrants, to the extent outstanding immediately prior to such expiration or termination, never been issued.

No adjustment need be made for a transaction referred to in this Article X if Securityholders are to participate in the transaction without conversion on a basis and with notice that the Board of Directors determines to be fair and appropriate in light of the basis and notice on which holders of Common Stock participate in the transaction.

10.08 OTHER ADJUSTMENTS.

In the event that, as a result of an adjustment made pursuant to Section 10.06 hereof, the Holder of any Security thereafter surrendered for conversion shall become entitled to receive any shares of Capital Stock other than shares of Common Stock, thereafter the conversion rate of such other shares so receivable upon conversion of any Security shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock contained in this Article X.

10.09 ADJUSTMENTS FOR TAX PURPOSES.

The Company may make such increases in the conversion rate, in addition to those required by Section 10.06 hereof, as it determines to be advisable in order that any stock dividend, subdivision of shares, distribution or rights to purchase stock or securities or distribution of securities convertible into or exchangeable for stock made by the Company or to its stockholders will not be taxable to the recipients thereof.

10.10 NOTICE OF ADJUSTMENT.

Whenever the conversion rate is adjusted, the Company shall promptly mail to Holders at the addresses appearing on the Registrar's books a notice of the adjustment and file with the Trustee an Officers' Certificate briefly stating the facts requiring the adjustment and the manner of computing it. The certificate shall be conclusive evidence of the correctness of such adjustment.

10.11 NOTICE OF CERTAIN TRANSACTIONS.

In the event that:

(1) the Company takes any action which would require an adjustment in the conversion rate;

(2) the Company takes any action that would require a supplemental indenture pursuant to Section 10.12; or

(3) there is a dissolution or liquidation of the Company;

a Holder of a Security may wish to convert such Security into shares of Common Stock prior to the record date for or the effective date of the transaction so that he may receive the rights, warrants, securities or assets

which a holder of shares of Common Stock on that date may receive. Therefore, the Company shall mail to Holders at the addresses appearing on the Registrar's books and the Trustee a notice stating the proposed record or effective date, as the case may be, of any transaction referred to in clause (1), (2) or (3) of this Section 10.11. The Company shall mail such notice at least 15 days before such date; however, failure to mail such notice or any defect therein shall not affect the validity of any transaction referred to in clause (1), (2) or (3) of this Section 10.11.

10.12 EFFECT OF RECLASSIFICATIONS, CONSOLIDATIONS, MERGERS, BINDING SHARE EXCHANGES OR SALES ON CONVERSION PRIVILEGE.

If any of the following shall occur, namely: (i) any reclassification or change in the Common Stock issuable upon conversion of Securities (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or (ii) any consolidation, merger or binding share exchange to which the Company is a party other than a merger in which the Company is the continuing corporation and which does not result in any reclassification of, or change (other than a change in name, or par value, or from par value to no par value, or from no par value to par value or as a result of a subdivision or combination) in, the Common Stock, then the Company or such successor or purchasing corporation, as the case may be, shall, as a condition precedent to such reclassification, change, consolidation, merger or binding share exchange, execute and deliver to the Trustee a supplemental indenture in form reasonably satisfactory to the Trustee providing that the Holder of each Security then outstanding shall have the right to convert such Security into the kind and amount of shares of stock and other securities and property (including cash) receivable upon such reclassification, change, consolidation, merger, binding or share exchange by a holder of the number of shares of Common Stock, deliverable upon conversion of such Security immediately prior to such reclassification, change, consolidation, merger or binding share exchange. Such supplemental indenture shall provide for adjustments of the conversion rate which shall be as nearly equivalent as may be practicable to the adjustments of the conversion rate provided for in this Article X. The foregoing, however, shall not in any way affect the right a Holder of a Security may otherwise have, pursuant to clause (ii) of the last sentence of subsection (c) of Section 10.06 hereof, to receive Rights upon conversion of a Security. If, in the case of any such consolidation, merger or binding share exchange, the stock or other securities and property (including cash) receivable thereupon by a holder of Common Stock includes shares of stock or other securities and property of a corporation other than the successor or purchasing corporation, as the case may be, in such consolidation, merger or binding share exchange, then such supplemental indenture shall also be executed by such other corporation and shall contain such additional provisions to protect the interests of the Holders of the Securities as the Board of Directors shall reasonably consider necessary by reason of the foregoing. The provision of this Section 10.12 shall similarly apply to successive consolidations, mergers or binding share exchanges.

In the event the Company shall execute a supplemental indenture pursuant to this Section 10.12, the Company shall promptly file with the Trustee an Officers' Certificate briefly stating the reasons therefor, the kind or amount of shares of stock or securities or property (including cash) receivable by Holders of the Securities upon the conversion of their Securities after any such reclassification, change, consolidation, merger,

binding share exchange, sale or conveyance and any adjustment to be made with respect thereto.

10.13 TRUSTEE'S DISCLAIMER.

The Trustee has no duty to determine when an adjustment under this Article X should be made, how it should be made or what such adjustment should be, but may accept as conclusive evidence of the correctness of any such adjustment, and shall be protected in relying upon the Officers' Certificate with respect thereto which the Company is obligated to file with the Trustee pursuant to Section 10.10 hereof. The Trustee makes no representation as to the validity or value of any securities or assets issued upon conversion of Securities, and the Trustee shall not be responsible for the failure by the Company to comply with any provisions of this Article X.

The Trustee shall not be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture executed pursuant to Section 10.12, but may accept as conclusive evidence of the correctness thereof, and shall be protected in relying upon, the Officers' Certificate with respect thereto which the Company is obligated to file with the Trustee pursuant to Section 10.12 hereof.

XI. SUBORDINATION

11.01 AGREEMENT TO SUBORDINATE.

The Company agrees, and each Securityholder by accepting a Security agrees, that the payment of all amounts due with respect to the Securities is subordinated in right of payment, to the extent and in the manner provided in this Article XI, to the prior payment in full of all Senior Indebtedness and that the subordination is for the benefit of the holders of Senior Indebtedness.

Money and securities held in trust pursuant to Article VIII are not subject to the subordination provisions of this Article XI.

11.02 CERTAIN DEFINITIONS.

"Indebtedness" means, with respect to any person, the principal of, and premium, if any, and interest on (a) all indebtedness of such person for borrowed money (including all indebtedness evidenced by notes, bonds, debentures or other securities sold by such person for money), (b) all debt obligations incurred by such person in the acquisition (whether by way of purchase, merger, consolidation or otherwise and whether by such person or another person) of any business, real property or other assets (except inventory and related items acquired in the ordinary course of conduct of the acquiror's usual business), (c) guarantees by such person of indebtedness described in clause (a) or (b) of another person, (d) all renewals, extensions, refundings, deferrals, restructurings, amendments and modifications of any such indebtedness, obligation or guarantee, (e) all reimbursement obligations of such person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such person, (f) all capital lease obligations of such person and (g) all net obligations of such person under interest rate swap, currency exchange or similar agreements of such person.

"Representative" means the indenture trustee or other trustee, agent or representative for an issue of Senior Indebtedness.

"Senior Indebtedness" means all Indebtedness of the Company outstanding at any time, except (a) the Securities, (b) Indebtedness that by its terms provides that it shall not be "senior" in right of payment to the Securities or (c) Indebtedness that by its terms provides that it shall be "pari passu" or "junior" in right of payment to the Securities. Senior Indebtedness does not include Indebtedness of the Company to any of its subsidiaries.

11.03 LIQUIDATION; DISSOLUTION; BANKRUPTCY.

Upon any distribution of assets to creditors of the Company in a liquidation or dissolution of the Company, or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property:

(i) holders of Senior Indebtedness shall be entitled to receive payment in full of the principal of and interest (including interest accruing after the commencement of any such proceeding) to the date of payment on the Senior Indebtedness before Securityholders shall be entitled to receive any payment from the Company of amounts due with respect to the Securities (other than cash payments due upon conversion of Securities in lieu of fractional shares); and

(ii) until the Senior Indebtedness is paid in full, any distribution to which Securityholders would be entitled from the Company but for this Article XI shall be made to holders of Senior Indebtedness, as their interests may appear, except the Securityholders may receive securities that are subordinated to Senior Indebtedness to at least the same extent as the Securities and payments made pursuant to Sections 8.01 and 8.02.

Upon any distribution of assets or proceeds thereof of any subsidiary of the Company in a liquidation or dissolution of such subsidiary, or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to such subsidiary or its property, the Securityholders shall not have any right to participate in such assets or proceeds until the holders of the Indebtedness, including trade payables, of such subsidiary are paid in full.

11.04 COMPANY NOT TO MAKE PAYMENTS WITH RESPECT TO SECURITIES IN CERTAIN CIRCUMSTANCES.

No payment of amounts due may be made by the Company, directly or indirectly, with respect to the Securities (including any repurchase pursuant to the exercise of the Repurchase Right) or to acquire any of the Securities at any time if a default in payment of the principal of or premium, if any, or interest on Senior Indebtedness exists unless and until such default shall have been cured or waived or shall have ceased to exist. During the continuance of any default with respect to any Senior Indebtedness pursuant to which any Senior Indebtedness has been issued (other than default in payment of the principal of or premium, if any, or interest on any Senior Indebtedness), permitting the holders thereof to accelerate the maturity thereof, no payment may be made by the Company, directly or indirectly, of

any amount due with respect to the Securities (a "Payment Blockage") until the earlier of (i) the date on which such default has been cured or waived or ceases to exist and (ii) 180 days following receipt of written notice (a "Payment Blockage Notice") to the Company from any holder or holders thereof or its Representative or Representatives or the trustee or trustees under any indenture under which any instrument evidencing any such Senior Indebtedness may have been issued, that such a default has occurred and is continuing and (iii) the date on which such Senior Indebtedness is discharged or paid in full. Notwithstanding the foregoing, only one Payment Blockage Notice with respect to the same default may be given during any period of 360 consecutive days unless such default has been cured or waived or has ceased to exist for a period of not less than 90 consecutive days; provided that in no event shall more than one interest payment be blocked during any such 360-day period. No new Payment Blockage notice may be delivered by the holders of Senior Indebtedness during any 360-day period unless all defaults which triggered the preceding Payment Blockage period shall have been cured, waived or shall have ceased to exist. However, if the maturity of such Senior Indebtedness is accelerated, no payment may be made by the Company on the Securities until such Senior Indebtedness that has matured has been paid or such acceleration has been cured or waived.

Regardless of anything to the contrary herein, nothing shall prevent (a) any payment by the Trustee to the Securityholders of amounts deposited with it pursuant to Article VIII or (b) any payment by the Trustee or the Paying Agent as permitted by Section 11.12. Nothing contained in this Article XI will limit the right of the Trustee or the Securityholders to take any action to accelerate the maturity of the Securities pursuant to Section 6.02 or to pursue any rights or remedies hereunder.

11.05 ACCELERATION OF SECURITIES.

If payment of the Securities is accelerated because of an Event of Default, the Company shall promptly notify holders of Senior Indebtedness of the acceleration.

11.06 WHEN DISTRIBUTION MUST BE PAID OVER.

In the event that the Company shall make any payment to the Trustee with respect to the Securities at a time when such payment is prohibited by Section 11.03 or 11.04, such payment shall be held by the Trustee, in trust for the benefit of, and shall be paid forthwith over and delivered to, the holders of Senior Indebtedness (pro rata as to each of such holders on the basis of the respective amounts of Senior Indebtedness held by them) or their Representative or the trustee under the indenture or other agreement (if any) pursuant to which Senior Indebtedness may have been issued, as their respective interests may appear, for application to the payment of all Senior Indebtedness remaining unpaid to the extent necessary to pay all Senior Indebtedness in full in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness.

