
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED September 30, 2018

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 18, 2018, the number of shares outstanding of the registrant's common stock, par value \$.01 per share, was 40,283,285.

LENNOX INTERNATIONAL INC.
FORM 10-Q
For the three and nine months ended September 30, 2018

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Part I - Financial Information
Item 1. Financial Statements

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Balance Sheets

(Amounts in millions, except shares and par values)

	As of September 30, 2018	As of December 31, 2017
	(unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 46.1	\$ 68.2
Accounts and notes receivable, net of allowances of \$6.1 and \$5.9 in 2018 and 2017, respectively	580.9	506.5
Inventories, net	501.5	484.2
Other assets	58.7	78.4
Total current assets	1,187.2	1,137.3
Property, plant and equipment, net of accumulated depreciation of \$772.9 and \$774.2 in 2018 and 2017, respectively	374.4	397.8
Goodwill	186.9	200.5
Deferred income taxes	95.4	94.4
Other assets, net	66.9	61.5
Total assets	\$ 1,910.8	\$ 1,891.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	\$ —	\$ 0.9
Current maturities of long-term debt	22.3	32.6
Accounts payable	371.6	348.6
Accrued expenses	292.5	270.3
Income taxes payable	4.1	2.1
Total current liabilities	690.5	654.5
Long-term debt	1,103.6	970.5
Post-retirement benefits, other than pensions	2.5	2.6
Pensions	70.7	84.5
Other liabilities	130.3	129.3
Total liabilities	1,997.6	1,841.4
Commitments and contingencies		
Stockholders' (deficit) 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, 87,170,197 shares issued	0.9	0.9
Additional paid-in capital	1,075.5	1,061.5
Retained earnings	1,805.0	1,575.9
Accumulated other comprehensive loss	(175.6)	(157.4)
Treasury stock, at cost, shares 46,891,591 and 45,361,145 shares as of September 30, 2018 and December 31, 2017, respectively	(2,792.6)	(2,430.8)
Total stockholders' (deficit) equity	(86.8)	50.1
Total liabilities and stockholders' equity	\$ 1,910.8	\$ 1,891.5

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

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(Unaudited)

<i>(Amounts in millions, except per share data)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Net sales	\$ 1,030.2	\$ 1,052.3	\$ 3,040.4	\$ 2,947.9
Cost of goods sold	728.3	738.6	2,153.8	2,082.4
Gross profit	301.9	313.7	886.6	865.5
Operating Expenses:				
Selling, general and administrative expenses	149.4	158.7	466.1	479.6
Losses and other expenses, net	2.7	3.0	10.0	8.5
Restructuring charges	0.5	1.9	1.9	2.1
Loss (gain), net on sale of businesses and related property	6.2	—	25.8	—
Loss from natural disaster, net of insurance recoveries	0.3	—	0.3	—
Income from equity method investments	(2.4)	(4.5)	(10.8)	(15.5)
Operating income	145.2	154.6	393.3	390.8
Interest expense, net	10.3	7.6	28.5	23.3
Other expense (income), net	1.1	—	2.4	(0.2)
Income from continuing operations before income taxes	133.8	147.0	362.4	367.7
Provision for income taxes	25.8	43.0	77.3	103.8
Income from continuing operations	108.0	104.0	285.1	263.9
Discontinued Operations:				
(Loss) income from discontinued operations before income taxes	—	(0.8)	0.4	(2.3)
Income tax (benefit) expense	—	(0.3)	2.1	(0.9)
Loss from discontinued operations	—	(0.5)	(1.7)	(1.4)
Net income	\$ 108.0	\$ 103.5	\$ 283.4	\$ 262.5
Earnings per share – Basic:				
Income from continuing operations	\$ 2.68	\$ 2.48	\$ 6.98	\$ 6.23
Loss from discontinued operations	—	(0.01)	(0.04)	(0.03)
Net income	\$ 2.68	\$ 2.47	\$ 6.94	\$ 6.20
Earnings per share – Diluted:				
Income from continuing operations	\$ 2.65	\$ 2.45	\$ 6.90	\$ 6.15
Loss from discontinued operations	—	(0.01)	(0.04)	(0.03)
Net income	\$ 2.65	\$ 2.44	\$ 6.86	\$ 6.12
Weighted Average Number of Shares Outstanding - Basic	40.3	41.9	40.8	42.3
Weighted Average Number of Shares Outstanding - Diluted	40.7	42.4	41.3	42.9
Cash dividends declared per share	\$ 0.64	\$ 0.51	\$ 1.79	\$ 1.45

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

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(Unaudited)

<i>(Amounts in millions)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	\$ 108.0	\$ 103.5	\$ 283.4	\$ 262.5
Other comprehensive income:				
Foreign currency translation adjustments	3.6	10.2	(9.4)	39.4
Reclassification of foreign currency translation adjustments into earnings	5.0	—	27.9	—
Net change in pension and post-retirement liabilities	(2.5)	(2.7)	(6.3)	(8.1)
Reclassification of pension and post-retirement benefit losses into earnings	2.4	1.8	7.0	5.5
Change in available-for-sale marketable equity securities	—	0.1	(1.8)	0.2
Net change in fair value of cash flow hedges	(3.8)	3.4	(8.9)	10.5
Reclassification of cash flow hedge gains into earnings	(0.3)	(3.5)	(7.3)	(9.4)
Other comprehensive income before income taxes	4.4	9.3	1.2	38.1
Income tax benefit (expense)	1.0	0.1	(19.4)	—
Other comprehensive income (loss), net of tax	5.4	9.4	(18.2)	38.1
Comprehensive income	\$ 113.4	\$ 112.9	\$ 265.2	\$ 300.6

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

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

<i>(Amounts in millions)</i>	For the Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 283.4	\$ 262.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of real estate	(23.8)	—
Impairment/loss on the sale of Australia business	13.0	—
Impairment/loss on the sale of Brazil business	36.6	—
Income from equity method investments	(10.8)	(15.5)
Dividend from Affiliates	6.6	7.8
Restructuring charges, net of cash paid	0.5	1.0
Provision for bad debts	3.8	3.2
Unrealized losses (gains) on derivative contracts	1.4	(0.7)
Stock-based compensation expense	21.0	18.8
Depreciation and amortization	49.4	48.1
Deferred income taxes	(5.6)	(3.9)
Pension expense	6.5	4.1
Pension contributions	(20.3)	(1.4)
Other items, net	0.3	1.0
Changes in assets and liabilities, net of effects of divestitures:		
Accounts and notes receivable	(114.0)	(118.3)
Inventories	(73.7)	(102.6)
Other current assets	(8.6)	(7.3)
Accounts payable	46.9	31.0
Accrued expenses	35.6	7.6
Income taxes payable and receivable	(1.4)	(9.9)
Other	(15.5)	3.5
Net cash provided by operating activities	231.3	129.0
Cash flows from investing activities:		
Proceeds from the disposal of property, plant and equipment	0.1	0.2
Purchases of property, plant and equipment	(60.9)	(60.5)
Net proceeds from sale of businesses and related property	115.9	—
Insurance recoveries received for property damage incurred from natural disaster	4.2	—
Net cash provided by (used in) investing activities	59.3	(60.3)
Cash flows from financing activities:		
Short-term borrowings, net	(1.5)	(1.4)
Asset securitization borrowings	155.0	275.0
Asset securitization payments	(53.7)	—
Long-term debt payments	(32.9)	(200.8)
Borrowings from credit facility	1,820.0	1,883.0
Payments on credit facility	(1,766.5)	(1,701.0)
Proceeds from employee stock purchases	2.5	2.3
Repurchases of common stock	(350.2)	(250.0)
Repurchases of common stock to satisfy employee withholding tax obligations	(21.1)	(16.0)
Cash dividends paid	(68.2)	(58.4)
Net cash used in financing activities	(316.6)	(67.3)
(Decrease) increase in cash and cash equivalents	(26.0)	1.4
Effect of exchange rates on cash and cash equivalents	3.9	9.1
Cash and cash equivalents, beginning of period	68.2	50.2
Cash and cash equivalents, end of period	\$ 46.1	\$ 60.7

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

Supplemental disclosures of cash flow information:

Interest paid	\$	25.9	\$	22.5
Income taxes paid (net of refunds)	\$	87.2	\$	115.5
Insurance recoveries received	\$	45.0	\$	—

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

LENNOX INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General:

References in this Quarterly Report on Form 10-Q to "we," "our," "us," "LII," or the "Company" refer to Lennox International Inc. and its subsidiaries, unless the context requires otherwise.

Basis of Presentation

The accompanying unaudited Consolidated Balance Sheet as of September 30, 2018, the accompanying unaudited Consolidated Statements of Operations for the three and nine months ended September 30, 2018 and 2017, the accompanying unaudited Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2018 and 2017, and the accompanying unaudited Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 should be read in conjunction with our audited consolidated financial statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2017. The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. The accompanying consolidated financial statements contain all material adjustments, consisting principally of normal recurring adjustments, necessary for a fair presentation of our financial position, results of operations and cash flows. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to applicable rules and regulations, although we believe 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 that may be expected for a full year.

Our fiscal quarterly periods are comprised of approximately 13 weeks, but the number of days per quarter may vary year-over-year. Our quarterly reporting periods usually end on the Saturday closest to the last day of March, June and September. Our fourth quarter and fiscal year ends on December 31, regardless of the day of the week on which December 31 falls.

Use of Estimates

The preparation of financial statements requires us to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, inventories, goodwill, intangible assets and other long-lived assets, contingencies, guarantee obligations, indemnifications, and assumptions used in the calculation of income taxes, pension and post-retirement medical benefits, and stock-based compensation, among others. These estimates and assumptions are based on our best estimates and judgment.

We evaluate these estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. We believe these estimates and assumptions to be reasonable under the circumstances and will adjust such estimates and assumptions when facts and circumstances dictate. Volatile equity, foreign currency and commodity markets combine to increase the uncertainty inherent in such estimates and assumptions. Future events and their effects cannot be determined with precision and actual results could differ significantly from these estimates. Changes in these estimates will be reflected in the financial statements in future periods.

Reclassifications

Certain amounts have been reclassified from the prior year presentation to conform to the current year presentation.

Recently Adopted Accounting Guidance

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. The amendments in this ASU clarify the classification for eight different types of activities, including debt prepayment and extinguishment costs, proceeds from insurance claims and distributions from equity method investees. For public business entities, the standard is effective for financial statements issued for fiscal years beginning after December 15, 2017. This standard did not have a material impact on our consolidated financial statements.

We also adopted other new accounting standards during the first quarter of 2018. The impact of these additional standards are discussed in their respective Notes to the Consolidated Financial Statements.

Recent Accounting Pronouncements

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (ASC 842)*. Lessees will need to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. It will be critical to identify leases embedded in a contract to avoid misstating the lessee's balance sheet. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. ASU 2016-02 is effective for public companies for annual reporting periods beginning after December 15, 2018, and interim periods within those fiscal years. As a result of the new standard, all of our leases greater than one year in duration will be recognized in our Consolidated Balance Sheets as both operating lease liabilities and right-of-use assets upon adoption of the standard. We will adopt the standard using the prospective approach. We have completed a qualitative and quantitative assessment of our lease portfolio and are in the process of testing our new lease accounting system, collecting data for leases entered into during 2018 and implementing new processes and controls to account for our leases in accordance with the new standard. Upon adoption, we expect to record right-of-use assets and operating lease liabilities between \$150 million and \$200 million in our Consolidated Balance Sheet.

In August 2018, the SEC issued Release No. 33-10532 that amends and clarifies certain financial reporting requirements. The principal change to our financial reporting will be the inclusion of the annual disclosure requirement of changes in stockholders' equity in Rule 3-04 of Regulation S-X to interim periods. We will adopt this new rule beginning with our financial reporting for the quarter ended March 31, 2019. Upon adoption, we will include our Consolidated Statements of Stockholders' Equity with each quarterly filing on Form 10-Q.

2. Revenue Recognition:

On January 1, 2018, we adopted the new accounting standard ASC 606, *Revenue from Contracts with Customers* and all the related amendments ("the new revenue standard") and applied it to all contracts using the modified retrospective method. We recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. We expect the impact of the adoption of the new standard to be immaterial to our net income on an ongoing basis.

The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet for the adoption of the new revenue standard was as follows (in millions):

	Balance at December 31, 2017	Adjustments Due to ASC 606	Balance at January 1, 2018
BALANCE SHEET			
ASSETS			
Accounts and notes receivable, net	\$ 506.5	\$ 8.3	\$ 514.8
LIABILITIES AND STOCKHOLDERS' EQUITY			
Accounts payable	348.6	9.3	357.9
Retained earnings	1,575.9	(1.0)	1,574.9

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on our Consolidated Balance Sheet and Consolidated Statement of Operations was as follows (in millions):

	September 30, 2018		
	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)
BALANCE SHEET			
ASSETS			
Accounts and notes receivable, net	\$ 580.9	\$ 572.4	\$ 8.5
LIABILITIES AND STOCKHOLDERS' EQUITY			
Accounts payable	371.6	361.4	10.2
Retained earnings	1,805.0	1,806.7	(1.7)
For the Three Months Ended September 30, 2018			
	As Reported	Activity Without Adoption of ASC 606	Effect of Change Higher/(Lower)
STATEMENT OF OPERATIONS			
Net sales	\$ 1,030.2	\$ 1,030.2	\$ —
Net income	108.0	108.1	(0.1)

	For the Nine Months Ended September 30, 2018		
	As Reported	Activity Without Adoption of ASC 606	Effect of Change Higher/(Lower)
STATEMENT OF OPERATIONS			
Net sales	\$ 3,040.4	\$ 3,040.6	\$ (0.2)
Net income	283.4	283.5	(0.1)

The following table disaggregates our revenue by business segment by geography which provides information as to the major source of revenue. See Note 16 for additional description of our reportable business segments and the products and services being sold in each segment.

Primary Geographic Markets	For the Three Months Ended September 30, 2018			
	Residential Heating & Cooling	Commercial Heating & Cooling	Refrigeration	Consolidated
Americas	\$ 594.7	\$ 236.9	\$ 132.0	\$ 963.6
Europe	—	38.9	27.7	66.6
Total	\$ 594.7	275.8	159.7	1,030.2

Primary Geographic Markets	For the Nine Months Ended September 30, 2018			
	Residential Heating & Cooling	Commercial Heating & Cooling	Refrigeration	Consolidated
Americas	\$ 1,764.4	\$ 668.1	\$ 369.4	\$ 2,801.9
Europe	—	105.4	83.4	188.8
Asia Pacific	—	—	49.7	49.7
Total	\$ 1,764.4	773.5	502.5	3,040.4

Our revenue recognition practices for the sale of goods depend upon the shipping terms for each transaction. Shipping terms are primarily FOB Shipping Point and, therefore, revenue is recognized for these transactions when products are shipped to customers and title and control passes. Certain customers in our smaller operations, primarily outside of North America, have shipping terms where risks and rewards of ownership do not transfer until the product is delivered to the customer. For these transactions, revenue is recognized on the date that the product is received and accepted by such customers. We experience returns for miscellaneous reasons and record a reserve for these returns at the time we recognize revenue based on historical experience. Our historical rates of return are insignificant as a percentage of sales. We also recognize revenue net of sales taxes. We have elected to recognize the revenue and cost for freight and shipping when control over the sale of goods passes to our customers.

For our businesses that provide services, revenue is recognized at the time services are completed. Our Commercial Heating & Cooling segment also provides sales, installation, maintenance and repair services under fixed-price contracts. Revenue for services is recognized as the services are performed under the contract based on the relative fair value of the services provided. We allocate a portion of the revenue for extended labor warranty obligations and recognize the revenue over the term of the extended warranty. See Note 7 for more information on product warranties.

Residential Heating & Cooling - We manufacture and market a broad range of furnaces, air conditioners, heat pumps, packaged heating and cooling systems, equipment and accessories to improve indoor air quality, comfort control products, replacement parts and supplies and related products for both the residential replacement and new construction markets in North America. These products are sold under various brand names and are sold either through direct sales to a network of independent installing dealers, including through our network of Lennox PartsPlus stores or to independent distributors. For the segment, for the three and nine months ended September 30, 2018, direct sales represent approximately \$459.9 million and \$1,346.2 million of revenues and sales to independent distributors represent approximately \$134.8 million and \$418.2 million of revenues, respectively. Given the nature of our business, customer product orders are fulfilled at a point in time and not over a period of time.

Commercial Heating & Cooling - In North America, we manufacture and sell unitary heating and cooling equipment used in light commercial applications, such as low-rise office buildings, restaurants, retail centers, churches and schools. These products are distributed primarily through commercial contractors and directly to national account customers in the planned replacement, emergency replacement and new construction markets. Revenue for the products sold is recognized at a point in time when control transfers to the customer, which is generally at time of shipment. Lennox National Account Service provides installation, service and preventive maintenance for commercial HVAC national account customers in the United States and Canada. Revenue related to service contracts is recognized as the services are performed under the contract based on the relative fair value of the services provided. In Europe, we manufacture and sell unitary products and applied systems. For the segment, for the three and nine months ended September 30, 2018, equipment sales represent approximately \$242.6 million and \$679.2 million of revenues while \$33.2 million and \$94.3 million of our revenue is generated from our service business, respectively.

Refrigeration - We manufacture and market equipment for the global commercial refrigeration markets under the Heatcraft Worldwide Refrigeration name. Our products are used in the food retail, food service, cold storage as well as non-food refrigeration markets. We sell these products to distributors, installing contractors, engineering design firms, original equipment manufacturers and end-users. Revenue for the products sold is \$156.8 million and \$495.8 million for the three and nine months ended September 30, 2018 and is recognized at a point in time when control transfers to the customer, which is generally at time of shipment. The remaining segment revenue relates to service revenues related to start-up and commissioning activities.

Variable Consideration - We engage in cooperative advertising, customer rebate, and other miscellaneous programs that result in payments or credits being issued to our customers. We record these customer discounts and incentives as a reduction of sales when the sales are recorded. For certain cooperative advertising programs, we also receive an identifiable benefit (goods or services) in exchange for the consideration given, and, accordingly, record a ratable portion of the expenditure to Selling, general and administrative ("SG&A") expenses. All other advertising, promotions and marketing costs are expensed as incurred.

Other Judgments and Assumptions - We apply the practical expedient in ASC 606-10-50-14 and do not disclose information about remaining performance obligations that have original expected durations of one year or less. Applying the practical expedient in ASC 340-40-25-4, we recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that we otherwise would have recognized is one year or less. These costs are included in SG&A expenses. ASC 606-10-32-18 allows us to not adjust the amount of consideration to be received in a contract for any significant financing component if we expect to receive payment within twelve months of transfer of control of goods or services. We have elected this expedient as we expect all consideration to be received in one year or less at contract inception. We have also elected not to provide the remaining performance obligations disclosures related to service contracts in accordance with the practical expedient in ASC 606-10-55-18. We recognize revenue in the amount to which the entity has a right to invoice and have adopted this election to not provide the remaining performance obligations related to service contracts.

Contract Assets - We do not have material amounts of contract assets since revenue is recognized as control of goods is transferred or as services are performed. There are a small number of installation services that may occur over a period of time, but that period of time is generally very short in duration and right of payment does not exist until the installation is completed. Any contract assets that may arise are recorded in Other assets in our Consolidated Balance Sheet.

Contract Liabilities - Our contract liabilities consist of advance payments and deferred revenue. Our contract liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. We classify advance payments and deferred revenue as current or noncurrent based on the timing of when we expect to recognize revenue. Generally all contract

liabilities are expected to be recognized within one year and are included in Accounts payable in our Consolidated Balance Sheet. The noncurrent portion of deferred revenue is included in Other liabilities in our Consolidated Balance Sheet.

Net contract assets (liabilities) consisted of the following:

	September 30, 2018	December 31, 2017	\$ Change	% Change
Contract assets	\$ 3.5	\$ 2.1	\$ 1.4	66.7 %
Contract liabilities - current	(6.2)	(7.3)	1.1	(15.1)%
Contract liabilities - noncurrent	(6.0)	(5.5)	(0.5)	9.1 %
Total	\$ (8.7)	\$ (10.7)	\$ 2.0	

For the three and nine months ended September 30, 2018, we recognized revenue of \$1.3 million and \$4.2 million related to our contract liabilities at January 1, 2018, respectively. Impairment losses recognized in our receivables and contract assets were de minimis in the third quarter of 2018.

3. Inventories:

The components of inventories are as follows (in millions):

	As of September 30, 2018	As of December 31, 2017
Finished goods	\$ 315.4	\$ 331.9
Work in process	6.3	5.5
Raw materials and parts	232.2	199.2
Subtotal	553.9	536.6
Excess of current cost over last-in, first-out cost	(52.4)	(52.4)
Total inventories, net	\$ 501.5	\$ 484.2

4. Goodwill:

The changes in the carrying amount of goodwill for the first nine months of 2018, in total and by segment, are summarized in the table below (in millions):

	Balance at December 31, 2017	Write-off due to divested businesses	Changes in foreign currency translation rates	Balance at September 30, 2018
Residential Heating & Cooling	\$ 26.1	\$ —	\$ —	\$ 26.1
Commercial Heating & Cooling	62.2	—	(0.5)	61.7
Refrigeration	112.2	(11.5)	(1.6)	99.1
Total Goodwill	\$ 200.5	\$ (11.5)	\$ (2.1)	\$ 186.9

We perform our annual goodwill impairment test in the fourth quarter of each year. We continue to monitor our reporting units for indicators of impairment throughout the year to determine if a change in facts or circumstances warrants a re-evaluation of our goodwill. In the current year, we wrote off \$11.5 million of goodwill as a part of the completed sales of our Australia, New Zealand, Asia and Brazil businesses (discussed further in Note 14 of the Notes to the Consolidated Financial Statements).

5. Derivatives:

Objectives and Strategies for Using Derivative Instruments

Commodity Price Risk - We utilize a cash flow hedging program to mitigate our exposure to volatility in the prices of metal commodities used in our production processes. Our hedging program includes the use of futures contracts to lock in prices, and as a result, we are subject to derivative losses should the metal commodity prices decrease and gains should the prices increase. We utilize a dollar cost averaging strategy so that a higher percentage of commodity price exposures are hedged near-term and

lower percentages hedged at future dates. This strategy allows for protection against near-term price volatility while allowing us to adjust to market price movements over time.

Interest Rate Risk - A portion of our debt bears interest at variable rates, and as a result, we are subject to variability in the cash paid for interest. To mitigate a portion of that risk, we may choose to engage in an interest rate swap hedging strategy to eliminate the variability of interest payment cash flows. We are not currently hedged against interest rate risk.

Foreign Currency Risk - Foreign currency exchange rate movements create a degree of risk by affecting the U.S. dollar value of assets and liabilities arising in foreign currencies. We seek to mitigate the impact of currency exchange rate movements on certain short-term transactions by periodically entering into foreign currency forward contracts.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815), *Targeted Improvements to Accounting for Hedging Activities*. ASU 2017-12 intends to simplify the application of hedge accounting guidance and better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. We early adopted ASU No. 2017-12 during the first quarter of 2018. The adoption of ASU No. 2017-12 did not have a material impact on our consolidated results of operations, cash flows, and statement of financial position. With the early adoption of ASU No. 2017-12 we began entering into commodity futures contracts designated as cash flow hedges related to aluminum purchases.

Cash Flow Hedges

We have foreign exchange forward contracts and commodity futures contracts designated as cash flow hedges that are scheduled to mature through December 2018 and February 2020, respectively. Unrealized gains or losses from our cash flow hedges are included in Accumulated other comprehensive loss ("AOCL") and are expected to be reclassified into earnings within the next 18 months based on the prices of the commodities and foreign currencies at the settlement dates. We recorded the following amounts in AOCL related to our cash flow hedges (in millions):

	<u>As of September 30, 2018</u>	<u>As of December 31, 2017</u>
Unrealized losses (gains) on unsettled contracts	\$ 4.9	\$ (11.3)
Income tax (benefit) expense	(1.1)	3.9
Losses (Gains) included in AOCL, net of tax ⁽¹⁾	\$ 3.8	\$ (7.4)

⁽¹⁾ Assuming commodity and foreign currency prices remain constant, we expect to reclassify \$2.9 million of derivative losses into earnings within the next 12 months.

We had the following outstanding commodity futures contracts designated as cash flow hedges (in millions of pounds):

	<u>As of September 30, 2018</u>	<u>As of December 31, 2017</u>
Copper	13.7	20.6
Aluminum	29.3	—

We had the following outstanding foreign exchange forward contracts designated as cash flow hedges (in millions):

	<u>As of September 30, 2018</u>	<u>As of December 31, 2017</u>
Notional Amounts (in local currency):		
Mexican Peso	49.2	207.3
Canadian Dollar	12.6	68.6

Derivatives not Designated as Cash Flow Hedges

For commodity derivatives not designated as cash flow hedges, we follow the same hedging strategy as derivatives designated as cash flow hedges, except that we elect not to designate them as cash flow hedges at the inception of the arrangement. We had the following outstanding commodity futures contracts not designated as cash flow hedges (in millions of pounds):

	As of September 30, 2018	As of December 31, 2017
Copper	0.8	1.8
Aluminum	1.0	1.8

We also had the following outstanding foreign currency forward contracts not designated as cash flow hedges (in millions):

	As of September 30, 2018	As of December 31, 2017
Notional Amounts (in local currency):		
Chinese Yuan	—	73.8
Mexican Peso	68.0	136.6
Euro	28.8	64.4
Canadian Dollar	23.0	27.3
British Pound	8.3	4.5
Singapore Dollar	—	7.0
Australian Dollar	—	107.0
New Zealand Dollar	—	5.0
Indian Rupee	—	39.8

Information about the Locations and Amounts of Derivative Instruments

The following tables provide the locations and amounts of derivative fair values in the Consolidated Balance Sheets and derivative gains and losses in the Consolidated Statements of Operations (in millions):

	Fair Values of Derivative Instruments ⁽¹⁾			
	Derivatives Designated as Hedging Instruments		Derivatives Not Designated as Hedging Instruments	
	As of September 30, 2018	As of December 31, 2017	As of September 30, 2018	As of December 31, 2017
Current Assets:				
Other Assets				
Commodity futures contracts	\$ —	\$ 11.0	\$ —	\$ 1.2
Foreign currency forward contracts	0.5	0.1	—	0.9
Non-Current Assets:				
Other Assets, net				
Commodity futures contracts	—	0.6	—	0.1
Total Assets	\$ 0.5	\$ 11.7	\$ —	\$ 2.2
Current Liabilities:				
Accrued Expenses				
Commodity futures contracts	\$ 5.2	\$ —	\$ 0.3	\$ —
Foreign currency forward contracts	—	0.3	0.1	1.1
Non-Current Liabilities:				
Other Liabilities				
Commodity futures contracts	0.3	—	—	—
Total Liabilities	\$ 5.5	\$ 0.3	\$ 0.4	\$ 1.1

⁽¹⁾ All derivative instruments are classified as Level 2 within the fair value hierarchy. See Note 17 for more information.

Derivatives Designated as Cash Flow Hedges	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
	Amount of Gain reclassified from AOCL into Income (effective portion) ⁽¹⁾	\$ (0.3)	\$ (3.5)	\$ (7.3)
Amount of (Gains)/Loss recognized in Net income (ineffective portion) ⁽²⁾⁽³⁾	—	(0.1)	—	1.1

Derivatives Not Designated as Hedging Instruments	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
	Amount of Loss/(Gain) Recognized in Net Income:			
Commodity futures contracts ⁽²⁾	\$ 0.3	\$ (0.2)	\$ 0.9	\$ (1.3)
Foreign currency forward contracts ⁽²⁾	—	(0.4)	(0.3)	(4.3)
	<u>\$ 0.3</u>	<u>\$ (0.6)</u>	<u>\$ 0.6</u>	<u>\$ (5.6)</u>

⁽¹⁾ The gain was recorded in Cost of goods sold in the accompanying Consolidated Statements of Operations.

⁽²⁾ The (gain)/loss was recorded in Losses and other expenses, net in the accompanying Consolidated Statements of Operations.

⁽³⁾ ASU 2017-12 eliminates the requirement to disclose the amount of hedge ineffectiveness prospectively because this amount is no longer separately measured and reported.

6. Income Taxes:

As of September 30, 2018, we had approximately \$0.3 million in total gross unrecognized tax benefits and of this amount, all if recognized, would be recorded through the Consolidated Statement of Operations. As of September 30, 2018, we had an insignificant amount in interest recognized in income tax expense in accordance with FASB Accounting Standards Codification (“ASC”) Topic 740.

We are currently under examination for our U.S. federal income taxes under the Internal Revenue Service's Compliance Assurance Program for 2018, and 2017 and are subject to examination by numerous other taxing authorities in the U.S. and in jurisdictions such as France, India and Germany. We are generally no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by taxing authorities for years prior to 2011.

Since January 1, 2018, several states have enacted legislation effective for tax years beginning on or after January 1, 2018, including changes to tax rates and apportionment methods. The impact of these changes is immaterial.

On October 24, 2016, the FASB issued ASU No. 2016-16, *Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory*, which requires companies to recognize the income tax effects of intercompany sales and transfers of assets other than inventory in the period in which the transfer occurs. Prior to ASU 2016-16, companies were required to defer the income tax effects of intercompany transfers of assets until the asset had been sold to an outside party or otherwise recognized. The new guidance is effective for public business entities for annual periods beginning after December 15, 2017 and interim periods within those annual periods. The guidance requires companies to apply a modified retrospective approach with a cumulative catch-up adjustment to opening retained earnings in the period of adoption. Accordingly, we recorded a \$5.1 million decrease to opening retained earnings in the period ending March 31, 2018.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, the new global intangible low-taxed income (“GILTI”) tax rules. Because of the complexity of the new GILTI tax rules, we are continuing to evaluate this provision of the Tax Act and the application of ASC 740. Under U.S. GAAP, we are allowed to make an accounting policy choice of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the “period cost method”) or (2) factoring such amounts into a company’s measurement of its deferred taxes (the “deferred method”). Our selection of an accounting policy with respect to the new GILTI tax rules will depend, in part, on analyzing our global income to determine whether we expect to have future U.S. inclusions in taxable income related to GILTI and, if so, what the impact is expected to be. We are not currently able to reasonably estimate the effect of the new GILTI tax rules on future U.S. inclusions in taxable income as the expected future impact of this provision of the Tax Act depends on our current structure and business. Therefore, although we have considered the current effects of GILTI when estimating

our annual effective tax rate, we have not made any adjustments related to potential GILTI tax in our deferred taxes and have not made a policy decision regarding whether to record deferred taxes on GILTI.

On February 14, 2018, the FASB issued ASU No. 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which permits companies to reclassify stranded tax effects caused by 2017 tax reform between accumulated other comprehensive income (“AOCI”) and retained earnings. We have elected to adopt ASU 2018-02 to reclassify the income tax effects of the 2017 Act from AOCI to retained earnings for the period ending March 31, 2018. Accordingly, we recorded a \$22.7 million increase to opening retained earnings in the period ending March 31, 2018 to reclassify the effect of the change in the U.S. federal corporate income tax rate, including the reduction in the federal benefit associated with state taxes, on the gross deferred tax amounts and related valuation allowances at the date of enactment of the Tax Cuts and Jobs Act related to items remaining in AOCI.

The SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”), which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Act for which the accounting under ASC 740 is complete. To the extent that a company’s accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

Due to the Tax Act, several applications for changes in accounting method have been filed with the IRS to accelerate deductions into the 2017 U.S. federal income tax return. As of September 30, 2018 we have recognized discrete tax benefits of \$4.3 million associated with the finalization of the calculations for accounting method changes for credit reserves, prepaid expenses, IBNR medical expenses and depreciable asset reclassifications and repairs. In addition, we have recognized a discrete tax benefit of \$3.0 million associated with the finalization of the Domestic Production Activities deduction due to Tax Act impacts. As of September 30, 2018, we have recognized a discrete tax expense of \$2.7 million for the transition tax on the mandatory deemed repatriation of undistributed foreign earnings required by the Tax Act and \$0.1 million of tax expense due to changes in estimate of the decrease of our net federal deferred tax assets (“DTA”) from our year-end provision.

7. Commitments and Contingencies:

Product Warranties and Product Related Contingencies

We provide warranties to customers for some of our products and record liabilities for the estimated future warranty-related costs based on failure rates, cost experience and other factors. We periodically review the assumptions used to determine the product warranty liabilities and will adjust the liabilities in future periods for changes in assumptions, as necessary.

Liabilities for estimated product warranty costs related to continuing operations are included in the following captions on the accompanying Consolidated Balance Sheets (in millions):

	<u>As of September 30, 2018</u>	<u>As of December 31, 2017</u>
Accrued expenses	\$ 36.6	\$ 34.8
Other liabilities	73.6	75.1
Total warranty liability	\$ 110.2	\$ 109.9

The changes in product warranty liabilities related to continuing operations for the nine months ended September 30, 2018 were as follows (in millions):

Total warranty liability as of December 31, 2017	\$ 109.9
Warranty claims paid	(23.9)
Changes resulting from issuance of new warranties	29.0
Changes in estimates associated with pre-existing liabilities	(3.1)
Changes in foreign currency translation rates and other	(0.4)
Warranty liability from Divestitures	(1.3)
Total warranty liability as of September 30, 2018	\$ 110.2

We have incurred, and will likely continue to incur, product costs not covered by insurance or our suppliers' warranties, which are not included in the tables immediately above. Also, to satisfy our customers and protect our brands, we have repaired or replaced installed products experiencing quality-related issues, and will likely continue such repairs and replacements. Liabilities, for such quality related issues, are not material.

Litigation

We are involved in a number of claims and lawsuits incident to the operation of our businesses. Insurance coverages are maintained and estimated costs are recorded for such claims and lawsuits, including costs to settle claims and lawsuits, based on experience involving similar matters and specific facts known.

Some of these claims and lawsuits allege personal injury or health problems resulting from exposure to asbestos that was integrated into certain of our products. We have never manufactured asbestos and have not incorporated asbestos-containing components into our products for several decades. A substantial majority of these asbestos-related claims have been covered by insurance or other forms of indemnity or have been dismissed without payment. The remainder of our closed cases have been resolved for amounts that are not material, individually or in the aggregate. Our defense costs for asbestos-related claims are generally covered by insurance; however, our insurance coverage for settlements and judgments for asbestos-related claims varies depending on several factors and are subject to policy limits, so we may have greater financial exposure for future settlements and judgments. For the nine months ended September 30, 2018 and 2017, expense for asbestos-related litigation was \$3.3 million and \$3.9 million, respectively, net of probable insurance recoveries, for known and future asbestos-related litigation and is recorded in Losses and other expenses, net in the Consolidated Statements of Operations. For the three months ended September 30, 2018 and 2017, expense for asbestos-related litigation was \$1.4 million and \$1.5 million, respectively, net of probable insurance recoveries.

It is management's opinion that none of these claims or lawsuits or any threatened litigation will have a material adverse effect on our financial condition, results of operations or cash flows. Claims and lawsuits, however, involve uncertainties and it is possible that their eventual outcome could adversely affect our results of operations for a particular period.

Marshalltown Tornado and Recovery

On July 19, 2018 our manufacturing facility in Marshalltown, Iowa was severely damaged by a tornado. Insurance covers the repair or replacement of our assets that suffered damage or loss, and we are working closely with our insurance carriers and claims adjusters to ascertain the full amount of insurance recoveries due to us as a result of the damage and loss we suffered. Our insurance policies also provide business interruption coverage, including lost profits, and reimbursement for other expenses and costs that have been incurred relating to the damages and losses suffered. These costs and insurance recoveries are shown in Loss from natural disaster, net of insurance recoveries in the Consolidated Statements of Operations.

The following table summarizes the loss from natural disaster, net of insurance recoveries:

<i>(Amounts in millions)</i>	For the Nine Months Ended September 30, 2018	
Write-off of property, plant and equipment	\$	4.2
Write-off of inventory		5.2
Site clean-up and remediation		28.4
Factory inefficiencies due to lower productivity		4.9
Other		6.7
Total expense		49.4
Insurance recoveries received		45.0
Insurance recoveries receivable ⁽¹⁾		4.1
Loss from natural disaster, net of insurance recoveries	\$	0.3

⁽¹⁾ The insurance recoveries receivable is recorded in Other assets in the Consolidated Balance Sheets.

8. Lines of Credit and Financing Arrangements:

The following table summarizes our outstanding debt obligations and their classification in the accompanying Consolidated Balance Sheets (in millions):

	As of September 30, 2018		As of December 31, 2017	
Short-Term Debt:				
Foreign obligations	\$	—	\$	0.9
Total short-term debt	\$	—	\$	0.9
Current maturities of long-term debt:				
Capital lease obligations	\$	0.4	\$	3.2
Domestic credit facility		22.5		30.0
Debt issuance costs		(0.6)		(0.6)
Total current maturities of long-term debt	\$	22.3	\$	32.6
Long-Term Debt:				
Asset Securitization Program	\$	377.3	\$	276.0
Capital lease obligations		11.9		11.9
Domestic credit facility		368.0		337.0
Senior unsecured notes		350.0		350.0
Debt issuance costs		(3.6)		(4.4)
Total long-term debt	\$	1,103.6	\$	970.5
Total debt	\$	1,125.9	\$	1,004.0

Short-Term Debt

Foreign Obligations

Through several of our foreign subsidiaries, we have facilities available to assist in financing seasonal borrowing needs for our foreign locations. We had \$0.0 million and \$0.9 million of foreign obligations outstanding as of September 30, 2018 and December 31, 2017, respectively, that were primarily borrowings under non-committed facilities. Proceeds on these facilities were \$40.2 million and \$19.1 million during the nine months ended September 30, 2018 and 2017, respectively. Repayments on the facilities were \$38.5 million and \$20.5 million during the nine months ended September 30, 2018 and 2017, respectively.

Asset Securitization Program

Under the Asset Securitization Program ("ASP"), we are eligible to sell beneficial interests in a portion of our trade accounts receivable to a financial institution for cash. The ASP contains a provision whereby we retain the right to repurchase all of the outstanding beneficial interests transferred. As a result of the repurchase right, the transfer of the receivables under the ASP is not accounted for as a sale. Accordingly, the cash received from the transfer of the beneficial interests in our trade accounts receivable is reflected as secured borrowings in the accompanying Consolidated Balance Sheets and proceeds received are included in Cash flows from financing activities in the accompanying Consolidated Statements of Cash Flows. Our continued involvement with the transferred assets includes servicing, collection and administration of the transferred beneficial interests. The accounts receivable securitized under the ASP are high-quality domestic customer accounts that have not aged significantly. The receivables represented by the retained interest that we service are exposed to the risk of loss for any uncollectible amounts in the pool of receivables transferred under the ASP.

The ASP provides for a maximum securitization amount ranging from \$225.0 million to \$380.0 million, depending on the period. The maximum capacity under the ASP is the lesser of the maximum securitization amount or 100% of the net pool balance less allowances, as defined by the ASP. Eligibility for securitization is limited based on the amount and quality of the qualifying accounts receivable and is calculated monthly. The eligible amounts available and beneficial interests sold were as follows (in millions):

	September 30, 2018	As of December 31, 2017
Eligible amount available under the ASP on qualified accounts receivable	\$ 380.0	\$ 290.0
Less: Beneficial interest transferred	(377.3)	(276.0)
Remaining amount available	\$ 2.7	\$ 14.0

We pay certain discount fees to use the ASP and to have the facility available to us. These fees relate to both the used and unused portions of the securitization. The used fee is based on the beneficial interest sold and calculated on either the average LIBOR rate or floating commercial paper rate determined by the purchaser of the beneficial interest, plus a program fee of 0.70%. The average rates as of September 30, 2018 and December 31, 2017 were 2.98% and 2.60%, respectively. The unused fee is based on 101% of the maximum available amount less the beneficial interest transferred and is calculated at a 0.35% fixed rate throughout the term of the agreement. We recorded these fees in Interest expense, net in the accompanying Consolidated Statements of Operations.