If a distribution is made to Securityholders, that because of this Article XI should not have been made to them, the Securityholders who receive the distribution shall hold it in trust for holders of Senior Indebtedness and pay it over to them as their interests may appear.

11.07 NOTICE BY COMPANY.

The Company shall promptly notify the Trustee and the Paying Agent in writing of any facts known to the Company that would cause a payment of any amount due with respect to the Securities to violate this Article XI, but failure to give such notice shall not affect the subordination of the Securities to the Senior Indebtedness provided in this Article XI.

11.08 SUBROGATION.

After all Senior Indebtedness is paid in full and until the Securities are paid in full, Securityholders shall be subrogated (equally and ratably with all other Indebtedness of the Company ranking pari passu with the Securities) to the rights of holders of Senior Indebtedness to receive distributions applicable to Senior Indebtedness to the extent that distributions otherwise payable to the Securityholders have been applied to the payment of Senior Indebtedness. A distribution made under this Article XI to holders of Senior Indebtedness which otherwise would have been made to Securityholders is not, as between the Company and Securityholders, a payment by the Company on Senior Indebtedness.

11.09 RELATIVE RIGHTS.

This Article XI defines the relative rights of Securityholders and holders of Senior Indebtedness. Nothing in this Indenture shall:

(i) impair, as between the Company, on the one hand, and Securityholders, on the other hand, the obligation of the Company, which is absolute and unconditional, to pay all amounts due with respect to the Securities in accordance with their terms;

(ii) affect the relative rights of Securityholders and creditors of the Company other than holders of Senior Indebtedness; or

(iii) prevent the Trustee or any Securityholder from exercising its available remedies upon a Default or Event of Default, subject to the rights of holders of Senior Indebtedness to receive distributions otherwise payable to Securityholders.

Upon any distribution of assets of the Company referred to in this Article XI, the Trustee, subject to the provisions of Sections 7.01 and 7.02, and the Holders of the Securities shall be entitled to rely upon any order or decree by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the liquidating trustee or agent or other person making any distribution to the Trustee or the Holders of the Securities, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article XI. Nothing contained in this Article XI or elsewhere in this Indenture or in any Security is intended to or shall affect the obligation of the Company to make, or prevent the Company from making, at any time except during the pendency of any dissolution, winding up, liquidation or reorganization proceeding,

and except during the continuance of any default specified in Section 11.04 (not cured or waived), payments at any time of all amounts due with respect to the Securities.

11.10 SUBORDINATION MAY NOT BE IMPAIRED BY COMPANY.

No right of any holder of Senior Indebtedness to enforce the subordination of the indebtedness evidenced by the Securities shall be impaired by any act or failure to act by the Company or by the failure of the Company to comply with this Indenture.

11.11 DISTRIBUTION OR NOTICE TO REPRESENTATIVE.

Whenever a distribution is to be made or a notice given to holders of Senior Indebtedness, the distribution may be made and the notice given to their Representatives.

11.12 RIGHTS OF TRUSTEE AND PAYING AGENT.

The Trustee or Paying Agent may continue to make payments on the Securities until it receives written notice of facts that would cause a payment of amounts due with respect to the Securities to violate this Article XI. Only the Company or a Representative or a holder of an issue of Senior Indebtedness that has no Representative may give the notice.

The Trustee shall be entitled to conclusively rely on the delivery to it of a written notice by a person representing himself to be a holder of Senior Indebtedness (or a Representative on behalf of such holder) to establish that such notice has been given by a holder of Senior Indebtedness or a Representative on behalf of any such holder. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any person who is a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article XI, the Trustee may request such person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such person, the extent to which such person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such person under this Article XI, and if such evidence is not furnished the Trustee may defer any payment to such person pending judicial determination as to the right of such person to receive such payment or until such time as the Trustee shall be otherwise satisfied as to the right of such person to receive such payment.

The Trustee in its individual or any other capacity may hold Senior Indebtedness with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness and shall not be liable to any such holder if it shall mistakenly pay over or distribute to Securityholders or the Company or any other person money or assets to which any holders of Senior Indebtedness shall be entitled by virtue of this Article XI or otherwise.

11.13 OFFICERS' CERTIFICATE.

If there occurs an event referred to in Section 11.03 or 11.04, the Company shall promptly give to the Trustee an Officers' Certificate (on which the Trustee may conclusively rely) identifying all holders of Senior Indebtedness or their Representatives and the principal amount of Senior Indebtedness then outstanding held by each such holder and stating the reasons why such Officers' Certificate is being delivered to the Trustee.

11.14 NOT TO PREVENT EVENTS OF DEFAULT.

The failure to make any payment due with respect to the Securities by reason of any provision of this Article XI shall not be construed as preventing the occurrence of an Event of Default under Section 6.01

XII. MISCELLANEOUS

12.01 TRUST INDENTURE ACT CONTROLS.

If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision of the TIA shall control.

12.02 NOTICES.

Any notice or communication by the Company or the Trustee to one or both of the others is duly given if in writing and delivered in person, mailed by first-class mail or by express delivery to the other parties' addresses stated in this Section 12.02. The Company or the Trustee by notice to the others may designate additional or different addresses for subsequent notices or communications.

Any notice or communication to a Securityholder shall be mailed to its address shown on the register kept by the Registrar. Failure to mail a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders.

If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Securityholders, it shall mail a copy to the other and to the Trustee and each Agent at the same time.

All notices or communications shall be in writing.

The Company's address is:

Lennox International Inc.
2140 Lake Park Blvd.
Richardson, Texas 75080
Facsimile: (972) 497-6660
Attention: General Counsel

The Trustee's address is:

The Bank of New York
101 Barclay Street
New York, NY 10286
Facsimile: (212) 896-7299
Attention: Corporate Trust Department

12.03 COMMUNICATION BY HOLDERS WITH OTHER HOLDERS.

Securityholders may communicate pursuant to TIA ss. 312(b) with other Securityholders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA ss. 312(c).

12.04 CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(i) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(ii) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Each signer of an Officers' Certificate or an Opinion of Counsel may (if so stated) rely, effectively, upon an Opinion of Counsel as to legal matters and an Officers' Certificate as to factual matters if such signer reasonably and in good faith believes in the accuracy of the document relied upon.

12.05 STATEMENTS REQUIRED IN CERTIFICATE OR OPINION.

Each Officers' Certificate or Opinion of Counsel with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(i) a statement that the person making such certificate or opinion has read such covenant or condition;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(iii) a statement that, in the opinion of such person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

12.06 RULES BY TRUSTEE AND AGENTS.

The Trustee may make reasonable rules for action by or at a meeting of Securityholders. The Registrar, Paying Agent or Conversion Agent may make reasonable rules and set reasonable requirements for their respective functions.

12.07 LEGAL HOLIDAYS.

A "Legal Holiday" is a Saturday, a Sunday or a day on which banking institutions are not required to be open in the City of New York, in the State of New York or in the city in which the Trustee administers its corporate trust business. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on that payment for the intervening period.

A "business day" is a day other than a Legal Holiday.

12.08 NO RECOURSE AGAINST OTHERS.

No past, present or future director, officer, employee, incorporator or stockholder of the Company, as such, shall have any liability for any obligations of the Company under the Securities or this Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Securities.

12.09 DUPLICATE ORIGINALS.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. Delivery of an executed counterpart by facsimile shall be effective as delivery of a manually executed counterpart thereof.

12.10 GOVERNING LAW.

The laws of the State of New York, without regard to principles of conflicts of law, shall govern this Indenture and the Securities.

12.11 NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or any of its subsidiaries. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

12.12 SUCCESSORS.

All agreements of the Company in this Indenture and the Securities shall bind their respective successors. All agreements of the Trustee in this Indenture shall bind its successors.

12.13 SEPARABILITY.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and a Holder shall have no claim therefor against any party hereto.

12.14 TABLE OF CONTENTS, HEADINGS, ETC.

The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the date first above written.

LENNOX INTERNATIONAL INC.

By: /s/ Richard A. Smith

Executive Vice President,
Chief Financial Officer and
Treasurer

THE BANK OF NEW YORK

By: /s/ Terence Rawlins

Vice President

[Face of Security]

LENNOX INTERNATIONAL INC.

Certificate No. _____

[INSERT PRIVATE PLACEMENT LEGEND AND GLOBAL SECURITY LEGEND
AS REQUIRED]

6 1/4% Convertible Subordinated Note due 2009
CUSIP No. _____

LENNOX INTERNATIONAL INC., a Delaware corporation (herein called the "Company"), for value received, hereby promises to pay to Cede & Co. or registered assigns, the principal sum of _____ Dollars (\$_____) on June 1, 2009, and to pay interest thereon, as provided on the reverse hereof, until the principal and any unpaid and accrued interest is paid or duly provided for. The right to payment of the principal and all other amounts due with respect hereto is subordinated to the rights of Senior Indebtedness as set forth in the Indenture referred to on the reverse side hereof.

Interest Payment Dates: June 1 and December 1, with the first payment to be made on December 1, 2002.

Record Dates: May 15 and November 15.

The provisions on the back of this certificate are incorporated as if set forth on the face hereof.

IN WITNESS WHEREOF, LENNOX INTERNATIONAL INC. has caused this instrument to be duly signed.

LENNOX INTERNATIONAL INC.

By: /s/ Richard A. Smith

Executive Vice President,
Chief Financial Officer and
Treasurer

Dated: _____

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK, as Trustee

By: /s/ Terence Rawlins

Authorized Signatory

Dated: _____

[REVERSE OF SECURITY]

LENNOX INTERNATIONAL INC.

6 1/4% Convertible Subordinated Note due 2009

1. Interest. LENNOX INTERNATIONAL INC., a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Security at the rate per annum shown above. The Company will pay interest semi-annually on June 1 and December 1 of each year, with the first payment to be made on December 1, 2002. Interest on the Securities will accrue on the principal amount from the most recent date to which interest has been paid or provided for or, if no interest has been paid, from May 8, 2002. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Maturity. The Securities will mature on June 1, 2009.

3. Method of Payment. The Company will pay interest on the Securities (except defaulted interest) to the persons who are registered Holders of Securities at the close of business on the record date set forth on the face of this Security next preceding the applicable interest payment date. Holders of Securities must surrender Securities to a Paying Agent to collect the principal, Redemption Price or Repurchase Price of the Securities. The Company will pay all amounts due with respect to the Securities in money of the United States that at the time of payment is legal tender for payment of public and private debts. The Company will pay interest on the Securities by wire transfer of immediately available funds to the account specified by the Holder, or, at the Company's option, by mailing a check to the Holders registered address.

4. Paying Agent, Registrar, Conversion Agent. Initially, THE BANK OF NEW YORK (the "Trustee") will act as Paying Agent, Registrar and Conversion Agent. The Company may change any Paying Agent, Registrar or Conversion Agent without notice. The Company may act in any such capacity.

5. Indenture. The Company issued the Securities under an Indenture dated as of May 8, 2002 (the "Indenture") between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S. Code ss.ss. 77aaa-77bbb) (the "Act") as in effect on the date of the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the Act for a statement of such terms. The Securities are general unsecured subordinated obligations of the Company limited to \$125,000,000 aggregate principal amount (\$143,750,000 if the Initial Purchasers (as defined in the Indenture) have elected to exercise their over-allotment option to purchase an additional \$18,750,000 of the Securities), except as otherwise provided in the Indenture (except for Securities issued in substitution for destroyed, mutilated, lost or stolen Securities). Terms used herein which are defined in the Indenture have the meanings assigned to them in the Indenture.