The ASP contains certain restrictive covenants relating to the quality of our accounts receivable and cross-default provisions with our Sixth Amended and Restated Credit Facility Agreement ("Domestic Credit Facility"), senior unsecured notes and any other indebtedness we may have over \$75.0 million. The administrative agent under the ASP is also a participant in our Domestic Credit Facility. The participating financial institutions have investment grade credit ratings. As of September 30, 2018, we believe we were in compliance with all covenant requirements.

Long-Term Debt

Domestic Credit Facility

On August 30, 2016, we replaced an earlier credit facility with the Domestic Credit Facility, which consists of a \$650.0 million unsecured revolving credit facility and a \$250.0 million unsecured term loan and matures in August 2021 (the "Maturity Date"). Under our Domestic Credit Facility, we had outstanding borrowings of \$390.5 million, of which \$190.0 million was the term loan balance, as well as \$2.5 million committed to standby letters of credit as of September 30, 2018. Subject to covenant limitations, \$447.0 million was available for future borrowings. The unsecured term loan also matures on the Maturity Date and requires quarterly principal repayments of \$7.5 million. The revolving credit facility includes a subfacility for swingline loans of up to \$65.0 million. Additionally, at our request and subject to certain conditions, the commitments under the Domestic Credit Facility may be increased by a maximum of \$350.0 million as long as existing or new lenders agree to provide such additional commitments.

Our weighted average borrowing rate on the facility was as follows:

	As of September 30, 2018	As of December 31, 2017
Weighted average borrowing rate	3.41%	2.76%

Our Domestic Credit Facility is guaranteed by certain of our subsidiaries and contains financial covenants relating to leverage and interest coverage. Other covenants contained in the Domestic Credit Facility restrict, among other things, certain mergers, asset dispositions, guarantees, debt, liens, and affiliate transactions. The financial covenants require us to maintain a defined Consolidated Indebtedness to Adjusted EBITDA Ratio and a Cash Flow (defined as EBITDA minus capital expenditures) to Net Interest Expense Ratio. The required ratios under our Domestic Credit Facility are detailed below:

Consolidated Indebtedness to Adjusted EBITDA Ratio no greater than	3.5 : 1.0
Cash Flow to Net Interest Expense Ratio no less than	3.0 : 1.0

Our Domestic Credit Facility contains customary events of default. These events of default include nonpayment of principal or interest, breach of covenants or other restrictions or requirements, default on certain other indebtedness or receivables securitizations (cross default), and bankruptcy. A cross default under our Domestic Credit Facility could occur if:

- We fail to pay any principal or interest when due on any other indebtedness or receivables securitization of at least \$75.0 million; or
- We are in default in the performance of, or compliance with any term of any other indebtedness or receivables securitization in an aggregate principal amount of at least \$75.0 million or any other condition exists which would give the holders the right to declare such indebtedness due and payable prior to its stated maturity.

Each of our major debt agreements contains provisions by which a default under one agreement causes a default in the others (a "cross default"). If a cross default under the Domestic Credit Facility, our senior unsecured notes, our lease of our corporate headquarters in Richardson, Texas (recorded as an operating lease), or our ASP were to occur, it could have a wider impact on our liquidity than might otherwise occur from a default of a single debt instrument or lease commitment.

If any event of default occurs and is continuing, lenders with a majority of the aggregate commitments may require the administrative agent to terminate our right to borrow under our Domestic Credit Facility and accelerate amounts due under our Domestic Credit Facility (except for a bankruptcy event of default, in which case such amounts will automatically become due and payable and the lenders' commitments will automatically terminate). As of September 30, 2018, we believe we were in compliance with all covenant requirements.

Senior Unsecured Notes

We issued \$350.0 million of senior unsecured notes in November 2016 (the "Notes") which will mature on November 15, 2023 with interest being paid on May 15 and November 15 at 3.00% per annum semiannually. The Notes are guaranteed, on a senior unsecured basis, by each of our domestic subsidiaries that guarantee indebtedness under our Domestic Credit Facility. The indenture governing the Notes contains covenants that, among other things, limit our ability and the ability of the subsidiary guarantors to: create or incur certain liens; enter into certain sale and leaseback transactions; and enter into certain mergers, consolidations and transfers of substantially all of our assets. The indenture also contains a cross default provision which is triggered if we default on other debt of at least \$75.0 million in principal which is then accelerated, and such acceleration is not rescinded within 30 days of the notice date. As of September 30, 2018, we believe we were in compliance with all covenant requirements.

9. Pension and Post-Retirement Benefit Plans:

On March 10, 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 changes the income statement presentation of defined benefit plan expense by requiring separation between operating expense (service cost component) and non-operating expense (all other components, including interest cost, amortization of prior service cost, curtailments and settlements, etc.). The operating expense component is reported with similar compensation costs while the non-operating components are reported in Other expense (income), net in the Statement of Operations. In addition, only the service cost component is eligible for capitalization as part of an asset such as inventory or property, plant and equipment. We elected the practical expedient to use the prior year's disclosure as a basis for the retroactive adoption of the ASU. The ASU did not have a material impact on our financial results.

The components of net periodic benefit cost were as follows (in millions):

	For the Three Months Ended September 30,			
	2018		2017	
	Pension Benefits		Other Benefits	
Service cost	\$ 1.3	\$ 1.3	\$ —	\$ —
Interest cost	3.1	3.2	—	—
Expected return on plan assets	(4.7)	(5.3)	—	—
Amortization of prior service cost	0.1	—	(0.3)	(0.6)
Recognized actuarial loss	2.3	2.0	0.3	0.4
Settlements and curtailments	0.3	—	—	—
Net periodic benefit cost	\$ 2.4	\$ 1.2	\$ —	\$ (0.2)

	For the Nine Months Ended September 30,			
	2018		2017	
	Pension Benefits		Other Benefits	
Service cost	\$ 4.0	\$ 3.8	\$ —	\$ —
Interest cost	9.3	9.5	—	—
Expected return on plan assets	(14.1)	(16.0)	—	—
Amortization of prior service cost	0.1	0.1	(1.0)	(1.8)
Recognized actuarial loss	6.9	6.1	1.0	1.1
Settlements and curtailments	0.3	0.6	—	—
Net periodic benefit cost	\$ 6.5	\$ 4.1	\$ —	\$ (0.7)

In January 2018, we reduced our estimated long-term rate of return on plan assets for U.S. pension plans from 7.5% to 6.5%. A 25 basis point decrease in the long-term rate of return will result in a \$0.7 million increase in net periodic benefit cost for U.S. pension plans.

10. Stock-Based Compensation:

We issue various long-term incentive awards, including performance share units, restricted stock units and stock appreciation rights under the Lennox International Inc. 2010 Incentive Plan, as amended and restated. Stock-based compensation expense related to continuing operations is included in Selling, general and administrative expenses in the accompanying Consolidated Statements of Operations as follows (in millions):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018		2017	
	2018	2017	2018	2017
Stock-based compensation expense ⁽¹⁾	\$ 7.4	\$ 6.3	\$ 21.0	\$ 18.8

⁽¹⁾ All expense was recorded in our Corporate and Other business segment.

11. Stock Repurchases:

Our Board of Directors has authorized a total of \$2.5 billion to repurchase shares of our common stock (collectively referred to as the "Share Repurchase Plans"), including a \$500 million share repurchase authorization in March 2018. Under this program, we may repurchase shares from time to time in open market transactions and in privately negotiated transactions based on business, market, applicable legal requirements and other considerations. The repurchase program does not require the repurchase of a specific number of shares and may be terminated at any time. As of September 30, 2018, \$546 million of shares may be repurchased under the Share Repurchase Plans.

On February 8, 2018, the Company entered into a Fixed Dollar Accelerated Share Repurchase Transaction (the "ASR Agreement") with MUFG Securities EMEA plc ("MUFG"), to effect an accelerated stock buyback of our common stock. Under the ASR Agreement, on February 8, 2018, we paid MUFG an initial purchase price of \$150 million, and MUFG delivered to us

common stock, representing approximately 85% of the shares expected to be purchased under the ASR Agreement. The ASR was completed in April of 2018 and MUFG delivered additional shares for a total of 0.7 million shares of common stock repurchased as part of this ASR Agreement.

We repurchased 1.0 million shares for \$200.2 million from open market transactions during the second quarter of 2018.

We also repurchased 0.1 million shares for \$21.1 million during the nine months ended September 30, 2018 from employees who surrendered their shares to satisfy minimum tax withholding obligations upon the exercise of long-term incentive awards.

12. Comprehensive Income:

The following table provides information on items not reclassified in their entirety from AOCL to Net income in the accompanying Consolidated Statements of Operations (in millions):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		Affected Line Item(s) in the Consolidated Statements of Operations
	2018	2017	2018	2017	
Gains/(Losses) on cash flow hedges:					
Commodity futures contracts/foreign exchange forward contracts	\$ 0.3	\$ 3.5	\$ 7.3	\$ 9.4	Cost of goods sold
Income tax expense	(0.1)	(1.3)	(1.7)	(3.4)	Provision for income taxes
Net of tax	\$ 0.2	\$ 2.2	\$ 5.6	\$ 6.0	
Defined Benefit Plan items:					
Pension and post-retirement benefit costs	\$ (2.4)	\$ (1.8)	\$ (7.0)	\$ (5.5)	Cost of goods sold; Selling, general and administrative expenses
Income tax benefit	0.6	0.7	1.7	2.0	Provision for income taxes
Net of tax	\$ (1.8)	\$ (1.1)	\$ (5.3)	\$ (3.5)	
Foreign Currency Translation Adjustments:					
Foreign currency adjustments upon sale of business	\$ (5.0)	\$ —	\$ (27.9)	\$ —	Loss (gain), net on sale of businesses and related property
Income tax benefit	—	—	—	—	Provision for income taxes
Net of tax	\$ (5.0)	\$ —	\$ (27.9)	\$ —	
Total reclassifications from AOCL	\$ (6.6)	\$ 1.1	\$ (27.6)	\$ 2.5	

The following table provides information on changes in AOCL, by component (net of tax), for the nine months ended September 30, 2018 (in millions):

	Gains (Losses) on Cash Flow Hedges	Unrealized Gains on Available-for-Sale Securities	Defined Benefit Pension Plan Items	Foreign Currency Translation Adjustments	Total AOCL
Balance as of December 31, 2017	\$ 7.4	\$ 1.8	\$ (127.5)	\$ (39.1)	\$ (157.4)
Other comprehensive loss before reclassifications	(5.6)	(1.8)	(29.0)	(9.4)	(45.8)
Amounts reclassified from AOCL	(5.6)	—	5.3	27.9	27.6
Net other comprehensive (loss) income	(11.2)	(1.8)	(23.7)	18.5	(18.2)
Balance as of September 30, 2018	\$ (3.8)	\$ —	\$ (151.2)	\$ (20.6)	\$ (175.6)

13. Restructuring Charges:

We record restructuring charges associated with management-approved restructuring plans when we reorganize or remove duplicative headcount or infrastructure within our businesses. Restructuring charges include severance costs to eliminate a specified number of employees, infrastructure charges to vacate facilities and consolidate operations, contract cancellation costs and other related activities. The timing of associated cash payments is dependent upon the type of restructuring charge and can extend over a multi-year period. Restructuring charges are not included in our calculation of segment profit (loss), as more fully explained in Note 16.

Restructuring Activities in 2018

Information regarding the restructuring charges for all ongoing activities is presented in the following table (in millions):

	Charges Incurred in 2018	Charges Incurred to Date	Total Charges Expected to be Incurred
Severance and related expense	\$ 0.7	\$ 12.0	\$ 12.0
Asset write-offs and accelerated depreciation	—	3.2	3.2
Lease termination	0.7	0.9	0.9
Other	0.5	4.6	4.8
Total restructuring charges	\$ 1.9	\$ 20.7	\$ 20.9

While restructuring charges are excluded from our calculation of segment profit (loss), the table below presents the restructuring charges associated with each segment (in millions):

	Charges Incurred in 2018	Charges Incurred to Date	Total Charges Expected to be Incurred
Residential Heating & Cooling	\$ 0.5	\$ 1.9	\$ 2.1
Commercial Heating & Cooling	0.8	2.8	2.8
Refrigeration	0.7	13.8	13.8
Corporate & Other	(0.1)	2.2	2.2
Total restructuring charges	\$ 1.9	\$ 20.7	\$ 20.9

Restructuring accruals are included in Accrued expenses in the accompanying Consolidated Balance Sheets. The table below details the activity in 2018 within the restructuring accruals (in millions):

	Balance as of December 31, 2017	Included in Earnings	Cash Utilization	Non-Cash Utilization and Other	Balance as of September 30, 2018
Severance and related expense	\$ 0.2	\$ 0.7	\$ (0.8)	\$ —	\$ 0.1
Lease termination	—	0.7	(0.1)	(0.2)	0.4
Other	—	0.5	(0.5)	—	—
Total restructuring accruals	\$ 0.2	\$ 1.9	\$ (1.4)	\$ (0.2)	\$ 0.5

14. Divestitures:

Australia, New Zealand and Asia Divestiture:

During the first quarter of 2018, we obtained board approval and signed an agreement with Beijer Ref AB, a Stockholm Stock Exchange-listed company, for the sale of our Australia, New Zealand and Asia business except for the Milperra property that was sold during the second quarter of 2018. We completed the sale to Beijer Ref AB in the second quarter of 2018 with the final post-completion adjustment being recorded in the third quarter of 2018. The following table summarizes the net loss recognized in connection with this divestiture:

<i>(Amounts in millions)</i>	For the Nine Months Ended September 30, 2018	
Cash received from the buyer	\$	82.9
Net assets sold ⁽¹⁾		(87.2)
AOCI reclassification adjustments, primarily foreign currency translation		(3.2)
Direct costs to sell		(5.5)
Loss on sale of business	\$	(13.0)

⁽¹⁾ Includes \$10.3 million of net assets that were written down during the quarter ended March 31, 2018 based on the expected proceeds from the sale, net of selling costs for the sale for our Australia, New Zealand and Asia business.

The Milperra property was sold during the quarter ended June 30, 2018. We received net cash proceeds of \$37.2 million net of direct costs to sell of \$1.5 million. The net gain recognized in connection with this sale was \$23.8 million.

Brazil Divestiture:

During the second quarter of 2018, we obtained board approval and signed an agreement with Elgin SA, a private Brazilian company, for the sale of our South America business. The sale was subject to Brazilian antitrust approval. We obtained antitrust approval and completed the sale to Elgin SA in the third quarter of 2018. The following table summarizes the net loss recognized in connection with this divestiture:

<i>(Amounts in millions)</i>	For the Nine Months Ended September 30, 2018	
Cash received from the buyer	\$	4.2
Net assets sold ⁽²⁾		(13.2)
AOCI reclassification adjustments, primarily foreign currency translation		(24.7)
Direct costs to sell		(2.9)
Loss on sale of business	\$	(36.6)

⁽²⁾ Includes \$1.2 of net assets that were written down during the quarter ended June 30, 2018 based on the expected proceeds from the sale, net of selling costs for the sale for our Brazil business.

The total Loss (gain), net on sale of businesses and related property in our Consolidated Statements of Operations of \$25.8 million is comprised of the \$13.0 million loss on the sale of our Australia, New Zealand and Asia business, the \$23.8 million gain on the sale of our Milperra property, and the \$36.6 million loss on the sale of our Brazil business.

15. 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 our stock-based compensation plans.

The computations of basic and diluted earnings per share for Income from continuing operations were as follows (in millions, except per share data):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	\$ 108.0	\$ 103.5	\$ 283.4	\$ 262.5
Add: Loss from discontinued operations	—	0.5	1.7	1.4
Income from continuing operations	\$ 108.0	\$ 104.0	\$ 285.1	\$ 263.9
Weighted-average shares outstanding – basic	40.3	41.9	40.8	42.3
Add: Potential effect of dilutive securities attributable to stock-based payments	0.4	0.5	0.5	0.6
Weighted-average shares outstanding – diluted	40.7	42.4	41.3	42.9
Earnings per share – Basic:				
Income from continuing operations	\$ 2.68	\$ 2.48	\$ 6.98	\$ 6.23
Loss from discontinued operations	—	(0.01)	(0.04)	(0.03)
Net income	<u>\$ 2.68</u>	<u>\$ 2.47</u>	<u>\$ 6.94</u>	<u>\$ 6.20</u>
Earnings per share – Diluted:				
Income from continuing operations	\$ 2.65	\$ 2.45	\$ 6.90	\$ 6.15
Loss from discontinued operations	—	(0.01)	(0.04)	(0.03)
Net income	<u>\$ 2.65</u>	<u>\$ 2.44</u>	<u>\$ 6.86</u>	<u>\$ 6.12</u>

The following stock appreciation rights and restricted stock units were outstanding but not included in the diluted earnings per share calculation because the assumed exercise of such rights would have been anti-dilutive (in millions, except for per share data):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Weighted-average number of shares	0.2	0.2	0.2	0.2
Price per share	\$ 205.53	\$ 156.94	\$ 205.53	\$ 156.94

16. Reportable Business Segments:

We operate in three reportable business segments of the heating, ventilation, air conditioning and refrigeration (“HVACR”) industry. Our segments are organized primarily by the nature of the products and services we provide. The following table describes each segment:

Segment	Product or Services	Markets Served	Geographic Areas
Residential Heating & Cooling	Furnaces, air conditioners, heat pumps, packaged heating and cooling systems, indoor air quality equipment, comfort control products, replacement parts	Residential Replacement; Residential New Construction	United States Canada
Commercial Heating & Cooling	Unitary heating and air conditioning equipment, applied systems, controls, installation and service of commercial heating and cooling equipment	Light Commercial	United States Canada Europe Central America South America
Refrigeration	Condensing units, unit coolers, fluid coolers, air cooled condensers, air handlers, process chillers, controls, compressorized racks, supermarket display cases and systems	Light Commercial; Food Preservation; Non-Food/Industrial	United States Canada Europe Asia Pacific* South America* Central America

*Our businesses in the Asia Pacific and South America area were sold in the second and third quarter of 2018, respectively. Refer to Note 14 for details regarding the divestiture of the business.

We use segment profit or loss as the primary measure of profitability to evaluate operating performance and to allocate capital resources. We define segment profit or loss as a segment’s income or loss from continuing operations before income taxes included in the accompanying Consolidated Statements of Operations, excluding certain items. The reconciliation in the table below details the items excluded.

Our corporate costs include those costs related to corporate functions such as legal, internal audit, treasury, human resources, tax compliance and senior executive staff. Corporate costs also include the long-term share-based incentive awards provided to employees throughout LII. We record these share-based awards as corporate costs because they are determined at the discretion of the Board of Directors and based on the historical practice of doing so for internal reporting purposes.

Any intercompany sales and associated profit (and any other intercompany items) are eliminated from segment results. There were no significant intercompany eliminations for the periods presented.

Segment Data

Net sales and segment profit (loss) for each segment, along with a reconciliation of segment profit (loss) to Operating income, are shown below (in millions):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Net sales				
Residential Heating & Cooling	\$ 594.7	\$ 590.5	\$ 1,764.4	\$ 1,663.8
Commercial Heating & Cooling	275.8	269.4	773.5	723.5
Refrigeration	159.7	192.4	502.5	560.6
	<u>\$ 1,030.2</u>	<u>\$ 1,052.3</u>	<u>\$ 3,040.4</u>	<u>\$ 2,947.9</u>
Segment profit (loss) ⁽¹⁾				
Residential Heating & Cooling	\$ 113.0	\$ 114.7	\$ 317.9	\$ 297.6
Commercial Heating & Cooling	46.7	50.0	118.9	113.8
Refrigeration	23.0	20.0	55.8	55.7
Corporate and other	(28.1)	(23.7)	(61.8)	(58.5)
Total segment profit	<u>154.6</u>	<u>161.0</u>	<u>430.8</u>	<u>408.6</u>
Reconciliation to Operating income:				
Special inventory write down	—	—	0.2	—
Special product quality adjustment	—	0.5	—	5.7
Loss (gain), net on sale of businesses and related property	6.2	—	25.8	—
Loss from natural disaster, net of insurance recoveries	0.3	—	0.3	—
Items in losses (gains) and other expenses, net that are excluded from segment profit (loss) ⁽¹⁾	2.4	4.0	9.3	10.0
Restructuring charges	0.5	1.9	1.9	2.1
Operating income	<u>\$ 145.2</u>	<u>\$ 154.6</u>	<u>\$ 393.3</u>	<u>\$ 390.8</u>

⁽¹⁾ We define segment profit (loss) as a segment's operating income included in the accompanying Consolidated Statements of Operations, excluding:

- The following items in Losses (gains) and other expenses, net:
 - Net change in unrealized losses (gains) on unsettled futures contracts,
 - Special legal contingency charges,
 - Asbestos-related litigation,
 - Environmental liabilities,
 - Divestiture costs,
 - Other items, net,
- Special inventory write down,
- Loss (gain), net on sale of businesses and related property,
- Loss from natural disaster, net of insurance recoveries; and,
- Restructuring charges.

Total Assets by Segment

Except for the seasonal increase in total assets across all reportable segments, there have not been any material changes in the composition of total assets by segment since December 31, 2017; however, during the first nine months we sold our Australia, New Zealand, Asia and Brazil businesses. Refer to Note 14 for details regarding divestiture of businesses.

17. Fair Value Measurements:

Fair Value Hierarchy

The methodologies used to determine the fair value of our financial assets and liabilities at September 30, 2018 were the same as those used at December 31, 2017.

Assets and Liabilities Carried at Fair Value on a Recurring Basis

Derivatives

Derivatives were classified as Level 2 and primarily valued using estimated future cash flows based on observed prices from exchange-traded derivatives. We also considered the counterparty's creditworthiness, or our own creditworthiness, as appropriate. Adjustments were recorded to reflect the risk of credit default, however, they were insignificant to the overall value of the derivatives. Refer to Note 5 for more information related to our derivative instruments.

Marketable Equity Securities

The following table presents the fair value of an investment in marketable equity securities, classified as Level 1 and related to publicly traded stock of a non-U.S. company, recorded in Other assets, net in the accompanying Consolidated Balance Sheets (in millions). This investment was sold as part of our divestiture of our Australia, New Zealand and Asia business. Refer to Note 14 for details regarding divestiture of the business.

	<u>As of September 30, 2018</u>		<u>As of December 31, 2017</u>
Investment in marketable equity securities	\$	—	\$ 4.1

Other Fair Value Disclosures

The carrying amounts of Cash and cash equivalents, Accounts and notes receivable, net, Accounts payable, and Short-term debt approximate fair value due to the short maturities of these instruments. The carrying amount of our Domestic Credit Facility in Long-term debt also approximates fair value due to its variable-rate characteristics.

The fair value of our senior unsecured notes in Long-term debt, classified as Level 2, was based on the amount of future cash flows using current market rates for debt instruments of similar maturities and credit risk. The following table presents their fair value (in millions):

	<u>As of September 30, 2018</u>		<u>As of December 31, 2017</u>
Senior unsecured notes	\$	293.2	\$ 308.1

18. Condensed Consolidating Financial Statements:

Our senior unsecured notes are unconditionally guaranteed by certain of our subsidiaries (the "Guarantor Subsidiaries") and are not guaranteed by our other subsidiaries (the "Non-Guarantor Subsidiaries"). The Guarantor Subsidiaries are 100% owned, all guarantees are full and unconditional, and all guarantees are joint and several. As a result of the guarantee arrangements, we are required to present the following condensed consolidating financial statements.

The condensed consolidating financial statements reflect our investments in our subsidiaries using the equity method of accounting. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions. Our condensed consolidating financial statements and our Guarantor Subsidiaries and Non-Guarantor Subsidiaries as of September 30, 2018 and December 31, 2017, and for the three and nine months ended September 30, 2018 and 2017 are shown on the following pages.

Lennox International Inc. and Subsidiaries
Condensed Consolidating Balance Sheets
As of September 30, 2018

<i>(Amounts in millions)</i>	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 1.4	\$ 24.0	\$ 20.7	\$ —	\$ 46.1
Accounts and notes receivable, net	—	54.7	526.2	—	580.9
Inventories, net	—	403.4	102.8	(4.7)	501.5
Other assets	3.3	35.2	54.0	(33.8)	58.7
Total current assets	4.7	517.3	703.7	(38.5)	1,187.2
Property, plant and equipment, net	—	262.3	115.9	(3.8)	374.4
Goodwill	—	166.1	20.8	—	186.9
Investment in subsidiaries	1,785.7	337.5	(0.5)	(2,122.7)	—
Deferred income taxes	6.6	75.5	25.5	(12.2)	95.4
Other assets, net	1.5	49.8	17.0	(1.4)	66.9
Intercompany (payables) receivables, net	(1,140.1)	1,113.4	129.5	(102.8)	—
Total assets	\$ 658.4	\$ 2,521.9	\$ 1,011.9	\$ (2,281.4)	\$ 1,910.8
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Short-term debt	\$ —	\$ —	\$ —	\$ —	\$ —
Current maturities of long-term debt	21.9	0.1	0.3	—	22.3
Accounts payable	25.8	242.9	102.9	—	371.6
Accrued expenses	10.1	240.8	41.6	—	292.5
Income taxes (receivable) payable	(25.1)	31.4	48.6	(50.8)	4.1
Total current liabilities	32.7	515.2	193.4	(50.8)	690.5
Long-term debt	714.7	11.6	377.3	—	1,103.6
Post-retirement benefits, other than pensions	—	2.5	—	—	2.5
Pensions	—	61.8	8.9	—	70.7
Other liabilities	(2.2)	124.4	8.1	—	130.3
Total liabilities	745.2	715.5	587.7	(50.8)	1,997.6
Commitments and contingencies					
Total stockholders' (deficit) equity	(86.8)	1,806.4	424.2	(2,230.6)	(86.8)
Total liabilities and stockholders' (deficit) equity	\$ 658.4	\$ 2,521.9	\$ 1,011.9	\$ (2,281.4)	\$ 1,910.8

Lennox International Inc. and Subsidiaries
Condensed Consolidating Balance Sheets
As of December 31, 2017

<i>(Amounts in millions)</i>	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 1.6	\$ 28.0	\$ 38.6	\$ —	\$ 68.2
Accounts and notes receivable, net	—	35.3	471.2	—	506.5
Inventories, net	—	355.7	131.9	(3.4)	484.2
Other assets	16.2	23.1	67.5	(28.4)	78.4
Total current assets	17.8	442.1	709.2	(31.8)	1,137.3
Property, plant and equipment, net	—	257.6	144.4	(4.2)	397.8
Goodwill	—	134.9	65.6	—	200.5
Investment in subsidiaries	1,257.7	365.8	(0.6)	(1,622.9)	—
Deferred income taxes	3.9	69.1	33.6	(12.2)	94.4
Other assets, net	2.1	41.3	19.6	(1.5)	61.5
Intercompany (payables) receivables, net	(559.3)	554.7	107.4	(102.8)	—
Total assets	\$ 722.2	\$ 1,865.5	\$ 1,079.2	\$ (1,775.4)	\$ 1,891.5
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Short-term debt	\$ —	\$ —	\$ 0.9	\$ —	\$ 0.9
Current maturities of long-term debt	29.4	2.9	0.3	—	32.6
Accounts payable	21.3	228.0	99.3	—	348.6
Accrued expenses	3.1	209.4	57.8	—	270.3
Income taxes (receivable) payable	(64.5)	56.5	60.9	(50.8)	2.1
Total current liabilities	(10.7)	496.8	219.2	(50.8)	654.5
Long-term debt	682.8	11.7	276.0	—	970.5
Post-retirement benefits, other than pensions	—	2.6	—	—	2.6
Pensions	—	74.7	9.8	—	84.5
Other liabilities	—	120.6	8.7	—	129.3
Total liabilities	672.1	706.4	513.7	(50.8)	1,841.4
Commitments and contingencies					
Total stockholders' equity	50.1	1,159.1	565.5	(1,724.6)	50.1
Total liabilities and stockholders' equity	\$ 722.2	\$ 1,865.5	\$ 1,079.2	\$ (1,775.4)	\$ 1,891.5

Lennox International Inc. and Subsidiaries
Condensed Consolidating Statements of Operations and Comprehensive Income
For the Three Months Ended September 30, 2018

<i>(Amounts in millions)</i>	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Sales	\$ —	\$ 930.5	\$ 283.6	\$ (183.9)	\$ 1,030.2
Cost of goods sold	—	660.5	252.1	(184.3)	728.3
Gross profit	—	270.0	31.5	0.4	301.9
Operating expenses:					
Selling, general and administrative expenses	—	138.4	11.3	(0.3)	149.4
Losses (gains) and other expenses, net	0.2	1.9	0.6	—	2.7
Restructuring charges	—	—	0.5	—	0.5
Loss (gain), net on sale of businesses and related property	—	40.1	(33.9)	—	6.2
Loss from natural disaster, net of insurance recoveries	—	(1.7)	2.0	—	0.3
Income from equity method investments	(109.7)	(45.7)	(1.6)	154.6	(2.4)
Operating income	109.5	137.0	52.6	(153.9)	145.2
Interest expense, net	2.0	5.0	3.3	—	10.3
Other expense, net	—	0.7	0.4	—	1.1
Income (loss) from continuing operations before income taxes	107.5	131.3	48.9	(153.9)	133.8
Provision for income tax (benefit) expense	(0.5)	13.3	12.9	0.1	25.8
Income (loss) from continuing operations	108.0	118.0	36.0	(154.0)	108.0
Loss from discontinued operations, net of tax	—	—	—	—	—
Net income (loss)	\$ 108.0	\$ 118.0	\$ 36.0	\$ (154.0)	\$ 108.0
Other comprehensive (loss) income, net of tax	(2.5)	1.2	6.7	—	5.4
Comprehensive income (loss)	\$ 105.5	\$ 119.2	\$ 42.7	\$ (154.0)	\$ 113.4

Lennox International Inc. and Subsidiaries
Condensed Consolidating Statements of Operations and Comprehensive Income
For the Nine Months Ended September 30, 2018

<i>(Amounts in millions)</i>	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Sales	\$ —	\$ 2,704.6	\$ 866.4	\$ (530.6)	\$ 3,040.4
Cost of goods sold	—	1,938.8	744.0	(529.0)	2,153.8
Gross profit	—	765.8	122.4	(1.6)	886.6
Operating expenses:					
Selling, general and administrative expenses	—	423.0	43.6	(0.5)	466.1
Losses (gains) and other expenses, net	1.7	2.3	6.3	(0.3)	10.0
Restructuring charges	—	0.8	1.1	—	1.9
Loss (gain), net on sale of businesses and related property	—	39.1	(13.3)	—	25.8
Loss from natural disaster, net of insurance recoveries	—	(1.7)	2.0	—	0.3
Income from equity method investments	(289.9)	(67.4)	(8.4)	354.9	(10.8)
Operating income	288.2	369.7	91.1	(355.7)	393.3
Interest expense, net	6.8	14.4	7.3	—	28.5
Other expense, net	—	2.0	0.4	—	2.4
Income (loss) from continuing operations before income taxes	281.4	353.3	83.4	(355.7)	362.4
Provision for income tax (benefit) expense	(2.0)	62.6	16.5	0.2	77.3
Income (loss) from continuing operations	283.4	290.7	66.9	(355.9)	285.1
Loss from discontinued operations, net of tax	—	—	(1.7)	—	(1.7)
Net income (loss)	\$ 283.4	\$ 290.7	\$ 65.2	\$ (355.9)	\$ 283.4
Other comprehensive (loss) income, net of tax	(11.9)	(7.5)	1.2	—	(18.2)
Comprehensive income (loss)	\$ 271.5	\$ 283.2	\$ 66.4	\$ (355.9)	\$ 265.2

Lennox International Inc. and Subsidiaries
Condensed Consolidating Statements of Operations and Comprehensive Income
For the Three Months Ended September 30, 2017

<i>(Amounts in millions)</i>	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net Sales	\$ —	\$ 905.6	\$ 300.0	\$ (153.3)	\$ 1,052.3
Cost of goods sold	—	644.8	249.0	(155.2)	738.6
Gross profit	—	260.8	51.0	1.9	313.7
Operating expenses:					
Selling, general and administrative expenses	—	140.7	18.8	(0.8)	158.7
Losses (gains) and other expenses, net	0.2	1.9	0.9	—	3.0
Restructuring charges	—	1.2	0.7	—	1.9
Income from equity method investments	(108.2)	(21.7)	(3.5)	128.9	(4.5)
Operating income	108.0	138.7	34.1	(126.2)	154.6
Interest expense, net	6.2	(0.6)	2.0	—	7.6
Other expense, net	—	—	0.2	(0.2)	—
Income from continuing operations before income taxes	101.8	139.3	31.9	(126.0)	147.0
Provision for income tax (benefit) expense	(1.7)	30.5	13.5	0.7	43.0
Income from continuing operations	103.5	108.8	18.4	(126.7)	104.0
Loss from discontinued operations, net of tax	—	—	(0.5)	—	(0.5)
Net income	\$ 103.5	\$ 108.8	\$ 17.9	\$ (126.7)	\$ 103.5
Other comprehensive income (loss), net of tax	0.4	2.1	6.9	—	9.4
Comprehensive income (loss)	\$ 103.9	\$ 110.9	\$ 24.8	\$ (126.7)	\$ 112.9

Lennox International Inc. and Subsidiaries
Condensed Consolidating Statements of Operations and Comprehensive Income
For the Nine Months Ended September 30, 2017

<i>(Amounts in millions)</i>	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net Sales	\$ —	\$ 2,560.6	\$ 869.7	\$ (482.4)	\$ 2,947.9
Cost of goods sold	—	1,830.8	731.1	(479.5)	2,082.4
Gross profit	—	729.8	138.6	(2.9)	865.5
Operating expenses:					
Selling, general and administrative expenses	—	419.2	61.6	(1.2)	479.6
Losses (gains) and other expenses, net	1.1	5.8	1.7	(0.1)	8.5
Restructuring charges	—	1.3	0.8	—	2.1
Income from equity method investments	(277.5)	(52.0)	(12.7)	326.7	(15.5)
Operating income	276.4	355.5	87.2	(328.3)	390.8
Interest expense, net	20.9	(2.3)	4.7	—	23.3
Other expense, net	—	—	—	(0.2)	(0.2)
Income from continuing operations before income taxes	255.5	357.8	82.5	(328.1)	367.7
Provision for income taxes	(7.0)	84.8	26.2	(0.2)	103.8
Income from continuing operations	262.5	273.0	56.3	(327.9)	263.9
Loss from discontinued operations, net of tax	—	—	(1.4)	—	(1.4)
Net income	\$ 262.5	\$ 273.0	\$ 54.9	\$ (327.9)	\$ 262.5
Other comprehensive income (loss), net of tax	\$ 0.5	\$ 9.7	\$ 27.9	\$ —	\$ 38.1
Comprehensive income (loss)	\$ 263.0	\$ 282.7	\$ 82.8	\$ (327.9)	\$ 300.6

Lennox International Inc. and Subsidiaries
Condensed Consolidating Statements of Cash Flows
For the Nine Months Ended September 30, 2018

<i>(Amounts in millions)</i>	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities	\$ 57.2	\$ 362.5	\$ (188.4)	\$ —	\$ 231.3
Cash flows from investing activities:					
Proceeds from the disposal of property, plant and equipment	—	—	0.1	—	0.1
Purchases of property, plant and equipment	—	(46.1)	(14.8)	—	(60.9)
Net proceeds from sale of businesses and related property	—	4.0	111.9	—	115.9
Insurance recoveries received for property damage incurred from natural disaster	—	4.2	—	—	4.2
Net cash (used in) provided by investing activities	—	(37.9)	97.2	—	59.3
Cash flows from financing activities:					
Short-term borrowings, net	—	—	(1.5)	—	(1.5)
Asset securitization borrowings	—	—	155.0	—	155.0
Asset securitization payments	—	—	(53.7)	—	(53.7)
Long-term debt payments	(30.0)	(2.8)	(0.1)	—	(32.9)
Long-term borrowings	—	—	—	—	—
Borrowings from credit facility	1,820.0	—	—	—	1,820.0
Payments on credit facility	(1,766.5)	—	—	—	(1,766.5)
Proceeds from employee stock purchases	2.5	—	—	—	2.5
Repurchases of common stock	(350.2)	—	—	—	(350.2)
Repurchases of common stock to satisfy employee withholding tax obligations	(21.1)	—	—	—	(21.1)
Intercompany debt	(29.8)	83.3	(53.5)	—	—
Intercompany financing activity	385.9	(406.3)	20.4	—	—
Cash dividends paid	(68.2)	—	—	—	(68.2)
Net cash (used in) provided by financing activities	(57.4)	(325.8)	66.6	—	(316.6)
Decrease in cash and cash equivalents	(0.2)	(1.2)	(24.6)	—	(26.0)
Effect of exchange rates on cash and cash equivalents	—	(2.8)	6.7	—	3.9
Cash and cash equivalents, beginning of period	1.6	28.0	38.6	—	68.2
Cash and cash equivalents, end of period	\$ 1.4	\$ 24.0	\$ 20.7	\$ —	\$ 46.1

Lennox International Inc. and Subsidiaries
Condensed Consolidating Statements of Cash Flows
For the Nine Months Ended September 30, 2017

<i>(Amounts in millions)</i>	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities	\$ 411.6	\$ (2.4)	\$ (279.6)	\$ (0.6)	\$ 129.0
Cash flows from investing activities:					
Proceeds from the disposal of property, plant and equipment	—	0.1	—	0.1	0.2
Purchases of property, plant and equipment	—	(48.3)	(12.2)	—	(60.5)
Net cash (used in) provided by investing activities	—	(48.2)	(12.2)	0.1	(60.3)
Cash flows from financing activities:					
Short-term borrowings, net	—	—	(1.4)	—	(1.4)
Asset securitization borrowings	—	—	275.0	—	275.0
Asset securitization payments	—	—	—	—	—
Long-term debt payments	(200.0)	(0.2)	(0.1)	(0.5)	(200.8)
Long-term borrowings	—	0.1	(0.1)	—	—
Borrowings from credit facility	1,883.0	(0.2)	(0.2)	0.4	1,883.0
Payments on credit facility	(1,701.0)	—	—	—	(1,701.0)
Proceeds from employee stock purchases	2.3	—	—	—	2.3
Repurchases of common stock	(250.0)	—	—	—	(250.0)
Repurchases of common stock to satisfy employee withholding tax obligations	(16.0)	—	—	—	(16.0)
Intercompany debt	102.8	(34.8)	(68.0)	—	—
Intercompany financing activity	(174.3)	91.0	82.7	0.6	—
Cash dividends paid	(58.4)	—	—	—	(58.4)
Net cash (used in) provided by financing activities	(411.6)	55.9	287.9	0.5	(67.3)
Increase (decrease) in cash and cash equivalents	—	5.3	(3.9)	—	1.4
Effect of exchange rates on cash and cash equivalents	—	—	9.1	—	9.1
Cash and cash equivalents, beginning of period	1.2	17.1	31.9	—	50.2
Cash and cash equivalents, end of period	\$ 1.2	\$ 22.4	\$ 37.1	\$ —	\$ 60.7

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

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are based on information currently available to management as well as management's assumptions and beliefs as of the date such statements were made. All statements, other than statements of historical fact, included in this Quarterly Report on Form 10-Q constitute forward-looking statements, including but not limited to statements identified by forward-looking terminology, such as the words "may," "will," "should," "plan," "anticipate," "believe," "intend," "estimate" and "expect" and similar expressions. Such statements reflect our current views with respect to future events, based on what we believe are reasonable assumptions; however, such statements are subject to certain risks and uncertainties. In addition to the specific uncertainties discussed elsewhere in this Quarterly Report on Form 10-Q, the risk factors set forth in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017, and those set forth in Part II, "Item 1A. Risk Factors" of this report, if any, may affect our performance and results of operations. 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. We disclaim 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, except as required by law.