6. Optional Redemption. The Securities will be redeemable prior to maturity at the option of the Company, in whole or in part, at any time on or after June 3, 2005; provided that the Daily Market Price of the Company's

Common Stock has exceeded 130% of the Conversion Price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day prior to the date of mailing of notice of redemption pursuant to paragraph 7. The redemption prices for the Securities (expressed as percentages of the principal amount thereof), if redeemed during the twelve-month period commencing on the dates set forth below, in each case together with accrued and unpaid interest to, but excluding, the redemption date:

| Date ----- | Redemption Price ----- |
|--------------------------------|------------------------------|
| June 3, 2005 | 103.571% |
| June 1, 2006 | 102.679% |
| June 1, 2007 | 101.786% |
| June 1, 2008 and thereafter | 100.893% |

7. Notice of Redemption. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder of Securities to be redeemed at its registered address. Securities in denominations larger than \$1,000 principal amount may be redeemed in part but only in positive integral multiples of \$1,000 principal amount. On and after the redemption date interest ceases to accrue on Securities or portions of them called for redemption.

8. Repurchase at Option of Holder. In the event of a Change in Control with respect to the Company, then each Holder of the Securities shall have the right, at the Holder's option, subject to the rights of the holders of Senior Indebtedness under Article XI of the Indenture, to require the Company to repurchase such Holder's Securities including any portion thereof which is \$1,000 in principal amount or any positive integral multiple thereof on a day (the "Repurchase Date") no later than 30 business days after the date of the mailing of the Change in Control Notice, unless otherwise required by applicable law, at a price equal to 100% of the outstanding principal amount of such Security, plus accrued and unpaid interest to, but excluding, the Repurchase Date.

Within 30 business days after the occurrence of the Change in Control, the Company is obligated to give notice of the occurrence of such Change in Control to each Holder. Such notice shall include, among other things, the date by which Holder must notify the Company of such Holder's intention to exercise the Repurchase Right and of the procedure which such Holder must follow to exercise such right. To exercise the Repurchase Right, a Holder of Securities must deliver on or before the close of business on the third business day immediately preceding the Repurchase Date written notice to the Company (or an agent designated by the Company for such purpose) and the

Trustee of the Holder's exercise of such right together with the Securities with respect to which the right is being exercised, duly endorsed for transfer in accordance with the provisions of the Indenture.

A "Change in Control" of the Company shall be deemed to have occurred at such time as:

(i) any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act), other than an Exempt Person, is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50% or more of the voting power of the Company's Common Stock;

(ii) the individuals who on the issue date of the Securities constituted the Company's Board of Directors and any new directors whose election by the Company's Board of Directors or whose nomination for election by the Company's stockholders was approved by at least a majority of the directors then still in office who were either directors on the issue date of the Securities or whose election or nomination for election was previously so approved cease for any reason to constitute a majority of the Company's Board of Directors; or

(iii) the sale, lease or transfer of all or substantially all of the assets and property of the Company to any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), including any group acting for the purpose of acquiring, holding or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act; provided that the grant of a security interest in the Company's properties or assets in connection with a financing arrangement is not a conveyance, transfer or lease for the purposes of this subsection (iii).

However, a Change in Control will not be deemed to have occurred if either:

- (X) the Daily Market Price of the Company's Common Stock for any five trading days during the ten trading days immediately preceding the Change in Control is at least equal to 105% of the then effective Conversion Price on such trading date; or
- (Y) in the case of a merger or consolidation, all of the consideration (excluding cash payments for fractional shares and cash payments pursuant to dissenters' appraisal rights) in the merger or consolidation constituting the Change in Control consists of common stock traded on a U.S. national securities exchange or quoted on the Nasdaq National Market (or which will be so traded or quoted when issued or exchanged in connection with such Change in Control) and as a result of such transaction or transactions the Securities become convertible solely into such common stock and any such other consideration.

9. Conversion. A Holder of Securities may, convert a Security into Common Stock of the Company as follows:

A. A Holder of Securities may surrender Securities for conversion during any conversion period, if the Daily Market Price of the Common Stock for at least 20 consecutive trading days in the 30 consecutive trading-day period ending on the first day of the conversion period was more than 110% of the Conversion Price in effect on that thirtieth trading day. A "conversion period" will be the period from and including the thirtieth trading day in a fiscal quarter to, but not including the thirtieth trading day in the immediately following fiscal quarter.

B. A Holder of Securities may surrender Securities for conversion during the five business-day period following any 10 consecutive trading-day period in which the daily average of the trading prices for the Securities for that 10 trading-day period was less than 95% of the average conversion value for the Securities during that period. As used in this paragraph B, the "conversion value" is equal to the product of the Daily Market Price for the Common Stock on a given day multiplied by the then current conversion rate, which is the number of shares of Common Stock into which each Security is then convertible. As used in this paragraph B, the "trading price" of the Securities on any date of determination means the average of the secondary market bid quotations per Security obtained by the Company or the Calculation Agent for \$10,000,000 principal amount of Securities at approximately 3:30 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers the Company selects, provided that if at least three such bids cannot reasonably be obtained by the Company or the Calculation Agent, but two such bids are obtained, then the average of the two bids shall be used, and if only one such bid can reasonably be obtained by the Company or the Calculation Agent, this one bid shall be used. If either the Company or the Calculation Agent cannot reasonably obtain at least one bid for \$10,000,000 principal amount of Securities from a nationally recognized securities dealer or, in the Company's reasonable judgment, the bid quotations are not indicative of the secondary market value of the Securities, then the trading price of the Securities will equal (i) the then-applicable conversion rate of the Securities multiplied by (ii) the Daily Market Price of the Common Stock on such determination date. "Calculation Agent" means UBS Warburg LLC, First Union Securities, Inc. or J.P. Morgan Securities Inc., or any other securities dealer selected by the Company.

C. A Holder of Securities may surrender Securities for conversion if (i) the Company has called the Securities for redemption; provided that if a Security is called for redemption by the Company, the Holder may convert it at any time before the close of business on the business day immediately preceding the date fixed for such redemption, or (ii) the Securities are to be repurchased by the Company pursuant to paragraph 8 hereof; provided that (x) the Holder may convert the Securities at any time before the close of business on the business day immediately preceding the Repurchase Date and (y) if a Holder already has delivered a Change in Control Notice with respect to a Security, the Holder may not surrender that Security for conversion until the Holder has withdrawn the Change in Control Notice.

D. A Holder of Securities may surrender Securities for conversion if (i) the Company distributes rights or warrants to all holders of Common Stock entitling them (for a period commencing no

earlier than the record date for the determination of holders of Common Stock entitled to receive such rights or warrants and expiring not more than 60 days after such record date) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock), at a price per share less than the then current market price (as determined pursuant to Section 10.06(g) of the Indenture) of Common Stock on such record date, (ii) the Company distributes to all holders of Common Stock cash or other assets, debt securities or rights or warrants to subscribe for securities (other than those referred to in clause (i) above), which distribution has a per share value exceeding 10% of the Daily Market Price of the Common Stock on the trading day preceding the declaration date of such distribution, or (iii) a Change in Control has occurred other than pursuant to a transaction described in paragraph E below; provided that the Company shall mail to Holders of Securities a notice of such distribution or Change in Control at least 20 days prior to the ex-dividend date for the distribution or within 30 days of the occurrence of the Change in Control, as the case may be. Once such notice to Holders of Securities has been provided, Holders may convert their Securities any time until either (x) the earlier of close of business on the business day immediately prior to the ex-dividend date and the Company's announcement that the distribution will not take place, in the case of a distribution, or (y) within 30 days of the Change in Control notice, in the case of a Change in Control. In the case of a distribution, no adjustment to the ability of a Holder of Securities to convert will be made if the holder participates or will participate in the distribution without conversion.

E. If the Company is party to a consolidation, merger or binding share exchange or transfer of all or substantially all of the Company's assets pursuant to which the Common Stock will be converted into or the right to receive cash, securities or other property, a Holder of Securities may surrender Securities for conversion at any time from and after the date which is 15 days prior to the anticipated effective date of the transaction until 15 days after the effective date of the transaction and at the effective time of the transaction, the right to convert a Security into Common Stock will be deemed to have changed into a right to convert the Security into or the right to receive the kind and amount of cash, securities or other property which the Holder would have received if the Holder had converted the Security immediately prior to the transaction. If the transaction also constitutes a Change in Control, the Holder may require the Company to repurchase all or a portion of its Securities pursuant to paragraph 8.

The initial conversion rate is 55.2868 shares of Common Stock per \$1,000 principal amount of Securities, or an effective initial Conversion Price of approximately \$18.09 per share, subject to adjustment in the event of certain circumstances as specified in the Indenture. The Company will deliver a check in lieu of any fractional share. On conversion no payment or adjustment for any unpaid and accrued interest, or liquidated damages with respect to, the Securities will be made. If a Holder of Securities surrenders a Security for conversion between the record date for the payment of interest and the next interest payment date, such Security, when surrendered for conversion, must be accompanied by payment of an amount equal to the interest thereon which the registered Holder of Securities on such record date is to receive, unless the Securities have been called for redemption as described in the Indenture.

To convert a Security, a Holder of Securities must (1) complete and sign the Conversion Notice, with appropriate signature guarantee, on the back of the Security, (2) surrender the Security to a Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Registrar or Conversion Agent, (4) pay the amount of interest, if any, the Holder may be paid as provided in the last sentence of the above paragraph and (5) pay any transfer or similar tax if required. A Holder of Securities may convert a portion of a Security if the portion is \$1,000 principal amount or a positive integral multiple of \$1,000 principal amount.

Any shares issued upon conversion of a Security shall bear the Private Placement Legend until after the second anniversary of the later of the issue date for the Securities and the last date on which the Company or any Affiliate of the Company was the owner of such shares or the Security (or any predecessor security) from which such shares were converted (or such shorter period of time as permitted by Rule 144(k) under the Securities Act or any successor provision thereunder) (or such longer period of time as may be required under the Securities Act or applicable state securities laws in the Opinion of Counsel for the Company, unless otherwise agreed by the Company and the Holder of such Security).

10. Subordination. The Securities are subordinated in right of payment, in the manner and to the extent set forth in the Indenture, to the prior payment in full of all Senior Indebtedness. Each Holder of Securities by accepting a Security agrees to such subordination and authorizes the Trustee to give it effect.

11. Denominations, Transfer, Exchange. The Securities are in registered form without coupons in denominations of \$1,000 principal amount and positive integral multiples of \$1,000 principal amount. The transfer of Securities may be registered and Securities may be exchanged as provided in the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. The Registrar need not exchange or register the transfer of any Security selected for redemption in whole or in part, except the unredeemed portion of Securities to be redeemed in part. Also, it need not exchange or register the transfer of any Securities for a period of 15 days before the mailing of a notice of redemption of the Securities selected to be redeemed and in certain other circumstances provided in the Indenture.

12. Persons Deemed Owners. The registered Holder of a Security may be treated as the owner of such Security for all purposes.

13. Merger or Consolidation. The Company shall not consolidate with or merge into, or transfer or lease all or substantially all of its properties and assets to, another person unless such other person is a corporation organized under the laws of the United States, any State thereof or the District of Columbia; such person assumes by supplemental indenture all the obligations of the Company, under the Securities and this Indenture; and immediately after giving effect to the transaction, no Default or Event of Default shall exist.