Business Overview

We operate in three reportable business segments of the heating, ventilation, air conditioning and refrigeration ("HVACR") industry. Our reportable segments are Residential Heating & Cooling, Commercial Heating & Cooling, and Refrigeration. For additional information regarding our reportable segments, see Note 16 in the Notes to the Consolidated Financial Statements.

Our fiscal quarterly periods are comprised of approximately 13 weeks, but the number of days per quarter may vary year-over-year. Our quarterly reporting periods usually end on the Saturday closest to the last day of March, June and September. Our fourth quarter and fiscal year ends on December 31, regardless of the day of the week on which December 31 falls. 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 respective calendar quarter.

We sell our products and services through a combination of direct sales, distributors and company-owned parts and supplies stores. The demand for our products and services is seasonal and significantly impacted by the weather. Warmer than normal summer temperatures generate demand for replacement air conditioning and refrigeration products and services, and colder than normal winter temperatures have a similar effect on heating products and services. Conversely, cooler than normal summers and warmer than normal winters depress the demand for HVACR products and services. In addition to weather, demand for our products and services 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, general economic conditions, and consumer spending habits and confidence. A substantial portion of the sales in each of our business segments is attributable to replacement business, with the balance comprised of new construction business.

The principal elements of cost of goods sold are components, raw materials, factory overhead, labor, estimated warranty costs, and freight and distribution costs. The principal raw materials used in our manufacturing processes are steel, copper and aluminum. In recent years, pricing volatility for these commodities and related components, including the impact of newly imposed tariffs on the import of certain of our raw materials and components, has impacted us and the HVACR industry in general. We seek to mitigate the impact of volatility in commodity prices through a combination of price increases, commodity contracts, improved production efficiency and cost reduction initiatives. We also partially mitigate volatility in the prices of these commodities by entering into futures contracts and fixed forward contracts.

On July 19, 2018 our manufacturing facility in Marshalltown, Iowa was damaged by a tornado. Insurance covers the repair or replacement of our assets that suffered damage or loss, and we are working closely with our insurance carriers and claims adjusters to ascertain the full amount of insurance recoveries due to us as a result of the damage and loss we suffered. Our insurance policies also provide business interruption coverage, including lost profits, and reimbursement for other expenses and costs that have been incurred relating to the damages and losses suffered. For the three months ended September 30, 2018 we incurred expenses of \$49.4 million related to damages caused by the tornado, which included the write-off of damaged property, equipment and inventory, freight to move product to other warehouses and professional fees to secure and maintain the site. We are working closely with our insurance company and have received insurance recoveries of \$45.0 million for the three months ended September 30, 2018 and recorded an insurance receivable of \$4.1 million. These costs and insurance recoveries are shown in Loss from natural disaster, net of insurance recoveries in the Consolidated Statements of Operations.

We estimate the impact from the tornado will be a loss of approximately \$100 million of revenue and \$55 million of segment profit in 2018 and \$85 million of revenue and \$35 million of segment profit in 2019. The lost segment profits in 2018 and 2019 from business interruption due to the tornado are expected to be fully offset by insurance proceeds in 2019. We estimate that total pre-tax charges related to damage caused by the tornado will be approximately \$80 million in 2018, which we expect to be offset by insurance recoveries in the current year. In 2019, we estimate an additional \$15 million in pre-tax charges and we expect our insurance recoveries to more than offset the write-off of the net book value of the damaged assets and in line with our costs to repair or replace.

Financial Overview

In the third quarter of 2018, the Residential Heating & Cooling segment had a 1% increase in net sales and had \$2 million in decreased segment profit compared to the third quarter of 2017. The segment results were negatively impacted by the supply disruption caused by the tornado at our Marshalltown facility. Our Commercial Heating & Cooling segment had a 2% increase in net sales and had \$3 million in decreased segment profit compared to the third quarter of 2017. The increased revenue was driven by volume and price gains. The decrease in segment profit was driven by increase commodity and other product costs as well as increased freight and distribution. Sales in our Refrigeration segment decreased by 17% due to the sale of our Australia, New Zealand, Asia and Brazil businesses. The segment also had \$3 million in increased segment profit compared to the third quarter of 2017, largely due to price increases.

Financial Highlights

- Net sales decreased \$22 million, or 2%, to \$1,030 million in the third quarter of 2018 compared to the third quarter of 2017.
- Operating income in the third quarter of 2018 decreased \$9 million to \$145 million.
- Net income for the third quarter of 2018 increased \$4.5 million to \$108 million, including \$6 million loss on sale of business and related property.
- Diluted earnings per share from continuing operations were \$2.65 per share in the third quarter of 2018 compared to \$2.45 per share in the third quarter of 2017.
- During the nine months ended September 30, 2018, we returned \$68 million to shareholders through dividend payments and have repurchased \$350 million of common stock. We also received \$116 million in proceeds from the sale of our businesses in Australia, New Zealand, Asia and Brazil along with the sale of the related property.

Third Quarter of 2018 Compared to Third Quarter of 2017 - Consolidated Results

The following table provides a summary of our financial results, including information presented as a percentage of net sales:

	For the Three Months Ended September 30,				
	Dollars (in millions)		Percent Change Fav/(Unfav)	Percent of Sales	
	2018	2017		2018	2017
Net sales	\$ 1,030.2	\$ 1,052.3	(2.1)%	100.0 %	100.0 %
Cost of goods sold	728.3	738.6	1.4	70.7	70.2
Gross profit	301.9	313.7	(3.8)	29.3	29.8
Selling, general and administrative expenses	149.4	158.7	5.9	14.5	15.1
Losses and other expenses, net	2.7	3.0	10.0	0.3	0.3
Restructuring charges	0.5	1.9	73.7	—	0.2
Loss, net on sale of business and related property	6.2	—	N/A	0.6	—
Loss from natural disaster, net of insurance recoveries	0.3	—	N/A	—	—
Income from equity method investments	(2.4)	(4.5)	(46.7)	(0.2)	(0.4)
Operating income	\$ 145.2	\$ 154.6	(6.1)%	14.1 %	14.7 %

Net Sales

Net sales decreased 2% in the third quarter of 2018 compared to the third quarter of 2017, primarily from 4% related to our divested businesses in Australia, New Zealand, Asia and Brazil, partially offset by 2% from favorable price. The Commercial

Heating & Cooling segment delivered higher volume from our North American equipment business as well as higher volume from our North American Service business. The Refrigeration segment sales increased from our North American equipment business after removing the impact due to our divested businesses in Australia, New Zealand, Asia and Brazil. The Residential Heating & Cooling segment experienced volume declines given the supply disruption caused by the tornado at our Marshalltown facility.

Gross Profit

Gross profit margin in the third quarter of 2018 decreased to 29.3% compared to 29.8% in the third quarter of 2017. We saw decreases in profit margin of 160 basis points ("bps") from higher commodity prices, 100 bps from higher freight and distribution costs, and 30 bps from other costs. Partially offsetting these decreases were positive margin increases of 190 bps from favorable price and mix and 50 bps from lower material costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, or SG&A, was \$149 million in the third quarter of 2018 compared to \$159 million in the third quarter of 2017, and as a percentage of net sales decreased 60 bps to 14.5%. SG&A decreased primarily due to the sale of our divested businesses in Australia, New Zealand, Asia and Brazil.

Losses and Other Expenses, Net

Losses and other expenses, net for the third quarter of 2018 and 2017 included the following (in millions):

	For the Three Months Ended September 30,	
	2018	2017
Realized losses (gains) on settled future contracts	\$ 0.2	\$ (0.5)
Foreign currency exchange losses (gains)	0.1	(0.6)
Loss on disposal of fixed assets	—	0.1
Net change in unrealized losses on unsettled futures contracts	0.2	0.2
Special legal contingency charges	0.1	1.5
Asbestos-related litigation	1.4	1.5
Environmental liabilities	0.2	0.5
Other items, net	0.5	0.3
Losses and other expenses, net (pre-tax)	\$ 2.7	\$ 3.0

The net change in unrealized losses (gains) on unsettled futures contracts was due to changes in commodity prices relative to the unsettled futures contract prices. For more information on our futures contracts, see Note 5 in the Notes to the Consolidated Financial Statements. For more information on special legal contingency charges and asbestos-related litigation, see Note 7 in the Notes to the Consolidated Financial Statements. The environmental liabilities relate to estimated remediation costs for contamination at some of our facilities.

Restructuring Charges

Restructuring charges were less than \$1 million in the third quarter of 2018. The charges in 2018 were primarily for projects to realign resources and enhance distribution capabilities. For additional information on our restructuring activities, refer to Note 13 in the Notes to the Consolidated Financial Statements.

Income from Equity Method Investments

We participate in two joint ventures that are engaged in the manufacture and sale of compressors, unit coolers and condensing units. We exert significant influence over these affiliates based upon our ownership, but do not control them due to venture partner participation. Accordingly, these joint ventures have been accounted for under the equity method and their financial position and results of operations are not consolidated. Income from equity method investments of \$2 million in the third quarter of 2018 was down from \$5 million when compared to the third quarter of 2017. The decrease is because the joint ventures have experienced increased costs related to commodities and components and have not passed along these increased costs to us via price increases.

Interest Expense, net

Interest expense, net of \$10 million in the third quarter of 2018 was up from \$8 million in the third quarter of 2017 due to an increase in our average net borrowings and rising interest rates.

Income Taxes

We expect our annual effective tax rate to be between 22% and 24%, excluding the impact of excess tax benefits recorded as a reduction of income taxes under ASU No. 2016-09.

Our effective tax rate was 19.3% for the three months ended September 30, 2018, after the impact of excess tax benefits, compared to 29.2% for the three months ended September 30, 2017, after the impact of excess tax benefits. The rate for the three months ended September 30, 2018 is lower as compared to the three months ended September 30, 2017 primarily due to the reduced U.S. federal corporate tax rate from enactment of the Tax Cuts and Jobs Act on December 22, 2017.

Third Quarter of 2018 Compared to Third Quarter of 2017 - Results by Segment

Residential Heating & Cooling

The following table presents our Residential Heating & Cooling segment's net sales and profit for the third quarter of 2018 and 2017 (dollars in millions):

	For the Three Months Ended September 30,		Difference	% Change
	2018	2017		
Net sales	\$ 594.7	\$ 590.5	\$ 4.2	0.7 %
Profit	\$ 113.0	\$ 114.7	\$ (1.7)	(1.5)%
% of net sales	19.0%	19.4%		

Net sales increased 1% in the third quarter of 2018 compared to the third quarter of 2017. Price and mix combined increased by 3% and sales volume declined by 2% primarily as a result of the supply disruption caused by the tornado that severely damaged our Marshalltown manufacturing facility.

Segment profit in the third quarter of 2018 decreased \$2 million compared to the third quarter of 2017 due to \$14 million of higher commodity costs, \$9 million from freight and costs associated with distribution investments, \$3 million from lower sales volume which was primarily caused by the supply disruption resulting from the tornado that damaged our Marshalltown manufacturing facility, \$2 million from unfavorable foreign currency exchange rates, and \$1 million from higher other product costs. Partially offsetting these decreases is \$21 million from favorable price and mix combined, \$3 million from lower SG&A expenses, \$2 million from engineering-led cost reductions, and \$1 million from higher factory productivity.

Commercial Heating & Cooling

The following table presents our Commercial Heating & Cooling segment's net sales and profit for the third quarter of 2018 and 2017 (dollars in millions):

	For the Three Months Ended September 30,		Difference	% Change
	2018	2017		
Net sales	\$ 275.8	\$ 269.4	\$ 6.4	2.4 %
Profit	\$ 46.7	\$ 50.0	\$ (3.3)	(6.6)%
% of net sales	16.9%	18.6%		

Net sales increased by 2% in the third quarter of 2018 compared to the third quarter of 2017. Sales volume increased 1% and price increased by 1%.

Segment profit in the third quarter of 2018 decreased by \$3 million compared to the third quarter of 2017 due to \$3 million of higher commodity costs, \$2 million of higher other product costs, \$2 million of higher freight and distribution expense, \$2 million

of higher SG&A, and \$1 million of lower factory productivity. Partially offsetting these decreases is \$5 million of favorable price and mix combined, \$1 million of higher sales volume, and \$1 million from sourcing and engineering-led cost reductions.

Refrigeration

The following table presents our Refrigeration segment's net sales and profit for the third quarter of 2018 and 2017 (dollars in millions):

	For the Three Months Ended September 30,			
	2018	2017	Difference	% Change
Net sales	\$ 159.7	\$ 192.4	\$ (32.7)	(17.0)%
Profit	\$ 23.0	\$ 20.0	\$ 3.0	15.0 %
% of net sales	14.4%	10.4%		

Net sales decreased 17% in the third quarter of 2018 compared to the third quarter of 2017. The loss of sales from the divested Australia, New Zealand, Asia and Brazil businesses contributed 20% and unfavorable mix decreased sales by 1% which was partially offset by 3% higher sales volume and 1% higher price.

Segment profit increased \$3 million in the third quarter of 2018 compared to the third quarter of 2017 primarily due to \$3 million of favorable price, \$1 million from higher sales volume, \$1 million of sourcing and engineering-led cost reductions, and \$1 million of lower SG&A. Partially offsetting these increases was \$2 million of higher commodity costs, and \$1 million of lost profit from the divested businesses.

Corporate and Other

Corporate and other expenses were \$4 million higher in the third quarter of 2018 compared to the third quarter of 2017 primarily due to the timing of planned technology investments.

Year-to-Date through September 30, 2018 Compared to Year-to-Date through September 30, 2017 - Consolidated Results

The following table provides a summary of our financial results, including information presented as a percentage of net sales:

	For the Nine Months Ended September 30,				
	Dollars (in millions)		Percent Change Fav/(Unfav)	Percent of Sales	
	2018	2017		2018	2017
Net sales	\$ 3,040.4	\$ 2,947.9	3.1	100.0 %	100.0 %
Cost of goods sold	2,153.8	2,082.4	(3.4)	70.8	70.6
Gross profit	886.6	865.5	2.4	29.2	29.4
Selling, general and administrative expenses	466.1	479.6	2.8	15.3	16.3
Losses and other expenses, net	10.0	8.5	(17.6)	0.3	0.3
Restructuring charges	1.9	2.1	9.5	0.1	0.1
(Gain) loss, net on sale of business and related property	25.8	—	N/A	0.8	—
Loss on assets held for sale	—	—	N/A	—	—
Loss from natural disaster, net of insurance recoveries	0.3	—	N/A	—	—
Income from equity method investments	(10.8)	(15.5)	(30.3)	(0.4)	(0.5)
Operating income	\$ 393.3	\$ 390.8	0.6	12.9 %	13.3 %

Net Sales

Net sales increased 3% in the first nine months of 2018 compared to the first nine months of 2017 due to a 3% increase in sales volumes and 2% from favorable price. These increases were partially offset by 2% related to our divested Australia, New Zealand, Asia and Brazil businesses. The Residential Heating & Cooling segment delivered higher volume from increased replacement

equipment, new construction business and increased parts and supplies sales. The Commercial Heating & Cooling segment delivered higher volume from our North American equipment business as well as from our North American Service business. The Refrigeration sales declined due to our divested businesses in Australia, New Zealand, Asia and Brazil.

Gross Profit

Gross profit margins in the first nine months of 2018 decreased 20 bps to 29.2% when compared to the first nine months of 2017. Our profit margin decreased 130 bps from higher commodity costs and 100 bps from freight and distribution. Offsetting these decreases were increases of 140 bps from favorable price and mix combined and 70 bps from material cost savings.

Selling, General and Administrative Expenses

SG&A was \$466 million for the first nine months of 2018 compared to \$480 million for the first nine months of 2017, and as a percentage of net sales, decreased 100 bps to 15.3% from 16.3%. SG&A decreased due the sale of our divested businesses in Australia, New Zealand, Asia and Brazil.

Losses and Other Expenses, Net

Losses and other expenses, net for the first nine months of 2018 and 2017 included the following (in millions):

	For the Nine Months Ended September 30,	
	2018	2017
Realized gains on settled future contracts	\$ (0.6)	\$ (1.3)
Foreign currency exchange losses	1.2	(0.3)
Loss on disposal of fixed assets	0.1	0.1
Net change in unrealized losses on unsettled futures contracts	1.4	1.0
Special legal contingency charges	1.8	3.6
Asbestos-related litigation	3.3	3.9
Environmental liabilities	1.4	1.2
Other items, net	1.4	0.3
Losses and other expenses, net (pre-tax)	\$ 10.0	\$ 8.5

The net change in unrealized losses on unsettled futures contracts was due to changes in commodity prices relative to the unsettled futures contract prices. For more information on our futures contracts, see Note 5 in the Notes to the Consolidated Financial Statements. For more information on special legal contingency charges and asbestos-related litigation, see Note 7 in the Notes to the Consolidated Financial Statements. The environmental liabilities relate to estimated remediation costs for contamination at some of our facilities.

Restructuring Charges

Restructuring charges were \$2 million in the first nine months of 2018. The charges in 2018 were primarily for projects to realign resources and enhance distribution capabilities. For additional information on our restructuring activities, refer to Note 13 in the Notes to the Consolidated Financial Statements.

Income from Equity Method Investments

We participate in two joint ventures that are engaged in the manufacture and sale of compressors, unit coolers and condensing units. We exert significant influence over these affiliates based upon our ownership, but do not control them due to venture partner participation. Accordingly, these joint ventures have been accounted for under the equity method and their financial position and results of operations are not consolidated. Income from equity method investments of \$11 million in the first nine months of 2018 was down from \$16 million when compared to the first nine months of 2017. The decrease is because the joint ventures have experienced increased costs related to commodities and components and have not passed along these increased costs to us via price increases.

Interest Expense, net

Interest expense, net of \$29 million in the first nine months of 2018 increased from \$23 million in the first nine months of 2017 due to an increase in our average net borrowings and rising interest rates.

Income Taxes

We expect our annual effective tax rate to be between 22% and 24%, excluding the impact of excess tax benefits recorded as a reduction of income taxes under ASU No. 2016-09.

Our effective tax rate was 21.3% for the nine months ended September 30, 2018, after the impact of excess tax benefits, compared to 28.2% for the nine months ended September 30, 2017, after the impact of excess tax benefits. The rate for the nine months ended September 30, 2018 is lower as compared to the nine months ended September 30, 2017 primarily due to the reduced U.S. federal corporate tax rate from enactment of the Tax Cuts and Jobs Act on December 22, 2017.

Year-to-Date through September 30, 2018 Compared to Year-to-Date through September 30, 2017 - Results by Segment

Residential Heating & Cooling

The following table presents our Residential Heating & Cooling segment's net sales and profit for the first nine months of 2018 and 2017 (dollars in millions):

	For the Nine Months Ended September 30,		Difference	% Change
	2018	2017		
Net sales	\$ 1,764.4	\$ 1,663.8	\$ 100.6	6.0%
Profit	\$ 317.9	\$ 297.6	\$ 20.3	6.8%
% of net sales	18.0%	17.9%		

Net sales increased by 6% in the first nine months of 2018 compared to the first nine months of 2017. Sales volume increased 4% and price and mix combined increased 2%.

Segment profit for the first nine months of 2018 increased \$20 million compared to the first nine months of 2017 due to \$44 million from favorable price and mix, \$20 million from higher sales volume, \$11 million from sourcing and engineering-led cost reductions, \$2 million from SG&A savings, \$1 million from improved factory productivity, and \$1 million from lower other product costs. Partially offsetting these increases was \$28 million higher commodity costs, \$26 million of freight and costs associated with distribution investments, \$4 million from lower equity method investments, and \$1 million from unfavorable foreign currency exchange rates.

Commercial Heating & Cooling

The following table presents our Commercial Heating & Cooling segment's net sales and profit for the first nine months of 2018 and 2017 (dollars in millions):

	For the Nine Months Ended September 30,		Difference	% Change
	2018	2017		
Net sales	\$ 773.5	\$ 723.5	\$ 50.0	6.9%
Profit	\$ 118.9	\$ 113.8	\$ 5.1	4.5%
% of net sales	15.4%	15.7%		

Commercial Heating & Cooling net sales increased by 7% in the first nine months of 2018 compared to the first nine months of 2017. Sales volume increased 5%, price and mix combined increased 1%, and favorable foreign currency exchange rates increased by 1%.

Segment profit in the first nine months of 2018 increased \$5 million compared to the first nine months of 2017 due to the benefits of \$11 million in higher sales volume, \$9 million from favorable price, and \$4 million from sourcing and engineering-

led cost reductions. Partially offsetting these increases was \$7 million from higher commodity costs, \$5 million from unfavorable mix, \$4 million from higher freight and distribution expense, \$1 million from unfavorable factory productivity, \$1 million from higher other product costs, and \$1 million from lower income from equity method investments.

Refrigeration

The following table presents our Refrigeration segment's net sales and profit for the first nine months of 2018 and 2017 (dollars in millions):

	For the Nine Months Ended September 30,			
	2018	2017	Difference	% Change
Net sales	\$ 502.5	\$ 560.6	\$ (58.1)	(10.4)%
Profit	\$ 55.8	\$ 55.7	\$ 0.1	0.2 %
% of net sales	11.1%	9.9%		

Refrigeration net sales decreased 10% in the first nine months of 2018 compared to the first nine months of 2017. The loss of sales from the divested Asia Pacific and Brazilian businesses contributed 11%, and mix was unfavorable by 1%, partially offset by 1% higher price and 1% favorable foreign currency exchange rates.

Segment profit for the first nine months of 2018 was flat compared to the first nine months of 2017 due to \$5 million of favorable price, \$4 million from sourcing and engineering-led cost reductions, \$2 million from selling refrigerant allocations in Europe, \$2 million lower SG&A, \$1 million lower other product costs, and \$1 million favorable foreign exchange rates. Partially offsetting these increases was \$4 million of higher commodity costs, \$4 million of unfavorable mix, \$3 million from lower factory productivity, \$2 million of lost profit from the divested Australia, New Zealand, Asia and Brazil businesses, \$1 million of higher freight and distribution expense, and \$1 million of lower income from equity method investments.

Corporate and Other

Corporate and other expenses increased \$3 million to \$62 million in the first nine months of 2018 from \$59 million in the first nine months of 2017 due primarily to the timing of planned technology investments.

Liquidity and Capital Resources

Our working capital and capital expenditure requirements are generally met through internally generated funds, bank lines of credit and an asset securitization arrangement. Working capital needs are generally greater in the first and second quarters due to the seasonal nature of our business cycle.

Statement of Cash Flows

The following table summarizes our cash flow activity for the nine months ended September 30, 2018 and 2017 (in millions):

	For the Nine Months Ended September 30,	
	2018	2017
Net cash provided by operating activities	\$ 231.3	\$ 129.0
Net cash provided by (used in) investing activities	59.3	(60.3)
Net cash used in financing activities	(316.6)	(67.3)

Net Cash Provided by Operating Activities - The net cash provided by operating activities in the first nine months of 2018 and 2017 reflects the seasonal increase in working capital requirements. The increase in cash provided by operating activities in the first nine months of 2018 as compared to 2017 was mainly due to the timing of working capital payments and due in part by the supply disruption caused by the tornado at our Marshalltown facility.

Net Cash Provided by (Used in) Investing Activities - Capital expenditures were \$61 million in the first nine months of both 2018 and 2017. Capital expenditures in 2018 were primarily related to expansion of our manufacturing capacity and equipment and investments in systems and software to support the overall enterprise. Net proceeds of \$116 million were provided by the

sale of our business in the Asia Pacific area along with the related property as well as the sale of our business in Brazil.

Net Cash Used in Financing Activities - Net cash used in financing activities in the first nine months of 2018 was \$317 million as compared to \$67 million in the first nine months of 2017. The increase in cash used in financing activities is largely due to a decrease in net borrowings against our credit facility and an increase in share repurchases. During the first nine months of 2018, we repurchased \$350 million of shares as compared to \$250 million of shares in the first nine months of 2017. We also we returned \$68 million to shareholders through dividend payments. For additional information on share repurchases, refer to Note 11 in the Notes to the Consolidated Financial Statements.

Debt Position

The following table details our lines of credit and financing arrangements as of September 30, 2018 (in millions):

	Outstanding Borrowings
Current maturities of long-term debt:	
Capital lease obligations	\$ 0.4
Domestic credit facility ⁽¹⁾	22.5
Debt issuance costs	(0.6)
Total current maturities of long-term debt	\$ 22.3
Long-term debt:	
Asset Securitization Program ⁽²⁾	377.3
Capital lease obligations	11.9
Domestic credit facility ⁽¹⁾	368.0
Senior unsecured notes	350.0
Debt issuance costs	(3.6)
Total long-term debt	1,103.6
Total debt	\$ 1,125.9

⁽¹⁾ The available future borrowings on our domestic credit facility are \$447.0 million after being reduced by the outstanding borrowings and \$2.5 million in outstanding standby letters of credit. We also had \$30.7 million in outstanding standby letters of credit outside of the domestic credit facility as of September 30, 2018.

⁽²⁾ The maximum securitization amount ranges from \$225.0 million to \$380.0 million, depending on the period. The maximum capacity of the ASP is the lesser of the maximum securitization amount or 100% of the net pool balance less reserves, as defined under the ASP.

Financial Leverage

We periodically review our capital structure to ensure the appropriate levels of leverage and liquidity. We may access the capital markets, as necessary, based on business needs and to take advantage of favorable interest rate environments or other market conditions. We also evaluate our debt-to-capital and debt-to-EBITDA ratios to determine, among other considerations, the appropriate targets for capital expenditures and share repurchases under our share repurchase programs. Our debt-to-total-capital ratio increased to 108.4% at September 30, 2018 from 95.2% at December 31, 2017.

As of September 30, 2018, our senior credit ratings were Baa3 with a stable outlook, and BBB with a stable outlook, by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Group ("S&P"), respectively. The security ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating. Our goal is to maintain investment grade ratings from Moody's and S&P to help ensure the capital markets remain available to us.

Liquidity

We believe our cash and cash equivalents of \$46 million, future cash generated from operations and available future borrowings are sufficient to fund operations, planned capital expenditures, future contractual obligations, share repurchases, potential dividends and other needs in the foreseeable future. Included in our cash and cash equivalents of \$46 million as of September 30, 2018 was \$20.7 million of cash held in foreign locations. Our cash held in foreign locations is used for investing and operating activities

in those locations, and we generally do not have the need or intent to repatriate those funds to the United States. An actual repatriation in the future from our non-U.S. subsidiaries could be subject to foreign withholding taxes and U.S. state taxes.

Our expected capital expenditures for 2018 are \$100 million, excluding capital expenditures made in conjunction with repair of our Marshalltown facility as those repairs will be covered by insurance. We also continue to increase shareholder value through our share repurchase programs and dividend payments, with the completion of \$350 million of share repurchases in the first nine months of 2018 and the declaration of \$68 million of cash dividends in the first nine months of 2018.

Off Balance Sheet Arrangements

In addition to the credit facilities, promissory notes and leasing commitments described above, we also lease real estate and machinery and equipment pursuant to operating leases that are not capitalized on the balance sheet, including high-turnover equipment such as autos and service vehicles and short-lived equipment such as personal computers. Our operating lease commitments have not materially changed since December 31, 2017.

Commitments, Contingencies and Guarantees

For information regarding our commitments, contingencies and guarantees, see Note 7 in the Notes to the Consolidated Financial Statements.

Recent Accounting Pronouncements

See Note 1 in the Notes to the Consolidated Financial Statements for disclosure of recent accounting pronouncements and the potential impact on our financial statements and disclosures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about market risk affecting LII, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of Part II of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. Our exposure to market risk has not changed materially since December 31, 2017.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our current management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2018, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the quarter ended September 30, 2018, we implemented new controls as part of our efforts to adopt ASU 2016-02. We are implementing new controls related to monitoring the adoption process, implementing a new IT system to capture, calculate, and account for leases, and gather the necessary data to properly account for leases under ASC 842. There were no other changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

We are involved in a number of claims and lawsuits incident to the operation of our businesses. Insurance coverages are maintained and estimated costs are recorded for such claims and lawsuits. It is management's opinion that none of these claims or lawsuits will have a material adverse effect, individually or in the aggregate, on our financial position, results of operations or cash flows.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017, which could materially affect our business, financial condition or results of operations. There have been no material changes to our risk factors from those disclosed in our 2017 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In the third quarter of 2018, we purchased shares of our common stock as follows:

	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share (including fees)	Total Number of Shares Purchased As Part of Publicly Announced Plans	Approximate Dollar Value of Shares that may yet be Purchased under our Share Repurchase Plans (in millions) ⁽²⁾
July 1 through July 28	1,129	\$ 211.97	—	545.8
July 29 through August 25	8,887	214.51	—	545.8
August 26 through September 29	1,244	222.93	—	545.8
	<u>11,260</u>		<u>—</u>	

⁽¹⁾ We repurchased 11,260 shares of common stock in July, August and September 2018 surrendered to LII to satisfy employee tax-withholding obligations in connection with the exercise of long-term incentive awards.

⁽²⁾ After \$150 million payment for Accelerated Share Repurchase Plan (ASR) executed in February 2018 and \$200.2 million share repurchase from open market transactions during the second quarter. Final settlement of the ASR occurred in April 2018. The ASR and the stock repurchase was executed pursuant to a previously announced repurchase plan. See Note 11 in the Notes to the Consolidated Financial Statements for further details.

Item 6. Exhibits

- 3.1 Restated Certificate of Incorporation of Lennox International Inc. (“LII”) (filed as Exhibit 3.1 to LII’s Registration Statement on Form S-1 (Registration Statement No. 333-75725) filed on April 6, 1999 and incorporated herein by reference).
- 3.2 [Amended and Restated Bylaws of LII \(filed as Exhibit 3.1 to LII’s Current Report on Form 8-K filed on December 16, 2013 and incorporated herein by reference\).](#)
- 4.1 Specimen Stock Certificate for the Common Stock, par value \$.01 per share, of LII (filed as Exhibit 4.1 to LII’s Amendment to Registration Statement on Form S-1/A (Registration No. 333-75725) filed on June 16, 1999 and incorporated herein by reference).
- 4.2 [Indenture, dated as of May 3, 2010, between LII and U.S. Bank National Association, as trustee \(filed as Exhibit 4.3 to LII’s Post-Effective Amendment No. 1 to Registration Statement on S-3 \(Registration No. 333-155796\) filed on May 3, 2010, and incorporated herein by reference\).](#)
- 4.3 [Form of First Supplemental Indenture among LII, the guarantors party thereto and U.S. Bank National Association, as trustee \(filed as Exhibit 4.11 to LII’s Post-Effective Amendment No. 1 to Registration Statement on S-3 \(Registration No. 333-155796\) filed on May 3, 2010, and incorporated herein by reference\).](#)
- 4.4 [Second Supplemental Indenture dated as of March 28, 2011, among Heatcraft Inc., a Mississippi corporation, Heatcraft Refrigeration Products LLC, a Delaware limited liability company and Advanced Distributor Products LLC, a Delaware limited liability company \(the “Guarantors”\), LII, and each other existing Guarantor under the Indenture dated as of May 3, 2010, and U.S. Bank National Association as Trustee \(filed as Exhibit 4.4 to LII’s Quarterly Report on Form 10-Q filed on April 26, 2011, and incorporated herein by reference\).](#)
- 4.5 [Fourth Supplemental Indenture, dated as of December 10, 2013 among Lennox National Account Services LLC, LGL Australia \(US\) Inc., Lennox International Inc., each other existing Guarantor under the Indenture, dated as of May 3, 2010, as subsequently supplemented, and U.S. Bank National Association \(filed as Exhibit 4.5 to LII’s Annual Report on Form 10-K filed on February 13, 2014 and incorporated herein by reference\).](#)
- 4.6 [Fifth Supplemental Indenture, dated as of August 30, 2016 among LGL Europe Holding Co., each other existing Guarantor under the Indenture, dated as of May 3, 2010, as subsequently supplemented, and U.S. Bank National Association \(filed as Exhibit 4.6 to LII’s Quarterly Report on Form 10-Q filed on October 17, 2016, and incorporated by reference\).](#)
- 4.7 [Sixth Supplemental Indenture, dated as of November 3, 2016, among LII, each other existing Guarantor under the Indenture, dated as of May 3, 2010, as subsequently supplemented, and US Bank National Association, as trustee \(filed as Exhibit 4.2 to LII’s Current Report on Form 8-K filed on November 3, 2016, and incorporated by reference\).](#)
- 4.8 [Form of 3.000% Notes due 2023 \(filed as Exhibit A in Exhibit 4.2 to LII’s Current Report on Form 8-K filed on November 3, 2016, and incorporated by reference\).](#)
- 10.1 [Amendment No. 8 to Amended and Restated Receivables Purchase Agreement among LPAC Corp., as the Seller, Lennox Industries Inc., as the Master Servicer, Victory Receivables Corporation, as Purchaser and MUFG Bank, Ltd., as Administrative Agent, BTMU Liquidity Bank, Wells Fargo Bank, National Association, a Liquidity Bank and PNC Bank, N National Association, a Purchaser Agent \(filed herewith\).](#)
- 31.1 [Certification of the principal executive officer \(filed herewith\).](#)
- 31.2 [Certification of the principal financial officer \(filed herewith\).](#)
- 32.1 [Certification of the principal executive officer and the principal financial officer pursuant to 18 U.S.C. Section 1350 \(furnished herewith\).](#)

Exhibit No. (101).INS XBRL Instance Document

Exhibit No. (101).SCH XBRL Taxonomy Extension Schema Document

Exhibit No. (101).CAL XBRL Taxonomy Extension Calculation Linkbase Document

Exhibit No. (101).LAB XBRL Taxonomy Extension Label Linkbase Document

Exhibit No. (101).PRE XBRL Taxonomy Extension Presentation Linkbase Document

Exhibit No. (101).DEF XBRL Taxonomy Extension Definition Linkbase Document

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/ Joseph W. Reitmeier

Joseph W. Reitmeier

Chief Financial Officer

(on behalf of registrant and as principal financial officer)

Date: October 22, 2018

AMENDMENT NO. 8 TO
AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT

This AMENDMENT NO. 8, dated as of August 17, 2018 (this "Amendment"), is made with respect to that certain Amended and Restated Receivables Purchase Agreement, dated as of November 18, 2011 (as amended, restated, supplemented or otherwise modified, the "Agreement"), among LPAC CORP., a Delaware corporation (the "Seller"), LENNOX INDUSTRIES INC., a Delaware corporation, as master servicer thereunder (in such capacity, the "Master Servicer"), VICTORY RECEIVABLES CORPORATION, a Delaware corporation, as a Purchaser, MUFG BANK, LTD. (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd.), as administrative agent for the Investors (in such capacity, the "Administrative Agent"), the purchaser agent for the BTMU Purchaser Group (in such capacity, the "BTMU Purchaser Agent") and a BTMU Liquidity Bank, WELLS FARGO BANK, NATIONAL ASSOCIATION ("WFB"), as the purchaser agent for the WFB Purchaser Group (in such capacity, the "WFB Purchaser Agent") and a WFB Liquidity Bank (the "WFB Liquidity Bank"), and PNC BANK, NATIONAL ASSOCIATION ("PNC"), as the purchaser agent for the PNC Purchaser Group (in such capacity, the "PNC Purchaser Agent") and a PNC Liquidity Bank (the "PNC Liquidity Bank"). Capitalized terms used and not otherwise defined in this Amendment shall have the meanings given to such terms in the Agreement.

Preliminary Statements

(1) PNC has been requested, and is willing, to act as the PNC Purchaser Agent under the Agreement.

(2) As of the date hereof and immediately prior to the effectiveness hereof, the BTMU Purchaser and the BTMU Liquidity Bank, as applicable, have assigned to the PNC Liquidity Bank an interest in their respective rights and obligations under the Agreement, including, without limitation, an interest in their respective ownership of each Asset Interest and the BTMU Purchaser Agent's Purchaser Group Limit (the "PNC Assignment").

(3) Each of the parties to the Agreement desires to amend the Agreement on the conditions set forth herein.

NOW, THEREFORE, the signatories hereto agree as follows:

SECTION 1. Amendment to the Agreement. Effective as of the date hereof in accordance with Section 2 of this Amendment, after giving effect to the PNC Assignment, the Agreement is hereby amended to read as set forth in Annex A. For the avoidance of doubt, each of the parties hereto hereby agrees and acknowledges that, notwithstanding anything to the contrary contained in the Agreement, (x) neither BTMU nor Victory shall be deemed to be a member of the PNC Purchaser Group and (y) BTMU shall in no event be deemed to be the PNC Purchaser Agent, in either case, as a result of the PNC Assignment.

SECTION 2. Effectiveness. This Amendment shall become effective as of the date hereof at such time that:

(a) the PNC Assignment shall have become effective;

(b) each of the Administrative Agent, the BTMU Purchaser Agent, the WFB Purchaser Agent and the PNC Purchaser Agent shall have received, in form and substance satisfactory to it, executed counterparts of this Amendment;

(c) the BTMU Purchaser Agent, the WFB Purchaser Agent and the PNC Purchaser Agent shall have received an executed amendment and restatement of the Fee Letter (the "A&R Fee Letter"); and

(d) the PNC Purchaser Agent shall have received payment of the PNC Up-Front Fee, in accordance with the terms of, and as such term is defined in, the A&R Fee Letter.

SECTION 3. Transaction Document. This Amendment shall be a Transaction Document under the Agreement.

SECTION 4. Representations and Warranties. Each of the Seller and the Master Servicer makes, as to itself (except where specifically provided otherwise therein), each of the representations and warranties contained in Section 6.1 of the Agreement (after giving effect to this Amendment).

SECTION 5. Confirmation of Agreements; No Other Modifications. Each reference in the Agreement to "this Agreement" or "the Agreement", or "hereof," "hereunder" or words of like import, and each reference in any other Transaction Document to the Agreement, shall mean the Agreement as amended by this Amendment, and as hereafter amended or restated. Except as herein expressly amended, the Agreement is ratified and confirmed in all respects and shall remain in full force and effect in accordance with its terms.

SECTION 6. Affirmation and Consent of Lennox International. Lennox International hereby consents to this Amendment and hereby affirms and agrees that the Assurance Agreement is, and shall continue to be, in full force and effect and is hereby ratified and affirmed in all respects. Upon the effectiveness of, and on and after the date of, the Amendment, each reference

in the Assurance Agreement to the Agreement, “thereunder”, “thereof” or words of like import shall mean and be a reference to the Agreement as amended by this Amendment, and as hereafter amended or restated.

SECTION 7. Costs and Expenses. The Seller agrees to pay on demand all reasonable costs and expenses in connection with the preparation, execution and delivery of this Amendment, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent with respect thereto.

SECTION 8. **GOVERNING LAW. THIS AMENDMENT, INCLUDING THE RIGHTS AND DUTIES OF THE PARTIES HERETO, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO PRINCIPLES OF CONFLICTS OF LAW (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).**

SECTION 9. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Amendment. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or by electronic mail in portable document format (.pdf) shall be as effective as delivery of a manually executed counterpart of a signature page of this Amendment.

[Remainder of this page intentionally left blank]

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

LPAC CORP., as Seller

By: Rick Pelini
Name: Rick Pelini
Title: President, Treasurer

LENNOX INDUSTRIES INC., as Master Servicer

By: Rick Pelini
Name: Rick Pelini
Title: VP, Treasurer

LENNOX INTERNATIONAL INC.

By: Rick Pelini
Name: Rick Pelini
Title: VP, Treasurer

VICTORY RECEIVABLES CORPORATION, as a Purchaser

By: Kevin J. Corrigan
Name: Kevin J. Corrigan

Title: Vice President

MUFG BANK, LTD., as Administrative Agent

By: Christopher Pohl
Name: Christopher Pohl
Title: Managing Director

MUFG BANK, LTD., as BTMU Purchaser Agent

By: Christopher Pohl
Name: Christopher Pohl
Title: Managing Director

MUFG BANK, LTD., as a Liquidity Bank

By: Christopher Pohl
Name: Christopher Pohl
Title: Managing Director

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as WFB Purchaser Agent

By: Isaac Washington
Name: Isaac Washington
Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as a Liquidity Bank

By: Isaac Washington
Name: Isaac Washington
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION,
as PNC Purchaser Agent

By: Michelle Brown
Name: Michelle Brown
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,
as a Liquidity Bank

By: Michelle Brown
Name: Michelle Brown
Title: Senior Vice President

ANNEX A
REVISED AGREEMENT

AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT

Dated as of November 18, 2011

Among

LPAC CORP.,
as the Seller

and

LENNOX INDUSTRIES INC.,
as the Master Servicer

and

VICTORY RECEIVABLES CORPORATION,
as a Purchaser

and

MUFG BANK, LTD.,
as a Liquidity Bank

and

MUFG BANK, LTD.,
as Administrative Agent and the BTMU Purchaser Agent

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as a Liquidity Bank and the WFB Purchaser Agent

and

PNC BANK, NATIONAL ASSOCIATION,
as a Liquidity Bank and the PNC Purchaser Agent

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AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT

Dated as of November 18, 2011

AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT (the "Agreement") among:

- (1) LPAC CORP., a Delaware corporation (together with its successors and permitted assigns, the "Seller"),
- (2) LENNOX INDUSTRIES INC., a Delaware corporation (together with its successors, "Lennox"), as master servicer hereunder (in such capacity, together with any successor master servicer appointed pursuant to Section 8.1, the "Master Servicer", Lennox in its capacity as the Master Servicer, together with the Seller, each a "Seller Party" and collectively the "Seller Parties"),
- (3) VICTORY RECEIVABLES CORPORATION, a Delaware corporation, as a Purchaser (in such capacity, together with any successors and assigns thereto in such capacity, the "BTMU Purchaser"),
- (4) MUFGBANK, LTD. (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd.) ("BTMU"), as (a) administrative agent for the Investors (in such capacity, together with any successors and assigns thereto in such capacity, the "Administrative Agent"), (b) the purchaser agent for the BTMU Purchaser Group (in such capacity, together with any successors and assigns thereto in such capacity, the "BTMU Purchaser Agent") and (c) a BTMU Liquidity Bank,
- (5) WELLS FARGO BANK, NATIONAL ASSOCIATION ("WFB"), as (a) the purchaser agent for the WFB Purchaser Group (in such capacity, together with any successors and assigns thereto in such capacity, the "WFB Purchaser Agent") and (b) a WFB Liquidity Bank, and

(6) PNC BANK, NATIONAL ASSOCIATION (“PNC”), as (a) the purchaser agent for the PNC Purchaser Group (in such capacity, together with any successors and assigns thereto in such capacity, the “PNC Purchaser Agent”) and (b) a PNC Liquidity Bank.

Unless otherwise indicated, capitalized terms used in this Agreement are defined in Appendix A.

Background

1. As of the date hereof, Lennox, Allied, Heatcraft Inc. and Heatcraft own 100% of the issued and outstanding capital stock of the Seller, a special purpose corporation.
2. The Originators are engaged in the heating, ventilating, air conditioning and refrigeration businesses.
3. On June 19, 2000, Lennox, Heatcraft Inc. and the Seller entered into a “Purchase and Sale Agreement” (as amended, modified or supplemented prior to the date of the A&R Sale Agreement (as defined below), the “Initial Sale Agreement”) under which Lennox and Heatcraft Inc. transferred certain Receivables and Related Rights (each as defined in the Initial Sale Agreement) to the Seller as part of the capitalization of the Seller and thereafter Lennox and Heatcraft Inc. sold and contributed to the Seller, and the Seller purchased and accepted as contributions from Lennox and Heatcraft Inc., Receivables and Related Rights (each as defined in the Initial Sale Agreement). On November 25, 2009, Lennox and the Seller agreed to amend and restate the Initial Sale Agreement pursuant to the “Amended and Restated Purchase and Sale Agreement” (as amended, modified or supplemented prior to the date hereof, the “A&R Sale Agreement”) under which Lennox continued to sell and contribute to the Seller, and the Seller continued to purchase and accept as contributions from Lennox, Receivables and Related Rights (each as defined in the A&R Sale Agreement). Concurrently with the execution of this Agreement, Lennox, Allied, Heatcraft Refrigeration, Lennox Hearth and the Seller agreed to amend and restate the A&R Sale Agreement pursuant to the Sale Agreement under which each of Lennox, Allied, Heatcraft Refrigeration and Lennox Hearth sell and contribute to the Seller, and the Seller purchases and accepts as contributions from Lennox, Allied, Heatcraft Refrigeration and Lennox Hearth, all of their respective right, title and interest in and to the Pool Receivables and certain related property in accordance with the terms and subject to the conditions set forth in the Sale Agreement. In March, 2012, Lennox Hearth was removed as an Originator.
4. On November 25, 2009, the Seller, the Master Servicer, the BTMU Purchaser, the BTMU Purchaser Agent, the BTMU Liquidity Bank and the Administrative Agent entered into a Receivables Purchase Agreement (as amended, modified or supplemented prior to the date hereof, the “Prior RPA”) under which the Seller has sold, and the Purchasers (as defined in the Prior RPA) (or to the extent any such Purchaser declines, each Liquidity Bank (as defined in the Prior RPA) in such Purchaser’s Purchaser Group (as defined in the Prior RPA)) has purchased, from time to time, undivided percentage ownership interests, referred to therein as the Asset Interest (as defined in the Prior RPA), in the Pool Receivables (as defined in the Prior RPA) and related property.
5. The Seller has requested the Purchasers, and the Purchasers (or to the extent any Purchaser in a Purchaser Group declines or any Purchaser Group has no Purchasers, each Liquidity Bank in such Purchaser Group party hereto) have agreed, subject to the terms and conditions contained in this Agreement, to continue to purchase from the Seller from time to time undivided percentage ownership interests, referred to herein as the Asset Interest, in the Pool Receivables and related property.
6. The Seller and the Investors also desire that, subject to the terms and conditions of this Agreement, certain of the daily Collections in respect of the Asset Interests be reinvested in Pool Receivables, which reinvestment shall constitute part of the Asset Interests.
7. The parties to this Agreement also desire that, pursuant to the terms hereof, Lennox be appointed, and act, as the initial Master Servicer of the Pool Receivables and related property.
8. BTMU has been requested, and is willing, to act as the Administrative Agent and the BTMU Purchaser Agent under this Agreement. On November 13, 2017, WFB has been requested, and is willing, to act as the WFB Purchaser Agent under this Agreement. On August 17, 2018 (the “Eighth Amendment Date”), PNC has been requested, and is willing, to act as the PNC Purchaser Agent under this Agreement.
9. The parties hereto wish to amend and restate the Prior RPA in its entirety.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto hereby agree that the Prior RPA shall be amended and restated in its entirety as follows:

Article I.

Purchases and Reinvestments

Section 1.1 Commitments to Purchase; Limits on Purchasers’ Obligations.

Upon the terms and subject to the conditions of this Agreement (including, without limitation, Article V), from time to time prior to the Termination Date, the Seller may request that the Investors purchase from the Seller undivided percentage ownership interests in Pool Receivables and Related Assets, and (a) the Purchasers may, in their sole discretion, make such purchase, or (b) if (x) any Purchaser in a Purchaser Group shall decline to make such Purchase or (y) any Purchaser Group has no Purchasers, one or more Liquidity Banks party to this Agreement in such Purchaser Group shall make such purchase (in any such case, each being a "Purchase"); provided that no Purchase shall be made by any Investor if, after giving effect thereto (and after giving effect to any reductions in the Invested Amount or any Purchaser Group Invested Amount to be made on the date of such Purchase (whether from the distributions of Collections or otherwise)), (i) the Invested Amount would exceed the Purchase Limit in effect at such time, (ii) the Purchaser Group Invested Amount of such Investor's Purchaser Group would exceed such Purchaser Group's Purchaser Group Limit in effect at such time or (iii) the Asset Interest would exceed 100% (the "Allocation Limit"); and provided, further that each Purchase made pursuant to this Section 1.1 shall have a purchase price equal to at least \$1,000,000 and shall be an integral multiple of \$100,000. Notwithstanding anything to the contrary herein, the amount available for any Purchase hereunder shall be calculated based on the most recently delivered Information Package and not based on the most recently delivered Interim Information Package; provided, however that no Purchases shall be permitted hereunder if the calculations in any Interim Information Package delivered after the most recently delivered Information Package show that (either before or after giving effect to such Purchase) (i) the Invested Amount would exceed the Purchase Limit in effect at such time, (ii) the Purchaser Group Invested Amount of any Purchaser Group would exceed the Purchaser Group Limit of such Purchaser Group in effect at such time, or (iii) the Asset Interest would exceed the Allocation Limit.

Section 1.2 Purchase Procedures; Assignment of the Investors' Interests.

(a) Purchase Request. Each Purchase from the Seller by the Purchasers or the Liquidity Banks, as applicable, shall be made on notice from the Seller to the Administrative Agent and each Purchaser Agent (on behalf of the Investors in such Purchaser Agent's Purchaser Group) received by the Administrative Agent and each such Purchaser Agent not later than 12:00 noon (New York City time) on the second Business Day preceding the date of such proposed Purchase. Each such notice of a proposed Purchase shall be substantially in the form of Exhibit 1.2(a) and shall specify, among other items, the desired amount to be paid to the Seller and the date of such Purchase. The Administrative Agent shall promptly forward such notice, together with the Administrative Agent's determination of the Pro Rata Share of such desired purchase amount for each Purchaser Group, to each Purchaser Agent (on behalf of the Investors in such Purchaser Agent's Purchaser Group) by telecopier or e-mail. Each Purchaser Agent which has a Purchaser in its Purchaser Group shall promptly upon receipt notify such Purchaser of any such notice. If (x) any Purchaser in a Purchaser Group has determined not to make the proposed purchase or (y) any Purchaser Group has no Purchaser, the Purchaser Agent of such Purchaser Group shall promptly send notice of the proposed purchase to each Liquidity Bank in such Purchaser Group by telecopier or e-mail specifying the date of such proposed purchase, and such Liquidity Bank's Percentage multiplied by the Pro Rata Share with respect to such Purchaser Group of the amount of such Purchase. The Seller shall not request more than one Purchase in any calendar week.

(b) Funding of Purchase. On the date of each Purchase, the Investors in each Purchaser Group shall, upon satisfaction of the applicable conditions set forth in Article V, make available to the Seller (through the Purchaser Agent of such Investors' Purchaser Group) its applicable Pro Rata Share of the amount of the Purchase in same day funds by wire transfer to the Seller's Account. Each Liquidity Bank's obligation shall be several, such that the failure of any Liquidity Bank to make available to the Seller any funds in connection with any purchase shall not relieve any other Liquidity Bank of its obligation, if any, hereunder to make funds available on the date of such purchase, but no Liquidity Bank shall be responsible for the failure of any other Liquidity Bank to make funds available in connection with any purchase.

(c) Assignment of Asset Interests. The Seller hereby sells, assigns and transfers to the Administrative Agent, for the benefit of the applicable Investors in each Purchaser Group making each Purchase, effective on and as of the date of such Purchase and each Reinvestment hereunder, an undivided percentage ownership interest, to the extent of the portion of the Asset Interest then being purchased, in the Pool Receivables and the Related Assets with respect thereto.

Section 1.3 Reinvestments of Certain Collections; Payment of Remaining Collections.

(a) On the close of business on each day during the period from the date of the first Purchase to the Final Payout Date, the Master Servicer will, out of all Collections received on such day:

(i) determine the portion of the Collections attributable to the Asset Interest by multiplying (A) the amount of such Collections times (B) the lesser of (i) the Asset Interest and (ii) 100%;

(ii) out of the portion of such Collections allocated to the Asset Interest pursuant to clause (i) above, identify and hold in trust for the Purchaser Agents on behalf and for the benefit of their respective Purchaser Groups (provided that unless otherwise requested by any Purchaser Agent, on behalf of such Purchaser Agent's Purchaser Group, such Collections shall not be required to be held in a separate account) an amount equal to the sum of the estimated amount of Earned Discount and CP Costs accrued in respect of each Asset Tranche (based on the rate information provided by each Agent pursuant to Section 2.5), all other amounts due to the Investors or the Agents hereunder and the Investors' Share of the Servicing Fee allocable pursuant to Section 3.1(d) (in each case, accrued through such day) and not so previously identified; and

(iii) apply the Collections allocated to the Asset Interest pursuant to clause (i) above and not required to be identified and held in trust pursuant to clause (ii) above to the purchase from the Seller of undivided percentage ownership interests in Pool Receivables and the Related Assets with respect to such Pool Receivables (each such purchase being a “Reinvestment”); provided that:

(A) if, after giving effect to such Reinvestment, (i) the Asset Interest would exceed the Allocation Limit, (ii) the Purchaser Group Invested Amount of any Purchaser Group would exceed such Purchaser Group’s Purchaser Group Limit in effect at such time or (iii) the Invested Amount would exceed the Purchase Limit in effect at such time, then the Master Servicer shall not make such Reinvestment, but shall identify and hold in trust for the benefit of the Investors, a portion of such Collections which, together with other Collections previously identified and then so held, shall equal the amount necessary to reduce (x) the Invested Amount to the Purchase Limit in effect at such time, (y) any Purchaser Group’s Purchaser Group Invested Amount to such Purchaser Group’s Purchaser Group Limit in effect at such time and (z) the Asset Interest to the Allocation Limit; and

(B) if any of the conditions precedent to Reinvestment in Section 5.2, subject to the proviso set forth in Section 5.2, are not satisfied, then the Master Servicer shall not reinvest any of such remaining Collections, but shall identify them and hold them in trust for the benefit of the Investors; and

(C) if the Seller has commenced an optional reduction in the Invested Amount pursuant to Section 3.2(b), then the Master Servicer shall not reinvest any such remaining Collections until the amount not reinvested shall equal the desired reduction amount;

(iv) out of the portion of Collections not allocated to the Asset Interest pursuant to clause (i) above, pay to the Master Servicer or set aside (at the option of the Master Servicer) the Seller’s Share of the Servicing Fee accrued through such day and not previously paid; and

(v) pay to the Seller (A) the remaining portion of Collections not allocated to the Asset Interest pursuant to clause (i) above and (B) the Collections applied to Reinvestment pursuant to clause (iii) above.

(b) Unreinvested Collections. The Master Servicer shall identify and hold in trust for the benefit of the Investors, all Collections which, pursuant to clause (iii) of Section 1.3(a), may not be reinvested in the Pool Receivables and the Related Assets, provided that unless otherwise requested by any Agent, such Collections need not be held in a segregated account. If, prior to the date when such Collections are required to be paid to any Purchaser Agent pursuant to Section 1.3(c)(iv), the amount of Collections so identified exceeds the amount, if any, necessary to reduce (i) the Invested Amount to the Purchase Limit in effect at such time, (ii) the Purchaser Group Invested Amount of each Purchaser Group to the Purchaser Group Limit of such Purchaser Group in effect at such time and (iii) the Asset Interest to the Allocation Limit, and the conditions precedent to Reinvestment set forth in Section 5.2, subject to the proviso set forth in Section 5.2, are satisfied, then the Master Servicer shall apply such Collections (or, if less, a portion of such Collections equal to the amount of such excess) to the making of a Reinvestment.

(c) Payment of Amounts.

(i) The Master Servicer shall pay all amounts of Collections identified pursuant to Section 1.3(a)(ii) in respect of Earned Discount on an Asset Tranche funded by a Liquidity Funding to the Purchaser Agent of each applicable Purchaser Group, on behalf of each Investor which funded such Liquidity Funding, on (x) other than with respect to the WFB Purchaser Group and the PNC Purchaser Group, the last day of the then current Yield Period for such Asset Tranche and (y) with respect to the WFB Purchaser Group and the PNC Purchaser Group, on the Settlement Date following the last day of each Yield Period for such Asset Tranche, in each case, as provided in Section 3.1.

(ii) The Master Servicer shall pay all amounts of Collections identified pursuant to Section 1.3(a)(ii) in respect of CP Costs on an Asset Tranche funded by Commercial Paper Notes, to the Purchaser Agent of each applicable Purchaser Group, on behalf of the applicable Purchaser in such Purchaser Agent’s Purchaser Group, on the Settlement Date following the last day of each CP Accrual Period for such Asset Tranche, as provided in Section 3.1.

(iii) The Master Servicer shall pay all amounts of Collections identified pursuant to Section 1.3(a)(ii) and not applied pursuant to clauses (i) or (ii) above to each Purchaser Agent, on behalf of such Purchaser Agent’s Purchaser Group, on each Settlement Date for each Collection Period, as provided in Section 3.1.

(iv) The Master Servicer shall pay all amounts of Collections identified pursuant to Section 1.3(b) to the Administrative Agent, for prompt distribution to each Purchaser Agent, (A) on the last day of the then current Yield Period for any Asset Tranche of such Purchaser Agent’s Purchaser Group funded by a Liquidity Funding, as provided in Section 3.1(b), in an amount not exceeding such Purchaser Group’s Tranche Investment of such Asset Tranche, and (B) on the last day of the then current CP Accrual Period for any Asset Tranche of such Purchaser Agent’s Purchaser Group funded by Commercial Paper Notes, as provided in Section 3.1(b), in an amount not exceeding such Purchaser Group’s Tranche Investment of such Asset Tranche.

(d) Funds Under Sale Agreement. Upon the written request of the Administrative Agent, at the request of any Purchaser Agent, given at any time when (i) based on the most recent Information Package, or Interim Information Package, as the case may be, either (A) the Asset Interest would exceed the Allocation Limit, (B) any Purchaser Group's Purchaser Group Invested Amount would exceed such Purchaser Group's Purchaser Group Limit in effect at such time or, (C) the Invested Amount would exceed the Purchase Limit in effect at such time, or (ii) a Liquidation Event or Unmatured Liquidation Event shall have occurred and be continuing, the Seller shall identify all funds that under the Sale Agreement would be applied to repay principal of the Initial Seller Notes (as defined in the Sale Agreement) owing to the Originators. The Seller may make withdrawals of such funds only for the purposes of (x) at any time, purchasing Receivables from an Originator in accordance with the Sale Agreement; (y) on the Settlement Date for any Collection Period, making payments in accordance with the last sentence of Section 3.1(c)(ii), and (z) on the Settlement Date for any Collection Period, if, on the basis of the most recent Information Package or Interim Information Package, as the case may be, and after giving effect to any payment made to the Master Servicer on such date pursuant to the last sentence of Section 3.1(c)(ii), (I) the Invested Amount does not exceed the Purchase Limit in effect at such time, (II) no Purchaser Group Invested Amount exceeds the related Purchaser Group Limit in effect at such time and (III) the Asset Interest does not exceed the Allocation Limit, and provided that no Liquidation Event or Unmatured Liquidation Event shall have occurred and be continuing, repaying principal of the Initial Seller Notes in accordance with this Agreement and the Sale Agreement.

Section 1.4 Asset Interest.

(a) Components of Asset Interest. On any date the Asset Interest will represent the Investors' undivided percentage ownership interest in all then outstanding Pool Receivables and all Related Assets with respect to such Pool Receivables as at such date.

(b) Computation of Asset Interest. On any date, the Asset Interest will be equal to the percentage equivalent of the following fraction:

$$\frac{IA+RR}{NPB}$$

where:

IA = the Invested Amount on the date of such computation;

RR = the Required Reserve on the date of such computation; and

NPB = the Net Pool Balance on the date of such computation;

provided, however, that the Asset Interest during the Liquidation Period shall equal 100%.

(c) Frequency of Computation. The Asset Interest shall be computed (i) as provided in Section 3.1, as of the Cut-Off Date for each Collection Period, and (ii) on the Settlement Date following each Reporting Date, after giving effect to the payments made pursuant to Section 3.1. In addition, at any time, the Administrative Agent, at the request of any Purchaser Agent, may require the Master Servicer to provide an interim report (an "Interim Information Package"), based on the information then available to the Master Servicer, for purposes of computing the Asset Interest, any Purchaser Group Invested Amount or the Invested Amount as of any other date, and the Master Servicer agrees to do so within five (5) (or three (3), if a Liquidation Event, Unmatured Liquidation Event or a Credit Event has occurred and is continuing) Business Days of its receipt of the Administrative Agent's request (such date, the "Interim Reporting Date").

Article II.

Computational Rules

Section 2.1 Selection, Dividing or Combining of Asset Tranches.

Each Purchaser Agent shall, from time to time for purposes of computing Earned Discount on that portion of the Asset Interest funded with Liquidity Fundings made by such Purchaser Agent's Purchaser Group, divide any Asset Interest into Asset Tranches or combine two or more Asset Tranches into one Asset Tranche. The applicable Earned Discount Rate may be different for each Asset Tranche funded by a Liquidity Funding. The Purchaser Group Invested Amount of such Purchaser Agent's Purchaser Group shall be allocated to each Asset Tranche by such Purchaser Agent, on behalf of the Investors in such Purchaser Agent's Purchaser Group, to reflect the funding sources for the Asset Interest, so that:

(a) there will be a single Asset Tranche equal to the excess of the applicable Purchaser Group Invested Amount over the aggregate amount allocated at such time pursuant to clause (b) below, which Asset Tranche shall reflect the portion of the Asset Interest funded by Commercial Paper Notes of the Purchasers in such Purchaser Group, if any; and

(b) there may be one or more Asset Tranches, selected by such Purchaser Agent, on behalf of the Liquidity Banks in such Purchaser Agent's Purchaser Group, reflecting the portion or portions of the Asset Interest funded by outstanding Liquidity Fundings of such Purchaser Group.

Section 2.2 Computation of Invested Amount and Purchaser Group's Tranche Investment.

In making any determination of the Invested Amount, any Purchaser Group Invested Amount and any Purchaser Group's Tranche Investment, the following rules shall apply:

(a) the Invested Amount and each Purchaser Group Invested Amount, as the case may be, shall not be considered reduced by any allocation, setting aside or distribution of any portion of Collections unless such Collections shall have been actually delivered hereunder to the appropriate Purchaser Agent, on behalf of the Investors in such Purchaser Agent's Purchaser Group;

(b) the Invested Amount and each Purchaser Group Invested Amount, as the case may be, shall not be considered reduced by any distribution of any portion of Collections if at any time such distribution is rescinded or must otherwise be returned for any reason; and

(c) if there is any reduction in the Invested Amount or any Purchaser Group Invested Amount, as the case may be, there shall be a corresponding reduction to each applicable Purchaser Group's Tranche Investment with respect to one or more Asset Tranches selected by each Purchaser Agent, on behalf of such Purchaser Agent's Purchaser Group, in its discretion.

Section 2.3 Computation of Concentration Limits and Unpaid Balance.

The Obligor Concentration Limits and the aggregate Unpaid Balance of Pool Receivables of any Obligor and its Affiliated Obligors (if any) shall be calculated as if such Obligor and its Affiliated Obligors were one Obligor.

Section 2.4 Computation of Earned Discount.

In making any determination of Earned Discount, the following rules shall apply:

(a) each Purchaser Agent, on behalf of the Liquidity Banks in such Purchaser Agent's Purchaser Group, shall determine the Earned Discount accruing with respect to each Asset Tranche funded by a Liquidity Funding of such Purchaser Group for each Yield Period, in accordance with the definition of Earned Discount;

(b) no provision of this Agreement shall require the payment or permit the collection of Earned Discount in excess of the maximum permitted by applicable law; and

(c) the Earned Discount for any Asset Tranche shall not be considered paid by any distribution if at any time such distribution is rescinded or must otherwise be returned for any reason.

It is the intent of the Purchasers to fund their portion of the Asset Interest by the issuance of Commercial Paper Notes. If, for any reason, any Purchaser is unable, or determines that it is undesirable, to issue Commercial Paper Notes to fund its portion of the Asset Interest, or is unable to repay such Commercial Paper Notes upon the maturity thereof, either such Purchaser will draw on Liquidity Fundings by a Liquidity Bank in such Purchaser's Purchaser Group or such Liquidity Bank will make a Purchase directly, to the extent available. If any Purchaser makes such a Liquidity Funding, the Earned Discount will be payable by the Seller based on the Bank Rate with respect to such portion of the Asset Interest funded by such Liquidity Funding.

Section 2.5 Estimates of Earned Discount Rate, Fees, etc.

For purposes of determining the amounts required to be identified by Master Servicer pursuant to Section 1.3, each Purchaser Agent, on behalf of the Investors in such Purchaser Agent's Purchaser Group, shall notify (x) the Master Servicer (and, if Lennox is not the Master Servicer, the Seller) and the Administrative Agent from time to time of such Purchaser Group's Tranche Investment of each Asset Tranche and the Earned Discount Rate applicable to each Asset Tranche funded by a Liquidity Funding of such Purchaser Group and (y) the Master Servicer (and, if Lennox is not the Master Servicer, the Seller) and, solely to the extent requested by it in its reasonable discretion, the Administrative Agent, the CP Costs applicable to each Asset Tranche funded by Commercial Paper Notes of such Purchaser Group and the rates at which fees and other amounts are accruing hereunder. It is understood and agreed that (a) the CP Costs for any Asset Tranche funded by the issuance of Commercial Paper Notes for any Purchaser Group are determined in arrears and may change from one applicable CP Accrual Period to the next, (b) the Earned Discount Rate for any Asset Tranche funded by a Liquidity Funding of any Purchaser Group may change from one applicable Yield Period to the next, and the Bank Rate, the WFB LIBO Rate and the PNC LIBO Rate used to calculate the Earned Discount Rate may change from time to time during an applicable Yield Period, (c) certain rate information provided by any Purchaser Agent to the Master Servicer and the Administrative Agent shall be based upon such Purchaser Agent's good faith estimate, (d) the amount of Earned Discount actually accrued with respect to an Asset Tranche funded by a Liquidity Funding of any Purchaser Group during any Yield Period may exceed, or be less than, the amount identified with respect thereto by Master Servicer, and (e) the amount of fees or other amounts payable by the Seller hereunder which have accrued hereunder with respect to any Collection Period may exceed, or be less than, the amount identified with respect thereto by the Master Servicer. Failure to identify any amount so accrued shall not relieve the Master Servicer of its obligation to remit Collections to each Purchaser Agent, on behalf of the Investors in such Purchaser Agent's Purchaser Group, with respect to such accrued amount, as and to the extent provided in Section 3.1.

Settlements

Section 3.1 Settlement Procedures.

The parties hereto will take the following actions with respect to each Collection Period:

(a) Information Package. On each Reporting Date the Master Servicer shall deliver to the Administrative Agent and each Purchaser Agent, on behalf of such Purchaser Agent's Purchaser Group, the relevant Information Package.

(b) Earned Discount and CP Costs; Other Amounts Due. Not later than 12:00 noon (New York, New York time) on:

(i) the Business Day before the last day of each Yield Period, each Purchaser Agent (other than the WFB Purchaser Agent and the PNC Purchaser Agent) shall notify the Master Servicer and the Administrative Agent of the amount of Earned Discount accrued with respect to any Asset Tranche funded by a Liquidity Funding by such Purchaser Agent's Purchaser Group corresponding to such Yield Period;

(ii) the fifth (5th) Business Day before each Reporting Date, (x) each Purchaser Agent shall notify the Master Servicer of the CP Costs accrued during the most recently ended CP Accrual Period (if any) with respect to any Asset Tranche funded with Commercial Paper Notes by such Purchaser Agent's Purchaser Group during all or any portion of such CP Accrual Period and (y) the WFB Purchaser Agent and the PNC Purchaser Agent shall notify the Master Servicer and the Administrative Agent of the amount of Earned Discount accrued during the most recently ended Yield Period with respect to each Asset Tranche funded by the WFB Purchaser Group and the PNC Purchaser Group (respectively) during all or any portion of such Yield Period;

(iii) the last day of each Yield Period, the Master Servicer shall pay to each Purchaser Agent (other than the WFB Purchaser Agent and the PNC Purchaser Agent) for the benefit of the Liquidity Banks in such Purchaser Agent's Purchaser Group the amount of the Earned Discount accrued on the Asset Tranches of such Purchaser Group funded by Liquidity Fundings;

(iv) each Settlement Date, the Master Servicer shall pay to (x) each Purchaser Agent for the benefit of the Purchaser in such Purchaser Agent's Purchaser Group the amount of the CP Costs accrued for the related CP Accrual Period (if any) on the Asset Tranches of such Purchaser Group funded with Commercial Paper Notes, (y) the WFB Purchaser Agent for the benefit of the WFB Liquidity Banks the amount of the Earned Discount accrued for the related Yield Period on the Asset Tranches of the WFB Purchaser Group and (z) the PNC Purchaser Agent for the benefit of the PNC Liquidity Banks the amount of the Earned Discount accrued for the related Yield Period on the Asset Tranches of the PNC Purchaser Group;

(v) the Business Day before each Reporting Date, each Purchaser Agent, on behalf of such Purchaser Agent's Purchaser Group, shall notify the Master Servicer and the Administrative Agent of all Broken Funding Costs, fees and other amounts accrued and payable by the Seller under this Agreement to any Investor during the prior calendar month (other than amounts described in clause (c) below); and

(vi) each Settlement Date, the Master Servicer shall pay to each Purchaser Agent, for the benefit of such Purchaser Agent's Purchaser Group, the amount of any Broken Funding Costs, fees and other amounts (to the extent of Collections attributable to the Asset Interest funded by such Purchaser Group during such Collection Period) for such Collection Period.

Such payments shall be made out of amounts identified pursuant to Section 1.3 for such payment; provided, however, that to the extent Collections attributable to the Asset Interest funded by such Purchaser Group during such Collection Period are not sufficient to make such payment, such payment shall be made out of funds paid by the Master Servicer to the Seller (which amounts the Seller hereby agrees to pay to the Master Servicer), up to the aggregate amount of Collections applied to Reinvestments under Section 1.3(a) or (b) during the related Reporting Period.

(c) Asset Interest Computations.

(i) On each Reporting Date, the Master Servicer shall compute, as of the related Cut-Off Date and based upon the assumptions in the next sentence, (A) the Asset Interest, (B) the amount of the reduction or increase (if any) in the Asset Interest since the most recently preceding Cut-Off Date, (C) the excess (if any) of the Asset Interest over the Allocation Limit, (D) the excess (if any) of the Purchaser Group Invested Amount of any Purchaser Group over such Purchaser Group's Purchaser Group Limit in effect at such time and (E) the excess (if any) of the Invested Amount over the Purchase Limit in effect at such time. Such calculations shall be based upon the assumptions that the (i) information in the most recently delivered Information Package is correct, and (ii) Collections identified pursuant to Section 1.3(b) will be paid to each Purchaser Agent, for the benefit such Purchaser Agent's Purchaser Group, on the Settlement Date for such Collection Period.

(ii) If, according to the computations made pursuant to clause (i) above, (A) the Asset Interest exceeds the Allocation Limit, (B) the Purchaser Group Invested Amount of any Purchaser Group exceeds such Purchaser Group's Purchaser Group Limit in effect at such time or (C) the Invested Amount exceeds the Purchase Limit in effect at such time, then on the related Settlement Date, the Master Servicer shall pay to the applicable Purchaser Agent, for the benefit of each Investor in such Purchaser Agent's Purchaser Group (to the extent of Collections attributable to the Asset Interest funded by such Purchaser Group and not previously paid to such Purchaser Agent) the amount necessary to reduce (i) the Invested Amount to the Purchase Limit in effect at such time, (ii) the Purchaser Group Invested Amount of each Purchaser Group to such Purchaser Group's Purchaser Group Limit in effect at such time and (iii) the Asset Interest to the Allocation Limit. Such payment shall be made out of amounts identified pursuant to Section 1.3 for such purpose and, to the extent such amounts were not so identified, the Seller hereby agrees to pay such amounts to the Master Servicer to the extent of Collections applied to Reinvestment under Section 1.3 during the relevant Collection Period.

(iii) In addition to the payments described in clause (ii) above and clause (iv) below, during the Liquidation Period, the Master Servicer shall pay to each Purchaser Agent, for the benefit of the applicable Investors in such Purchaser Agent's Purchaser Group and for application to the reduction of the Invested Amount, all amounts identified pursuant to Section 1.3 on (A) the last day of the current Yield Period for any Asset Tranche funded by a Liquidity Funding of such Purchaser Group, in an amount not exceeding such Purchaser Group's Tranche Investment of such Asset Tranche, and (B) the last day of the each CP Accrual Period for any Asset Tranche funded by Commercial Paper Notes of such Purchaser Group, in an amount not exceeding such Purchaser Group's Tranche Investment of such Asset Tranche.

(iv) On the Interim Reporting Date for each Interim Reporting Period, the Master Servicer shall compute, as of the related Interim Cut-Off Date and based upon the assumptions in the next sentence, (A) the Asset Interest, (B) the amount of the reduction or increase (if any) in the Asset Interest since the most recently preceding Cut-Off Date or Interim Cut-Off Date, (C) the excess (if any) of the Asset Interest over the Allocation Limit, (D) the excess (if any) of the Purchaser Group Invested Amount of any Purchaser Group over such Purchaser Group's Purchaser Group Limit in effect at such time and (E) the excess (if any) of the Invested Amount over the Purchase Limit in effect at such time. Such calculations shall be based upon the assumptions that (i) the information in the most recently delivered Interim Information Package is correct, and (ii) Collections identified pursuant to Section 1.3(b) will be paid to each Purchaser Agent, for the benefit of such Purchaser Agent's Purchaser Group, on the Settlement Date for such Collection Period.

(v) If, according to the computations made pursuant to clause (iv) above, (A) the Asset Interest exceeds the Allocation Limit, (B) the Purchaser Group Invested Amount of any Purchaser Group exceeds such Purchaser Group's Purchaser Group Limit in effect at such time or (C) the Invested Amount exceeds the Purchase Limit in effect at such time, then on the Interim Settlement Date for such Interim Reporting Period, the Master Servicer shall pay to the applicable Purchaser Agent, for the benefit of the Investors in such Purchaser Agent's Purchaser Group (to the extent of Collections during the related Interim Reporting Period attributable to the Asset Interest funded by the such Purchaser Group and not previously paid to such Purchaser Agent) the amount necessary to reduce (i) the Invested Amount to the Purchase Limit in effect at such time, (ii) the Purchaser Group Invested Amount of any Purchaser Group to such Purchaser Group's Purchaser Group Limit in effect at such time and (iii) the Asset Interest to the Allocation Limit. Such payment shall be made out of amounts identified pursuant to Section 1.3 for such purpose and, to the extent such amounts were not so identified, the Seller hereby agrees to pay such amounts to the Master Servicer to the extent of Collections applied to Reinvestment under Section 1.3 during the relevant Interim Reporting Period.

(d) Order of Application. Upon receipt by each Purchaser Agent of funds distributed pursuant to this Section 3.1, such Purchaser Agent shall apply them to the items specified in the subclauses below, in the order of priority of such subclauses:

(i) to accrued Earned Discount, CP Costs and Broken Funding Costs, plus any previously accrued Earned Discount, CP Costs and Broken Funding Costs not paid, to the extent owing to such Purchaser Group;

(ii) to the Investors' Share of such Purchaser Agent's Purchaser Group of the accrued and unpaid Servicing Fee (if the Master Servicer is not Lennox or its Affiliate);

(iii) to such Purchaser Agent's Purchaser Group's Pro Rata Share of the Program Fee and the Unused Fee accrued during such Collection Period, plus any previously accrued Program Fee and Unused Fee not paid on a prior Settlement Date;

(iv) to the reduction of the Invested Amount on a pro-rata basis, to the extent such reduction is required under Section 3.1(c), (and a corresponding reduction to each applicable Purchaser Group's Purchaser Group Invested Amount);

(v) to other accrued and unpaid amounts owing to any Investor or any Agent hereunder (except Earned Discount on any Asset Tranche funded by a Liquidity Funding of any Purchaser Group which has accrued but is not yet overdue under Section 1.3(c));

(vi) to the Investors' Share of such Purchaser Agent's Purchaser Group of the accrued and unpaid Servicing Fee (if the Master Servicer is Lennox or its Affiliate); and

(vii) to purchase newly originated Receivables prior to the Termination Date;

provided, however, that all amounts received on any Interim Settlement Date or Weekly Settlement Date shall be applied (x) with respect to amounts received on any Weekly Settlement Date, as provided in Section 3.1(c)(ii) and (y) with respect to amounts received on any Interim Settlement Date, as provided in Section 3.1(c)(v).

(e) Non-Distribution of Servicing Fee. Each Purchaser Agent hereby consents (which consent may be revoked at any time), to the retention by the Master Servicer of the amounts (if any) identified pursuant to Section 1.3 in respect of the Servicing Fee, in which case no distribution shall be made in respect of the Servicing Fee pursuant to clause (d)(ii) or (vi) above.

(f) Delayed Payment. If on any day described in this Section 3.1 (or in Section 1.3(c) in respect of accrued Earned Discount on Asset Tranches funded by Liquidity Fundings of any Purchaser Group, or accrued CP Costs on Asset Tranches funded by the issuance of Commercial Paper Notes issued by any Purchaser Group) the Master Servicer shall not make any payment otherwise required because Collections during the relevant CP Accrual Period or Yield Period were less than the aggregate amounts payable, the next available Collections in respect of the Asset Interest shall be applied to such payment, and no Reinvestment shall be permitted hereunder until such amount payable has been paid in full.

Section 3.2 Deemed Collections; Reduction of Invested Amount, Etc.

(a) Deemed Collections. If on any day:

(i) the Unpaid Balance of any Pool Receivable is:

(A) reduced as a result of any defective, rejected or returned merchandise or services, any cash discount, or any other adjustment by any Seller Party or any Affiliate thereof, or as a result of any tariff or other governmental or regulatory action, or

(B) reduced or canceled as a result of a setoff in respect of any claim by the Obligor thereof (whether such claim arises out of the same or a related or an unrelated transaction, including without limitation, any setoff or claim arising as a result of any amount at any time owed by any Originator in connection with any account receivable owed by any such Originator to such Obligor), or

(C) reduced on account of the obligation of any Seller Party or any Affiliate thereof to pay to the related Obligor any rebate or refund, or

(D) less than the amount included with respect to such Pool Receivable in calculating the Net Pool Balance for purposes of any Information Package or Interim Information Package, as the case may be (for any reason other than such Receivable becoming a Defaulted Receivable), or

(ii) any of the representations or warranties of the Seller set forth in Sections 6.1(j), (l) or (p) were not true when made with respect to any Pool Receivable, or any of the representations or warranties of the Seller set forth in Section 6.1(l) are no longer true with respect to any Pool Receivable, or any Pool Receivable is repurchased by an Originator pursuant to the Sale Agreement,

then, on such day, the Seller shall be deemed to have received a Collection of such Pool Receivable

(A) in the case of clause (i) above, in the amount of such reduction or cancellation or the difference between the actual Unpaid Balance and the amount included in calculating such Net Pool Balance, as applicable; and

(B) in the case of clause (ii) above, in the amount of the Unpaid Balance of such Pool Receivable.

Collections deemed received by the Seller under this Section 3.2(a) are herein referred to as “Deemed Collections.”

(b) Seller’s Optional Reduction of the Invested Amount. The Seller may at any time elect to reduce the Invested Amount and each Purchaser Group Invested Amount as follows:

(i) the Seller shall give the Administrative Agent and each Purchaser Agent, on behalf of such Purchaser Agent’s Purchaser Group, at least five (5) Business Days’ prior written notice of such reduction (including the aggregate amount of such proposed reduction and the proposed date on which such reduction will commence), and the Administrative Agent shall promptly forward such notice, together with the Administrative Agent’s determination (in accordance with clause (D) of the proviso below) of the amount of such proposed reduction to be allocated to each Purchaser Group, to each Purchaser Agent on behalf of such Purchaser Agent’s Purchaser Group by telecopier or e-mail,

(ii) on the proposed date of commencement of such reduction and on each day thereafter, the Master Servicer shall refrain from reinvesting Collections pursuant to Section 1.3 until the amount thereof not so reinvested shall equal the desired amount of reduction, and

(iii) the Master Servicer shall hold such Collections in trust for each Purchaser Agent, on behalf and for the benefit of the Investors in such Purchaser Agent's Purchaser Group, pending payment to such Purchaser Agent, as provided in Section 1.3;

provided that:

(A) the amount of any such reduction shall be in (i) an amount of \$1,000,000, (ii) an integral multiple thereof or (iii) an amount equal to the remaining Invested Amount,

(B) the Seller shall use reasonable efforts to attempt to choose a reduction amount, and the date of commencement thereof, so that such reduction shall commence and conclude in the same Collection Period,

(C) unless the Invested Amount shall be reduced to zero, after giving effect to such reduction, the Invested Amount will be at least \$1,000,000, and

(D) each reduction of the Invested Amount shall be done on a *pro rata* basis and shall result in a corresponding reduction in each Purchaser Group Invested Amount (and a corresponding reduction to each applicable Purchaser Group's Tranche Investment pursuant to Section 2.2(c)).