14. Amendments, Supplements and Waivers. Subject to certain exceptions, the Indenture or the Securities may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the Securities then outstanding, and any existing Default or Event of Default may be waived with the consent of the Holders of a majority in aggregate principal amount of the Securities then outstanding. Without notice to or the consent of any Securityholder, the Indenture or the Securities may be amended or supplemented to cure any ambiguity or inconsistency to comply with Sections 5.01 and 10.12 of the Indenture, to make any changes or modifications to the Indenture necessary in connection with the registration of the Securities under the Securities Act and the qualification of the Indenture under the TIA, to secure the obligations of the Company in respect of the Securities, to add to covenants of the Company described in the Indenture for the benefit of Securityholders, to surrender any right or power conferred upon the Company or to make any changes or modifications to the Indenture that do not adversely affect the rights of any Holder of Securities.

15. Defaults and Remedies. An Event of Default includes the occurrence of any of the following: default in payment of principal at maturity, upon redemption or exercise of a Repurchase Right or otherwise; default for 30 days in payment of interest or other amounts due; failure by the Company for 60 days after notice to it to comply with any of its other agreements in the Indenture or the Securities; certain payment defaults or the acceleration of other Indebtedness of the Company and certain events of bankruptcy or insolvency involving the Company. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the Securities then outstanding may declare all the Securities to be due and payable immediately, except as provided in the Indenture. If an Event of Default specified in Section 6.01(v) or (vi) of the Indenture with respect to the Company occurs, the principal of and accrued interest on all the Securities shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Securityholder. Securityholders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Securities. Subject to certain limitations, Holders of a majority in principal amount of the Securities then outstanding may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Securityholders notice of any continuing Default or Event of Default (except a Default or Event of Default in payment) if it determines that withholding notice is in the interests of the Securityholders. The Company must furnish an annual compliance certificate to the Trustee.

16. Registration Rights. The Holders are entitled to registration rights as set forth in the Registration Rights Agreement (as defined in the Indenture). The Holders shall be entitled to receive liquidated damages in certain circumstances, all as set forth in the Registration Rights Agreement.

17. Trustee Dealings with the Company. The Trustee under the Indenture, or any banking institution serving as successor Trustee thereunder, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not Trustee.

18. No Recourse Against Others. No past, present or future director, officer, employee or stockholder, as such, of the Company shall have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Securityholder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

19. Authentication. This Security shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

20. Abbreviations. Customary abbreviations may be used in the name of a Securityholder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entirety), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (Uniform Gifts to Minors Act).

21. Governing Law. The laws of the State of New York, without regard to principles of conflicts of law, shall govern this Security and the Indenture.

THE COMPANY WILL FURNISH TO ANY SECURITYHOLDER UPON WRITTEN REQUEST AND WITHOUT CHARGE A COPY OF THE INDENTURE. REQUESTS MAY BE MADE TO:

Lennox International Inc.
2140 Lake Park
Richardson, Texas 75080
Attention: Investor Relations

[FORM OF ASSIGNMENT]

I or we assign to

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER

(please print or type name and address)

the within Security and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the Security on the books of the Company with full power of substitution in the premises.

Dated: _____

NOTICE: The signature on this assignment must correspond with the name as it appears upon the face of the within Security in every particular without alteration or enlargement or any change whatsoever and be guaranteed by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

Signature Guarantee: _____

In connection with any transfer of this Security occurring prior to the date which is the earlier of (i) the date of the declaration by the Commission of the effectiveness of a registration statement under the Securities Act of 1933, as amended (the "Securities Act") covering resales of this Security (which effectiveness shall not have been suspended or terminated at the date of the transfer) and (ii) the Resale Restriction Termination Date, the undersigned confirms that it has not utilized any general solicitation or general advertising in connection with transfer:

[CHECK ONE]

(1) _____ to the Company or any subsidiary thereof; or

(2) _____ pursuant to and in compliance with Rule 144A under the Securities Act of 1933, as amended; or

(3) _____ outside the United States to a person other than a "U.S. person" in compliance with Rule 904 of Regulation S under the Securities Act of 1933, as amended; or

(4) _____ pursuant to the exemption from registration provided by Rule 144 under the Securities Act of 1933, as amended; or

(5) _____ pursuant to an effective registration statement under the Securities Act of 1933, as amended.

and unless the box below is checked, the undersigned confirms that such Security is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act of 1933, as amended (an "Affiliate"):

[] The transferee is an Affiliate of the Company. (If the Security is transferred to an Affiliate, the restrictive legend must remain on the Security for two years following the date of the transfer).

Unless one of the items is checked, the Trustee will refuse to register any of the Securities evidenced by this certificate in the name of any person other than the registered Holder thereof; provided, however, that if item (4) is checked, the Company or the Trustee may require, prior to registering any such transfer of the Securities, in their sole discretion, such written legal opinions, certifications and other information as the Trustee or the Company have reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933, as amended.

If none of the foregoing items are checked, the Trustee or Registrar shall not be obligated to register this Security in the name of any person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 2.16 of the Indenture shall have been satisfied.

Dated: _____

Signed: _____

(Sign exactly as name appears on the other side of this Security)

Signature Guarantee: _____

TO BE COMPLETED BY PURCHASER IF (2) ABOVE IS CHECKED

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: _____

NOTICE: To be executed by an executive officer

CONVERSION NOTICE

To convert this Security into Common Stock of the, check the box: []

To convert only part of this Security, state the principal amount to be converted (must be in multiples of \$1,000):

\$-----

If you want the stock certificate made out in another person's name, fill in the form below:

(Insert other person's soc. sec. or tax I.D. no.)

(Print or type other person's name, address and zip code)

Date: _____ Signature(s): _____
(Sign exactly as your name(s) appear(s) on the other side of this Security)

Signature(s) guaranteed by: _____
All signatures must be guaranteed by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.)

OPTION OF HOLDER TO ELECT PURCHASE NOTICE

Certificate No. of Security: _____

If you want to elect to have this Security purchased by the pursuant to Section 3.08 of the Indenture, check the box: []

If you want to elect to have only part of this Security purchased by the Company pursuant to Section 3.08 of the Indenture, state the principal amount:

\$ -----
(in an integral multiple of \$1,000)

Date: _____ Signature(s): _____
(Sign exactly as your name(s) appear(s) on the other side of this Security)

Signature(s) guaranteed by: _____
(All signatures must be guaranteed by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.)

SCHEDULE A

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL SECURITY (a).

The following exchanges of a part of this Global Security for an interest in another Global Security or for Securities in certificated form, have been made:

| Date Exchange | Amount of decrease in Principal amount of this Global Security | Amount of increase in Principal amount of this Global Security | Principal amount of this Global Security following such decrease (or increase) | Signature or authorized signatory of Trustee or Note Custodian |
|------------------|---|---|--|--|
|------------------|---|---|--|--|

(a) This is included in Global Notes only.

FORM OF PRIVATE PLACEMENT LEGEND

THIS SECURITY AND THE COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT:

- (A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT; OR
- (B) IT IS NOT A UNITED STATES PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT),

(2) AGREES THAT IT WILL NOT DIRECTLY OR INDIRECTLY ENGAGE IN ANY HEDGING TRANSACTIONS INVOLVING THIS SECURITY OR THE COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY UNLESS IN COMPLIANCE WITH THE SECURITIES ACT, AND

(3) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY, ANY BENEFICIAL INTEREST HEREIN OR ANY SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY, PRIOR TO THE DATE THAT IS THE LATER OF (X) TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144(K) UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER, AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT ONLY:

- (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF;
- (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT;
- (C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT;
- (D) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT; OR
- (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (3) (C) OR (D) ABOVE, A DULY COMPLETED AND SIGNED CERTIFICATE (THE FORM OF WHICH MAY BE OBTAINED FROM THE TRUSTEE OR TRANSFER AGENT, AS APPLICABLE) MUST BE DELIVERED TO THE TRUSTEE OR TRANSFER AGENT, AS APPLICABLE. PRIOR TO

THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (3)(E) ABOVE, THE COMPANY AND THE TRUSTEE OR TRANSFER AGENT, AS APPLICABLE, RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS SECURITY AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED BY THE ACCEPTANCE OF THIS SECURITY TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

THE HOLDER OF THIS SECURITY IS SUBJECT TO, AND ENTITLED TO THE BENEFITS OF, A REGISTRATION RIGHTS AGREEMENT, DATED AS OF MAY 8, 2002, ENTERED INTO BY THE COMPANY FOR THE BENEFIT OF CERTAIN HOLDERS OF SECURITIES FROM TIME TO TIME.

FORM OF LEGEND FOR GLOBAL SECURITY

Any Global Security authenticated and delivered hereunder shall bear a legend (which would be in addition to any other legends required in the case of a Restricted Security) in substantially the following form:

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY OR A SUCCESSOR DEPOSITARY. THIS SECURITY IS NOT EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 2.16 OF THE INDENTURE.

Form of Certificate To Be Delivered
in Connection with Transfers
Pursuant to Regulation S

The Bank of New York
101 Barclay Street, Floor 21W
New York, NY 10286
Facsimile: (212) 896-7299
Attention: Corporate Trust Administration

Re: LENNOX INTERNATIONAL INC. (the "Company") 6 1/4% Convertible
Subordinated Notes due 2009 (the "Securities")

Ladies and Gentlemen:

In connection with our proposed sale of \$_____ aggregate principal amount of the Securities, we confirm that such sale has been effected pursuant to and in accordance with Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, we represent that:

(1) the offer of the Securities was made in an "offshore transaction" to a person other than a "U.S. person" (as defined in Regulation S);

(2) either (a) at the time the buy offer was originated, the transferee was outside the United States or we and any person acting on our behalf reasonably believed that the transferee was outside the United States, or (b) the transaction was executed in, on or through the facilities of a designated off-shore securities market and neither we nor any person acting on our behalf knows that the transaction has been pre-arranged with a buyer in the United States;

(3) no directed selling efforts have been made in the United States in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S, as applicable;

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act;

(5) we have advised the transferee of the transfer restrictions applicable to the Securities; and

(6) if we are a dealer in securities or have received a selling concession, fee or other remuneration in respect of the Securities, and the transfer is to occur during the Restricted Period, then the requirements of Rule 904(c) (1) have been satisfied.

You, the Company and counsel for the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this certificate have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferor]

By:

Authorized Signature

Form of Certificate To Be Delivered
in Connection with Transfers
Pursuant to Regulation S

The Bank of New York
101 Barclay Street, Floor 21W
New York, NY 10286
Facsimile: (212) 896-7299
Attention: Corporate Trust Administration

Re: LENNOX INTERNATIONAL INC. (the "Company") 6 1/4% Convertible
Subordinated Notes due 2009 (the "Securities")

Ladies and Gentlemen:

In connection with our proposed purchase of \$_____ aggregate principal amount of the Securities, we confirm that such sale has been effected pursuant to and in accordance with Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, we represent that:

(1) the undersigned is not a U.S. person (as defined in Regulation S) and has not acquired the Securities for the account or benefit of any U.S. person;

(2) the undersigned is not a distributor within the meaning of Regulation S; and

(3) the undersigned agrees to resell the Securities only in accordance with the provisions of Regulation S, pursuant to registration under the Securities Act, or pursuant to an exemption from registration and agrees not to engage in hedging transactions with regard to the Securities unless in compliance with the Securities Act.