Section 3.3 Payments and Computations, Etc.

(a) Payments. All amounts to be paid to any Purchaser Agent or any other Person or deposited by the Seller or the Master Servicer hereunder (other than amounts payable under Section 4.2) shall be paid or deposited in accordance with the terms hereof no later than 12:00 noon (New York, New York time) on the day when due in lawful money of the United States of America in same day funds to such Purchaser Agent's Purchaser Agent Account, or to such other account at the bank named therein or at such other bank as such Purchaser Agent may designate by written notice to the Person making such payment.

(b) Late Payments. The Seller or the Master Servicer, as applicable, shall, to the extent permitted by law, pay to the Person to whom payment is due interest on all amounts not paid or deposited when due hereunder at a rate per annum equal to 2% plus the Base Rate, payable on demand, provided, however, that such interest rate shall not at any time exceed the maximum rate permitted by applicable law.

(c) Method of Computation. All computations of interest, CP Costs, Broken Funding Costs, Earned Discount, any fees payable under Section 4.1 and any other fees payable by the Seller to any Investor or any Agent hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) elapsed. Whenever any payment or deposit to be made hereunder shall be due on a day other than a Business Day, such payment or deposit shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of such payment or deposit.

(d) Taxes.

(i) Any and all payments and deposits required to be made hereunder or under any other Transaction Document by any Seller Party shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding net income taxes that are imposed by the United States and franchise taxes and net income taxes that are imposed on an Affected Party by the state or foreign jurisdiction under the laws of which such Affected Party is organized or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If any Seller Party shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Affected Party, (i) the Seller shall make an additional payment to such Affected Party, in an amount sufficient so that, after making all required deductions (including deductions applicable to additional sums payable under this Section 3.3(d) and Section 14.5), such Affected Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) the applicable Seller Party shall make such deductions and (iii) the applicable Seller Party shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. Within 30 days after the date of any such payment of Taxes, the applicable Seller Party will furnish to such Affected Party the original or a certified copy of a receipt evidencing payment thereof.

(ii) Any Affected Party which is organized outside the United States and which is entitled to an exemption from, or reduction of, withholding tax under the laws of the United States as in effect on the date hereof (or, in the case of any Person which becomes an Affected Party after the date hereof, on the date on which it so becomes an Affected Party with respect to any payments under this Agreement) shall, on or prior to the date hereof (or, in the case of any Person who becomes an Affected Party after the date hereof, on or prior to the date on which it so becomes an Affected Party), deliver to the Administrative Agent and the Seller such certificates, documents or other evidence, as required by the Internal Revenue Code of 1986, as amended or Treasury Regulations issued pursuant thereto, including Internal Revenue Service Form W-8BEN or Form W-8ECI and any other certificate or statement of exemption required by Treasury Regulation Section 1.1441-1(a) or Section 1.1441-6(c) or any subsequent version thereof, properly completed and duly executed by such Affected Party as will permit such payments to be made without withholding or at a reduced rate. Each such Affected

Party shall from time to time thereafter, upon written request from the Seller, deliver to the Seller and the Administrative Agent any new certificates, documents or other evidence as described in the preceding sentence as will permit payments under this Agreement to be made without withholding or at a reduced rate (but only so long as such Affected Party is legally able to do so). The Seller shall not be required to pay any amounts to any Affected Party in respect of Taxes and Other Taxes pursuant to paragraphs (a)(i) above or Section 14.5(b) or (c) if the obligation to pay such amounts is attributable to the failure by such Affected Party to comply with the provisions of this paragraph; provided, however, that should an Affected Party become subject to Taxes because of its failure to deliver a form required hereunder, the Seller shall take such steps as such Affected Party shall reasonably request to assist such Affected Party to recover such Taxes.

Section 3.4 Treatment of Collections and Deemed Collections.

The Seller shall forthwith deliver to the Master Servicer all Deemed Collections, and the Master Servicer shall hold or distribute such Deemed Collections as Earned Discount, CP Costs, accrued Servicing Fee, repayment of the Invested Amount or any Purchaser Group Invested Amount and to other accrued amounts owing hereunder to the same extent as if such Deemed Collections had actually been received on the date of such delivery to the Master Servicer. If Collections are then being paid to any Purchaser Agent, on behalf of such Purchaser Agent's Purchaser Group, or its designee, or to lock boxes or accounts directly or indirectly owned or controlled by the Administrative Agent, on behalf of the Investors, the Master Servicer shall forthwith cause such Deemed Collections to be paid to each Purchaser Agent, on behalf of such Purchaser Agent's Purchaser Group, or its designee or to such lock boxes or accounts, as applicable, or as each applicable Purchaser Agent shall request. So long as the Seller shall hold any Collections (including Deemed Collections) required to be paid to the Master Servicer or any Agent, it shall hold such Collections in trust on behalf and for the benefit of the Agents, on behalf of themselves and the Investors, and shall clearly mark its records to reflect such trust; provided that unless the Administrative Agent shall have requested it in writing to do so, the Seller shall not be required to hold such Collections in a separate deposit account containing only such Collections.

Section 3.5 Sharing of Payments.

If any Investor (for purposes of this Section only, referred to as a "Recipient") shall obtain payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of the Invested Amount (or portion thereof) of, or Earned Discount or CP Costs accrued in respect of, the Asset Interest or portion thereof owned by it in excess of its ratable share of payments made on account of the Invested Amount of, or Earned Discount or CP Costs accrued in respect of, the Asset Interest owned by all the Investors (other than as a result of different methods for calculating Earned Discount or CP Costs), such Recipient shall forthwith purchase from the applicable Investors which received less than their ratable share participations in the portions of the Asset Interest owned by such Persons as shall be necessary to cause such Recipient to share the excess payment ratably with each such other Person; provided, however, that if all or any portion of such excess payment is thereafter recovered from such Recipient, such purchase from each such other Person shall be rescinded and each such other Person shall repay to the Recipient the purchase price paid by such Recipient for such participation to the extent of such recovery, together with an amount equal to such other Person's ratable share (according to the proportion of (a) the amount of such other Person's required payment to (b) the total amount so recovered from the Recipient) of any interest or other amount paid or payable by the Recipient in respect of the total amount so recovered.

Section 3.6 Repurchase of Asset Interest.

In addition to Seller's rights pursuant to Section 3.2(b), the Seller shall have the right, upon thirty days prior written notice to the Administrative Agent and Purchaser Agents, to repurchase from the Investors all, but not less than all, of the Asset Interest. The purchase price in respect thereof shall be an amount equal to the sum of the Invested Amount, all accrued and unpaid Earned Discount, CP Costs, Broken Funding Costs, fees and other amounts payable to the Investors and the Agents through the date of repurchase, payable in immediately available funds. Such repurchase shall be without representation, warranty or recourse of any kind by, on the part of, or against any Investor or any Agent.

Article IV.

Fees and Yield Protection

Section 4.1 Fees.

The Seller shall pay to the Administrative Agent and each Purchaser Agent for the benefit of the Administrative Agent and such Purchaser Agent's Purchaser Group the fees and other amounts set forth in the Fee Letter, all such fees and other amounts to be paid from time to time in the amounts set forth in each the Fee Letter.

Section 4.2 Yield Protection.

(a) If (i) Regulation D or (ii) any Regulatory Change:

(A) shall subject an Affected Party to any Tax, duty or other charge with respect to the portion of the Asset Interest owned by or funded by it, or any obligations or right to make Purchases or Reinvestments or to provide funding therefor, or shall change the basis of taxation of payments to the Affected Party of any portion of the

Invested Amount, CP Costs or Earned Discount owned by, owed to or funded in whole or in part by it or any other amounts due under this Agreement in respect of the portion of the Asset Interest owned by or funded by it or its obligations or rights, if any, to make Purchases or Reinvestments or to provide funding therefor; or

(B) shall impose, modify or deem applicable any reserve (including, without limitation, any reserve imposed by the Federal Reserve Board, but excluding any reserve included in the determination of Earned Discount), special deposit or similar requirement against assets of any Affected Party, deposits or obligations with or for the account of any Affected Party or with or for the account of any affiliate (or entity deemed by the Federal Reserve Board to be an affiliate) of any Affected Party, or credit extended by any Affected Party; or

(C) shall change the amount of capital maintained or required or requested or directed to be maintained by any Affected Party; or

(D) shall impose any other condition affecting any Asset Interest owned or funded in whole or in part by any Affected Party, or its obligations or rights, if any, to make Purchases or Reinvestments or to provide funding therefor; or

(E) shall change the rate for, or the manner in which the Federal Deposit Insurance Corporation (or a successor thereto) assesses, deposit insurance premiums or similar charges;

and the result of any of the foregoing is or would be

(A) to increase the cost to or to impose a cost on (1) an Affected Party funding or making or maintaining any Purchases or Reinvestments, any purchases, reinvestments, or loans or other extensions of credit under any Liquidity Agreement, or any commitment of such Affected Party with respect to any of the foregoing, or (2) any Agent for continuing its or the Seller's relationship with any Investor,

(B) to reduce the amount of any sum received or receivable by an Affected Party under this Agreement or under any Liquidity Agreement, or

(C) in the reasonable determination of such Affected Party, to reduce the rate of return on the capital of an Affected Party as a consequence of its obligations hereunder or arising in connection herewith to a level below that which such Affected Party could otherwise have achieved,

then, within thirty days after demand by such Affected Party (which demand shall be accompanied by a certificate setting forth, in reasonable detail, the basis of such demand and the methodology for calculating, and the calculation of, the amounts claimed by the Affected Party), the Seller shall pay directly to such Affected Party such additional amount or amounts as will compensate such Affected Party for such additional or increased cost or such reduction.

(b) Each Affected Party will promptly notify the Seller, the Administrative Agent and the Purchaser Agent for the Purchaser Group of such Affected Party, if applicable, of any event of which it has knowledge (including any future event that, in the judgment of such Affected Party, is reasonably certain to occur) which will entitle such Affected Party to compensation pursuant to this Section 4.2; provided, however, no failure to give or delay in giving such notification shall adversely affect the rights of any Affected Party to such compensation.

(c) In determining any amount provided for or referred to in this Section 4.2, an Affected Party may use any reasonable averaging and attribution methods (consistent with its ordinary business practices) that it (in its reasonable discretion) shall deem applicable. Any Affected Party when making a claim under this Section 4.2 shall submit to the Seller the certificate (referred to in subsection (a) above) as to such increased cost or reduced return (including calculation thereof in reasonable detail), which statement shall, in the absence of demonstrable error, be conclusive and binding upon the Seller.

(d) For the avoidance of doubt, (w) any interpretation of FAS 166 or FAS 167 (or any successor Accounting Standards Codification Subtopic) by the Financial Accounting Standards Board and any pronouncement, interpretation or release by the International Accounting Standards Board, (x) any request, rule, guideline or directive under or issued in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act (whether or not having the force of law), regardless of the date enacted, adopted or issued, or (y) any request, rule, guideline or directive promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or United States regulatory authorities, in each case pursuant to Basel III, regardless of the date enacted, adopted or issued, shall, in each such case, constitute an adoption, change, request or directive subject to this Section 4.2.

Section 4.3 Funding Losses.

In the event that any Purchaser or any Liquidity Bank shall actually incur any loss or expense (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Purchaser through the issuance of Commercial Paper Notes to fund any Purchase or such Liquidity Bank to make any Liquidity Funding or maintain any Liquidity Funding) as a result of (a) any settlement with respect to such Investor's Purchaser Group's Tranche Investment of all or any

portion of any Asset Tranche being made by such Purchaser Group on any day other than the scheduled last day of an applicable CP Accrual Period or Yield Period with respect thereto (it being understood that the foregoing shall not apply to any portion of the Invested Amount that is accruing Earned Discount calculated by reference to the Base Rate), or (b) any Purchase not being made in accordance with a request therefor under Section 1.2, then, upon written notice from any Purchaser Agent to the Seller and the Master Servicer, the Seller shall pay to the Master Servicer, and the Master Servicer shall pay to such Investor's Purchaser Agent for the account of such Investor, the amount of such loss or expense. Such written notice (which shall include the methodology for calculating, and the calculation of, the amount of such loss or expense, in reasonable detail) shall, in the absence of demonstrable error, be conclusive and binding upon the Seller and the Master Servicer.

Article V.

Conditions of Purchases

Section 5.1 Closing Date; Conditions Precedent to Initial Purchase.

(a) This Agreement shall become effective on the date on which all of the below conditions in this Section 5.1(a) have been satisfied; the effectiveness of this Agreement is subject to the condition precedent that each Agent shall have received the following, each (unless otherwise indicated) dated such date or another recent date acceptable to each Agent and in form and substance satisfactory to each Agent:

(i) a copy of the resolutions of the board of directors (or similar governing body) of each Seller Party, Lennox International and each Originator approving each Transaction Document to be delivered by it hereunder and the transactions contemplated hereby and thereby, certified by its secretary or any other authorized person;

(ii) good standing certificates for each Seller Party, Lennox International and each Originator issued as of a recent date by the Secretary of State (or the equivalent) of the jurisdiction in which each such entity is organized and the Secretary of State (or the equivalent) of the state of its principal place of business;

(iii) a certificate of the secretary or assistant secretary of each Seller Party, Lennox International and each Originator certifying the names and true signatures of the officers authorized on its behalf to sign this Agreement and the other Transaction Documents to be delivered by it hereunder (on which certificate each Agent and each Investor may conclusively rely until such time as Agents shall receive from a Seller Party a revised certificate meeting the requirements of this subsection (iii));

(iv) [intentionally omitted];

(v) the certificates of incorporation (or the equivalent) of each Seller Party, Lennox International and each Originator and all amendments thereto (including the amendment referred to in subsection (iv) above) duly certified as of a recent date by the Secretary of State (or the equivalent) of the jurisdiction in which each such entity is organized as of a recent date acceptable to each Agent, together with a copy of the by-laws (or the equivalent) of each Seller Party and each Originator duly certified by the secretary or an assistant secretary of each entity;

(vi) acknowledgment copies of proper financing statements (form UCC-1) or amendments to already filed financing statements (form UCC-3), filed on or prior to the date of the initial Purchase, naming (x) each Originator as the debtor and seller of Receivables, (y) Seller as secured party and purchaser and (z) Administrative Agent as assignee; and/or other similar instruments or documents, as may be necessary or, in the opinion of Administrative Agent, desirable under the UCC or any comparable law of all appropriate jurisdictions to perfect Seller's and Investors' interests in the Pool Receivables and the Related Assets;

(vii) acknowledgment copies of proper financing statements (Form UCC-1), filed on or prior to the date of the initial Purchase, naming (x) Seller as the debtor and seller of Receivables or any undivided percentage ownership interest therein, and (y) Administrative Agent as the secured party; or other, similar instruments or documents, as may be necessary or, in the opinion of Administrative Agent, desirable under the UCC or any comparable law of all appropriate jurisdictions to perfect (A) Investors' undivided percentage ownership interests and (B) the security interest referred to in Section 9.1, in each case in the Pool Receivables and the Related Assets;

(viii) a search report by a nationally recognized search firm provided in writing to Administrative Agent listing all effective financing statements, state and federal tax or ERISA liens and judgments that name Seller or any Originator as debtor and that are filed in the jurisdictions in which filings were made pursuant to subsections (vi) and (vii) above and in such other jurisdictions and from such other Persons that Agent shall reasonably request, together with copies of such financing statements (none of which shall cover any Receivables or Related Assets);

(ix) duly executed copies of Lockbox Agreements with each of the Lockbox Banks with respect to each of the Lockbox Accounts;

(x) favorable opinions of Jones Day LLP, counsel for the Seller, the Master Servicer, Lennox International and the Originators, as to such matters as the Administrative Agent may reasonably request;

(xi) duly executed copies of the Sale Agreement, confirmation of the Assurance Agreement and each Fee Letter;

(xii) completion of satisfactory due diligence by Administrative Agent and its counsel;

(xiii) a pro forma Information Package, prepared in respect of the proposed initial Purchase, assuming a Cut-Off Date of October 31, 2011;

(xiv) written notice provided by the Seller setting forth the Seller's Account

(xv) such other agreements, instruments, certificates, opinions and other documents as Administrative Agent may reasonably request.

(b) Each party hereto agrees and acknowledges that, in connection with Amendment No. 8 to this Agreement, dated as of the Eighth Amendment Date, the BTMU Purchaser Group Limit is being changed to the amount set forth herein and the PNC Purchaser Group Limit is being added hereto. As a result thereof, the applicable Investors in the BTMU Purchaser Group which own the Asset Interest as of the date hereof shall transfer and assign a portion of the Asset Interest to the Investors in the PNC Purchaser Group so that after giving effect thereto, each Purchaser Group shall hold its Pro Rata Share (as determined pursuant to clause (b) of the definition thereof) of the Invested Amount outstanding at such time. On the Eighth Amendment Date, the applicable Investors in the PNC Purchaser Group making such purchase agree to make a cash payment to such Investors in the BTMU Purchaser Group in an amount equal to the aggregate Invested Amount so transferred.

Section 5.2 Conditions Precedent to All Purchases and Reinvestments.

Each Purchase and each Reinvestment shall be subject to the conditions precedent that on the date of such Purchase or Reinvestment the following statements shall be true (and the Seller, by accepting the amount of such Purchase or by receiving the proceeds of such Reinvestment, and each other Seller Party, upon such acceptance or receipt by the Seller, shall be deemed to have certified that):

(a) the representations and warranties contained in Section 6.1 are correct in all material respects on and as of such day as though made on and as of such day and shall be deemed to have been made on such day,

(b) no event has occurred and is continuing, or would result from such Purchase or Reinvestment, that constitutes a Liquidation Event or Unmatured Liquidation Event,

(c) after giving effect to each proposed Purchase or Reinvestment, the Invested Amount will not exceed the Purchase Limit in effect at such time, no Purchaser Group's Purchaser Group Invested Amount will exceed such Purchaser Group's Purchaser Group Limit in effect at such time and the Asset Interest will not exceed the Allocation Limit,

(d) the Termination Date shall not have occurred,

(e) in the case of a Purchase, each Purchaser Agent shall have timely received an appropriate notice of the proposed Purchase in accordance with Section 1.2(a),

(f) a completed Information Package or Interim Information Package (if applicable) shall have been delivered by the Master Servicer to the Administrative Agent and each Purchaser Agent, on behalf of such Purchaser Agent's Purchaser Group, as of the applicable Reporting Date or Interim Reporting Date, as the case may be,

(g) both prior to and after giving effect to each proposed Purchase or Reinvestment, the requirements of the Credit Agreement and any other agreement evidencing any Material Indebtedness of Lennox International with respect to transfers of assets and creation of liens shall not have been violated,

(h) after giving effect to each proposed Purchase or Reinvestment, the Weighted Average Term (with respect to Receivables included in the Net Pool Balance) shall not exceed 45 days,

(i) such other agreements, instruments, certificates, opinions and other documents as the Administrative Agent may reasonably request have been delivered, and

(j) each Originator shall have sold or contributed to the Seller, pursuant to the Sale Agreement, all Receivables arising on or prior to such date;

provided, however, the absence of the occurrence and continuance of an Unmatured Liquidation Event shall not be a condition precedent to any Reinvestment or any Purchase on any day which does not cause the Invested Amount, after giving effect to such Reinvestment or Purchase, to exceed the Invested Amount as of the opening of business on such day.

Representations and Warranties

Section 6.1 Representations and Warranties of the Seller Parties.

Each Seller Party represents and warrants as to itself, except when specifically provided, in which case, the specified Seller Party represents and warrants as follows:

(a) Organization and Good Standing. Its jurisdiction of organization is correctly set forth in the preamble to this Agreement. It is duly organized and is a “registered organization” as defined in the UCC under the laws of that jurisdiction and no other state or jurisdiction. It is validly existing as a corporation in good standing under the laws of its state of organization, with power and authority to own its properties and to conduct its business as such properties are presently owned and such business is presently conducted. The Seller had at all relevant times, and now has, all necessary power, authority, and legal right to acquire and own the Pool Receivables and Related Assets. All of the issued and outstanding capital stock of the Seller is held by wholly-owned Subsidiaries of Lennox International. The Seller has no subsidiaries.

(b) Due Qualification. It is duly qualified to do business as a foreign corporation in good standing, and has obtained all necessary licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business requires such qualification, licenses or approvals, except where the failure to be so qualified or have such licenses or approvals would not have a Material Adverse Effect.

(c) Power and Authority; Due Authorization. It (i) has all necessary power, authority and legal right (A) to execute and deliver this Agreement and the other Transaction Documents to which it is a party, (B) to carry out the terms of the Transaction Documents to which it is a party, (C) in the case of the Master Servicer, to service the Receivables and the Related Assets in accordance with this Agreement and the Sale Agreement, and (D) in the case of the Seller, sell and assign the Asset Interest on the terms and conditions herein provided, and (ii) has duly authorized by all necessary corporate action the execution, delivery and performance of this Agreement and the other Transaction Documents and, in the case of the Seller, the sales and assignments described in clause (i)(D) above. It has duly executed and delivered each of the Transaction Documents to which it is a party.

(d) Valid Sale; Binding Obligations. (i) This Agreement constitutes a valid sale, transfer, and assignment of the Asset Interest to the applicable Investors, enforceable against creditors of, and purchasers from, the Seller, and (ii) this Agreement and each other Transaction Document signed by such Seller Party constitutes, a legal, valid and binding obligation of such Seller Party, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, or other similar laws from time to time in effect affecting the enforcement of creditors’ rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

(e) No Violation. The execution, delivery and performance by it of this Agreement and the other Transaction Documents to which it is a party and the consummation by it of the transactions contemplated hereby and thereby will not (i) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, its articles or certificate of incorporation or by-laws, or any material indenture, loan agreement, receivables purchase agreement, mortgage, deed of trust, or other agreement or instrument to which it is a party or by which it or any of its properties is bound (including, but not limited to, those agreements or instruments evidencing Material Indebtedness of Lennox International), (ii) result in the creation or imposition of any Lien upon any its properties pursuant to the terms of any such material indenture, loan agreement, receivables purchase agreement, mortgage, deed of trust, or other agreement or instrument, other than this Agreement and the other Transaction Documents, or (iii) violate any law or any order, rule, or regulation applicable to it of any court or of any federal or state regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over it or any of its properties.

(f) No Proceedings. There are no actions, proceedings or investigations pending, or, to its knowledge, threatened, before any Governmental Authority (i) asserting the invalidity of this Agreement or any other Transaction Document, (ii) seeking to prevent the sale and assignment of the Receivables under the Sale Agreement or of the Asset Interest under this Agreement or the consummation of any of the other transactions contemplated by this Agreement or any other Transaction Document, or (iii) that would have a Material Adverse Effect.

(g) Bulk Sales Act. No transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(h) Government Approvals. No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body is required for the due execution, delivery and performance by it of this Agreement and each other Transaction Document to which it is a party, except, in the case of the Seller, for (i) the filing of the UCC financing statements referred to in Article V, and (ii) the filing of any UCC continuation statements and amendments from time to time required in relation to any UCC financing statements filed in connection with this Agreement, as provided in Section 8.7, all of which, at the time required in Article V or Section 8.7, as applicable, shall have been duly made and shall be in full force and effect.

(i) Financial Condition. (i) The consolidated and consolidating balance sheets of Lennox International and its consolidated subsidiaries as at December 31, 2010, and the related statements of income and shareholders' equity of Lennox International and its consolidated subsidiaries for the fiscal year then ended, certified by KPMG LLP, independent certified public accountants, copies of which have been furnished to the Agents, fairly present in all material respects the consolidated financial condition of Lennox International and its consolidated subsidiaries as at such date and the consolidated results of the operations of Lennox International and its consolidated subsidiaries for the period ended on such date, all in accordance with GAAP consistently applied, (ii) since December 31, 2010 there has been no material adverse change in any such financial condition, business or operations, (iii) the balance sheet of the Seller as at September 30, 2011, certified by the chief financial officer or treasurer of the Seller by means of a Certificate of Financial Officer in the form attached hereto as Exhibit B, copies of which have been furnished to the Agents, fairly present in all material respects the financial condition, assets and liabilities of the Seller as at such date, all in accordance with GAAP consistently applied, and (iv) since December 31, 2009 there has been no material adverse change in the Seller's financial condition, business or operations.

(j) Nature of Receivables. Each Receivable constitutes an "account" as such term is defined in the UCC.

(k) Margin Regulations. The use of all funds obtained by such Seller Party under this Agreement or any other Transaction Document will not conflict with or contravene any of Regulation T, U and X promulgated by the Federal Reserve Board from time to time or be used to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934.

(l) Quality of Title. (i) This Agreement creates a valid and continuing security interest (as defined in the applicable UCC) in the Collateral in favor of the Administrative Agent for the benefit of the Secured Parties, which security interest is prior to all other Liens and is enforceable as such against creditors of and purchasers from the Seller, (ii) the Seller owns and has good and marketable title to the Pool Receivables, Related Assets and the other Collateral free and clear of any Lien (other than any Lien arising solely as the result of any action taken by any Secured Parties (or any assignee thereof) or by the Administrative Agent in connection with the Transaction Documents); (iii) when any Purchaser makes a Purchase or Reinvestment, it shall have acquired and shall at all times thereafter continuously maintain a valid and perfected first priority undivided percentage ownership interest to the extent of the portion of the Asset Interest funded by the related Purchaser Group in the Pool Receivables and Related Assets, free and clear of any Lien (other than any Lien arising as the result of any action taken by any Secured Party (or any assignee thereof) or by the Administrative Agent in connection with the Transaction Documents); (iv) other than the security interest granted to the Administrative Agent for the benefit of the Secured Parties pursuant to this Agreement, the Seller has not pledged, assigned, sold or granted a security interest in, or otherwise conveyed any of the Collateral; (v) the Seller has not authorized the filing of, and is not aware of any financing statements against the Seller that include a description of collateral covering the Pool Receivables, Related Assets or any other Collateral except such as may be filed (A) in favor of the Originators in accordance with the Contracts, (B) in favor of the Seller in connection with the Sale Agreement or (C) in favor of the Secured Parties or the Administrative Agent in accordance with this Agreement or in connection with any Lien arising solely as the result of any action taken by the Secured Parties (or any assignee thereof) or by the Administrative Agent in connection with the Transaction Documents, and (vi) with respect to each Pool Receivable, the Seller (A) shall have received such Pool Receivable as a contribution to the capital of the Seller by the applicable Originator or (B) shall have purchased such Pool Receivable from the applicable Originator in exchange for payment (made by the Seller to the Originator in accordance with the provisions of the Sale Agreement) of cash, an increase in the principal amount of the Initial Seller Note and/or an increase in the preferred stock of the Seller held by such Originator, in all cases in an amount which constitutes fair consideration and reasonably equivalent value. Each such sale referred to in clause (vi) of the preceding sentence shall not have been made for or on account of an antecedent debt owed by any Originator to the Seller and no such sale is or may be voidable or subject to avoidance under applicable law.

(m) Accurate Reports. No Information Package or Interim Information Package (if prepared by such Seller Party, or to the extent information therein was supplied by such Seller Party) or other information, exhibit, financial statement, document, book, record or report furnished or to be furnished by or on behalf of such Seller Party to any Agent or any Investor pursuant to this Agreement was or will be inaccurate in any material respect as of the date it was or will be dated or (except as otherwise disclosed to such Agent or Purchaser at such time) as of the date so furnished, or contained or (in the case of information or other materials to be furnished in the future) will contain any material misstatement of fact or omitted or (in the case of information or other materials to be furnished in the future) will omit to state a material fact or any fact necessary to make the statements contained therein not materially misleading in light of the circumstances made or presented.

(n) Offices. The principal places of business and chief executive offices of the Master Servicer and the Seller are located at the respective addresses set forth on Schedule 14.2, and the offices where the Master Servicer and the Seller keep all their books, records and documents evidencing Pool Receivables, the related Contracts and all purchase orders and other agreements related to such Pool Receivables are located at the addresses specified in Schedule 6.1(n) (or at such other locations, notified to each Agent in accordance with Section 7.1(f), in the United States).

(o) Lockbox Accounts. The names and addresses of all the Lockbox Banks, together with the account numbers of the Lockbox Accounts of the Seller at each Lockbox Bank and the post office box numbers of the lockboxes, are listed on Schedule 6.1(o) (or have been notified to and approved by the Agents in accordance with Section 7.3(d)) and are the only post office boxes and accounts into which Collections of Receivables are deposited or remitted. The Seller has not granted any Person,

other than the Administrative Agent for the benefit of the Secured Parties as contemplated by this Agreement, control of any lockbox or Lockbox Account, or the right to take control of any such lockbox or Lockbox Account at a future time.

(p) Eligible Receivables. Each Receivable characterized in any Information Package, Interim Information Package or other written statement made by or on behalf of the Seller as an Eligible Receivable or as included in the Net Pool Balance is, as of the date of such Information Package, Interim Information Package or other written statement and on the date of any Purchase, Reinvestment or computation of Net Pool Balance, an Eligible Receivable on such date and properly included in the Net Pool Balance on such date. On the date of each Purchase and Reinvestment (and after giving effect thereto and to any payments made pursuant to Section 3.1(c)), the Asset Interest is not greater than 100%.

(q) Servicing Programs. No license or approval is required for any Agent's use of any program used by the Master Servicer in the servicing of the Receivables, other than those which have been obtained and are in full force and effect.

(r) Compliance with Credit and Collection Policy. With respect to each Eligible Receivable, it has complied in all material respects with the Credit and Collection Policy.

(s) Solvency. (i) The fair value of the property of the Seller is greater than the total amount of liabilities, including contingent liabilities, of the Seller, (ii) the present fair salable value of the assets of the Seller is not less than the amount that will be required to pay all probable liabilities of the Seller on its debts as they become absolute and matured, (iii) the Seller does not intend to, and does not believe that it will, incur debts or liabilities beyond the Seller's abilities to pay such debts and liabilities as they mature and (iv) the Seller is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which the Seller's property would constitute unreasonably small capital.

(t) Names. Since the date of its incorporation, the Seller has not used any corporate names, trade names or assumed names other than the name in which it has executed this Agreement.

(u) Ownership of the Seller. 100% of the issued and outstanding capital stock of the Seller is held by wholly-owned Subsidiaries of Lennox International, free and clear of any Lien. Such capital stock is validly issued, fully paid and nonassessable, and there are no options, warrants or other rights to acquire securities of the Seller. As of the date of this Agreement, the identity of all holders of capital stock of the Seller and the Initial Seller Notes, the type of capital stock and the amounts of all such capital stock and Initial Seller Notes held by such holders is as set forth on Schedule 6.1(u).

(v) Investment Company. The Seller (i) is not a "covered fund" under the Volcker Rule and (ii) is not, and after giving effect to the transactions contemplated hereby, will not be required to register as, an "investment company" within the meaning of the Investment Company Act of 1940, as amended from time to time, or any successor statute. In determining that the Seller is not a covered fund, the Seller either does not rely solely on the exemption from the definition of "investment company" set forth in Section 3(c)(1) and/or 3(c)(7) of the Investment Company Act of 1940, as amended from time to time, or any successor statute, or is entitled to the benefit of the exclusion for loan securitizations in the Volcker Rule under 17 C.F.R. 75.10(c)(8).

(w) Taxes. Each Seller Party has filed all material tax returns and reports required by law to have been filed by it and has paid all taxes and governmental charges thereby shown to be owing, except for immaterial amounts, unless such immaterial amounts give rise to a Lien, and except for any such taxes which are not yet delinquent or are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books. The Seller is not aware of any judgment or tax lien filings against it.

(x) Compliance with Laws. Each Seller Party is in compliance with all applicable laws, rules, regulations and orders, including those with respect to the Pool Receivables and related Contracts, except where the failure to so comply would not individually or in the aggregate have a Material Adverse Effect.

(y) Liquidation Event. No event has occurred and is continuing that constitutes a Liquidation Event, Unmatured Liquidation Event or Credit Event.

(z) Prior Seller Activities. The Seller was incorporated on June 9, 2000, and since such date it has not engaged in any business activities other than the transactions contemplated by and permitted by its certificate of incorporation.

(aa) Anti-Corruption Laws and Sanctions. Policies and procedures have been implemented and maintained by or on behalf of each of the Seller Parties that are designed to achieve compliance by the Seller Parties and their respective Subsidiaries, directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, giving due regard to the nature of such Person's business and activities, and each of the Seller Parties, their respective Subsidiaries and their respective officers and employees and, to the knowledge of each of the Seller Parties, their respective officers, employees, directors and agents acting in any capacity in connection with or directly benefitting from the facility established hereby, are in compliance with Anti-Corruption Laws and applicable Sanctions, in each case in all material respects. None of (i) the Seller Parties or any of their respective Subsidiaries or, to the knowledge of the Seller Parties, as applicable, any of their respective directors, officers, employees, or agents that will act in any capacity in connection with or directly benefit from the facility established hereby, is a Sanctioned Person, and (ii) the Seller Parties nor any of their respective Subsidiaries is organized or resident in a Sanctioned Country. No Asset Interests

purchased hereunder, amounts paid by the Purchasers and/or the Liquidity Banks hereunder to the Seller, or use of proceeds thereof by Seller in any manner, will violate Anti-Corruption Laws or applicable Sanctions.

Article VII.

General Covenants of the Seller Parties

Section 7.1 Affirmative Covenants of the Seller Parties.

Until the Final Payout Date, unless each Agent shall otherwise consent in writing:

(a) Compliance With Laws, Etc. Each Seller Party will comply in all material respects with all applicable laws, rules, regulations and orders, including those with respect to the Pool Receivables and related Contracts, except where the failure to so comply would not individually or in the aggregate have a Material Adverse Effect.

(b) Preservation of Corporate Existence. Each Seller Party will preserve and maintain its corporate existence, status as a “registered organization”, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification would have a Material Adverse Effect.

(c) Audits. Each Seller Party will (i) at any time and from time to time upon not less than five (5) Business Days’ notice (unless a Liquidation Event has occurred and is continuing (or any Agent believes in good faith that a Liquidation Event has occurred and is continuing), in which case no such notice shall be required) during such Seller Party’s regular business hours, permit the Administrative Agent along with each Purchaser Agent, on behalf of such Purchaser Agent’s Purchaser Group, or any of its agents or representatives, (A) to conduct audits of the Pool Receivables and examine and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in the possession or under the control of such Seller Party relating to Pool Receivables and the Related Assets, including, without limitation, the related Contracts and purchase orders and other agreements, and (B) to visit the offices and properties of such Seller Party for the purpose of examining such materials described in clause (i)(A) next above, and to discuss matters relating to Pool Receivables and the Related Assets or such Seller Party’s performance hereunder with any of the officers or employees (with notification to and coordination with the treasurer of such Seller Party or his designee) of such Seller Party having knowledge of such matters; (ii) permit each Purchaser Agent or any of its respective agents or representatives, upon not less than five (5) Business Days’ notice from such Purchaser Agent and the consent (which consent shall not unreasonably be withheld or delayed) of such Seller Party (unless a Liquidation Event has occurred and is continuing (or such Purchaser Agent believes in good faith that a Liquidation Event has occurred and is continuing) in which case no such notice or consent shall be required), to meet with the independent auditors of such Seller Party, to review such auditors’ work papers and otherwise to review with such auditors the books and records of such Seller Party with respect to the Pool Receivables and the Related Assets; and (iii) without limiting the provisions of clause (i) or (ii) next above, from time to time, at the expense of such Seller Party, permit certified public accountants or other auditors acceptable to each Purchaser Agent to conduct a review of such Seller Party’s books and records with respect to the Pool Receivables and the Related Assets; provided, that, so long as no Liquidation Event has occurred and is continuing, (I) such reviews shall not be done more than two (2) times in any one calendar year and (II) the Seller Parties shall be responsible for the costs and expenses of one such review in any one calendar year.

(d) Keeping of Records and Books of Account. The Master Servicer will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Pool Receivables in the event of the destruction of the originals thereof), and keep and maintain, all documents, books, records and other information reasonably necessary or advisable for the collection of all Pool Receivables (including, without limitation, records adequate to permit the daily identification of outstanding Unpaid Balances by Obligor and related debit and credit details of the Pool Receivables).

(e) Performance and Compliance with Receivables and Contracts. Each Seller Party will, at its expense, timely and fully perform and comply with all material provisions, covenants and other promises, if any, required to be observed by it under the Contracts related to the Pool Receivables and all agreements related to such Pool Receivables.

(f) Location of Records. Each Seller Party will keep its chief place of business and chief executive office, and the offices where it keeps its records concerning the Pool Receivables, the Related Assets, including all related Contracts and all agreements related to such Pool Receivables (and all original documents relating thereto), at the address(es) of the Master Servicer and the Seller referred to in Section 6.1(n) or, upon 30 days’ prior written notice to the Administrative Agent, at other locations in the United States.

(g) Credit and Collection Policies. Each Seller Party will comply in all material respects with the Credit and Collection Policy in regard to each Pool Receivable and the related Contract.

(h) Sale Agreement. The Seller will perform and comply in all material respects with all of its covenants and agreements set forth in the Sale Agreement, and will enforce the performance by the Originators of their respective obligations under the Sale Agreement.

(i) Deposit to Lockbox Accounts. The Seller and the Master Servicer shall instruct all Obligors to deposit all Collections to the Lockbox Accounts. Upon the establishment of the Collection Account, if any, the Master Servicer shall instruct each Lockbox Bank to deposit all Collections to the Collection Account. The Seller and the Master Servicer will not give any contrary or conflicting instructions, and will, upon the request of the Master Servicer or the Administrative Agent, confirm such instructions by the Master Servicer or take such other action as may be reasonably required to give effect to such instructions. If the Seller shall receive any Collections directly, it shall immediately (and in any event within two (2) Business Days) deposit the same to a lockbox connected to a Lockbox Account, a Lockbox Account or the Collection Account in the same form received.

(j) Anti-Corruption Laws and Sanctions. Policies and procedures will be maintained and enforced (i) by or on behalf of the Seller that are designed in good faith and in a commercially reasonable manner to promote and achieve compliance, in the reasonable judgment of the Seller, by the Seller and its directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, in each case giving due regard to the nature of such Person's business and activities and (ii) by or on behalf of each of the Master Servicer and each Originator that are designed in good faith and in a commercially reasonable manner to promote and achieve compliance, in the reasonable judgment of the Master Servicer and each Originator, by the Master Servicer and each Originator and each of their respective Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, in each case giving due regard to the nature of such Person's business and activities.

Section 7.2 Reporting Requirements of the Seller Parties.

From the date hereof until the Final Payout Date, unless each Agent shall otherwise consent in writing:

(a) Quarterly Financial Statements - Lennox International. The Master Servicer will furnish to each Agent, as soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of Lennox International, copies of its consolidated, and, to the extent otherwise available, consolidating balance sheets and related statements of income and statements of cash flow, showing the financial condition of Lennox International and its consolidated Subsidiaries as of the close of such fiscal quarter and the results of its operations and the operations of such Subsidiaries during such fiscal quarter and the then elapsed portion of the fiscal year, together with a Certificate of Financial Officer in the form attached hereto as Exhibit B executed by the chief financial officer or treasurer of Lennox International;

(b) Annual Financial Statements - Lennox International. The Master Servicer will furnish to each Agent, as soon as available and in any event within 90 days after the end of each fiscal year of Lennox International, copies of its consolidated and consolidating balance sheets and related statements of income and statements of cash flow, showing the financial condition of Lennox International and its consolidated Subsidiaries as of the close of such fiscal year and the results of its operations and the operations of such Subsidiaries during such year, all audited by KPMG LLP or other independent public accountants of recognized national standing acceptable to each Agent and accompanied by an opinion of such accountants (which shall not be qualified in any material respect) to the effect that such consolidated financial statements fairly present the financial condition and results of operations of Lennox International on a consolidated basis (except as noted therein) in accordance with GAAP consistently applied;

(c) [Reserved];

(d) Annual Financial Statements - Seller. The Seller will furnish to each Agent, as soon as available and in any event within 90 days after the end of each fiscal year of the Seller, copies of the financial statements of the Seller, consisting of at least a balance sheet of the Seller for such year and statements of earnings, cash flows and shareholders' equity, setting forth in each case in comparative form corresponding figures from the preceding fiscal year, together with a Certificate of Financial Officer in the form attached hereto as Exhibit B executed by the chief financial officer or treasurer of the Seller;

(e) Reports to Holders and Exchanges. In addition to the reports required by subsections (a), (b) and (d) above, promptly upon any Agent's request, the Master Servicer will furnish or cause to be furnished to each Agent, copies of any reports specified in such request which the Master Servicer sends to any of its securityholders, and any reports, final registration statements (excluding exhibits), and each final prospectus and all amendments thereto that the Master Servicer files with the Securities and Exchange Commission or any national securities exchange other than registration statements relating to employee benefit plans and registrations of securities for selling securities;

(f) ERISA. Promptly after the filing or receiving thereof, each Seller Party will furnish to each Agent, copies of all reports and notices with respect to any Reportable Event defined in Article IV of ERISA which any Seller Party or ERISA Affiliate thereof files under ERISA with the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor or which such Seller Party or ERISA Affiliate thereof receives from the Pension Benefit Guaranty Corporation, which Reportable Event(s) individually or in the aggregate could have a Material Adverse Effect;

(g) Liquidation Events, Etc. As soon as possible and in any event within three (3) Business Days after obtaining knowledge of the occurrence of any Liquidation Event, any Unmatured Liquidation Event, or any Credit Event, each Seller Party will furnish to each Agent, a written statement of the chief financial officer, treasurer or chief accounting officer of such Seller Party setting forth details of such event and the action that such Seller Party will take with respect thereto;

(h) Litigation. As soon as possible and in any event within ten (10) Business Days of any Seller Party's knowledge thereof, such Seller Party will furnish to each Agent, notice of (i) any litigation, investigation or proceeding which may exist at any time which could reasonably be expected to have a Material Adverse Effect and (ii) any development in previously disclosed litigation which development could reasonably be expected to have a Material Adverse Effect;

(i) Sale Agreement. (i) Promptly after receipt thereof, the Seller will furnish to each Agent, copies of all notices received by the Seller from any Originator under the Sale Agreement and (ii) as soon as possible and in any event no later than the day of occurrence thereof, the Seller will furnish to each Agent notice that any Originator has stopped selling or contributing to the Seller, pursuant to the Sale Agreement, all newly arising Receivables;

(j) Change in Credit and Collection Policy. Prior to its effective date, each Seller Party will furnish to each Agent, notice of (i) any material change in the character of such Seller Party's business, and (ii) any material change in the Credit and Collection Policy;

(k) Change of Independent Director. At least 10 days prior to the effectiveness of any removal of the Independent Director, and within three Business Days after the death, incapacity or resignation of the Independent Director, the Seller shall furnish to each Agent notice of such event and the date of occurrence thereof, together with the name and background of the replacement Independent Director;

(l) Other. Promptly, from time to time, each Seller Party will furnish to each Agent such other information, documents, records or reports respecting the Receivables or the condition or operations, financial or otherwise, of such Seller Party as such Agent may from time to time reasonably request in order to protect the interests of such Agent or the Investors under or as contemplated by this Agreement.

Promptly upon receipt thereof, each Purchaser Agent agrees to send to each Investor in such Purchaser Agent's Purchaser Group copies of all financial statements, reports, notices, certificates or other items received by such Purchaser Agent under this Section 7.2.

Documents required to be delivered pursuant to clauses (a), (b) or (e) of this Section 7.2 (to the extent any such documents are included in reports otherwise filed with the SEC, or any Governmental Authority succeeding to any or all of the functions of the SEC) shall be deemed to have been delivered to each Agent on the date Lennox International has filed such reports with the SEC via the EDGAR filing system and the Master Servicer has notified each Agent in writing of such posting.

Section 7.3 Negative Covenants of the Seller Parties.

From the date hereof until the Final Payout Date, unless each Agent shall otherwise consent in writing:

(a) Sales, Liens, Etc. (i) The Seller will not, except as otherwise provided herein and in the other Transaction Documents, sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Lien upon or with respect to, any Pool Receivable or any Related Asset, or any interest therein, or any account to which any Collections of any Pool Receivable are sent, or any right to receive income or proceeds from or in respect of any of the foregoing, and (ii) the Master Servicer will not assert any interest in the Receivables or any other Collateral, except as Master Servicer.

(b) Extension or Amendment of Receivables. No Seller Party will, except as otherwise permitted in Section 8.2(c), extend, amend or otherwise modify the terms of any Pool Receivable, or amend, modify or waive any material term or condition of any Contract related thereto in any way that adversely affects the collectibility of any Pool Receivable or the Investors' rights therein.

(c) Change in Credit and Collection Policy. No Seller Party will make or permit to be made any material change in the Credit and Collection Policy, which change would impair the collectibility of any significant portion of the Pool Receivables or otherwise adversely affect the interests or remedies of any Agent or Investor under this Agreement or any other Transaction Document.

(d) Change in Payment Instructions to Obligors. No Seller Party will add or terminate any lockbox or account as a Lockbox Account or bank as a Lockbox Bank from those listed in Schedule 6.1(o) (unless, prior to such addition or termination, the Administrative Agent shall have received an updated Schedule 6.1(o) and a fully executed Lockbox Agreement with each new Lockbox Bank or with respect to each new lockbox or account) or, make any change in its instructions to Obligors regarding payments to be made to the Seller or Master Servicer or payments to be made to any Lockbox Bank (except for a change in instructions solely for the purpose of directing Obligors to make such payments to another existing Lockbox Bank).

(e) Deposits to Collection Account. No Seller Party will deposit or otherwise credit, or cause or permit to be so deposited or credited, to the Collection Account or any Lockbox Account, any cash or cash proceeds other than Collections of Pool Receivables.

(f) Changes to Other Documents. The Seller will not enter into any amendment or modification of, waiver to, or supplement to, the Sale Agreement or the Seller's certificate of incorporation.

(g) Distributions, Etc. The Seller will not declare or make any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any shares of any class of capital stock of the Seller, or return any capital to its shareholders as such, or purchase, retire, defease, redeem or otherwise acquire for value or make any payment in respect of any shares of any class of capital stock of the Seller or any warrants, rights or options to acquire any such shares, now or hereafter outstanding; provided, however, that the Seller may declare and pay cash dividends on its capital stock to its shareholders so long as (i) no Liquidation Event or Unmatured Liquidation Event shall then exist or would occur as a result thereof, (ii) such dividends are in compliance with all applicable law including the corporate law of the state of Seller's incorporation, and (iii) such dividends have been approved by all necessary and appropriate corporate action of the Seller.

(h) Seller Indebtedness. The Seller will not incur or permit to exist any Indebtedness or liability on account of deposits or advances or for borrowed money or for the deferred purchase price of any property or services, except (i) indebtedness of the Seller to the Originators incurred in accordance with the Sale Agreement, (ii) current accounts payable arising under the Transaction Documents and not overdue and (iii) other current accounts payable arising in the ordinary course of business and not overdue, in an aggregate amount at any time outstanding not to exceed \$75,000.

(i) Negative Pledges. No Seller Party will enter into or assume any agreement (other than this Agreement and the other Transaction Documents) prohibiting the creation or assumption of any Lien upon any Pool Receivables or Related Assets, whether now owned or hereafter acquired, except as contemplated by the Transaction Documents, or otherwise prohibiting or restricting any transaction contemplated hereby or by the other Transaction Documents.

(j) Change of Name; Jurisdiction of Organization; Offices and Records. No Seller Party shall change (i) its name as it appears in official filings in the jurisdiction of its organization, (ii) its status as a "registered organization" (within the meaning of Article 9 of any applicable enactment of the UCC), (iii) its organizational identification number, if any, issued by its jurisdiction of organization, or (iv) its jurisdiction of organization unless it shall have: (A) given the Agents at least twenty (20) days' prior written notice thereof; (B) at least ten (10) days prior to such change, delivered to the Agents all financing statements, instruments and other documents requested by the Agents in connection with such change or relocation and (C) caused an opinion of counsel acceptable to the Agents and their respective assigns to be delivered to the Agents and such assigns that Administrative Agent's security interest (for the benefit of the Secured Parties) is perfected and of first priority and other corporate matters related to such change, such opinion to be in form and substance acceptable to the Agents and such assigns in their sole discretion.

(k) Anti-Corruption Laws and Sanctions. (i) The Seller will not request any purchase hereunder, and shall procure that its directors, officers, employees and agents shall not use, the proceeds of any such purchase (A) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (B) for the purpose of funding or financing any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, in each case to the extent doing so would violate any applicable Sanctions, or (C) in any other manner that would result in liability to any party hereto under any applicable Sanctions or the violation of any applicable Sanctions by any such Person and (ii) the Master Servicer and each Originator shall not use, and each of the Master Servicer and each Originator shall procure that its respective Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any purchase made hereunder (A) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (B) for the purpose of funding or financing any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, in each case to the extent doing so would violate any applicable Sanctions, or (C) in any other manner that would result in the violation of any applicable Sanctions by any such Person.

(l) Mergers, Consolidations and Acquisitions.

(i) The Master Servicer will not, nor will it permit any subservicer, to merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or purchase, lease or otherwise acquire (in one transaction or a series of transactions) all or substantially all of the assets of any other Person (whether directly by purchase, lease or other acquisition of all or substantially all of the assets of such Person or indirectly by purchase or other acquisition of all or substantially all of the capital stock of such other Person) other than acquisitions in the ordinary course of their business, except that if at the time thereof and immediately after giving effect thereto no Liquidation Event or Unmatured Liquidation Event shall have occurred and be continuing (A) the Master Servicer or such subservicer may merge or consolidate with any Subsidiary (other than Seller) in a transaction in which such Master Servicer or such subservicer is the surviving corporation, and (B) the Master Servicer or such subservicer may purchase, lease or otherwise acquire from any Subsidiary (other than Seller) all or substantially all of its assets and may purchase or otherwise acquire all or substantially all of the capital stock of any Person who immediately thereafter is a Subsidiary.

(ii) Seller will not merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or purchase, lease or otherwise acquire (in one transaction or a series of transactions) all or substantially all of the assets of any other Person (whether directly by purchase, lease or other acquisition of all or substantially all of the assets of such Person or indirectly by purchase or other acquisition of all or substantially all of the capital stock of such other Person) other than the acquisition of the Receivables and Related Assets pursuant to the Sale Agreement and the sale of an interest in the Pool Receivables and Related Assets hereunder.

(m) [Reserved].

(n) Change in Business. No Seller Party will make or permit to be made any material change in the character of its business, which change would impair the collectibility of any significant portion of the Pool Receivables or otherwise adversely affect the interests or remedies of the Investors or the Agents under this Agreement or any other Transaction Document.

Section 7.4 Separate Corporate Existence of the Seller.

Each Seller Party hereby acknowledges that each Investor and each Agent are entering into the transactions contemplated hereby in reliance upon the Seller's identity as a legal entity separate from the Master Servicer and its other Affiliates. Therefore, each Seller Party shall take all steps specifically required by this Agreement or reasonably required by the Agents to continue the Seller's identity as a separate legal entity and to make it apparent to third Persons that the Seller is an entity with assets and liabilities distinct from those of its Affiliates, and is not a division of the Master Servicer or any other Person. Without limiting the foregoing, each Seller Party will take such actions as shall be required in order that:

(a) The Seller will be a limited purpose corporation whose primary activities are restricted in its Certificate of Incorporation to purchasing or otherwise acquiring from the Originators, owning, holding, granting security interests, or selling interests, in Receivables in the Receivables Pool and Related Assets, entering into agreements for the selling and servicing of the Receivables Pool, and conducting such other activities as it deems necessary or appropriate to carry out such activities;

(b) At least one member of the Seller's Board of Directors shall be an Independent Director. The certificate of incorporation of the Seller shall provide that (i) at least one member of the Seller's Board of Directors shall be an Independent Director, (ii) the Seller's Board of Directors shall not approve, or take any other action to cause the filing of, a voluntary bankruptcy petition with respect to the Seller unless the Independent Director shall approve the taking of such action in writing prior to the taking of such action, (iii) the Independent Director shall be employed by a nationally recognized provider of corporate or structured finance services, (iv) the Independent Director may not be removed by the Seller's stockholders or the Seller's Board of Directors except (w) for cause, (x) in the event the Independent Director ceases to be employed by the service provider which is his or her employer on the date the Independent Director first becomes an Independent Director or (y) with the consent of the Administrative Agent, not to be unreasonably withheld or delayed, and that any such removal pursuant to clause (w) or (x) shall not be effective until at least ten days after written notice to the Independent Director and the Administrative Agent of such removal and the grounds therefor, and (v) the provisions requiring an Independent Director and the provisions described in clauses (i), (ii), (iii) and (iv) of this paragraph (b) cannot be amended without the prior written consent of the Independent Director;

(c) The Independent Director shall not at any time serve as a trustee in bankruptcy for the Seller or any Affiliate thereof;

(d) Any employee, consultant or agent of the Seller will be compensated from the Seller's funds for services provided to the Seller. The Seller will not engage any agents other than its attorneys, auditors and other professionals, and a servicer and any other agent contemplated by the Transaction Documents for the Receivables Pool (the parties acknowledge that the Master Servicer will be fully compensated for its services by payment of the Servicing Fee), and certain organizational expenses in connection with the formation of the Seller;

(e) The Seller will contract with the Master Servicer to perform for the Seller all operations required on a daily basis to service the Receivables Pool. The Seller will pay the Master Servicer the Servicing Fee pursuant hereto. The Seller will not incur any material indirect or overhead expenses for items shared with the Master Servicer (or any other Affiliate thereof) which are not reflected in the Servicing Fee. To the extent, if any, that the Seller (or any other Affiliate thereof) shares items of expenses not reflected in the Servicing Fee, for legal, auditing and other professional services and directors' fees, such expenses will be allocated to the extent practical on the basis of actual use or the value of services rendered, and otherwise on a basis reasonably related to the actual use or the value of services rendered, it being understood that Lennox shall pay or cause to be paid all expenses relating to the preparation, negotiation, execution and delivery of the Transaction Documents, including, without limitation, legal, rating agency and other fees;

(f) The Seller shall at all times be adequately capitalized in light of its contemplated business and the Seller's operating expenses will not be paid by any other Seller Party or other Affiliate of the Seller;

(g) The Seller will have its own stationery;

(h) The books of account, financial reports and corporate records of the Seller will be maintained separately from those of the Master Servicer and each other Affiliate of the Seller;

(i) Any financial statements of any Seller Party or Affiliate thereof which are consolidated to include the Seller will contain detailed notes clearly stating that (i) all of the Seller's assets are owned by the Seller, and (ii) the Seller is a separate corporate entity with its own separate creditors that will be entitled to be satisfied out of the Seller's assets prior to any value in the Seller becoming available to the Seller's equity holders; and the accounting records and the published financial statements of the Originators will clearly show that, for accounting purposes, the Pool Receivables and Related Assets have been sold by the Originators to the Seller;

(j) The Seller's assets will be maintained in a manner that facilitates their identification and segregation from those of the Master Servicer and the other Affiliates;

(k) Each Affiliate of the Seller will strictly observe corporate formalities in its dealings with the Seller, and, except as permitted pursuant to this Agreement with respect to Collections, funds or other assets of the Seller will not be commingled with those of any of its Affiliates;

(l) No Affiliate of the Seller will maintain joint bank accounts with the Seller or other depository accounts with the Seller to which any such Affiliate (other than in its capacity as the Master Servicer hereunder or under the Sale Agreement) has independent access, provided that prior to the occurrence of a Credit Event, Collections may (following receipt in the Lockbox Accounts) be deposited into general accounts of the Master Servicer, subject to the obligations of the Master Servicer hereunder;

(m) No Affiliate of the Seller shall, directly or indirectly, name the Seller or enter into any agreement to name the Seller as a direct or contingent beneficiary or loss payee on any insurance policy covering the property of any Affiliate of the Seller;

(n) Each Affiliate of the Seller will maintain arm's length relationships with the Seller, and each Affiliate of the Seller that renders or otherwise furnishes services or merchandise to the Seller will be compensated by the Seller at market rates for such services or merchandise;

(o) No Affiliate of the Seller will be, nor will it hold itself out to be, responsible for the debts of the Seller or the decisions or actions in respect of the daily business and affairs of the Seller. The Seller shall not (i) guarantee or become obligated for the debts of any other entity or hold out its credit as being available to satisfy the obligations of others, (ii) acquire obligations of its shareholders, (iii) pledge its assets for the benefit of any other entity or make any loans or advances to any other entity or (iv) make any payment or distribution of assets with respect to any obligation of any Affiliate of Seller. The Master Servicer and the Seller will immediately correct any known misrepresentation with respect to the foregoing and they will not operate or purport to operate as an integrated single economic unit with respect to each other or in their dealing with any other entity;

(p) The Seller will hold regular duly noticed meetings of its board of directors and keep correct and complete books and records of account and minutes of the meetings and other proceedings of its stockholder and board of directors, as applicable, and the resolutions, agreements and other instruments of the Seller will be continuously maintained as official records by the Seller;

(q) The Seller will not participate in the management of any other Seller Party or any Affiliate thereof; and

(r) The Seller, on the one hand, and each Originator, on the other hand, will hold itself out to the public and conduct its business solely in its own corporate name and in such a separate manner so as not to mislead others with whom they are dealing.

Article VIII.

Administration and Collection

Section 8.1 Designation of Master Servicer.

(a) Lennox as Initial Master Servicer. The servicing, administering and collection of the Pool Receivables shall be conducted by the Person designated as Master Servicer hereunder from time to time in accordance with this Section 8.1. Until the Administrative Agent at the direction of the Purchaser Agents, on the Investors' behalf, gives to Lennox a Successor Notice (as defined in Section 8.1(b)), Lennox is hereby designated as, and hereby agrees to perform the duties and obligations of, the Master Servicer pursuant to the terms hereof. Each of the Originators named in the Sale Agreement, has agreed to act as subservicer for the purpose of performing certain duties and obligations with respect to all Receivables purchased by the Seller from such Originator pursuant to the terms of the Sale Agreement. In so acting as subservicer, each of the Originators has agreed to comply with, and be bound by, all of the terms and provisions of this Agreement applicable to such Originator in the performance of its duties as subservicer; provided, however, that each such Originator (i) shall cease to act as subservicer upon the Administrative Agent's delivery of a Successor Notice to Lennox, and (ii) shall not be entitled to receive any Servicing Fee provided for herein (except that the Master Servicer may agree to pay to the subservicers a proportional share of the Servicing Fee which obligation shall be that of the Master Servicer).

(b) Successor Notice; Master Servicer Transfer Events. Upon Lennox's receipt of a notice from the Administrative Agent of the Administrative Agent's designation at the direction of the Purchaser Agents, on the Investors' behalf, of a new Master Servicer (a "Successor Notice"), Lennox agrees that it will terminate its activities as Master Servicer hereunder in a manner that the Agents believe will facilitate the transition of the performance of such activities to the new Master Servicer, and the Administrative Agent (or its designee) shall assume each and all of Lennox's obligations to service and administer such Receivables, on the terms and subject to the conditions herein set forth, and Lennox shall use its best efforts to assist the Administrative Agent (or its designee) in assuming such obligations. Without limiting the foregoing, Lennox agrees, at its expense, to take all actions necessary to provide the new Master Servicer with access to all computer software necessary or useful in collecting, billing or maintaining records with respect to the Receivables.

(c) Subcontracts. The Master Servicer may, with the prior consent of the Agents, subcontract with any other Person for servicing, administering or collecting the Pool Receivables, provided that the Master Servicer shall remain liable for the performance of the duties and obligations of the Master Servicer pursuant to the terms hereof and such subservicing arrangement may be terminated at the Administrative Agent's request, at any time after a Successor Notice has been given.

Section 8.2 Duties of Master Servicer.

(a) Appointment; Duties in General. Each of the Seller, the Investors and the Agents hereby appoints as its agent the Master Servicer, as from time to time designated pursuant to Section 8.1, to enforce its rights and interests in and under the Pool Receivables and the Related Assets and the related Contracts. The Master Servicer shall take or cause to be taken all such actions as may be necessary or advisable to collect each Pool Receivable from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy. In performing its duties as Master Servicer, the Master Servicer shall exercise the same care and apply the same policies as it would exercise and apply if it owned such Receivables and shall act in the best interests of the Seller and the Investors.

(b) Allocation of Collections; Segregation. The Master Servicer shall identify for the account of the Seller and Investors their respective allocable shares of the Collections of Pool Receivables in accordance with Section 1.3 but shall not be required (unless otherwise requested by the Administrative Agent or any Purchaser Agent, on behalf of such Purchaser Agent's Purchaser Group) to segregate the funds constituting such portions of such Collections prior to the remittance thereof in accordance with said Section. If instructed by the Administrative Agent or any Purchaser Agent, the Master Servicer shall segregate and deposit into the Collection Account, the Investors' Share of Collections of Pool Receivables, on the second Business Day following receipt by the Master Servicer of such Collections in immediately available funds. The Master Servicer shall, from time to time after the occurrence and during the continuance of an Unmatured Liquidation Event or a Liquidation Event, at the request of any Purchaser Agent, furnish to such Purchaser Agent (promptly after any such request) a calculation of the amounts set aside for the Investors in such Purchaser Agent's Purchaser Group pursuant to Section 3.1.

(c) Modification of Receivables. So long as no Credit Event, no Liquidation Event and no Unmatured Liquidation Event shall have occurred and be continuing, Lennox, while it is Master Servicer, may, in accordance with the applicable Credit and Collection Policy, (i) extend the maturity or adjust the Unpaid Balance of any Defaulted Receivable as the Master Servicer may reasonably determine to be appropriate to maximize Collections thereof, and (ii) adjust the Unpaid Balance of any Receivable to reflect the reductions or cancellations described in the first sentence of Section 3.2(a); provided that such extension or adjustment shall not alter the status of such Receivables as Delinquent Receivables or Defaulted Receivables or limit the rights of any Agent or any Investor with respect thereto.

(d) Documents and Records. Each Seller Party shall deliver to the Master Servicer, and the Master Servicer shall hold in trust for the Seller and the Purchaser Agents, on behalf of the Investors, in accordance with their respective interests, all documents, instruments and records (including, without limitation, computer tapes or disks) that evidence or relate to Pool Receivables.

(e) Certain Duties to the Seller. The Master Servicer shall, as soon as practicable following receipt, turn over to the Seller (i) that portion of Collections of Pool Receivables representing its undivided percentage ownership interest therein, less the Seller's Share of the Servicing Fee, and, in the event that neither Lennox nor any other Seller Party or Affiliate thereof is the Master Servicer, all reasonable and appropriate out-of-pocket costs and expenses of the Master Servicer of servicing, collecting and administering the Pool Receivables to the extent not covered by the Servicing Fee received by it, and (ii) the Collections of any Receivable which is not a Pool Receivable. The Master Servicer, if other than Lennox or any other Seller Party or Affiliate thereof, shall, as soon as practicable upon demand, deliver to the Seller all documents, instruments and records in its possession that evidence or relate to Receivables of the Seller other than Pool Receivables, and copies of documents, instruments and records in its possession that evidence or relate to Pool Receivables.

(f) Termination. The Master Servicer's authorization under this Agreement shall terminate upon the Final Payout Date.

(g) Power of Attorney. The Seller hereby grants to the Master Servicer an irrevocable power of attorney, with full power of substitution, coupled with an interest, to take in the name of the Seller all steps which are necessary or advisable to endorse, negotiate or otherwise realize on any writing or other right of any kind held or transmitted by the Seller or transmitted or received by the Master Servicer (whether or not from the Seller) in connection with any Receivable.

Section 8.3 [Reserved].

Section 8.4 Servicer Defaults.

Each of the following events shall constitute a "Servicer Default":

(a) any failure by the Master Servicer to make any payment, transfer or deposit or to give instructions or notice to any Agent as required by this Agreement including, without limitation, delivery of any Information Package or Interim Information Package or any failure to make any payment or deposit required to be made in order to reduce the Asset Interest to the Allocation Limit and, (i) in the case of failure to deliver an Information Package or Interim Information Package, as the case may be, such

failure shall remain unremedied for two (2) Business Days after the earliest to occur of (A) written notice thereof shall have been given by any Agent to the Master Servicer or (B) the Master Servicer shall have otherwise become aware of such failure and (ii) except with respect to any payment or deposit required to be made in order to reduce the Asset Interest to the Allocation Limit which shall be made when due, in the case of failure to make any payment or deposit to be made by the Master Servicer such failure shall remain unremedied for three (3) Business Days after the due date thereof;

(b) any failure on the part of the Master Servicer duly to observe or perform in any material respect any other covenants or agreements of the Master Servicer set forth in this Agreement or any other Transaction Document to which the Master Servicer is a party, which failure continues unremedied for a period of 30 days after the first to occur of (i) the date on which written notice of such failure requiring the same to be remedied shall have been given to the Master Servicer by any Agent and (ii) the date on which the Master Servicer becomes aware thereof;

(c) any representation, warranty or certification made by the Master Servicer in this Agreement or in any certificate delivered pursuant to this Agreement shall prove to have been false or incorrect in any material respect when made, which continues to be unremedied for a period of 30 days after the first to occur of (i) the date on which written notice of such incorrectness requiring the same to be remedied shall have been given to the Master Servicer by any Agent and (ii) the date on which the Master Servicer becomes aware thereof; provided, however, that in the case of any representation, warranty or certification that was not made in writing, a Servicer Default shall occur hereunder only if such representation, warranty or certification was reasonably relied upon by any Agent and/or the Investors;

(d) a Credit Event shall occur or any bankruptcy, insolvency or similar event occurs with respect to the Master Servicer; or

(e) any change in the control of the Master Servicer which takes the form of either a merger or consolidation in which the Master Servicer is not the surviving entity.

Notwithstanding anything herein to the contrary, so long as any such Servicer Default shall not have been remedied, the Administrative Agent (at the direction of any Purchaser Agent), by written notice to the Master Servicer (a "Termination Notice"), may terminate all of the rights and obligations of the Master Servicer as Master Servicer under this Agreement and appoint a successor Master Servicer satisfactory to the Administrative Agent (in the Administrative Agent's sole discretion).

Section 8.5 Rights of the Administrative Agent.

(a) Notice to Obligors. At any time when a Liquidation Event has occurred and is continuing, the Administrative Agent, at the request of the Purchaser Agents, may notify the Obligor of Pool Receivables, or any of them, of the ownership of the Asset Interest by the Investors.

(b) Notice to Lockbox Banks. At any time, the Administrative Agent is hereby authorized to give notice to the Lockbox Banks, as provided in the Lockbox Agreements, directing disposition of the funds in the Lockbox Accounts.

(c) Rights on Servicer Transfer Event. At any time following the designation of a Master Servicer other than Lennox pursuant to Section 8.1:

(i) The Administrative Agent may, or at the request of the Purchaser Agents, shall, direct the Obligor of Pool Receivables, or any of them, to pay all amounts payable under any Pool Receivable directly to the Collection Account, or otherwise to the Administrative Agent or its designee.

(ii) Any Seller Party shall, at the Administrative Agent's request and at such Seller Party's expense, give notice of the Investors' ownership and security interests in the Pool Receivables to each Obligor of Pool Receivables and direct that payments be made directly to the Collection Account or otherwise to the Administrative Agent or its designee.

(iii) Each Seller Party shall, at the Administrative Agent's request (at the direction of any Purchaser Agent), (A) assemble all of the documents, instruments and other records (including, without limitation, computer programs, tapes and disks) which evidence the Pool Receivables, the Related Assets, and the related Contracts, or which are otherwise necessary or desirable to collect such Pool Receivables, and make the same available to the successor Master Servicer at a place selected by such Agent, and (B) segregate all cash, checks and other instruments received by it from time to time constituting Collections of Pool Receivables in a manner acceptable to the Agents and promptly upon receipt, remit all such cash, checks and instruments, duly endorsed or with duly executed instruments of transfer, to the successor Master Servicer.

(iv) Each Seller Party hereby authorizes the Administrative Agent, and grants to the Administrative Agent an irrevocable power of attorney (which shall terminate on the Final Payout Date), to take any and all steps in such Seller Party's name and on behalf of the Seller Parties which are necessary or desirable, in the determination of the Administrative Agent, to collect all amounts due under any and all Pool Receivables, including, without limitation, endorsing any Seller Party's name on checks and other instruments representing Collections and enforcing such Pool Receivables and the related Contracts.

Section 8.6 Responsibilities of the Seller Parties.

Anything herein to the contrary notwithstanding:

(a) Contracts. Each Seller Party shall remain responsible for performing all of its obligations (if any) under the Contracts related to the Pool Receivables and under the related agreements to the same extent as if the Asset Interest had not been sold hereunder, and the exercise by the Administrative Agent or its designee of its rights hereunder shall not relieve any Seller Party from such obligations.

(b) Limitation of Liability. No Agent or Investor shall have any obligation or liability with respect to any Pool Receivables, Contracts related thereto or any other related agreements, nor shall any of them be obligated to perform any of the obligations of any Seller Party or any Originator thereunder.

Section 8.7 Further Action Evidencing Purchases and Reinvestments.

(a) Further Assurances. Each Seller Party agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action that the Administrative Agent or its designee may reasonably request in order to perfect, protect or more fully evidence the Purchases hereunder and the resulting Asset Interest, or to enable the Secured Parties or the Agents or any of their respective designees to exercise or enforce any of their respective rights hereunder or under any Transaction Document in respect thereof. Without limiting the generality of the foregoing, each Seller Party will:

(i) upon the request of the Administrative Agent in its discretion or at the direction of the Purchaser Agents, on behalf of the Investors, execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate, in accordance with the terms of this Agreement;

(ii) upon the request of the Administrative Agent at the direction of any Purchaser Agent, after the occurrence and during the continuance of a Liquidation Event, mark conspicuously each Contract evidencing each Pool Receivable with a legend, acceptable to the Agents, evidencing that the Asset Interest has been sold in accordance with this Agreement; and

(iii) mark its master data processing records evidencing the Pool Receivables and related Contracts with a legend, acceptable to the Agents, evidencing that the Asset Interest has been sold in accordance with this Agreement.

(b) Additional Financing Statements; Performance by Administrative Agent. Each Seller Party hereby authorizes the Administrative Agent, on behalf of the Secured Parties, or its designee, to file one or more financing or continuation statements, and amendments thereto and assignments thereof, relative to all or any of the Pool Receivables and the Related Assets now existing or hereafter arising in the name of any Seller Party, which financing statements filed against the Seller may describe the collateral covered thereby as “all assets of the Seller,” “all personal property of the Seller” or words of similar effect. If any Seller Party fails to perform any of its agreements or obligations under this Agreement, the Administrative Agent or its designee may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the reasonable expenses of the Administrative Agent or its designee incurred in connection therewith shall be payable by the Seller Parties as provided in Section 14.5.

(c) Continuation Statements; Opinion. Without limiting the generality of subsection (a), the Seller will, not earlier than six (6) months and not later than three (3) months prior to the fifth anniversary of the date of filing of the financing statements referred to in Section 5.1(a) or any other financing statement filed pursuant to this Agreement or in connection with any Purchase hereunder, if the Final Payout Date shall not have occurred:

(i) if necessary, deliver and file or cause to be filed an appropriate continuation statement with respect to such financing statement; and

(ii) deliver or cause to be delivered to each Agent an opinion of the counsel for the Seller Parties (which may be an opinion of in-house counsel for the Seller Parties), in form and substance reasonably satisfactory to each Agent, confirming and updating the opinion delivered pursuant to Section 5.1(a) to the effect that the Asset Interest hereunder continues to be a valid and perfected ownership or security interest, subject to no other Liens of record except as provided herein or otherwise permitted hereunder.

Section 8.8 Application of Collections.

Any payment by an Obligor in respect of any indebtedness owed by it to any Originator or Seller shall, except as otherwise specified by such Obligor or required by the underlying Contract or law, be applied, first, as a Collection of any Pool Receivable or Receivables then outstanding of such Obligor in the order of the age of such Pool Receivables, starting with the oldest of such Pool Receivables and, second, to any other indebtedness of such Obligor.

Article IX.

Security Interest

Section 9.1 Grant of Security Interest.

To secure all obligations of the Seller arising in connection with this Agreement and each other Transaction Document, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, including, without limitation, all Indemnified Amounts, payments on account of Collections received or deemed to be received and fees, the Seller hereby assigns and pledges to the Administrative Agent, as agent for and for the benefit of the Secured Parties and their respective successors and assigns, and hereby grants to the Administrative Agent, as agent for and for the benefit of the Secured Parties, a security interest in, all of the Seller's right, title and interest now or hereafter existing in, to and under all assets of the Seller, including, without limitation, (a) all the Pool Receivables and Related Assets (and including specifically any undivided percentage ownership interest therein retained by the Seller hereunder), (b) the Sale Agreement and the other Transaction Documents, including, without limitation, (i) all rights of the Seller to receive moneys due or to become due under or pursuant to the Sale Agreement or the Assurance Agreement, (ii) all security interests and property subject thereto from time to time purporting to secure payment of monies due or to become due under or pursuant to the Sale Agreement or the Assurance Agreement, (iii) all rights of the Seller to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Sale Agreement or the Assurance Agreement, (iv) claims of the Seller for damages arising out of or for breach of or default under the Sale Agreement or the Assurance Agreement, and (v) the right of the Seller to compel performance and otherwise exercise all remedies thereunder, (c) each lockbox related to a Lockbox Account, each Lockbox Account and the funds deposited therein, and (d) all proceeds of any of the foregoing (collectively, the "Collateral").

Section 9.2 Further Assurances.

The provisions of Section 8.7 shall apply to the security interest granted under Section 9.1 as well as to the Purchases, Reinvestments and all the Asset Interests hereunder.

Section 9.3 Remedies.

Upon the occurrence of a Liquidation Event, the Administrative Agent, on behalf of the Secured Parties shall have, with respect to the Collateral granted pursuant to Section 9.1, and in addition to all other rights and remedies available to any Investor or Agent under this Agreement and the other Transaction Documents or other applicable law, all the rights and remedies of a secured party upon default under the UCC.

Article X.

Liquidation Events

Section 10.1 Liquidation Events.

The following events shall be "Liquidation Events" hereunder:

(a) The Master Servicer (if any Seller Party or Affiliate thereof is the Master Servicer) or the Seller (in the case of clause (ii) below) (i) shall fail to perform or observe any term, covenant or agreement that is an obligation of the Master Servicer hereunder (other than as referred to in clause (ii) or (iii) below or in other paragraphs of this Section 10.1), and such failure shall remain unremedied for fifteen (15) days after written notice thereof shall have been given by the Administrative Agent to the Master Servicer or the Master Servicer shall have otherwise become aware, or (ii) shall fail to make any payment or deposit to be made by it hereunder when due which failure shall continue for one (1) Business Day, if such payment or deposit is in connection with the reduction of the Invested Amount or for two (2) Business Days for any other payment, or (iii) shall fail to deliver any Information Package or Interim Information Package when due and such failure shall remain unremedied for two (2) Business Days after the earliest to occur of (A) written notice thereof shall have been given by any Agent to the Master Servicer or (B) the Master Servicer shall have otherwise become aware of such failure; or

(b) Any representation or warranty made or deemed to be made by any Seller Party, any Originator or Lennox International (or any of its officers) under this Agreement or any other Transaction Document or any Information Package, Interim Information Package or other information or report delivered pursuant hereto shall prove to have been false or incorrect in any material respect when made provided, however, that in the case of any representation, warranty or information that was not made or provided in writing, a Liquidation Event shall occur hereunder only if such representation, warranty or information was reasonably relied upon by any Agent and/or any Investor; or

(c) Any Seller Party or any Originator shall fail to perform or observe (i) any other term, covenant or agreement contained in this Agreement (other than as referred to in clause (ii) below) or any of the other Transaction Documents on its part to be performed or observed and any such failure shall remain unremedied for fifteen (15) days (or with respect to Section 7.1(c) hereof, five (5) days) after written notice thereof shall have been given by any Agent to any Seller Party or such Seller Party shall have otherwise become aware or (ii) any covenant applicable to such Person contained in Section 7.3 hereof or Section 6.3 of the Sale Agreement; or

(d) Any Seller Party, any Originator or Lennox International shall (A) fail to pay any principal or interest, regardless of amount, due in respect of any Indebtedness (including, without limitation, any such Indebtedness relating to the purchase of receivables or under any asset securitization agreement or arrangement) when the aggregate unpaid principal amount is in excess of in the case of the Seller, \$25,000, or in the case of Lennox International, any Originator or the Master Servicer \$75,000,000 when and as the same shall become due and payable (after expiration of any applicable grace period) or (B) fail to observe or perform any other term, covenant, condition or agreement (after expiration of any applicable grace period) contained in any agreement or instrument evidencing or governing any such Indebtedness if the effect of any failure referred to in this clause (B) is to cause such Indebtedness to become due prior to its stated maturity; or

(e) An Event of Bankruptcy shall have occurred and remain continuing with respect to Lennox International, any Originator or any Seller Party; or

(f) The Seller shall become an “investment company” within the meaning of the Investment Company Act of 1940; or

(g) The rolling 3 month average Dilution Ratio at any Cut-Off Date exceeds 12.00%; or

(h) The rolling 3 month average Default Ratio at any Cut-Off Date exceeds 3.00%; or

(i) The rolling 3 month average Delinquency Ratio at any Cut-Off Date exceeds 4.50%; or

(j) On any Settlement Date, after giving effect to the payments made under Section 3.1(c), (i) the Asset Interest exceeds 100%, (ii) the Invested Amount exceeds the Purchase Limit in effect at such time; or (iii) the Purchaser Group Invested Amount of any Purchaser Group exceeds such Purchaser Group’s Purchaser Group Limit in effect at such time, and, in the case of any failure to make a timely payment or deposit with respect thereto solely by reason of any mechanical delay in or malfunction of the Fedwire system or due to an error on the part of the initiating or receiving bank such failure shall continue for more than one (1) Business Day; or

(k) There shall have occurred any event which materially adversely impairs the ability of the Originators to originate Receivables of a credit quality which are at least of the credit quality of the Receivables included in the first Purchase hereunder, or any other event occurs that is reasonably likely to have a Material Adverse Effect; or

(l) Any Seller Party, Originator or Lennox International is subject to a Change in Control; or

(m) The Internal Revenue Service shall file notice of a lien pursuant to Section 6323 of the Code with regard to any of the Receivables or Related Assets and such lien shall not have been released within seven (7) days, or the Pension Benefit Guaranty Corporation shall, or shall indicate its intention to, file notice of a lien pursuant to Section 4068 of the Employee Retirement Income Security Act of 1974 with regard to any of the Receivables or Related Assets; or

(n) Any Seller Party or any Originator shall make any material change in the policies as to origination of Receivables or in its Credit and Collection Policy without prior written notice to and consent of the Agents; or

(o) The Administrative Agent for the benefit of the Secured Parties, for any reason, does not have a valid, perfected first priority undivided percentage ownership interest in the Pool Receivables and the Related Assets; or the security interest created pursuant to Section 9.1 shall for any reason cease to be a valid and perfected first priority security interest in the Collateral; or

(p) A final judgment or judgments shall be rendered against Lennox International, the Master Servicer, the Seller, any Originator or any combination thereof for the payment of money with respect to which an aggregate amount in excess of \$25,000 with respect to the Seller and \$75,000,000 with respect to Lennox International, any Originator or the Master Servicer is not covered by insurance and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of Lennox International, the Master Servicer, any Originator or the Seller to enforce any such judgment; or

(q) A Reportable Event or Reportable Events, or a failure to make a required installment or other payment (within the meaning of Section 412(n)(1) of the Code), shall have occurred with respect to any Plan or Plans that reasonably could be expected to result in liability of any Master Servicer or any ERISA Affiliate to the Pension Benefit Guaranty Corporation (“PBGC”) or to a Plan in an aggregate amount exceeding \$5,000,000 and, within 30 days after the reporting of any such Reportable Event to the Agents, the Administrative Agent shall have notified the Master Servicer in writing that (i) it or any other Agent has made a determination that, on the basis of such Reportable Event or Reportable Events or the failure to make a required payment, there are reasonable grounds (A) for the termination of such Plan or Plans by the PBGC, (B) for the appointment by the appropriate United States District Court of a trustee to administer such Plan or Plans or (C) for the imposition of a lien in favor of a Plan and (ii) as a result thereof a Liquidation Event exists hereunder; or a trustee shall be appointed by a United States District Court to administer any such Plan or Plans; or the PBGC shall institute proceedings to terminate any Plan or Plans;

(r) The occurrence of a Servicer Default;

(s) The Seller’s Net Worth shall be less than the Threshold Amount;

(t) the Sale Agreement or the Assurance Agreement shall cease for any reason to be in full force and effect; or

(u) An Event of Default (as defined in the Credit Agreement) shall have occurred, regardless of whether such Event of Default has been waived by the parties to the Credit Agreement.