You, the Company and counsel for the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this certificate have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferee]

By:

Authorized Signature

Form of Notice of Transfer Pursuant to Registration Statement

Lennox International Inc.
2140 Lake Park
Richardson, Texas 75080
Attention: General Counsel

The Bank of New York
101 Barclay Street, Floor 21W
New York, NY 10286
Facsimile: (212) 896-7299
Attention: Corporate Trust Administration

Re: LENNOX INTERNATIONAL INC. (the "Company") 6 1/4% Convertible
Subordinated Notes due 2009 (the "Securities")

Ladies and Gentlemen:

Please be advised that _____ has transferred \$_____ aggregate principal amount of the Securities or ___ shares of the Common Stock, \$0.01 par value per share, of the Company issuable on conversion of the Securities ("Stock") pursuant to an effective Shelf Registration Statement on Form S-3 (File No. 333-_____).

We hereby certify that the prospectus delivery requirements, if any, of the Securities Act of 1933 as amended, have been satisfied with respect to the transfer described above and that the above-named beneficial owner of the Securities or Stock is named as a "Selling Security Holder" in the Prospectus dated _____, or in amendments or supplements thereto, and that the aggregate principal amount of the Securities, or number of shares of Stock transferred are [a portion of] the Securities or Stock listed in such Prospectus, as amended or supplemented, opposite such owner's name.

Very truly yours,

(Name)

1 This is included in Global Notes only.

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (the "Agreement") is made and entered into as of May 8, 2002 by and between Lennox International Inc., a Delaware corporation (the "Company") and UBS Warburg LLC and the other Initial Purchasers named in the Purchase Agreement referred to below (each an "Initial Purchaser" and collectively, the "Initial Purchasers"), for whom UBS Warburg LLC is acting as representative, pursuant to that certain Purchase Agreement, dated as of May 2, 2002 (the "Purchase Agreement") between the Company and the Initial Purchasers.

In order to induce the Initial Purchasers to enter into the Purchase Agreement, the Company has agreed to provide the registration rights set forth in this Agreement. The execution of this Agreement is a condition to the closing under the Purchase Agreement.

The Company agrees with the Initial Purchasers (i) for their benefit as Initial Purchasers and (ii) for the benefit of the beneficial owners (including the Initial Purchasers) from time to time of the Notes (as defined herein) and the beneficial owners from time to time of the Underlying Common Stock (as defined herein) issued upon conversion of the Notes (each of the foregoing a "Holder" and together the "Holders"), as follows:

Section 1. Definitions. Capitalized terms used herein without definition shall have their respective meanings set forth in the Purchase Agreement. As used in this Agreement, the following terms shall have the following meanings:

"Affiliate" means with respect to any specified person, an "affiliate," as defined in Rule 144, of such person.

"Amendment Effectiveness Deadline Date" has the meaning set forth in Section 2(d) hereof.

"Applicable Conversion Price" means, as of any date of determination, \$1,000 divided by the Conversion Rate then in effect as of the date of determination or, if no Notes are then outstanding, the Conversion Rate that would be in effect were Notes then outstanding.

"Notes" means the 6 1/4% Convertible Subordinated Notes due 2009 of the Company to be purchased pursuant to the Purchase Agreement.

"Business Day" means each day on which the New York Stock Exchange is open for trading.

"Common Stock" means the shares of common stock, par value \$0.01 per share, of the Company and any other shares of capital stock as may constitute "Common Stock" for purposes of the Indenture, including the Underlying Common Stock.

"Conversion Rate" has the meaning assigned to such term in the Indenture.

"Damages Accrual Period" has the meaning set forth in Section 2(e) hereof.

"Damages Payment Date" means each interest payment date under the Indenture in the case of Notes, and each June 1 and December 1 in the case of the Underlying Common Stock.

1

"Effectiveness Deadline Date" has the meaning set forth in Section 2(a) hereof.

"Effectiveness Period" means a period (subject to extension pursuant to Section 3(i) hereof) of two years after the original issuance of the Notes or such shorter time (x) as permitted by Rule 144(k) under the Securities Act or any successor provisions thereunder or (y) that will terminate when each of the Registrable Securities covered by the Shelf Registration Statement ceases to be a Registrable Security.

"Event" has the meaning set forth in Section 2(e) hereof.

"Event Date" has the meaning set forth in Section 2(e) hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"Filing Deadline Date" has the meaning set forth in Section 2(a) hereof.

"Holder" has the meaning set forth in the third paragraph of this Agreement.

"Indenture" means the Indenture, dated as of May 8, 2002, between the Company and The Bank of New York as trustee, pursuant to which the Notes are being issued.

"Initial Purchasers" has the meaning set forth in the preamble hereto.

"Initial Shelf Registration Statement" has the meaning set forth in Section 2(a) hereof.

"Issue Date" means the first date of original issuance of the Notes.

"Liquidated Damages Amount" has the meaning set forth in Section 2(e) hereof.

"Material Event" has the meaning set forth in Section 3(i) hereof.

"Notice and Questionnaire" means a written notice and questionnaire delivered to the Company containing substantially the information called for by the Selling Securityholder Notice and Questionnaire attached as Annex A to the Offering Memorandum dated May 3, 2002 relating to the Notes.

"Notice Holder" means, on any date, any Holder that has delivered a Notice and Questionnaire to the Company on or prior to such date, so long as all of their Registrable Securities that have been registered for resale pursuant to a Notice and Questionnaire have not been sold in accordance with a Shelf Registration Statement.

"Purchase Agreement" has the meaning set forth in the preamble hereof.

"Prospectus" means the prospectus included in any Shelf Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a

prospectus filed as part of an effective registration statement in reliance upon Rule 415 promulgated under the Securities Act), as amended or supplemented by any amendment or prospectus supplement, including post-effective amendments, and all materials incorporated by reference or explicitly deemed to be incorporated by reference in such Prospectus.

"Record Holder" means (i) with respect to any Damages Payment Date relating to any Notes as to which any such Liquidated Damages Amount has accrued, the holder of record of such Note on the record date with respect to the interest payment date under the Indenture on which such Damages Payment Date shall occur and (ii) with respect to any Damages Payment Date relating to the Underlying Common Stock as to which any such Liquidated Damages Amount has accrued, the registered holder of such Underlying Common Stock fifteen (15) days prior to such Damages Payment Date.

"Registrable Securities" means the Notes until such Notes have been converted into the Underlying Common Stock and, at all times the Underlying Common Stock until the earliest of (x) the date on which such security has been effectively registered under the Securities Act and disposed of, whether or not in accordance with the Shelf Registration Statement, (y) the date that is two years after the original issuance of the Notes and (z) the date on which such Note or Underlying Common Stock ceases to be outstanding or such shorter period of time as permitted by Rule 144(k) under the Securities Act or any successor provisions thereunder.

"Registration Expenses" has the meaning set forth in Section 5 hereof.

"Registration Statement" means any registration statement of the Company that covers any of the Registrable Securities pursuant to the provisions of this Agreement including the Prospectus, amendments and supplements to such registration statement, including post-effective amendments, all exhibits, and all materials incorporated by reference or explicitly deemed to be incorporated by reference in such registration statement.

"Rule 144" means Rule 144 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC.

"Rule 144A" means Rule 144A under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated by the SEC thereunder.

"Shelf Registration Statement" has the meaning set forth in Section 2(a) hereof.

"Subsequent Shelf Registration Statement" has the meaning set forth in Section 2(b) hereof.

"Suspension Notice" has the meaning set forth in Section 3(i) hereof.

"Suspension Period" has the meaning set forth in Section 3(i) hereof.

"TIA" means the Trust Indenture Act of 1939, as amended.

"Trustee" means The Bank of New York, the Trustee under the Indenture.

"Underlying Common Stock" means the Common Stock into which the Notes are convertible or issued upon any such conversion.

Section 2. Shelf Registration. The Company shall prepare and file or cause to be prepared and filed with the SEC on or before the date (the "Filing Deadline Date") that is ninety (90) days after the Issue Date, a Registration Statement for an offering to be made on a delayed or continuous basis pursuant to Rule 415 of the Securities Act (a "Shelf Registration Statement") registering the resale from time to time by Holders thereof of all of the Registrable Securities (the "Initial Shelf Registration Statement"). The Initial Shelf Registration Statement shall be on Form S-3 or another appropriate form permitting registration of such Registrable Securities for resale by such Holders in accordance with the reasonable methods of distribution elected by the Holders, approved by the Company, and set forth in the Initial Shelf Registration Statement. The Company shall use commercially reasonable efforts to cause the Initial Shelf Registration Statement to be declared effective under the Securities Act as promptly as is practicable but in any event by the date (the "Effectiveness Deadline Date") that is one hundred eighty (180) days after the Issue Date, and to keep the Initial Shelf Registration Statement (or any Subsequent Shelf Registration Statement) continuously effective under the Securities Act until the expiration of the Effectiveness Period. At the time the Initial Shelf Registration Statement is declared effective, each Holder that became a Notice Holder on or prior to the date that is ten (10) Business Days prior to such time of effectiveness shall be named as a selling securityholder in the Initial Shelf Registration Statement and the related Prospectus in such a manner as to permit such Holder to deliver such Prospectus to purchasers of Registrable Securities in accordance with applicable law.

(b) If the Initial Shelf Registration Statement or any Subsequent Shelf Registration Statement ceases to be effective for any reason at any time during the Effectiveness Period, the Company shall use its commercially reasonable efforts to obtain the prompt withdrawal of any order suspending the effectiveness thereof, and in any event shall within thirty (30) days of such cessation of effectiveness amend the Shelf Registration Statement in a manner reasonably expected to obtain the withdrawal of the order suspending the effectiveness thereof, or file an additional Shelf Registration Statement covering all of the securities that as of the date of such filing are Registrable Securities (a "Subsequent Shelf Registration Statement"). If a Subsequent Shelf Registration Statement is filed, the Company shall use commercially reasonable efforts to cause the Subsequent Shelf Registration Statement to become effective as promptly as is practicable after such filing and to keep such Shelf Registration Statement (or subsequent Shelf Registration Statement) continuously effective until the end of the Effectiveness Period.

(c) The Company shall supplement and amend the Shelf Registration Statement if required by the rules, regulations or instructions applicable to the registration form used by the Company for such Shelf Registration Statement, if required by the Securities Act or as reasonably requested by the Initial Purchasers or by the Trustee on behalf of the Holders of the Registrable Securities covered by such Shelf Registration Statement.

(d) Each Holder of Registrable Securities agrees that if such Holder wishes to sell Registrable Securities pursuant to a Shelf Registration Statement and related Prospectus, it will do so only in accordance with this Section 2(d) and Section 3(i). Each Holder of Registrable Securities wishing to sell Registrable Securities pursuant to a Shelf Registration Statement and related Prospectus agrees to deliver a completed and executed Notice and Questionnaire to the Company prior to any attempted or actual distribution of Registrable Securities under the Shelf Registration Statement; provided that Holders of Registrable Securities shall have at least twenty (20) Business Days from the date on which the Notice and Questionnaire is first sent to such Holders by the Company to complete and return the Notice and Questionnaire to the Company. From and after the date the Initial Shelf Registration Statement is declared effective, the Company shall, as promptly as practicable after the date a Notice and Questionnaire is delivered, and in any event within the later of (x) five (5) Business Days after such date or (y) five (5) Business Days after the expiration of any Suspension Period (1) in effect when the Notice and Questionnaire is delivered or (2) put into effect within five (5) Business Days of such delivery date, (i) if required by applicable law, file with the SEC a post-effective amendment to the Shelf Registration Statement or, if required by applicable law, prepare and file a supplement to the related Prospectus or a supplement or amendment to any document incorporated therein by reference or file any other required document so that the Holder delivering such Notice and Questionnaire is named as a selling securityholder in the Shelf Registration Statement and the related Prospectus in such a manner as to permit such Holder to deliver such Prospectus to purchasers of the Registrable Securities in accordance with applicable law and, if the Company shall file a post-effective amendment to the Shelf Registration Statement, use commercially reasonable efforts to cause such post-effective amendment to be declared effective under the Securities Act as promptly as is practicable, but in any event by the date (the "Amendment Effectiveness Deadline Date") that is thirty (30) days after the date such post-effective amendment is required by this clause to be filed; (ii) provide such Holder a reasonable number of copies of any documents filed pursuant to Section 2(d) (i); and (iii) notify such Holder as promptly as practicable after the effectiveness under the Securities Act of any post-effective amendment filed pursuant to Section 2(d) (i); provided that if such Notice and Questionnaire is delivered during a Suspension Period, or a Suspension Period is put into effect within five (5) Business Days after such delivery date, the Company shall so inform the Holder delivering such Notice and Questionnaire and shall take the actions set forth in clauses (i), (ii) and (iii) above within five (5) Business Days after expiration of the Suspension Period in accordance with Section 3(i); provided further that if under applicable law, the Company has more than one option as to the type or manner of making any such filing, the Company shall, if commercially reasonable, make the required filing or filings in the manner or of a type that is reasonably expected to result in the earliest availability of the Prospectus for effecting resales of Registrable Securities. Notwithstanding anything contained herein to the contrary, the Company shall be under no obligation to name any Holder that is not a Notice Holder as a selling securityholder in any Shelf Registration Statement or related Prospectus; provided, however, that any Holder that becomes a Notice Holder pursuant to the provisions of this Section 2(d) (whether or not such Holder was a Notice Holder at the time the Shelf Registration Statement was declared effective) shall be named as a selling securityholder in the Shelf Registration Statement or related Prospectus in accordance with the requirements of this Section 2(d).

(e) The parties hereto agree that the Holders of Registrable Securities will suffer damages, and that it would not be feasible to ascertain the extent of such damages with precision,

if (i) the Initial Shelf Registration Statement has not been filed on or prior to the Filing Deadline Date, (ii) the Initial Shelf Registration Statement has not been declared effective under the Securities Act on or prior to the Effectiveness Deadline Date or (iii) the Initial Shelf Registration Statement is filed and declared effective but shall thereafter cease to be effective (without being succeeded immediately by an additional registration statement filed and declared effective) or usable for the offer and sale of Registrable Securities for a period of time (including any Suspension Period) which shall exceed forty-five (45) days in the aggregate in any three (3) month period or ninety (90) days in the aggregate in any twelve (12) month period (each of the events of a type described in any of the foregoing clauses (i) through (iii) are individually referred to herein as an "Event," and the Filing Deadline Date in the case of clause (i), the Effectiveness Deadline Date in the case of clause (ii), the date on which the duration of the ineffectiveness or unusability of the Initial Shelf Registration Statement in any period exceeds the number of days permitted by clause (iii) hereof in the case of clause (iii), being referred to herein as an "Event Date"). Events shall be deemed to continue until the following dates with respect to the respective types of Events: the date the Initial Shelf Registration Statement is filed in the case of an Event of the type described in clause (i), the date the Initial Shelf Registration Statement is declared effective under the Securities Act in the case of an Event of the type described in clause (ii), and the date the Initial Shelf Registration Statement becomes effective or usable again in the case of an Event of the type described in clause (iii).

Accordingly, commencing on (and including) any Event Date and ending on (but excluding) the next date on which there are no Events that have occurred and are continuing (a "Damages Accrual Period"), the Company agrees to pay, as liquidated damages and not as a penalty, an amount (the "Liquidated Damages Amount") at the rate described below, payable periodically on each Damages Payment Date to Record Holders of Notes that are Registrable Securities and of shares of Underlying Common Stock issued upon conversion of Notes that are Registrable Securities, as the case may be, to the extent of, for each such Damages Payment Date, accrued and unpaid Liquidated Damages Amount to (but excluding) such Damages Payment Date (or, if the Damages Accrual Period shall have ended prior to such Damages Payment Date, the date of the end of the Damages Accrual Period); provided that any Liquidated Damages Amount accrued with respect to any Note or portion thereof called for redemption on a redemption date or converted into Underlying Common Stock on a conversion date prior to the Damages Payment Date, shall, in any such event, be paid instead to the Holder who submitted such Note or portion thereof for redemption or conversion on the applicable redemption date or conversion date, as the case may be, on such date (or promptly following the conversion date, in the case of conversion). The Liquidated Damages Amount shall accrue at a rate per annum equal to one-quarter of one percent (0.25%) for the first 90-day period from the Event Date, at a rate per annum equal to one-half of one percent (0.5%) for the next succeeding 90-day period from the Event Date and thereafter at a rate per annum equal to three-quarters of one percent (0.75%) of (i) the aggregate principal amount of such Notes or, without duplication, (ii) in the case of Notes that have been converted into Underlying Common Stock, the Applicable Conversion Price of such shares of Underlying Common Stock, as the case may be, in each case determined as of the Business Day immediately preceding the next Damages Payment Date. Notwithstanding the foregoing, no Liquidated Damages Amounts shall accrue as to any Registrable Security from and after the earlier of (x) the date such security is no longer a Registrable Security and (y) expiration of the Effectiveness Period. The rate of accrual of the Liquidated Damages Amount with respect to any period shall not exceed the rate provided for in

this paragraph notwithstanding the occurrence of multiple concurrent Events. Following the cure of all Events requiring the payment by the Company of Liquidated Damages Amounts to the Holders of Registrable Securities pursuant to this Section, the accrual of Liquidated Damages Amounts shall cease (without in any way limiting the effect of any subsequent Event requiring the payment of Liquidated Damages Amount by the Company).

The Trustee shall be entitled, on behalf of Holders of Notes, to seek any available remedy for the enforcement of this Agreement, including for the payment of any Liquidated Damages Amount. Notwithstanding the foregoing, the parties agree that the sole damages payable for a violation of the terms of this Agreement with respect to which liquidated damages are expressly provided shall be such liquidated damages.

All of the Company's obligations set forth in this Section 2(e) that are outstanding with respect to any Registrable Security at the time such security ceases to be a Registrable Security shall survive until such time as all such obligations with respect to such security have been satisfied in full (notwithstanding termination of this Agreement pursuant to Section 8(k)).

The parties hereto agree that the liquidated damages provided for in this Section 2(e) constitute a reasonable estimate of the damages that may be incurred by Holders of Registrable Securities by reason of the failure of the Shelf Registration Statement to be filed or declared effective or available for effecting resales of Registrable Securities in accordance with the provisions hereof.

Section 3. Registration Procedures. In connection with the registration obligations of the Company under Section 2 hereof, the Company shall:

(a) Prepare and file with the SEC a Shelf Registration Statement or Shelf Registration Statements on Form S-3 or any other appropriate form under the Securities Act available for the sale of the Registrable Securities by the Holders thereof in accordance with the intended method or methods of distribution thereof, and use commercially reasonable efforts to cause each such Shelf Registration Statement to become effective and remain effective as provided herein; provided that before filing any Shelf Registration Statement or Prospectus or any amendments or supplements thereto with the SEC, the Company shall furnish to the Initial Purchasers and counsel for the Holders and for the Initial Purchasers (or, if applicable, separate counsel for the Holders) copies of all such documents proposed to be filed.

(b) Subject to its rights under subsections (c) and (i) of this Section 3, prepare and file with the SEC such amendments and post-effective amendments to each Shelf Registration Statement as may be necessary to keep such Shelf Registration Statement continuously effective until the expiration of the Effectiveness Period; cause the related Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) under the Securities Act; and use reasonable best efforts to comply with the provisions of the Securities Act applicable to it with respect to the disposition of all securities covered by such Shelf Registration Statement during the Effectiveness Period in accordance with the intended methods of disposition by the sellers thereof set forth in such Shelf Registration Statement as so amended or such Prospectus as so supplemented.

(c) As promptly as practicable give notice to the Notice Holders and the Initial Purchasers (i) when any Prospectus, Prospectus supplement, Shelf Registration Statement or any post-effective amendment to a Shelf Registration Statement has been filed with the SEC and, with respect to a Shelf Registration Statement or any post-effective amendment, when the same has been declared effective, (ii) of any request, following the effectiveness of the Initial Shelf Registration Statement under the Securities Act, by the SEC or any other federal or state governmental authority for amendments or supplements to any Shelf Registration Statement or related Prospectus or for additional information, (iii) of the issuance by the SEC or any other federal or state governmental authority of any stop order suspending the effectiveness of any Shelf Registration Statement or the initiation of any proceedings for that purpose, (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation of any proceeding for such purpose, (v) after the effective date of any Shelf Registration Statement filed pursuant to this Agreement of the occurrence of (but not the nature of or details concerning) a Material Event and (vi) of the determination by the Company that a post-effective amendment to a Shelf Registration Statement will be filed with the SEC, which notice may, at the discretion of the Company (or as required pursuant to Section 3(i)), state that it constitutes a Suspension Notice, in which event the provisions of Section 3(i) shall apply.

(d) Use commercially reasonable efforts to prevent the issuance of, and, if issued, to obtain the withdrawal of any order suspending the effectiveness of a Shelf Registration Statement or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction in which they have been qualified for sale, in either case as promptly as practicable, and provide prompt notice to each Notice Holder and the Initial Purchasers of the withdrawal of any such order.

(e) If requested by the Initial Purchasers or the Holders of a majority of the aggregate principal amount of then outstanding Notes held by Notice Holders, as promptly as practicable incorporate in a Prospectus supplement or post-effective amendment to a Shelf Registration Statement such information as the Initial Purchasers, such Holders or counsel for the Initial Purchasers and such Holders shall determine to be required to be included therein by applicable law and make any required filings of such Prospectus supplement or such post-effective amendment; provided that the Company shall not be required to include information the disclosure of which at the time would have a material adverse effect on the business or operations of the Company and or its subsidiaries taken as a whole, as determined in good faith by the Board of Directors of the Company or to take any actions under this Section 3(e) that, in the written opinion of counsel for the Company, are not in compliance with applicable law.

(f) As promptly as practicable furnish to each Notice Holder, counsel for the Holders and for the Initial Purchasers and the Initial Purchasers, without charge, at least one (1) conformed copy of the Shelf Registration Statement and any amendment thereto, including financial statements but excluding schedules, all documents incorporated or deemed to be incorporated therein by reference and all exhibits (unless requested in writing to the Company by such Notice Holder, such counsel or the Initial Purchasers).

(g) During the Effectiveness Period, deliver to each Notice Holder, counsel for the Holders and for the Initial Purchasers and the Initial Purchasers, in connection with any sale

of Registrable Securities pursuant to a Shelf Registration Statement, without charge, as many copies of the Prospectus or Prospectuses relating to such Registrable Securities (including each preliminary prospectus) and any amendment or supplement thereto as such Notice Holder and the Initial Purchasers may reasonably request; and the Company hereby consents (except during such periods that a Suspension Notice is outstanding and has not been revoked) to the use of such Prospectus or each amendment or supplement thereto by each Notice Holder, in connection with any offering and sale of the Registrable Securities covered by such Prospectus or any amendment or supplement thereto in the manner set forth therein in compliance with the Securities Act and the Exchange Act.