Section 10.2 Remedies.

(a) Optional Liquidation. Upon the occurrence of a Liquidation Event (other than a Liquidation Event described in subsection (e) of Section 10.1), the Administrative Agent shall, at the request, or may with the consent, of any Purchaser Agent, by notice to the Seller declare the Funding Termination Date to have occurred and the Liquidation Period to have commenced.

(b) Automatic Liquidation. Upon the occurrence of a Liquidation Event described in subsection (e) of Section 10.1, the Funding Termination Date shall occur and the Liquidation Period shall commence automatically.

(c) Additional Remedies. Upon the occurrence of the Termination Date, no Purchases or Reinvestments thereafter will be made, and the Administrative Agent, on behalf of the Secured Parties, shall have, in addition to all other rights and remedies under this Agreement or otherwise, all other rights and remedies provided under the UCC of each applicable jurisdiction and other applicable laws, which rights shall be cumulative.

Article XI.

The Administrative Agent

Section 11.1 Administrative Agent Authorization and Action.

Each Investor and Purchaser Agent hereby appoints and authorizes the Administrative Agent (or its designees) to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement or the other Transaction Documents (including, without limitation, enforcement of this Agreement or the other Transaction Documents), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of any Purchaser Agent and such instructions shall be binding upon all Investors; provided, however, that the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to this Agreement, the other Transaction Documents or applicable law.

Section 11.2 Administrative Agent's Reliance, Etc.

The Administrative Agent and its directors, officers, agents or employees shall not be liable for any action taken or omitted to be taken by it or them in good faith under or in connection with the Transaction Documents (including, without limitation, the servicing, administering or collecting Pool Receivables as Master Servicer pursuant to Section 8.1), except for its or their own breach of the applicable terms of the Transaction Documents or its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Administrative Agent: (a) may consult with legal counsel (including counsel for the Seller), independent certified public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (b) makes no warranty or representation to the Investors or any other holder of any interest in Pool Receivables and shall not be responsible to the Investors or any such other holder for any statements, warranties or representations made by any Seller Party in or in connection with any Transaction Document; (c) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any Transaction Document on the part of any Seller Party or to inspect the property (including the books and records) of any Seller Party; (d) shall not be responsible to the Investors or any other holder of any interest in Pool Receivables for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Transaction Document; and (e) shall incur no liability under or in respect of this Agreement by acting upon any notice (including notice by telephone where permitted herein), consent, certificate or other instrument or writing (which may be by facsimile) in good faith believed by it to be genuine and signed or sent by the proper party or parties.

Section 11.3 BTMU and Affiliates.

BTMU and any of its Affiliates may generally engage in any kind of business with Seller, Master Servicer, any Originator or any Obligor, any of their respective Affiliates and any Person who may do business with or own securities of Seller, Master Servicer, Originator or any Obligor or any of their respective Affiliates, all as if BTMU were not the Administrative Agent and without any duty to account therefor to any Investor or any other holder of an interest in Pool Receivables.

Section 11.4 Liquidity Bank's Purchase Decision.

Each Liquidity Bank acknowledges that it has, independently and without reliance upon any Agent, any of its Affiliates or any other Liquidity Bank and based on such documents and information as it has deemed appropriate, made its own evaluation and

decision to enter into this Agreement. Each Liquidity Bank also acknowledges that it will, independently and without reliance upon any Agent, any of its Affiliates or any other Liquidity Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own decisions in taking or not taking action under this Agreement.

Section 11.5 Indemnification of Agent.

Each Liquidity Bank agrees to indemnify the Administrative Agent (to the extent not reimbursed by the Seller or the Master Servicer), ratably according to its Percentage of the Pro Rata Share of its Purchaser Group, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or the other Transaction Documents or any action taken or omitted by the Administrative Agent under this Agreement or the other Transaction Documents, provided that no Liquidity Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's breach of the applicable terms of the Transaction Documents or its own gross negligence or willful misconduct.

Section 11.6 Purchaser Agent Authorization and Action.

Pursuant to agreements entered into with the BTMU Purchaser Agent, the BTMU Purchaser has appointed and authorized the BTMU Purchaser Agent (or its designees), to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the BTMU Purchaser Agent by the terms hereof, together with such powers as are reasonably incidental thereto.

Section 11.7 Purchaser Agent's Reliance, Etc.

(a) Each Purchaser Agent and its directors, officers, agents or employees shall not be liable for any action taken or omitted to be taken by it or them in good faith under or in connection with the Transaction Documents (including, without limitation, the servicing, administering or collecting Pool Receivables as Master Servicer pursuant to Section 8.1), except for its or their own breach of the applicable terms of the Transaction Documents or its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, each Purchaser Agent: (a) may consult with legal counsel (including counsel for the Seller), independent certified public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (b) makes no warranty or representation to any Investor or any other holder of any portion of its respective Purchaser Group's interest in Pool Receivables and shall not be responsible to any Investor or any such other holder for any statements, warranties or representations made by any Seller Party in or in connection with any Transaction Document; (c) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any Transaction Document on the part of any Seller Party or to inspect the property (including the books and records) of any Seller Party; (d) shall not be responsible to any Investor or any other holder of any of the its respective Purchaser Group's interest in Pool Receivables for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Transaction Document; and (e) shall incur no liability under or in respect of this Agreement by acting upon any notice (including notice by telephone where permitted herein), consent, certificate or other instrument or writing (which may be by facsimile) in good faith believed by it to be genuine and signed or sent by the proper party or parties.

Article XII.

Assignments

Section 12.1 Restrictions on Assignments.

(a) No Seller Party may assign its rights, or delegate its duties hereunder or any interest herein without the prior written consent of the Agents (except a Seller Party may delegate certain administrative duties to an Affiliate, such as payroll, financial reporting, tax and the like, so long as such Seller Party remains liable for performance of such duties).

(b) This Agreement and the Purchasers' rights and obligations herein (including ownership of the Asset Interest) shall be assignable by the Purchasers and their successors and assigns to any Eligible Assignee (including, without limitation, pursuant to a Liquidity Agreement). Each assignor of an Asset Interest or any interest therein shall notify the Administrative Agent, the Purchaser Agent of such assignor's Purchaser Group and the Seller of any such assignment. Each assignor of a Asset Interest or any interest therein may, in connection with any such assignment, disclose to the assignee or potential assignee any information relating to any Seller Party or any Originator, furnished to such assignor by or on behalf of such Seller Party or by any Agent; provided that, prior to any the disclosure of any Seller Information, the assignee or potential assignee agrees to preserve the confidentiality of any such information which is confidential in accordance with the provisions of Section 14.7 hereof.

(c) Each Liquidity Bank may assign to any Eligible Assignee or to any other Liquidity Bank all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of any Asset Interest therein owned by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations

under this Agreement, (ii) the amount being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance Agreement with respect to such assignment) shall in no event be less than the lesser of (x) \$10,000,000 and (y) such Liquidity Bank's Percentage of its Purchaser Group's Purchaser Group Limit in effect at such time, (iii) the parties to each such assignment shall execute and deliver to the Administrative Agent and the Purchaser Agent in such Liquidity Bank's Purchaser Group, an Assignment and Acceptance Agreement, and (iv) to the extent applicable, concurrently with such assignment, such assignor Liquidity Bank shall assign to such assignee Liquidity Bank or other Eligible Assignee an equal percentage of its rights and obligations under any Liquidity Agreement.

(d) Notwithstanding any other provision of this Section 12.1, (i) any Liquidity Bank may at any time pledge or grant a security interest in all or any portion of its rights (including, without limitation, rights to payment of Earned Discount) under this Agreement or under any Liquidity Agreement to secure obligations of such Liquidity Bank to a Federal Reserve Bank, without notice to or consent of the Seller or any Agent; provided that no such pledge or grant of a security interest shall release a Liquidity Bank from any of its obligations hereunder or under such Liquidity Agreement, as the case may be, or substitute any such pledgee or grantee for such Liquidity Bank as a party hereto or to such Liquidity Agreement, as the case may be; and (ii) each Purchaser may assign and grant a security interest in all of its rights in the Transaction Documents, together with all of its rights and interest in the Asset Interest, to secure such Purchaser's obligations under or in connection with the Commercial Paper Notes, the related Liquidity Agreement, and certain other obligations of such Purchaser incurred in connection with the funding of the Purchases and Reinvestments hereunder, which assignment and grant of a security interest shall not be considered an "assignment" prior to the enforcement of such security interest, for purposes of any provision of this Agreement.

Section 12.2 Rights of Assignee.

(a) Upon the execution and delivery and effectiveness of an Assignment and Acceptance Agreement, (x) the assignee Liquidity Bank thereunder shall be a party to this Agreement and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance Agreement, have the rights and obligations of a Liquidity Bank hereunder and (y) the assigning Liquidity Bank shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance Agreement, relinquish such rights and be released from such obligations under this Agreement (and, in the case of an Assignment and Acceptance Agreement covering all or the remaining portion of an assigning Liquidity Bank's rights and obligations under this Agreement, such Liquidity Bank shall cease to be a party hereto).

(b) Upon the assignment by a Purchaser in accordance with this Article XII, the assignee receiving such assignment shall have all of the rights of the related Purchaser with respect to the Transaction Documents and the Asset Interest (or such portion thereof as has been assigned) and the assigning Purchaser shall, to the extent that rights and obligations hereunder have been assigned by it, relinquish such rights and be released from such obligations under this Agreement.

Section 12.3 Terms and Evidence of Assignment.

Any assignment of the Asset Interest (or any portion thereof) or any commitment hereunder to any Person which is otherwise permitted under this Article XII shall be upon such terms and conditions as the related assignor and the assignee may mutually agree, and may be evidenced by such instrument(s) or document(s) as may be satisfactory to the assignor, the related Purchaser Agent, the Administrative Agent and the assignee, which shall include, with respect to any assignment by a Liquidity Bank, an Assignment and Acceptance Agreement.

Section 12.4 Rights of Liquidity Banks.

The Seller hereby agrees that, upon notice to the Seller, the Liquidity Banks may exercise all the rights of the Purchaser Agent and Purchaser in such Liquidity Bank's Purchaser Group, with respect to the portion of the Asset Interest funded by such Purchaser Group (or any portions thereof), and Collections with respect thereto, which are owned by such Purchaser, and all other rights and interests of such Purchaser in, to or under this Agreement or any other Transaction Document. Without limiting the foregoing, upon such notice or at any time thereafter (but subject to any conditions applicable to the exercise of such rights by the Agents), the Liquidity Banks may request the Master Servicer to segregate such Purchaser's allocable shares of Collections from the Seller's allocable share, may require the Administrative Agent to give a Successor Notice pursuant to and in accordance with Section 8.1(b), may require the Administrative Agent to give notice to the Lockbox Banks as referred to in Section 8.5(b) and may direct the Administrative Agent to direct the Obligors of Pool Receivables to make payments in respect thereof directly to an account designated by them, in each case, to the same extent as such Purchaser Agent might have done.

Article XIII.

Indemnification

Section 13.1 Indemnities by the Seller.

(a) General Indemnity. Without limiting any other rights which any such Person may have hereunder or under applicable law, the Seller hereby agrees to indemnify BTMU, both individually and as the Administrative Agent and the BTMU Purchaser Agent, the WFB Purchaser Agent, the PNC Purchaser Agent, the Purchasers, the Liquidity Banks, the Liquidity Agents, each of

their respective Affiliates, and all successors, transferees, participants and assigns and all officers, directors, shareholders, controlling persons, and employees of any of the foregoing, and any successor servicer and subservicer not affiliated with Lennox (each an “Indemnified Party”), forthwith on demand, from and against any and all damages, losses, claims, liabilities and related costs and expenses, including attorneys’ fees and disbursements (all of the foregoing being collectively referred to as “Indemnified Amounts”) awarded against or incurred by any of them arising out of or relating to the Transaction Documents or the ownership or funding of the Asset Interest or in respect of any Receivable or any Contract, excluding, however, (x) Indemnified Amounts to the extent determined by a court of competent jurisdiction to have resulted from gross negligence or willful misconduct on the part of such Indemnified Party or (y) recourse (except as otherwise specifically provided in this Agreement) for Defaulted Receivables; the Seller further agrees to indemnify any agent (which is not otherwise an Indemnified Party) of any of BTMU, WFB, PNC, the Agents, the Purchasers, the Liquidity Banks, and the Liquidity Agents forthwith on demand, from and against any and all Indemnified Amounts awarded against or incurred by any of them arising out of or caused by the gross negligence or willful misconduct of the Seller. Without limiting the foregoing, the Seller shall indemnify each Indemnified Party for Indemnified Amounts arising out of or relating to:

(i) the transfer by any Seller Party of any interest in any Receivable other than the transfer of Receivables and related property by the Originators to the Seller pursuant to the Sale Agreement, the transfer of an Asset Interest to the Investors pursuant to this Agreement and the grant of a security interest to the Secured Parties pursuant to Section 9.1;

(ii) any representation or warranty made by the Seller in the last sentence of Section 6.1(p) shall have been false, incorrect or misleading in any respect when made or deemed made, or any other representation or warranty made in writing by any Seller Party (or any of its officers) under or in connection with any Transaction Document, any Information Package, Interim Information Package or any other information or report delivered by or on behalf of any Seller Party pursuant hereto, which shall have been false, incorrect or misleading in any material respect when made or deemed made or delivered, as the case may be; provided, however, that in the case of any representation, warranty or information that was not made or delivered in writing, indemnification shall be available to an Indemnified Party hereunder only if such representation, warranty or information was reasonably relied upon by such Indemnified Party;

(iii) the failure by any Seller Party to comply with any applicable law, rule or regulation with respect to any Pool Receivable or the related Contract, or the nonconformity of any Pool Receivable or the related Contract with any such applicable law, rule or regulation or the failure of the Seller to perform its duties or obligations in accordance with the provisions hereof or to perform its duties or obligations under the Contracts;

(iv) the failure to vest and maintain vested in (A) the Investors an undivided percentage ownership interest, to the extent of the Asset Interest, in the Receivables in, or purporting to be in, the Receivables Pool, or (B) the Secured Parties a security interest in the Collateral, in each case free and clear of any Lien, other than a Lien arising solely as a result of an act of any Investor or the Administrative Agent, whether existing at the time of any Purchase or Reinvestment of such Asset Interest or at any time thereafter;

(v) the failure to file, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivables in, or purporting to be in, the Receivables Pool, whether at the time of any Purchase or Reinvestment or at any time thereafter;

(vi) any dispute, claim, offset or defense (other than discharge in bankruptcy) of the Obligor to the payment of any Receivable in, or purporting to be in, the Receivables Pool (including, without limitation, a defense based on such Receivables or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or services related to such Receivable or the furnishing or failure to furnish such merchandise or services;

(vii) any matter described in clause (i) or (ii) of Section 3.2(a);

(viii) any failure of any Seller Party, as the Master Servicer or otherwise, to perform its duties or obligations in accordance with the provisions of Article III or Article VIII;

(ix) any product liability claim arising out of or in connection with merchandise or services that are the subject of any Pool Receivable;

(x) any claim of breach by any Seller Party of any related Contract with respect to any Pool Receivable;

(xi) any Tax or Other Taxes, all interest and penalties thereon or with respect thereto, and all out-of-pocket costs and expenses, including the reasonable fees and expenses of counsel in defending against the same, which may arise by reason of the purchase or ownership of any Asset Interest, or any other interest in the Pool Receivables or in any goods which secure any such Pool Receivables; or

(xii) the commingling of Collections of Pool Receivables at any time with other funds.

(b) Contest of Tax Claim; After-Tax Basis. If any Indemnified Party shall have written notice of any attempt to impose or collect any Tax or Other Taxes for which indemnification will be sought from Seller under Section 13.1(a)(xi), such Indemnified Party shall give prompt and timely notice of such attempt to the Seller. Indemnification hereunder shall be in an amount necessary to make the Indemnified Party whole after taking into account any tax consequences to the Indemnified Party of the payment of any of the aforesaid taxes (including any deduction) and the receipt of the indemnity provided hereunder or of any refund of any such tax previously indemnified hereunder, including the effect of such tax, deduction or refund on the amount of tax measured by net income or profit which is or was payable by the Indemnified Party.

(c) Contribution. If for any reason the indemnification provided above in this Section 13.1 (and subject to the exceptions set forth therein) is unavailable to an Indemnified Party or is insufficient to hold an Indemnified Party harmless, then the Seller shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by such Indemnified Party on the one hand and the Seller on the other hand but also the relative fault of such Indemnified Party as well as any other relevant equitable considerations.

Section 13.2 Indemnities by Master Servicer.

Without limiting any other rights which any Indemnified Party may have hereunder or under applicable law, the Master Servicer hereby agrees to indemnify each of the Indemnified Parties forthwith on demand, from and against any and all Indemnified Amounts awarded against or incurred by any of them arising out of or relating to (i) the Master Servicer's performance of, or failure to perform, any of its obligations under or in connection with any Transaction Document, or (ii) any representation or warranty made by the Master Servicer in the last sentence of Section 6.1(p) shall have been false, incorrect or misleading in any respect when made or deemed made, or (iii) any other representation or warranty made by the Master Servicer (or any of its officers) under or in connection with any Transaction Document, any Information Package, Interim Information Package or any other information or report delivered by or on behalf of the Master Servicer, which shall have been false, incorrect or misleading in any material respect when made or deemed made or delivered, as the case may be, or (iv) the failure of the Master Servicer to comply with any applicable law, rule or regulation with respect to any Pool Receivable or the related Contract, or (v) the commingling of Collections of Pool Receivables at any time with other funds, or (vi) any claim brought by any Person (other than an Indemnified Party) arising from any activity by the Master Servicer or its subservicers in servicing, administering or collecting any Pool Receivable; provided, however, that in the case of any representation, warranty or information that was not made or delivered in writing, indemnification shall be available to an Indemnified Party hereunder only if such representation, warranty or information was reasonably relied upon by such Indemnified Party. Notwithstanding the foregoing, in no event shall any Indemnified Party be awarded any Indemnified Amounts (a) to the extent determined by a court of competent jurisdiction to have resulted from gross negligence or willful misconduct on the part of such Indemnified Party or (b) recourse for Defaulted Receivables. The Master Servicer further agrees to indemnify any agent (which is not otherwise an Indemnified Party) of any of BTMU, WFB, PNC, the Agents, the Purchasers, the Liquidity Banks, and the Liquidity Agents forthwith on demand, from and against any and all Indemnified Amounts awarded against or incurred by any of them arising out of or caused by the gross negligence or willful misconduct of the Master Servicer.

If for any reason the indemnification provided above in this Section 13.2 (and subject to the exceptions set forth therein) is unavailable to an Indemnified Party or is insufficient to hold an Indemnified Party harmless, then the Master Servicer shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by such Indemnified Party on the one hand and the Master Servicer on the other hand but also the relative fault of such Indemnified Party as well as any other relevant equitable considerations.

Article XIV.

Miscellaneous

Section 14.1 Amendments, Etc.

No amendment or waiver of any provision of this Agreement nor consent to any departure by any Seller Party therefrom shall in any event be effective unless the same shall be in writing and signed by (a) each Seller Party, the Agents and the Investors party hereto (with respect to an amendment), or (b) the Agents and the Investors party hereto (with respect to a waiver or consent by them) or any Seller Party (with respect to a waiver or consent by it), as the case may be, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. The parties acknowledge that, before entering into such an amendment or granting such a waiver or consent, any Purchaser may also be required to obtain the approval of some or all of the Liquidity Banks in such Purchaser's Purchaser Group or to obtain confirmation from certain rating agencies that such amendment, waiver or consent will not result in a withdrawal or reduction of the ratings of the Commercial Paper Notes (to the extent that any Purchaser is required to obtain any confirmation from any rating agency, such confirmation shall be in writing with respect to any material amendment, modification, waiver or consent).

Section 14.2 Notices, Etc.

All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including facsimile communication) and shall be personally delivered or sent by express mail or courier or by certified mail, postage prepaid, or by facsimile or e-mail, to the intended party at the address or facsimile number of such party set forth on Schedule 14.2 or at such other address or facsimile number as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be effective, (a) if personally delivered or sent by express mail or courier or if sent by certified mail, when received, and (b) if transmitted by facsimile or e-mail, when sent, receipt confirmed by telephone or electronic means; provided, however, that the financial statements required to be delivered by Sections 7.2(a), 7.2(b) and 7.2(d) shall be deemed delivered on the date such financial statements are deposited in the United States mail with first class postage prepaid, addressed to the intended party at the address as set forth on Schedule 14.2 or at such other address as shall be designated by such party in a written notice to the other parties hereto.

Section 14.3 No Waiver; Remedies.

No failure on the part of the Administrative Agent, any Affected Party, any Indemnified Party, any Purchaser or any other holder of the Asset Interest (or any portion thereof) to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. Without limiting the foregoing, BTMU, individually and as an Agent, WFB, individually and as an Agent, PNC, individually and as an Agent, and the Liquidity Banks are each hereby authorized by Seller and Lennox (as Master Servicer and as an Originator) at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by BTMU, WFB, PNC or such Liquidity Bank to or for the credit or the account of the Seller or Lennox against any and all of the obligations of the Seller or Lennox, now or hereafter existing under this Agreement or any other Transaction Document, to any Agent, any Affected Party, any Indemnified Party or any Investor, or their respective successors and assigns. For avoidance of doubt, the right of setoff set forth in this Section 14.3 does not permit setoff of deposits and indebtedness held or owing by one Person to or for the account of a second Person against amounts owing by any Person other than such second Person.

Section 14.4 Binding Effect; Survival.

This Agreement shall be binding upon and inure to the benefit of each Seller Party, the Agents, the Investors and their respective successors and assigns, and the provisions of Section 4.2 and Article XIII shall inure to the benefit of the Affected Parties and the Indemnified Parties, respectively, and their respective successors and assigns; provided, however, nothing in the foregoing shall be deemed to authorize any assignment not permitted by Section 12.1. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until the Final Payout Date. The rights and remedies with respect to any breach of any representation and warranty made by the Seller pursuant to Article VI and the indemnification and payment provisions of Article XIII and Sections 4.2, 14.5, 14.6, 14.7, 14.11, 14.12 and 14.14 shall be continuing and shall survive any termination of this Agreement.

Section 14.5 Costs, Expenses and Taxes.

In addition to its obligations under Article XIII, the Seller Parties jointly and severally agree to pay on demand:

(a) all costs and expenses incurred by the Agents, any Liquidity Bank, any Investor and their respective Affiliates in connection with:

(i) the negotiation, preparation, execution and delivery of this Agreement, the other Transaction Documents or a Liquidity Agreement, any amendment of or consent or waiver under any of the Transaction Documents which is requested or proposed by any Seller Party (whether or not consummated), or the enforcement by any of the foregoing Persons of, or any actual or claimed breach of, this Agreement or any of the other Transaction Documents, including, without limitation, the reasonable fees and expenses of counsel to any of such Persons incurred in connection with any of the foregoing or in advising such Persons as to their respective rights and remedies under any of the Transaction Documents in connection with any of the foregoing, and

(ii) the administration (including periodic auditing as provided for herein) of this Agreement and the other Transaction Documents, including, without limitation, all reasonable out-of-pocket expenses (including reasonable fees and expenses of independent accountants), incurred in connection with any review of any Seller Party's books and records either prior to the execution and delivery hereof or pursuant to Section 7.1(c), subject to the limitations set forth in such Section 7.1(c);

(b) all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement or the other Transaction Documents (and the Seller Parties, jointly and severally agree to indemnify each Indemnified Party against any liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees) ("Other Taxes"); and

(c) all losses, costs and expenses incurred by the Investors or the Agents in connection with or as a result of any failure to make a timely payment or deposit, including, without limitation, by reason of any mechanical delay in or malfunction of the Fedwire system or due to an error on the part of the initiating or receiving bank.

Section 14.6 No Proceedings.

The Master Servicer hereby agrees that it will not institute against the Seller, or join any Person in instituting against the Seller, and each Seller Party, the Master Servicer, BTMU (individually, as Administrative Agent and as BTMU Purchaser Agent), WFB (individually and as WFB Purchaser Agent), PNC (individually and as PNC Purchaser Agent), each Liquidity Bank and each Purchaser, as to each other Purchaser, hereby agrees that it will not institute against any Purchaser, or join any other Person in instituting against any Purchaser, any insolvency proceeding (namely, any proceeding of the type referred to in the definition of Event of Bankruptcy) so long as any Commercial Paper Notes issued by such Purchaser shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such Commercial Paper Notes shall have been outstanding.

Section 14.7 Confidentiality of Seller Information.

(a) Confidential Seller Information. Each party hereto (other than Seller Parties) acknowledges that certain of the information provided to such party by or on behalf of the Seller Parties in connection with this Agreement and the transactions contemplated hereby is or may be confidential, and each such party severally agrees that, unless the Master Servicer shall otherwise agree in writing, and except as provided in subsection (b), such party will not disclose to any other person or entity:

(i) any information regarding, or copies of, any nonpublic financial statements, reports, schedules and other information furnished by any Seller Party to any Investor or any Agent (A) prior to the date hereof in connection with such party's due diligence relating to the Seller Parties and the transactions contemplated hereby, or (B) pursuant to this Agreement, including without limitation, Section 3.1, 5.1, 6.1(i), 7.1(c) or 7.2, or

(ii) any other information regarding any Seller Party which is designated by any Seller Party to such party in writing as confidential

(the information referred to in clauses (i) and (ii) above, whether furnished by any Seller Party or any attorney for or other representative thereof (each a "Seller Information Provider"), is collectively referred to as the "Seller Information"); provided, however, Seller Information shall not include any information which is or becomes generally available to the general public or to such party on a nonconfidential basis from a source other than any Seller Information Provider, or which was known to such party on a nonconfidential basis prior to its disclosure by any Seller Information Provider.

(b) Disclosure. Notwithstanding subsection (a), each party may disclose any Seller Information:

(i) to any of such party's independent attorneys, consultants and auditors, and to any dealer or placement agent for such Purchaser's Commercial Paper Notes, who (A) in the good faith belief of such party, have a need to know such Seller Information, and (B) are informed by such party of the confidential nature of the Seller Information and the terms of this Section 14.7 and has agreed, verbally or otherwise, to be bound by the provisions of this Section 14.7,

(ii) to any Liquidity Bank, any actual or potential assignees of, or participants in, any rights or obligations of any Purchaser, any Liquidity Bank or the Purchaser Agent of such Purchaser's or Liquidity Bank's Purchaser Group under or in connection with this Agreement who has agreed to be bound by the provisions of this Section 14.7,

(iii) to any rating agency,

(iv) to any other party to this Agreement (and any independent attorneys, consultants and auditors of such party), for the purposes contemplated hereby,

(v) as may be required by any municipal, state, federal or other regulatory body having or claiming to have jurisdiction over such party, in order to comply with any law, order, regulation, regulatory request or ruling applicable to such party,

(vi) subject to subsection (c), in the event such party is legally compelled (by interrogatories, requests for information or copies, subpoena, civil investigative demand or similar process) to disclose such Seller Information, or

(vii) in connection with the enforcement of this Agreement or any other Transaction Document.

In addition, each Purchaser and each Agent may disclose on a "no name" basis to any actual or potential investor in or credit enhancer for such Purchaser's Commercial Paper Notes information regarding the nature of this Agreement, the basic terms hereof (including without limitation the amount and nature of such Purchaser's commitment and Invested Amount with respect to the Asset Interest funded by such Purchaser Group and any other credit enhancement provided by any Seller Party hereunder), the nature, amount and status of the Pool Receivables, and the current and/or historical ratios of losses to liquidations and/or outstandings with respect to the Receivables Pool.

(c) **Legal Compulsion.** In the event that any party hereto (other than any Seller Party) or any of its representatives is requested or becomes legally compelled (by interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any of the Seller Information, such party will (or will cause its representative to):

(i) provide the Master Servicer with prompt written notice so that (A) the Master Servicer may seek a protective order or other appropriate remedy, or (B) the Master Servicer may, if it so chooses, agree that such party (or its representatives) may disclose such Seller Information pursuant to such request or legal compulsion; and

(ii) unless the Master Servicer agrees that such Seller Information may be disclosed, make a timely objection to the request or compulsion to provide such Seller Information on the basis that such Seller Information is confidential and subject to the agreements contained in this Section 14.7.

In the event such protective order or remedy is not obtained, or the Master Servicer agrees that such Seller Information may be disclosed, such party will furnish only that portion of the Seller Information which (in such party's good faith judgment) is legally required to be furnished and will exercise reasonable efforts to obtain reliable assurance that confidential treatment will be afforded the Seller Information.

(d) Notwithstanding anything herein to the contrary, any party to this Agreement (and any employee, representative, or other agent of any party to this Agreement) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions and other tax analyses) that are provided to it relating to such tax treatment and tax structure. However, any such information relating to the tax treatment or tax structure is required to be kept confidential to the extent necessary to comply with any applicable federal or state securities laws.

(e) This Section 14.7 shall survive termination of this Agreement.

Section 14.8 Captions and Cross References.

The various captions (including, without limitation, the table of contents) in this Agreement are provided solely for convenience of reference and shall not affect the meaning or interpretation of any provision of this Agreement. Unless otherwise indicated, references in this Agreement to any Section, Appendix, Schedule or Exhibit are to such Section of or Appendix, Schedule or Exhibit to this Agreement, as the case may be, and references in any Section, subsection, or clause to any subsection, clause or subclause are to such subsection, clause or subclause of such Section, subsection or clause.

Section 14.9 Integration.

This Agreement and the other Transaction Documents contain a final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire understanding among the parties hereto with respect to the subject matter hereof, superseding all prior oral or written understandings.

Section 14.10 Governing Law.

THIS AGREEMENT, INCLUDING THE RIGHTS AND DUTIES OF THE PARTIES HERETO, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO PRINCIPLES OF CONFLICTS OF LAW (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

Section 14.11 Waiver Of Jury Trial.

EACH PARTY HERETO HEREBY EXPRESSLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR UNDER ANY AMENDMENT, INSTRUMENT OR DOCUMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR ARISING FROM ANY BANKING OR OTHER RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL NOT BE TRIED BEFORE A JURY.

Section 14.12 Consent To Jurisdiction; Waiver Of Immunities.

EACH PARTY HERETO HEREBY ACKNOWLEDGES AND AGREES THAT:

(a) IT IRREVOCABLY (i) SUBMITS TO THE JURISDICTION, FIRST, OF ANY UNITED STATES FEDERAL COURT, AND SECOND, IF FEDERAL JURISDICTION IS NOT AVAILABLE, OF ANY NEW YORK STATE COURT, AS APPROPRIATE, IN EITHER CASE SITTING IN NEW YORK COUNTY, NEW YORK, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, (ii) AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED ONLY IN SUCH NEW YORK STATE OR FEDERAL

COURT AND NOT IN ANY OTHER COURT, AND (iii) WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING.

(b) TO THE EXTENT THAT IT HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM THE JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID TO EXECUTION, EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, IT HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER OR IN CONNECTION WITH THIS AGREEMENT.

Section 14.13 Execution in Counterparts.

This Agreement may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or by electronic mail in portable document format (.pdf) shall be as effective as delivery of a manually executed counterpart of a signature page of this Agreement.

Section 14.14 No Recourse Against Other Parties.

The obligations of each Purchaser under this Agreement are solely the corporate obligations of such Purchaser. No recourse shall be had for the payment of any amount owing by any Purchaser under this Agreement or for the payment by such Purchaser of any fee in respect hereof or any other obligation or claim of or against such Purchaser arising out of or based upon this Agreement, against BTMU or against any employee, officer, director, incorporator or stockholder of such Purchaser. For purposes of this Section 14.14, the term "BTMU" shall mean and include MUFG Bank, Ltd. (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd.), and all affiliates thereof and any employee, officer, director, incorporator, stockholder or beneficial owner of any of them; provided, however, for the purposes of this paragraph, no Purchaser shall be considered to be an affiliate of its respective Purchaser Agent. Each of the Seller, the Master Servicer and the Agents agree that each Purchaser shall be liable for any claims that such party may have against such Purchaser only to the extent such Purchaser has excess funds and to the extent such assets are insufficient to satisfy the obligations of such Purchaser hereunder, such Purchaser shall have no liability with respect to any amount of such obligations remaining unpaid and such unpaid amount shall not constitute a claim against such Purchaser. Any and all claims against any Purchaser or any Purchaser Agent shall be subordinate to the claims of the holders of Commercial Paper Notes and the related Liquidity Banks.

Section 14.15 Severability of Provisions.

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction, shall as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provisions in any other jurisdiction.

Section 14.16 Amendment and Restatement.

This Agreement constitutes an amendment and restatement in its entirety of the Prior RPA. Each party hereto acknowledges that the amendment and restatement of the Prior RPA on the terms and conditions set forth herein shall not in any way affect any sales, transfers, assignments or security interest grants effected pursuant to the Prior RPA or any representations, warranties or covenants made by any Seller Party with respect to such sales, transfers, assignments or security interest grants, any indemnities made by any Seller Party, or any rights or remedies of the Administrative Agent or the Investors with respect thereto. Each Seller Party hereby confirms all sales, transfers, assignments and security interests effected pursuant to the Prior RPA.

[remainder of page intentionally left blank]

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

LPAC CORP.,
as Seller

By: Rick Pelini
Name: Rick Pelini
Title: President and Treasurer

LENNOX INDUSTRIES INC.,
as Master Servicer

By: Rick Pelini
Name: Rick Pelini
Title: Vice President and Treasurer

[additional signatures to follow]

VICTORY RECEIVABLES CORPORATION,
as a Purchaser

By:
Name: __
Title: __

MUFG BANK, LTD.,
as Administrative Agent and BTMU Purchaser Agent

By:
Name: __
Title: __

MUFG BANK, LTD.,
as a Liquidity Bank

By:
Name: __
Title: __

Percentage: The fraction equal to 160/380 (expressed as a percentage)

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as WFB Purchaser Agent and as a Liquidity Bank

By:
Name:
Title:

Percentage: The fraction equal to 110/380 (expressed as a percentage)

PNC BANK, NATIONAL ASSOCIATION,
as PNC Purchaser Agent and as a Liquidity Bank

By:
Name:
Title:

Percentage: The fraction equal to 110/380 (expressed as a percentage)

[end of signatures]

APPENDIX A

DEFINITIONS

This is Appendix A to the Amended and Restated Receivables Purchase Agreement dated as of November 18, 2011, among LPAC Corp., as the Seller, Lennox Industries, Inc., as the Master Servicer, Victory Receivables Corporation, as a Purchaser, BTMU, as the Administrative Agent, the BTMU Purchaser Agent and a Liquidity Bank, WFB, as the WFB Purchaser Agent and a Liquidity Bank, and PNC, as the PNC Purchaser Agent and a Liquidity Bank (as amended, supplemented or otherwise modified from time to time, this “Agreement”). Each reference in this Appendix A to any Section, Appendix or Exhibit refers to such Section of or Appendix or Exhibit to this Agreement.

(A) Defined Terms. As used in this Agreement, unless the context requires a different meaning, the following terms have the meanings indicated below:

A&R Sale Agreement: As defined in the Background.

Adjusted Dilution Ratio: The 12-month rolling average of the Dilution Ratio.

Administrative Agent: As defined in the preamble.

Affected Party: Each Purchaser, each Liquidity Bank, any assignee or participant of any Purchaser or any Liquidity Bank, BTMU, any successor to BTMU, as Administrative Agent or BTMU Purchaser Agent, WFB, any successor to WFB, as WFB Purchaser Agent, PNC, any successor to PNC, as PNC Purchaser Agent, or any sub-agent of any Agent.

Affiliate: With respect to any Person, any other Person controlling, controlled by, or under common control with, such Person.

Affiliated Obligor: In relation to any Obligor, an Obligor that is an Affiliate of such Obligor.

Agent: Any Purchaser Agent or the Administrative Agent.

Allied: Allied Air Enterprises LLC (f/k/a Allied Air Enterprises Inc.), a Delaware limited liability company.

Allocation Limit: As defined in Section 1.1.

Anti-Corruption Laws: All laws, rules, and regulations of any jurisdiction applicable to the Seller Parties, the Originators or their respective Subsidiaries from time to time concerning or relating to bribery or corruption, including, without limitation, the Foreign Corrupt Practices Act of 1977, as amended, and any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Asset Interest: An undivided percentage ownership interest, determined from time to time as provided in Section 1.4(b), in (i) all then outstanding Pool Receivables and (ii) all Related Assets.

Asset Tranche: At any time, a portion of the Asset Interest funded by any Purchaser Group selected by such Purchaser Group’s Purchaser Agent pursuant to and subject to the terms of Section 2.1.

Assignment and Acceptance: An assignment and acceptance agreement entered into by a Liquidity Bank, an Eligible Assignee, the Purchaser Agent of such Liquidity Bank’s Purchaser Group, and the Administrative Agent, pursuant to which such Eligible Assignee may become a party to this Agreement, in substantially the form of Exhibit D hereto.

Assurance Agreement: The Assurance Agreement dated as of November 25, 2009 made by Lennox International, as the same may be amended, restated, supplemented or modified from time to time in accordance with its terms.

Bank Rate: For any day falling in a particular Yield Period with respect to any Asset Tranche means an interest rate per annum equal to the sum of the BTMU LIBO Rate (Reserved), the WFB LIBO Rate (Reserved) or the PNC LIBO Rate (Reserved), as applicable, for such day or such Yield Period (as applicable) plus the Bank Rate Spread; provided, that in the case of (A) any Yield Period with respect to which any Purchaser or any Liquidity Bank shall have notified the Purchaser Agent of such Person’s Purchaser Group that (i) the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other Governmental Authority asserts that it is unlawful, for such Person to fund such Asset Tranche at the rate described above, or (ii) due to market conditions affecting the interbank eurodollar market, funds are not reasonably available to such Person in such market in order to enable it to fund such Asset Tranche at the rate described above (and in the case of subclause (i) or (ii) above, such Person shall not have subsequently notified such Purchaser Agent that such circumstances no longer exist), or

(B) other than with respect to a Yield Period for the WFB Purchaser Group or the PNC Purchaser Group, any Yield Period as to which any Purchaser Agent does not receive notice or determine, by no later than 12:00 noon (New York, New York time) on the third Business Day preceding the first day of such Yield Period, that the related Asset Tranche will be funded by Liquidity Fundings, and not by the issuance of Commercial Paper Notes, in either case, the “Bank Rate” shall mean an interest rate per annum equal to the Base Rate in effect from time to time during such Yield Period; it being understood that, in the case of paragraph (A) above, such rate shall only apply to the Persons affected by the circumstances described in such paragraph (A).