(h) Prior to any public offering of the Registrable Securities pursuant to the Shelf Registration Statement, use commercially reasonable efforts to register or qualify or cooperate with the Notice Holders in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as any Notice Holder reasonably requests in writing (which request may be included in the Notice and Questionnaire); provided that the Company will not be required to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to qualify but for this Agreement or (ii) take any action that would subject it to general service of process in suits or to taxation in any such jurisdiction where it is not then so subject.

(i) Upon (A) the issuance by the SEC of a stop order suspending the effectiveness of the Shelf Registration Statement or the initiation of proceedings with respect to the Shelf Registration Statement under Section 8(d) or 8(e) of the Securities Act, (B) the occurrence, in the opinion of the Company or its auditors or as determined by the SEC, of any event or the existence of any fact as a result of which any Shelf Registration Statement, or any amendment or supplement thereto, shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or any Prospectus, or any amendment or supplement thereto, shall contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (C) the occurrence or existence of any pending corporate development (a "Material Event") that, in the reasonable discretion of the Company, makes it appropriate to suspend the availability of the Shelf Registration Statement and the related Prospectus, (i) in the case of clause (B) or (C) above, subject to the next sentence, as promptly as reasonably practicable, prepare and file, if necessary pursuant to applicable law, a post-effective amendment to such Shelf Registration Statement or a supplement to the related Prospectus or any document incorporated therein by reference or file any other required document that would be incorporated by reference into such Shelf Registration Statement and Prospectus so that such Shelf Registration Statement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and such Prospectus does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that the Company may rely on information provided by each Notice Holder with respect to such Notice Holder), as thereafter delivered to the purchasers of the Registrable Securities being sold thereunder, and, in the case of a post-effective amendment to a Shelf Registration Statement,

subject to the next sentence, use commercially reasonable efforts to cause it to be declared effective as promptly as is reasonably practicable, and (ii) give notice to the Notice Holders and counsel for the Holders and for the Initial Purchasers (or, if applicable, separate counsel for the Holders) that the availability of the Shelf Registration Statement is suspended (a "Suspension Notice") and, upon receipt of any Suspension Notice, each Notice Holder agrees not to sell any Registrable Securities pursuant to such Shelf Registration Statement until such Notice Holder's receipt of copies of the supplemented or amended Prospectus provided for in clause (i) above, or until it is advised in writing by the Company that the Prospectus may be used, and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in such Prospectus. The Company will use commercially reasonable efforts to ensure that the use of the Prospectus may be resumed (x) in the case of clause (A) above, as promptly as is reasonably practicable, (y) in the case of clause (B) above, as soon as, in the reasonable judgment of the Company, the Shelf Registration Statement does not contain any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading and the Prospectus does not contain any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (z) in the case of clause (C) above, as soon as, in the reasonable discretion of the Company, such suspension is no longer appropriate. The period during which the availability of the Shelf Registration Statement and any Prospectus may be suspended (the "Suspension Period") without the Company incurring any obligation to pay liquidated damages pursuant to Section 2(e) shall not exceed forty-five (45) days in any three (3) month period and ninety (90) days in any twelve (12) month period. The Effectiveness Period shall be extended by the number of days from and including the date of the giving of the Suspension Notice to and including the date on which the Notice Holder received copies of the supplemented or amended Prospectus provided in clause (i) above, or the date on which it is advised in writing by the Company that the Prospectus may be used, and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in such Prospectus.

(j) Make available for inspection during normal business hours by representatives for the Notice Holders of such Registrable Securities, and any broker-dealers, attorneys and accountants retained by such Notice Holders, all relevant financial and other records and pertinent corporate documents and properties of the Company and its subsidiaries, and cause the appropriate officers, directors and employees of the Company and its subsidiaries to make available for inspection during normal business hours all relevant information reasonably requested by such representatives for the Notice Holders, or any such broker-dealers, attorneys or accountants in connection with such disposition, in each case as is customary for similar "due diligence" examinations; provided, however, that such persons shall, at the Company's request, first agree in writing with the Company that any information that is reasonably and in good faith designated by the Company in writing as confidential at the time of delivery of such information shall be kept confidential by such persons and shall be used solely for the purposes of exercising rights under this Agreement, unless (i) disclosure of such information is required by court or administrative order or is necessary to respond to inquiries of regulatory authorities, (ii) disclosure of such information is required by law (including any disclosure requirements pursuant to federal securities laws in connection with the filing of any Shelf Registration Statement or the use of any Prospectus referred to in this Agreement), (iii) such information

becomes generally available to the public other than as a result of a disclosure or failure to safeguard by any such person or (iv) such information becomes available to any such person from a source other than the Company and such source is not bound by a confidentiality agreement or is not otherwise under a duty of trust to the Company, and provided that the foregoing inspection and information gathering shall, to the greatest extent possible, be coordinated on behalf of all the Notice Holders and the other parties entitled thereto by the counsel referred to in Section 5.

(k) Comply with all applicable rules and regulations of the SEC and make generally available to its securityholders earning statements (which need not be audited) satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar rule promulgated under the Securities Act) no later than 45 days after the end of any 12-month period (or 90 days after the end of any 12-month period if such period is a fiscal year) commencing on the first day of the first fiscal quarter of the Company commencing after the effective date of a Shelf Registration Statement, which statements shall cover said 12-month periods; provided that the Company shall be allowed to fulfill its obligations pursuant to this Section 3(k) by publicly filing such reports on the SEC's EDGAR database.

(l) Cooperate with each Notice Holder to facilitate the timely preparation and delivery of certificates representing Registrable Securities sold pursuant to a Shelf Registration Statement, which certificates shall not bear any restrictive legends, and cause such Registrable Securities to be in such denominations as are permitted by the Indenture and registered in such names as such Notice Holder may request in writing at least (2) Business Days prior to any sale of such Registrable Securities.

(m) Provide a CUSIP number for all Registrable Securities covered by each Shelf Registration Statement not later than the effective date of such Shelf Registration Statement and provide the Trustee and the transfer agent for the Common Stock with certificates for the Registrable Securities that are in a form eligible for deposit with The Depository Trust Company.

(n) Cooperate and assist in any filings required to be made with the National Association of Securities Dealers, Inc.

(o) Upon each of (i) the filing of the Initial Shelf Registration Statement and (ii) the effectiveness of the Initial Shelf Registration Statement, announce the same, in each case by release to Reuters Economic Services and Bloomberg Business News.

(p) Subject to the terms and provisions of this Agreement, enter into such customary agreements and take all such other necessary actions in connection therewith as may be reasonably requested by the holders of a majority of the Registrable Securities being sold in order to expedite or facilitate disposition of such Registrable Securities.

(q) Cause the Indenture to be qualified under the TIA not later than the effective date of any Shelf Registration Statement; and in connection therewith, cooperate with the Trustee to effect such changes to the Indenture as may be required for the Indenture to be so qualified in accordance with the terms of the TIA and execute, and use commercially reasonable efforts to cause the Trustee to execute, all documents as may be required to effect such changes, and all

other forms and documents required to be filed with the SEC to enable the Indenture to be so qualified in a timely manner.

Section 4. Holder's Obligations. Each Holder agrees, by acquisition of the Registrable Securities, that (i) that upon receipt of any Suspension Notice, it will keep the fact of such notice confidential, (ii) if so directed by the Company, upon receipt of any Suspension Notice, such Holder shall return all copies, other than permanent file copies, of the Prospectus, (iii) sales of Restricted Securities shall only be made in the manner set forth in the currently effective Shelf Registration Statement or the Indenture and (iv) it shall be entitled to sell any of its Registrable Securities pursuant to a Shelf Registration Statement or to receive a Prospectus relating thereto, unless such Holder has furnished the Company with a Notice and Questionnaire as required pursuant to Section 2(d) hereof (including the information required to be included in such Notice and Questionnaire) and the information set forth in the next sentence. Each Holder agrees promptly to furnish to the Company all information required to be disclosed in order to make the information previously furnished to the Company by such Holder not misleading and any other information regarding such Holder and the distribution of such Registrable Securities as the Company may from time to time reasonably request. Any sale of any Registrable Securities by any Holder shall constitute a representation and warranty by such Holder that the information relating to such Holder and its plan of distribution is as set forth in the Prospectus delivered by such Holder in connection with such disposition, that such Prospectus does not as of the time of such sale contain any untrue statement of a material fact relating to or provided by such Holder or its plan of distribution and that such Prospectus does not as of the time of such sale omit to state any material fact relating to or provided by such Holder or its plan of distribution necessary in order to make the statements in such Prospectus, in the light of the circumstances under which they were made, not misleading.

Section 5. Registration Expenses. The Company shall bear all fees and expenses incurred in connection with the performance by the Company of its obligations under Section 2 and 3 of this Agreement whether or not any of the Shelf Registration Statements are declared effective. Such fees and expenses ("Registration Expenses") shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses (x) with respect to filings required to be made with the National Association of Securities Dealers, Inc. and (y) of compliance with federal and state securities or Blue Sky laws, (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities in a form eligible for deposit with The Depository Trust Company), (iii) duplication and mailing expenses relating to copies of any Shelf Registration Statement or Prospectus delivered to any Holders hereunder, (iv) fees and disbursements of counsel for the Company and the fees and disbursements of counsel for the Initial Purchasers in connection with the Shelf Registration Statement, (v) fees and disbursements of the Trustee and its counsel and of the registrar and transfer agent for the Common Stock and (vi) Securities Act liability insurance obtained by the Company in its sole discretion. In addition, the Company shall pay the internal expenses of the Company (including, without limitation, all salaries and expenses of officers and employees performing legal or accounting duties), the expense of any annual audit, the fees and expenses incurred in connection with the listing by the Company of the Registrable Securities on any securities exchange on which similar securities of the Company are then listed and the fees and expenses of any person, including special experts, retained by the Company. Notwithstanding the foregoing, or anything

in this Agreement to the contrary, each Holder shall pay all underwriting discounts and commissions of any underwriters with respect to Registrable Securities sold by it.

Section 6. Indemnification; Contribution.

(a) The Company agrees to indemnify, defend and hold harmless each Holder and each person who controls any Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each, a "Holder Indemnified Party"), from and against any loss, damage, expense, liability or claim (including the reasonable cost of investigation) which such Holder Indemnified Party may incur under the Securities Act, the Exchange Act or otherwise, insofar as such loss, damage, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in any Shelf Registration Statement or Prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arises out of or is based upon any omission or alleged omission to state a material fact required to be stated in any Shelf Registration Statement or in any amendment or supplement thereto or necessary to make the statements therein not misleading, or arises out of or is based upon any omission or alleged omission to state a material fact necessary in order to make the statements made in any Prospectus or in any amendment or supplement thereto or in any preliminary prospectus, in the light of the circumstances under which they were made, not misleading, except insofar as any such loss, damage, expense, liability or claim arises out of or is based upon any untrue statement or omission or alleged untrue statement or omission of a material fact contained in, or omitted from, and in conformity with information furnished in writing by or on behalf of any Holder to the Company expressly for use therein.

(b) Each Holder, severally and not jointly, agrees to indemnify, defend and hold harmless the Company, its directors and officers and any person who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each, a "Company Indemnified Party") from and against any loss, damage, expense, liability or claim (including the reasonable cost of investigation) which such Company Indemnified Party may incur under the Securities Act, the Exchange Act or otherwise, insofar as such loss, damage, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in information furnished in writing by or on behalf of such Holder to the Company expressly for use in any Shelf Registration Statement or Prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arises out of or is based upon any omission or alleged omission to state a material fact required to be stated in any Shelf Registration Statement or in any amendment or supplement thereto or necessary to make the statements therein not misleading, or arises out of or is based upon any omission or alleged omission to state a material fact necessary in order to make the statements in any Prospectus or in any amendment or supplement thereto or in any preliminary prospectus, in the light of the circumstances under which they were made, not misleading, in connection with such information. In no event shall the liability of any selling Holder of Registrable Securities hereunder be greater in amount than the dollar amount of the proceeds received by such Holder upon the sale of the Registrable Securities pursuant to the Shelf Registration Statement giving rise to such indemnification obligation.

(c) If any action, suit or proceeding (each, a "Proceeding") is brought against any person in respect of which indemnity may be sought pursuant to either subsection (a) or (b) of this

Section 6, such person (the "Indemnified Party") shall promptly notify the person against whom such indemnity may be sought (the "Indemnifying Party") in writing of the institution of such Proceeding and the Indemnifying Party shall assume the defense of such Proceeding; provided, however, that the omission to notify such Indemnifying Party shall not relieve such Indemnifying Party from any liability which it may have to such Indemnified Party or otherwise, except to the extent that the indemnifying party was materially prejudiced by such failure to notify. Such Indemnified Party shall have the right to employ its own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless the employment of such counsel shall have been authorized in writing by such Indemnifying Party in connection with the defense of such Proceeding or such Indemnifying Party shall not have employed counsel to have charge of the defense of such Proceeding within 30 days of the receipt of notice thereof or such Indemnified Party shall have reasonably concluded upon the written advice of counsel that there may be defenses available to it that may be in conflict with those available to such Indemnifying Party (in which case such Indemnifying Party shall not have the right to direct that portion of the defense of such Proceeding on behalf of the Indemnified Party, but such Indemnifying Party may employ counsel and participate in the defense thereof but the fees and expenses of such counsel shall be at the expense of such Indemnifying Party), in any of which events such reasonable fees and expenses shall be borne by such Indemnifying Party and paid as incurred (it being understood, however, that such Indemnifying Party shall not be liable for the expenses of more than one separate counsel in any one Proceeding or series of related Proceedings together with reasonably necessary local counsel representing the Indemnified Parties who are parties to such action). An Indemnifying Party shall not be liable for any settlement of such Proceeding effected without the written consent of such Indemnifying Party, but if settled with the written consent of such Indemnifying Party, such Indemnifying Party agrees to indemnify and hold harmless an Indemnified Party from and against any loss or liability by reason of such settlement. Notwithstanding the foregoing sentence, if at any time an Indemnified Party shall have requested an Indemnifying Party to reimburse such Indemnified Party for fees and expenses of counsel as contemplated by the second sentence of this paragraph, then the Indemnified Party may settle such proceeding upon receipt of the written consent of the Indemnifying Party (which consent shall not unreasonably be withheld) and the Indemnifying Party agrees that it shall be liable for any such settlement if (i) such settlement is entered into more than 60 Business Days after receipt by such Indemnifying Party of the aforesaid request, (ii) such Indemnifying Party shall not have reimbursed such Indemnified Party in accordance with such request prior to the date of such settlement and (iii) such Indemnified Party shall have given such Indemnifying Party at least 30 days' prior notice of its intention to settle. No Indemnifying Party shall, without the prior written consent of any Indemnified Party, effect any settlement of any pending or threatened Proceeding in respect of which such Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement (x) includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding and (y) does not include an admission of fault, culpability or a failure to act, by or on behalf of such Indemnified Party.

(d) If the indemnification provided for in this Section 6 is unavailable to an Indemnified Party under subsections (a) and (b) of this Section 6 in respect of any losses, damages, expenses, liabilities or claims referred to therein, then each applicable Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or

payable by such Indemnified Party as a result of such losses, damages, expenses, liabilities or claims (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Holders on the other hand from the offering of the Registrable Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the Holders on the other in connection with the statements or omissions which resulted in such losses, damages, expenses, liabilities or claims, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of the Holders on the other shall be determined by reference to, among other things, whether the untrue statement or alleged untrue statement of a material fact or omission or alleged omission relates to information supplied by the Company or by the Holders and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, damages, expenses, liabilities and claims referred to above shall be deemed to include any reasonable legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any Proceeding.

(e) The Company and the Holders agree that it would not be just and equitable if contribution pursuant to this Section 6 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in subsection (d) above. Notwithstanding the provisions of this Section 6, no Holder shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities sold by it were offered to the public exceeds the amount of any damages which it has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Holders' respective obligations to contribute pursuant to this Section 6 are several in proportion to the respective amount of Registrable Securities they have sold pursuant to a Shelf Registration Statement, and not joint. The remedies provided for in this Section 6 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(f) The indemnity and contribution provisions contained in this Section 6 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Holder or any person controlling any Holder, or the Company, or the Company's officers or directors or any person controlling the Company and (iii) the sale of any Registrable Security by any Holder.

Section 7. Information Requirements. (a) The Company covenants that, if at any time before the end of the Effectiveness Period it is not subject to the reporting requirements of the Exchange Act, it will cooperate with any Holder of Registrable Securities and take such further action as any Holder of Registrable Securities may reasonably request in writing (including, without limitation, making such representations as any such Holder may reasonably request), all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144, Rule 144A and Regulation S under the Securities Act and customarily taken in connection with sales pursuant to such exemptions. Upon the written request of any Holder of

Registrable Securities, the Company shall deliver to such Holder a written statement as to whether it has complied with such filing requirements, unless such a statement has been included in the Company's most recent report filed with the SEC pursuant to Section 13 or Section 15(d) of Exchange Act. Notwithstanding the foregoing, nothing in this Section 7 shall be deemed to require the Company to register any of its securities (other than the Common Stock) under any section of the Exchange Act.

(b) The Company shall file the reports required to be filed by it under the Exchange Act and shall comply with all other requirements set forth in the instructions to Form S-3 or another appropriate form permitting registration of such Registrable Securities for resale by the Holders, as the case may be, in order to allow the Company to be eligible to file registration statements on Form S-3 or such other appropriate form permitting registration of such Registrable Securities for resale by the Holders.

Section 8. Miscellaneous.

(a) No Conflicting Agreements. The Company is not, as of the date hereof, a party to, nor shall it, on or after the date of this Agreement, enter into, any agreement with respect to its securities that conflicts with the rights granted to the Holders of Registrable Securities in this Agreement. The Company represents and warrants that the rights granted to the Holders of Registrable Securities hereunder do not in any way conflict with the rights granted to the holders of the Company's securities under any other agreements.

(b) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent of Holders of a majority of the then outstanding Underlying Common Stock constituting Registrable Securities (with Holders of Notes deemed to be the Holders, for purposes of this Section, of the number of outstanding shares of Underlying Common Stock into which such Notes are or would be convertible as of the date on which such consent is requested). Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders of Registrable Securities whose securities are being sold pursuant to a Shelf Registration Statement and that does not directly or indirectly affect the rights of other Holders of Registrable Securities may be given by Holders of at least a majority of the Registrable Securities being sold by such Holders pursuant to such Shelf Registration Statement; provided that the provisions of this sentence may not be amended, modified, or supplemented except in accordance with the provisions of the immediately preceding sentence. Each Holder of Registrable Securities outstanding at the time of any such amendment, modification, supplement, waiver or consent or thereafter shall be bound by any such amendment, modification, supplement, waiver or consent effected pursuant to this Section 8(b), whether or not any notice, writing or marking indicating such amendment, modification, supplement, waiver or consent appears on the Registrable Securities or is delivered to such Holder.

(c) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, by facsimile, by courier guaranteeing overnight delivery or by first-class mail, return receipt requested, and shall be deemed

given (i) when made, if made by hand delivery, (ii) upon confirmation, if made by facsimile, (iii) one (1) Business Day after being deposited with such courier, if made by overnight courier or (iv) on the date indicated on the notice of receipt, if made by first-class mail, to the parties as follows:

(x) if to a Holder of Registrable Securities, at the most current address given by such Holder to the Company in a Notice and Questionnaire or any amendment thereto;

(y) if to the Company, to:

Lennox International Inc.
2140 Lake Park Blvd.
Richardson, Texas 75080
Attention: General Counsel
Facsimile No.: (972) 497-6660

(z) if to the Initial Purchasers, to:

c/o UBS Warburg LLC
299 Park Avenue
New York, New York 10171
Attention: Syndicate Department
Facsimile No.: (212) 713-3460

with a copy to (for informational purposes only):

c/o UBS Warburg LLC
299 Park Avenue
New York, New York 10171
Attention: Legal Department
Facsimile No.: (212) 821-4042

or to such other address as such person may have furnished to the other persons identified in this Section 8(c) in writing in accordance herewith.

(d) Approval of Holders. Whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Company or its affiliates (as such term is defined in Rule 405 under the Securities Act) (other than the Initial Purchasers or subsequent Holders of Registrable Securities if such subsequent Holders are deemed to be such affiliates solely by reason of their holdings of such Registrable Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(e) Successors and Assigns. Any person who purchases any Registrable Securities from the Initial Purchasers or any Holder shall be deemed, for purposes of this Agreement, to be an assignee of the Initial Purchasers or such Holder, as the case may be. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties and shall inure to the benefit of and be binding upon each Holder of any Registrable Securities.

(f) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(g) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(h) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

(i) Severability. If any term, provision, covenant or restriction of this Agreement is held to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, and the parties hereto shall use its best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction, it being intended that all of the rights and privileges of the parties shall be enforceable to the fullest extent permitted by law.

(j) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and is intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and the registration rights granted by the Company with respect to the Registrable Securities. Except as provided in the Purchase Agreement, there are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein, with respect to the registration rights granted by the Company with respect to the Registrable Securities. This Agreement supersedes all prior agreements and undertakings among the parties with respect to such registration rights. No party hereto shall have any rights, duties or obligations other than those specifically set forth in this Agreement.

(k) Termination. This Agreement and the obligations of the parties hereunder shall terminate upon the end of the Effectiveness Period, except for any liabilities or obligations under Section 4, 5 or 6 hereof and the obligations to make payments of and provide for liquidated damages under Section 2(e) hereof to the extent such damages accrue prior to the end of the Effectiveness Period, each of which shall remain in effect in accordance with its terms.

(l) Submission to Jurisdiction. Any claim may be commenced, prosecuted or continued in the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, and the Company hereby accepts for itself and in respect of its property, generally and unconditionally, the nonexclusive jurisdiction of the aforesaid courts. The Company hereby irrevocably waives any objections, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens, which it may now or hereafter have to the bringing of any such action or proceeding in such respective jurisdictions. Each of UBS Warburg and the Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) waives all right

to trial by jury in any action, proceeding or counterclaim (whether based upon contact, tort or otherwise) in any way arising out of or relating to this Agreement.

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

LENNOX INTERNATIONAL INC.

By: /s/ Richard A. Smith

Executive Vice President,
Chief Financial Officer and
Treasurer

Confirmed and accepted as of the date first above written on behalf of itself and the other several Initial Purchasers:

UBS WARBURG LLC

By: /s/ Adam Reeder

Managing Director

By: /s/ Harry A. Shaw

Executive Director