Bank Rate Spread: As defined in the Fee Letter.

Base Rate: For any day, the rate per annum equal to the sum of the Bank Rate Spread plus the higher as of such day of (i) the Prime Rate, or (ii) the Federal Funds Rate most recently determined by Administrative Agent, plus 1.00%; provided that for purposes of calculating the Yield Reserve in accordance with the defined term thereof “Base Rate” shall be calculated without including the Bank Rate Spread in such calculation. For purposes of determining the Base Rate for any day, changes in the Prime Rate or the Federal Funds Rate shall be effective on the date of each such change. The Base Rate is not necessarily intended to be the lowest rate of interest determined by BTMU in connection with extensions of credit.

Broken Funding Costs: Any loss or expense of the type described in Section 4.3 incurred by any Purchaser.

BTMU CP Costs: For each day in any Yield Period with respect to any Asset Tranche funded by Commercial Paper Notes, the sum of (a) discount or yield accrued (including, without limitation, any associated with financing the discount or interest component on the rollover of any Pooled Commercial Paper) on the BTMU Purchaser’s Pooled Commercial Paper on such day issued to fund or maintain such Asset Tranche, as determined by the BTMU Purchaser Agent, plus (b) any and all accrued commissions in respect of the BTMU Purchaser’s placement agents and commercial paper dealers, and issuing and paying agent fees incurred, in respect of such Pooled Commercial Paper for such day, plus (c) other costs (including without limitation those associated with funding small or odd-lot amounts) with respect to all receivable purchase, credit and other investment facilities which are funded by the applicable Pooled Commercial Paper for such day plus (d) on any day when any Liquidation Event or Unmatured Liquidation Event shall have occurred and be continuing, 2% per annum (it being understood that the amounts described herein shall be determined by the BTMU Purchaser Agent, whose determination shall be conclusive).

BTMU LIBO Rate: For any Yield Period the greater of (i) 0% and (ii) the rate per annum established by the BTMU Purchaser Agent (calculated on the basis of actual days elapsed over a 360-day year) equal to the London interbank offered rate, as administered by the ICE Benchmark Administration (or any other person that takes over the administration of such rate), for deposits in Dollars, appearing on the Reuters page that displays such rate (such page currently being the LIBOR01 page) as of 1:00 p.m. (London time) two (2) London business days immediately preceding the commencement of such Yield Period for the period matching such Yield Period; provided, however, if a Yield Period does not match an available LIBOR quotation, then the BTMU Purchaser Agent shall determine the BTMU LIBO Rate for the purpose of such Yield Period by linear interpolation of the nearest two (2) LIBOR rates. In the event that such rate does not appear on such page or service at such time, “BTMU LIBO Rate” shall be determined by reference to such other comparable publicly available service for displaying the offered rate for deposits in Dollars in the London interbank market as may be selected by the BTMU Purchaser Agent and, in the absence of availability, such other method to determine such offered rate as may be selected by the BTMU Purchaser Agent in its sole discretion.

BTMU LIBO Rate Reserve Percentage: With respect to any Investor for any Yield Period in respect of which Earned Discount is computed by reference to the BTMU LIBO Rate, the reserve percentage applicable two Business Days before the first day of such Yield Period under regulations issued from time to time by the Federal Reserve Board (or if more than one such percentage shall be applicable, the daily average of such percentages for those days in such Yield Period during which any such percentage shall be so applicable) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Investor with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (as such term is defined in Regulation D) (or with respect to any other category of Liabilities that includes deposits by reference to which the interest rate on Eurocurrency Liabilities is determined) having a term equal to such Yield Period.

BTMU LIBO Rate (Reserved): With respect to any Yield Period means a rate per annum equal to the quotient obtained (rounded upwards, if necessary, to the next higher 1/100th of 1%) by dividing (i) the applicable BTMU LIBO Rate for such Yield Period by (ii) a percentage equal to 100% minus the BTMU LIBO Rate Reserve Percentage.

BTMU Liquidity Agreement: The liquidity asset purchase agreement or other liquidity agreement entered into by any BTMU Liquidity Bank for the benefit of the BTMU Purchaser, to the extent relating to the sale or transfer of interests in the Asset Interest.

BTMU Liquidity Bank: BTMU or any other Person providing liquidity or credit support to BTMU Purchaser under a BTMU Liquidity Agreement.

BTMU Purchaser: As defined in the preamble.

BTMU Purchaser Account: Such account set forth in a separate letter by the BTMU Purchaser Agent to the Seller and Master Servicer, or such other account as may be specified in writing from time to time by the BTMU Purchaser Agent to the Seller and Master Servicer.

BTMU Purchaser Agent: As defined in the preamble.

BTMU Purchaser Group: The BTMU Purchaser, the BTMU Liquidity Banks and the BTMU Purchaser Agent, together with their respective successors, assigns and participants.

BTMU Purchaser Group Limit: With respect to any period, the corresponding amount for such period set forth below:

Period	BTMU Purchaser Group Limit
Reporting Date in February until the date preceding the Reporting Date in March	\$94,736,842.10
Reporting Date in March until the date preceding the Reporting Date in April	\$94,736,842.10
Reporting Date in April until the date preceding the Reporting Date in May	\$122,105,263.16
Reporting Date in May until the date preceding the Reporting Date in June	\$122,105,263.16
Reporting Date in June until the date preceding the Reporting Date in July	\$122,105,263.16
Reporting Date in July until the date preceding the Reporting Date in August	\$160,000,000.00
Reporting Date in August until the date preceding the Reporting Date in September	\$160,000,000.00
Reporting Date in September until the date preceding the Reporting Date in October	\$160,000,000.00
Reporting Date in October until the date preceding the Reporting Date in November	\$122,105,263.16
Reporting Date in November until the date preceding the Reporting Date in December	\$122,105,263.16
Reporting Date in December until the date preceding the Reporting Date in January	\$122,105,263.16
Reporting Date in January until the date preceding the Reporting Date in February	\$94,736,842.10

; provided, however, that, each reference to a Reporting Date in the foregoing table shall be determined without reference to the proviso contained in the definition of “Reporting Date”.

BTMU: As defined in the preamble.

Business Day: A day on which commercial banks in Atlanta, Chicago or New York City are not authorized or required to be closed for business; provided, that, when used with respect to the Earned Discount Rate or associated Asset Tranche based on BTMU LIBO Rate, WFB LIBO Rate or PNC LIBO Rate, “Business Day” means any Business Day on which banks are open for domestic and international business (including dealings in Dollar deposits) in London, England.

Capital Lease: At any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

Change in Control:

(i) in relation to Lennox International, the acquisition after the date hereof by any person or group of persons (within the meaning of Section 13 or 14 of the Exchange Act), of beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Exchange Act) of issued and outstanding shares of the capital stock of such Person entitled (without regard to the occurrence of any contingency) to vote for the election of members of the board of directors of such Person and having a then present right to exercise 50% or more of the voting power for the election of members of the board of directors of such Person attached to all such outstanding shares of capital stock of such Person, unless otherwise agreed in writing by the Agents; and

(ii) in relation to the Master Servicer, the Seller or any Originator, the failure of Lennox International to own (directly or through wholly-owned Subsidiaries of Lennox International) 100% of the issued and outstanding shares of the capital stock (including all warrants, options, conversion rights, and other rights to purchase or convert into such stock) of the Master Servicer, the Seller or such Originator, as applicable, on a fully diluted basis.

Code: The Internal Revenue Code of 1986, as the same may be amended from time to time.

Collateral: As defined in Section 9.1.

Collection Account: The segregated account that may be established and maintained in the name of the Seller with JPMorgan Chase Bank, N.A., or another commercial bank reasonably approved by the Agents.

Collection Period:

- (i) the period from the date of the initial Purchase to the last day of the calendar month in which such date occurs;
and
- (ii) thereafter, each period from the last day of the next preceding Collection Period to the last day of the next following calendar month;

provided, however, that during any period during which Weekly Reports are required to be delivered, the Collection Period related to each related Settlement Date shall be the related Weekly Reporting Period; provided, further, however, that the last Collection Period shall end on the Final Payout Date.

Collections: With respect to any Receivable, (i) all funds which either are received by the Seller, the Originators or the Master Servicer from or on behalf of the related Obligor in payment of any amounts owed (including, without limitation, purchase prices, finance charges, interest and all other charges) in respect of such Receivable, or applied to such amounts owed by such Obligor (including, without limitation, cash proceeds of Related Security with respect to such Receivable, including, without limitation, insurance payments that the Seller, the Originator or the Master Servicer applies in the ordinary course of its business to amounts owed in respect of such Receivable and net proceeds of sale or other disposition of repossessed goods or other collateral or property of the Obligor or any other party directly or indirectly liable for payment of such Receivable and available to be applied thereon), and (ii) all Deemed Collections; provided that, prior to such time as Lennox shall cease to be the Master Servicer, late payment charges, collection fees, extension fees and any other similar fees or expenses billed to and collected from an Obligor shall be paid to the Master Servicer as additional compensation for the performance of its duties as Master Servicer hereunder.

Commercial Paper Notes: The commercial paper promissory notes issued by any Purchaser in the commercial paper market.

Contract: A contract between the Seller or the Originator and any Person, or an invoice sent or to be sent by the Seller or the Originator, pursuant to or under which a Receivable shall arise or be created, or which evidences a Receivable. A 'related Contract' or similar reference means rights to payment, collection and enforcement, and other rights under a Contract to the extent directly related to a Receivable in the Receivables Pool, but not any other rights under such Contract.

CP Accrual Period: Each Collection Period during which any Asset Tranche is funded with Commercial Paper Notes.

CP Costs: The BTMU CP Costs.

Credit Agreement: That certain Fourth Amended and Restated Revolving Credit Facility Agreement dated as of October 21, 2011 by and among Lennox International Inc. as the borrower, certain financial institutions, as the lenders, and JPMorgan Chase Bank, National Association, as administrative agent for the lenders, as such agreement may be further amended, restated, substituted or replaced from time to time.

Credit and Collection Policy: Collectively, those credit and collection policies and practices of the Originators and the Master Servicer relating to Contracts and Receivables as in effect on the date of this Agreement in the form of Exhibit C hereto, as may hereafter be modified without violating Section 7.3(c), but subject to compliance with applicable state regulations in effect from time to time.

Credit Event: The earliest of (i) an Event of Bankruptcy with respect to Lennox International, (ii) an Event of Bankruptcy with respect to Lennox or (iii) any event described in subsection (d) of Section 10.1 hereof.

Cut-Off Date: The last day of each fiscal month of the Master Servicer.

Days Sales Outstanding or DSO: As of any day, an amount equal to the product of (i) 91 and (ii) a fraction the numerator of which is the aggregate Unpaid Balance of Pool Receivables as of the most recent Cut-Off Date and the denominator of which is the aggregate dollar amount of Receivables generated by the Originators during the three Collection Periods including and immediately preceding such Cut-Off Date.

Deemed Collections: As defined in Section 3.2(a).

Default Horizon Ratio: As of any Cut-Off Date, the ratio (expressed as a percentage) of (i) (A) if the Weighted Average Term is less than or equal to 60 days, the sum of (a) the aggregate sales of the Originators during the immediately preceding four (4) calendar months ending on such Cut-Off Date and (b) 50% of the aggregate sales of the Originators during the fifth (5th) calendar month preceding such Cut-Off Date, (B) if the Weighted Average Term is greater than 60 days and less than or equal to 75 days, the aggregate sales of the Originators during the immediately preceding five (5) calendar months ending on such Cut-Off Date, and (C) if the Weighted Average Term is greater than 75 days, the sum of (a) the aggregate sales of the Originators during the immediately preceding five (5) calendar months ending on such Cut-Off Date and (b) 50% of the aggregate sales of the Originators during the sixth (6th) calendar month preceding such Cut-Off Date, divided by (ii) the Net Pool Balance on such Cut-Off Date.

Default Ratio: At any time, an amount (expressed as a percentage) equal to a fraction (i) the numerator of which is equal to the sum of the Unpaid Balances of Receivables, during the immediately preceding Collection Period, as to which, without duplication, (A) any payment, or part thereof, remains unpaid for more than 150 days, but less than 181 days, from the original due date for such payment or (B) any portion of the Unpaid Balance (including amounts related to an Event of Bankruptcy) or other payment due in respect thereof was (or should have been) written off and (ii) the denominator of which is the amount of sales generated during the Collection Period six months prior to the immediately preceding Collection Period.

Defaulted Receivable: A Receivable as to which, without duplication, (i) any payment, or part thereof, remains unpaid for more than 120 days from the original due date for such payment, (ii) any portion of the Unpaid Balance or other payment due in respect thereof was (or should have been) written off prior to the 120th day following the original due date for such payment, or (iii) an Event of Bankruptcy shall have occurred with respect to the Obligor thereof or any other Person obligated thereon or owning any Related Security in respect thereof.

Delinquency Ratio: At any time, the ratio (expressed as a percentage) computed as of the Cut-Off Date for the most recently preceding Collection Period by dividing (i) the aggregate Unpaid Balance of all Pool Receivables that are Delinquent Receivables on such Cut-Off Date by (ii) the aggregate Unpaid Balance of Pool Receivables on such Cut-Off Date.

Delinquent Receivable: A Pool Receivable (i) that is not a Defaulted Receivable and (ii) as to which any payment, or part thereof, remains unpaid for 61 days or more from the original due date for such payment.

Dilution: The amount of any reduction or cancellation of the Unpaid Balance of a Pool Receivable as described in Section 3.2(a), but excluding any Specified Annual Rebate processed during the applicable Collection Period, if applicable.

Dilution Horizon: For any day, the weighted average credit memo lag, in days, set forth in the most recent review conducted pursuant to the provisions of Section 7.1(c).

Dilution Horizon Ratio: As of any date, the product (calculated as of the most recent Reporting Date) of (a) the decimal equivalent of a fraction, the numerator of which is the aggregate dollar amount of all Receivables generated by the Originators during the most recent Collection Period and the denominator of which is the Net Pool Balance as of the most recent Cut-Off Date and (b) the decimal equivalent of a fraction the numerator of which is the then current Dilution Horizon and the denominator of which is 31.

Dilution Ratio: As of any Cut-Off Date, the percentage equivalent of a fraction, the numerator of which is the aggregate dollar amount of Dilutions that occurred during the Collection Period ending on such date and the denominator of which is the aggregate dollar amount of all Receivables originated by the Originators during such Collection Period.

Dilution Reserve: The product of (i) the sum of (A) the product of (x) 2 and (y) the Adjusted Dilution Ratio plus (B) the Dilution Volatility Component and (ii) the Dilution Horizon Ratio.

Dilution Volatility Component: The product of (i) the positive excess, if any, of (A) the highest three month rolling average Dilution Ratio over the past 12 months over (B) the Adjusted Dilution Ratio and (ii) a fraction, the numerator of which is the highest three month rolling average Dilution Ratio over the past 12 months and the denominator of which is the Adjusted Dilution Ratio.

Dollars: Means dollars in lawful money of the United States of America.

Downgraded Liquidity Bank: A Liquidity Bank with respect to which a Downgrading Event shall have occurred.

Downgrading Event: With respect to any Person means the lowering of the rating with regard to the short-term securities of such Person to below (i) A-1 by Standard & Poor's Ratings Group, or (ii) P-1 by Moody's.

Earned Discount: For each day during any Yield Period for any Asset Tranche funded with a Liquidity Funding by any Purchaser Group:

$$\frac{IA \times ER \times ED}{360} + LF$$

where:

- IA = such Purchaser Group's Purchaser Group Invested Amount in such Asset Tranche on such day during such Yield Period,
- ER = the applicable Earned Discount Rate for such Yield Period,
- ED = the actual number of days elapsed during such Yield Period, and
- LF = the Liquidation Fee, if any, during such Yield Period.

Earned Discount Rate: For any Yield Period for any Asset Tranche funded by a Liquidity Funding, the Bank Rate for such Asset Tranche and such Yield Period;

provided, however, on any day when any Liquidation Event or an Unmatured Liquidation Event shall have occurred and be continuing, the Earned Discount Rate for each Asset Tranche shall mean a rate per annum equal to the Base Rate plus 2% per annum.

Eighth Amendment Date: As defined in the preamble.

Eligible Assignee: (i) BTMU or any of its Affiliates, (ii) any Person managed by BTMU or any of its Affiliates, (iii) WFB or any of its Affiliates, (iv) any Person managed by WFB or any of its Affiliates, (v) PNC or any of its Affiliates, (vi) any Person managed by PNC or any of its Affiliates, or (vii) any financial or other institution acceptable to the Administrative Agent, and approved by the Seller (which approval by the Seller shall not be unreasonably withheld, delayed or conditioned and shall not be required if a Liquidation Event, Unmatured Liquidation Event or Credit Event has occurred and is continuing).

Eligible Receivable: At any time, a Receivable:

(i) which is a Pool Receivable arising out of the sale by an Originator in the ordinary course of its business that has been sold or contributed to the Seller pursuant to the Sale Agreement in a “true sale” transaction;

(ii) as to which the perfection of the Investors’ undivided percentage ownership interest therein is governed by the laws of a jurisdiction where the UCC is in force, and which constitutes an “account” as defined in the UCC as in effect in such jurisdiction;

(iii) the Obligor of which is (A) a resident of the United States, or any of its possessions or territories; provided, however, that a Receivable that is otherwise an “Eligible Receivable” but for this clause (iii)(A) shall be an Eligible Receivable if (a) the Obligor of such Receivable is domiciled in Canada, or any of its provinces or territories, and the Unpaid Balance of such Receivable, when added to the Unpaid Balance of all other Receivables as to which the Obligors are residents of Canada, or any of its provinces or territories, classified at such time as Eligible Receivables pursuant to this clause (a), would not exceed 5% of the aggregate Unpaid Balance of all Eligible Receivables at such time; and (b) the Unpaid Balance of such Receivable, when added to the Unpaid Balance of all other Receivables as to which the Obligors are not residents of the United States or Canada, or any of its possessions, provinces or territories, classified at such time as Eligible Receivables pursuant to this clause (b), would not exceed 6% of the aggregate Unpaid Balance of all Eligible Receivables at such time; provided, further, that at no time shall (x) a Receivable as to which the Obligor is domiciled in a non-OECD member country, and that is otherwise classified at such time as an “Eligible Receivable”, be an Eligible Receivable if the Unpaid Balance of such Receivable, when added to the Unpaid Balance of all other Receivables as to which the Obligors are domiciled in non-OECD member countries, and that are otherwise classified at such time as Eligible Receivables, would exceed 3% of the aggregate Unpaid Balance of all Eligible Receivables at such time, and (y) any Receivable the Obligor of which is domiciled in Venezuela be classified as an Eligible Receivable, (B) not an Affiliate or employee of any Seller Party, and (C) not a Sanctioned Person nor organized or resident in a Sanctioned Country;

(iv) which is neither a Defaulted Receivable nor a Delinquent Receivable;

(v) with regard to which the representations and warranties of the Seller set forth in Section 6.1(l) are true and correct;

(vi) the sale of an undivided interest in which does not contravene or conflict with any law;

(vii) which is denominated and payable only in Dollars in the United States;

(viii) which arises under a Contract that has been duly authorized and that, together with such Receivable, is in full force and effect and constitutes the legal, valid and binding obligation of the Obligor of such Receivable enforceable against such Obligor in accordance with its terms and is not subject to any dispute, offset, counterclaim or defense whatsoever, provided, however, that if such dispute, offset, counterclaim or defense affects only a portion of the Unpaid Balance of such Receivable then such Receivable may be deemed an Eligible Receivable to the extent of the portion of such Unpaid Balance which is not so affected;

(ix) which, together with the Contract related thereto, does not contravene in any material respect any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to usury, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which no party to the Contract related thereto is in violation of any such law, rule or regulation in any material respect if such violation would impair the collectibility of such Receivable;

(x) which satisfies in all material respects all applicable requirements of the applicable Originator’s Credit and Collection Policy;

(xi) which, according to the Contract related thereto, is due and payable within 120 days from the invoice date of such Receivable; provided, however, that on any day when the Weighted Average Term shall exceed 60 days, such Receivable, pursuant to the Contract related thereto, shall be due and payable within 90 days from the invoice date of such Receivable; provided, further that a Receivable that is otherwise an “Eligible Receivable” and is due and payable within 91-120 days from its invoice date shall not be an Eligible Receivable, if the Unpaid Balance of such Receivable when added to the Unpaid Balance of all other Receivables that are due and payable within 91-120 days from their respective invoice dates, would exceed 5% of the aggregate Unpaid Balance of all Receivables;

(xii) the Obligor of which is not the Obligor of any Defaulted Receivable which in the aggregate constitute 35% or more of the aggregate Unpaid Balance of all Receivables of such Obligor;

(xiii) the original term of which has not been extended and the Unpaid Balance of which has not been adjusted more than one time;

(xiv) the Obligor of which is not a Governmental Authority as to which the assignment of receivables owing therefrom requires compliance with the Federal Assignment of Claims Act or other similar legislation (unless the Seller has complied therewith); provided, however, that a Receivable that is otherwise an “Eligible Receivable” but for this clause (xiv) shall be an Eligible Receivable if the Unpaid Balance of such Receivable, when added to the Unpaid Balance of all other Receivables as to which the Obligors of which are Government Authorities as to which the assignment of receivables owing therefrom requires compliance with the Federal Assignment of Claims Act or other similar legislation, classified at such time as Eligible Receivables pursuant to this proviso, would not exceed 5% of the aggregate Unpaid Balance of all Eligible Receivables at such time;

(xv) which is not classified by the “Terms Description” of the related Originator’s Credit and Collection Policy or any other internal classification procedures utilized by such Originator as (A) “Authorizer,” (B) “Cash Application,” (C) “Check in Progress,” (D) “COD-Certified Check,” (E) “COD-Company Check,” (F) “Consignment Shipment,” (G) “Direct Pay,” (H) “Due Immediately,” (I) “Gratis,” (J) “Invoice to be Considered,” (K) “Paid in Advance,” (L) “Payroll Deduction,” (M) “Warrant Gratis,” (N) “Warranty Parts,” or (O) any other classification now existing or hereinafter created that has the same or any similar definition as any of the foregoing;

(xvi) as to which the applicable Originator has satisfied and fully performed all obligations on its part with respect to such Receivable required to be fulfilled by it, and no further action is required to be performed by any Person with respect thereto other than payment thereon by the applicable Obligor; and

(xvii) as to which any Purchaser Agent has not notified Seller that such Purchaser Agent has determined that such Receivable or class of Receivables is not acceptable as an Eligible Receivable, including, without limitation, because such Receivable arises under a Contract that is not acceptable to such Purchaser Agent.

ERISA: The U.S. Employee Retirement Income Security Act of 1974, as amended from time to time.

ERISA Affiliate: Any trade or business (whether or not incorporated) that is a member of a group of which the Master Servicer or Lennox International is a member and which is treated as a single employer under Section 414 of the Code.

Event of Bankruptcy: With respect to a Person if either:

(i) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person or all or substantially all of its assets, or any similar action with respect to such Person under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue undismissed, or unstayed and in effect, for a period of 60 consecutive days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy laws or other similar laws now or hereafter in effect; or

(ii) such Person shall commence a voluntary case or other proceeding under any applicable bankruptcy, insolvency, reorganization, debt arrangement, dissolution or other similar law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) for, such Person or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall be adjudicated insolvent, or admit in writing its inability to, pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors shall vote to implement any of the foregoing.

Excess Concentration Amount: As of any date, the sum of the amounts by which the aggregate Unpaid Balance of Receivables of each Obligor exceeds the Obligor Concentration Limit for such Obligor.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Federal Funds Rate: For any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York; or (b) if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by BTMU from three federal funds brokers of recognized standing selected by it.

Federal Reserve Board: The Board of Governors of the Federal Reserve System, or any successor thereto or to the functions thereof.

Fee Letter: The fee letter (including all amendments, modifications, restatements, replacements and addendums thereto) entered into from time to time by the Seller and the members of each Purchaser Group.

Final Payout Date: The date following the Termination Date on which the Invested Amount shall have been reduced to zero and all other amounts payable by the Seller under the Transaction Documents shall have been paid in full.

Funding Termination Date: The earliest of the following:

- (i) November 13, 2019, or such later date as may, from time to time, be agreed to in writing by the Agents;
- (ii) the date on which the Agents declare a Funding Termination Date in a notice to the Seller in accordance with Section 10.2(a); or
- (iii) in accordance with Section 10.2(b), the Funding Termination Date occurs automatically.

GAAP: Generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such accounting profession, which are applicable to the circumstances as of the date of determination.

Governmental Authority: Any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, any court or arbitrator and any accounting board or authority (whether or not a part of government) which is responsible for the establishment or interpretation of national or international accounting principles, in each case whether foreign or domestic.

Guaranty: With respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any Indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

- (i) to purchase such Indebtedness or obligation or any property constituting security therefor;
- (ii) to advance or supply funds (A) for the purchase or payment of such Indebtedness or obligation, or (B) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation;
- (iii) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of any other Person to make payment of the Indebtedness or obligation; or
- (iv) otherwise to assure the owner of such Indebtedness or obligation against loss in respect of thereof. In any computation of the Indebtedness or other liabilities of the obligor under any Guaranty, the Indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

Heatcraft: Heatcraft Technologies Inc., a Delaware corporation.

Heatcraft Refrigeration: Heatcraft Refrigeration Products LLC, a Delaware limited liability company.

Indebtedness: With respect to any Person shall mean, at any time, without duplication:

- (i) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;
- (ii) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);
- (iii) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;

(iv) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(v) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money, but excluding in any event obligations in respect of (A) trade or commercial letters of credit issued for the account of such Person in the ordinary course of its business and (B) stand-by letters of credit issued to support obligations of such Person that are not of a type described in any of clauses (i), (ii), (iii), (iv), (vi) or (vii) of this definition;

(vi) Swaps of such Person; and

(vii) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (i) through (vi) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (i) through (vii) above to the extent such Person remains legally liable in respect hereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

Indemnified Amounts: As defined in Section 13.1.

Indemnified Party: As defined in Section 13.1.

Independent Director: A Person who is a director of the Seller and who is not at such time, and has not been at any time during the preceding five (5) years: (i) a creditor, supplier, director, officer, employee, family member, manager, member, limited partner, partner or contractor of Lennox International, the Master Servicer, any Originator or any of their respective Subsidiaries or Affiliates (other than in such Person's role as a director of Seller), (ii) a direct or indirect or beneficial owner, excluding *de minimus* ownership interests, (at the time of such individual's appointment as an Independent Director or at any time thereafter while serving as an Independent Director) of any of the outstanding common shares of the Seller, Lennox International, the Master Servicer, any Originator, or any of their respective Subsidiaries or Affiliates, having general voting rights, or (iii) a person who controls (whether directly, indirectly or otherwise) Lennox International, the Master Servicer, any Originator or any of their respective Subsidiaries or Affiliates (other than in such Person's role as a director of Seller) or any creditor, supplier, employee, officer, director, manager, member, limited partner, partner or contractor of Lennox International, the Master Servicer, any Originator or any of their respective Subsidiaries or Affiliates (other than in such Person's role as a director of Seller). Such Person shall be employed by a nationally recognized provider of corporate or structured finance services.

Information Package: A report in the form of Exhibit 3.1(a) and, during any period during which a Weekly Report is required to be delivered, each such Weekly Report, provided, however, that, if a Liquidation Event has occurred and is continuing, such Information Package shall be accompanied by an electronic file in a form satisfactory to each Purchaser Agent.

Initial Sale Agreement: As defined in the Background.

Initial Seller Note: As defined in the Sale Agreement.

Interim Cut-Off Date: Such date as may be specified by any Agent in any request to provide an Interim Information Package pursuant to Section 1.4(c).

Interim Information Package: As defined in Section 1.4(c).

Interim Reporting Date: As defined in Section 1.4(c).

Interim Reporting Period: Such period as may be specified by any Agent in any request to provide an Interim Information Package pursuant to Section 1.4(c).

Interim Settlement Date: One Business Day following each Interim Reporting Date.

Invested Amount: At any time with respect to the Asset Interest an amount equal to (i) the aggregate of the amounts theretofore paid to Seller for Purchases pursuant to Sections 1.1 and 1.2, less (ii) the aggregate amount of Collections theretofore received and actually distributed to the Investors on account of such Invested Amount pursuant to Section 1.3.

Investors: The Purchasers and the Liquidity Banks.

Investors' Share: With respect to any amount, at any time, the lesser of (i) the most recently calculated Asset Interest and (ii) 100%.

Lennox: As defined in the Preamble.

Lennox Hearth: Lennox Hearth Products LLC, a Delaware limited liability company.

Lennox International: Lennox International Inc., a Delaware corporation.

Lien: With respect to any Person, any mortgage, lien, pledge, charge, security interest, or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

Liquidation Event: As defined in Section 10.1.

Liquidation Fee: For each Asset Tranche (or portion thereof) funded through a Liquidity Funding, for each day in any Yield Period (computed without regard to clause (iii) of the proviso of the definition of “Yield Period”), the amount, if any, by which:

(i) the additional Earned Discount (calculated without taking into account any Liquidation Fee) which would have accrued on the reductions of the portion of the Invested Amount of the related Investor allocated to such Asset Tranche during such Yield Period (as so computed) if such reductions had not been made, exceeds

(ii) the income, if any, received by the related Investor from investing the proceeds of such reductions of such Investor’s portion of the Invested Amount.

Liquidation Period: The period commencing on the earlier of (i) the Funding Termination Date and (ii) the date on which a Liquidation Event has occurred or is continuing and the Administrative Agent, at the direction of any Agent, shall have notified Seller and the Master Servicer in writing, pursuant to Section 10.2(a), that the Liquidation Period has commenced, and ending on the Final Payout Date; provided, however, upon the occurrence of a Liquidation Event described in Section 10.1(e), the Liquidation Period shall commence automatically.

Liquidity Agent: With respect to the BTMU Purchaser Group, BTMU, as liquidity agent for the Liquidity Banks under the BTMU Liquidity Agreement, or any successor to BTMU in such capacity.

Liquidity Agreement: With respect to the BTMU Purchaser Group, the BTMU Liquidity Agreement.

Liquidity Bank: (i) With respect to the BTMU Purchaser Group, each BTMU Liquidity Bank, (ii) with respect to the WFB Purchaser Group, each WFB Liquidity Bank, and (iii) with respect to the PNC Purchaser Group, each PNC Liquidity Bank (collectively, the Liquidity Banks).

Liquidity Funding: Either (i) a purchase made by any Liquidity Bank (or simultaneous purchases made by the Liquidity Banks) from a Purchaser pursuant to any Liquidity Agreement or (ii) a Purchase made by a Liquidity Bank pursuant to Section 1.1.

Lockbox Account: An account maintained for the purpose of receiving Collections at a bank or other financial institution which has executed a Lockbox Agreement.

Lockbox Agreement: An agreement, in substantially the form of Exhibit A-1, among the Master Servicer, the Administrative Agent, the Seller and any Lockbox Bank.

Lockbox Bank: Any of the banks holding one or more lockboxes or Lockbox Accounts receiving Collections from Pool Receivables.

Loss Reserve: At any time, means the product of (1) 2.0 and (2) the highest rolling three month average Default Ratio during the immediately preceding twelve (12) months and (3) the most recently calculated Default Horizon Ratio.

Master Servicer: As defined in the preamble.

Material Adverse Effect: With respect to any event or circumstance, a material adverse effect on:

(i) (A) the assets, operations, business or financial condition of the Seller or (B) the business, assets, operations or financial condition of Lennox International and its Subsidiaries, taken as a whole, which could reasonably be expected to have a material adverse effect on the creditworthiness of any Originator;

(ii) the ability of the Seller, the Master Servicer, any Originator or any Affiliate thereof to perform in all material respects its obligations under this Agreement or any other Transaction Document; or

(iii) the validity or enforceability of this Agreement or any other Transaction Document, or the validity, enforceability or collectibility of a material portion of the Receivables Pool; or

(iv) the status, existence, perfection, priority or enforceability of the Secured Parties’ and the Administrative Agent’s interest in the Receivables Pool.

Material Indebtedness: Indebtedness, the aggregate principal amount of which is greater than \$75,000,000.

Michel: R. E. Michel Company, a Maryland corporation.

Moody's: Moody's Investors Service, Inc.

Net Pool Balance: On any date, an amount equal to (i) the aggregate Unpaid Balance of all Eligible Receivables in the Receivables Pool on such date, minus (ii) the Excess Concentration Amount on such date, minus (iii) any Specified Annual Rebate processed during the Collection Period during which such date occurs, if applicable.

Net Worth: With respect to the Seller on any date, an amount equal to the aggregate Unpaid Balance of all Pool Receivables minus the sum of (i) the aggregate Unpaid Balance of all Defaulted Receivables on such day, (ii) if applicable, the aggregate principal amount outstanding of the Initial Seller Notes on such day, together with all accrued and unpaid interest thereon on such day, and (iii) an amount equal to the Required Reserves plus the Invested Amount on such day.

Obligor: A Person obligated to make payments with respect to a Receivable, including any guarantor thereof.

Obligor Concentration Limit: At any time, in relation to the aggregate Unpaid Balance of Receivables owed by any single Obligor and its Affiliated Obligors (if any):

(i) for Obligors (other than Michel) who have a short term unsecured debt rating currently assigned to them by either S&P or Moody's, the applicable concentration limit shall be determined according to the following table (and, if such Obligor is rated by both S&P and Moody's and has a split rating, the applicable rating will be the lower of the two):

S&P Rating	Moody's Rating	Allowable % of Eligible Receivables
A-1 or better	P-1	10%
A-2	P-2	6%
A-3	P-3	3%

If such Obligor is rated by only S&P, the applicable rating will be deemed to be one ratings tier below the actual rating by S&P, and, if such Obligor is rated by only Moody's, the applicable rating will be deemed to be one ratings tier below the actual rating by Moody's, it being understood that if, for example, Moody's has assigned a P-1 rating to such Obligor and S&P has not rated it, the applicable rating will be deemed to be P-2;

(ii) for Michel, 7.5% of the aggregate Unpaid Balance of Eligible Receivables at such time provided, that such percentage may be decreased by the Administrative Agent in its sole discretion; and

(iii) for Obligors (other than Michel) who do not have a debt rating listed above or who are not rated, 2.5% of the aggregate Unpaid Balance of Eligible Receivables at such time;

provided, however that at the Seller's request and in the Agents' sole discretion, the Agents may permit certain obligors to have an Obligor Concentration Limit in excess of those described in clauses (i) and (iii) above ("Special Obligor"); provided, however, that any such Special Obligor designation shall not take effect without the confirmation of approval to the Agents by each of Fitch Investors Service, Moody's and S&P of such designation, if any Agent, in its sole discretion, determines that such confirmation of approval shall be required.

OFAC: The Office of Foreign Assets Control of the U.S. Department of the Treasury.

Originator: Each of Lennox and any other Person who is a seller under the Sale Agreement.

Other Taxes: As defined in Section 14.5(b).

Percentage: With respect to any Liquidity Bank, the percentage set forth as such Liquidity Bank's Percentage on the signature page to this Agreement or to the Assignment and Acceptance pursuant to which such Liquidity Bank became a party to this Agreement, in each case as such percentage may be reduced or increased by any Assignment and Acceptance entered into between such Liquidity Bank and an Eligible Assignee.

Person: An individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture, government or any agency or political subdivision thereof or any other entity.

Plan: Any pension plan subject to the provisions of Title IV of ERISA or Section 412 of the Code which is maintained for employees of Lennox or any ERISA Affiliate.

PNC: As defined in the preamble.

PNC LIBO Rate: For any day during any Yield Period, an interest rate per annum determined by the PNC Purchaser Agent and equal to LMIR. "LMIR" means, for any day during any Yield Period, the greater of (i) 0% and (ii) the one-month eurodollar rate for U.S. dollar deposits as reported on the Reuters Screen LIBOR01 Page or any other page that may replace such page from time

to time for the purpose of displaying offered rates of leading banks for London interbank deposits in United States dollars, as of 11:00 a.m. (London time) on such day, or if such day is not a Business Day, then the immediately preceding Business Day (or if not so reported, then as determined by the PNC Purchaser Agent from another recognized source for interbank quotation), in each case, changing when and as such rate changes.

PNC LIBO Rate Reserve Percentage: With respect to any Investor for any Yield Period in respect of which Earned Discount is computed by reference to the PNC LIBO Rate, the maximum effective percentage in effect on such day as prescribed by the Federal Reserve Board for determining the reserve requirements (including without limitation, supplemental, marginal, and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as Eurocurrency Liabilities (as such term is defined in Regulation D)).

PNC LIBO Rate (Reserved): With respect to any Yield Period means a rate per annum equal to the quotient obtained (rounded upwards, if necessary, to the next higher 1/100th of 1%) by dividing (i) the applicable PNC LIBO Rate for such Yield Period by (ii) a percentage equal to 100% minus the PNC LIBO Rate Reserve Percentage.

PNC Liquidity Bank: PNC or any other Person designated as such from time to time.

PNC Purchaser Account: Such account set forth in a separate letter by the PNC Purchaser Agent to the Seller and Master Servicer, or such other account as may be specified in writing from time to time by the PNC Purchaser Agent to the Seller and Master Servicer.

PNC Purchaser Agent: As defined in the preamble.

PNC Purchaser Group: The PNC Liquidity Banks and the PNC Purchaser Agent, together with their respective successors, assigns and participants.

PNC Purchaser Group Limit: With respect to any period, the corresponding amount for such period set forth below:

<u>Period</u>	<u>PNC Purchaser Group Limit</u>
Reporting Date in February until the date preceding the Reporting Date in March	\$65,131,578.95
Reporting Date in March until the date preceding the Reporting Date in April	\$65,131,578.95
Reporting Date in April until the date preceding the Reporting Date in May	\$83,947,368.42
Reporting Date in May until the date preceding the Reporting Date in June	\$83,947,368.42
Reporting Date in June until the date preceding the Reporting Date in July	\$83,947,368.42
Reporting Date in July until the date preceding the Reporting Date in August	\$110,000,000
Reporting Date in August until the date preceding the Reporting Date in September	\$110,000,000
Reporting Date in September until the date preceding the Reporting Date in October	\$110,000,000
Reporting Date in October until the date preceding the Reporting Date in November	\$83,947,368.42
Reporting Date in November until the date preceding the Reporting Date in December	\$83,947,368.42
Reporting Date in December until the date preceding the Reporting Date in January	\$83,947,368.42
Reporting Date in January until the date preceding the Reporting Date in February	\$65,131,578.95

; provided, however, that, each reference to a Reporting Date in the foregoing table shall be determined without reference to the proviso contained in the definition of "Reporting Date".

Pool Receivable: A Receivable in the Receivables Pool.

Pooled Commercial Paper: Commercial Paper Notes issued by the BTMU Purchaser which are subject to any particular pooling arrangement, as determined by the BTMU Purchaser Agent (it being recognized that there may be more than one distinct group of Pooled Commercial Paper at any time).

Preferred Stock: Any class of capital stock of a corporation that is preferred over any other class of capital stock of such corporation as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such corporation.

Prior RPA: As defined in the Background.

Prime Rate: Refers to that fluctuating rate of interest per annum equal to the higher of the rate of interest most recently announced by BTMU in New York, New York as its prime rate; the Prime Rate is not necessarily intended to be the lowest rate of interest determined by BTMU in connection with extensions of credit.

Program Fee: The aggregate “Program Fee” set forth in the Fee Letter.

Pro Rata Share: At any time with respect to a Purchaser Group, (a) with respect to any payment to be made to such Purchaser Group, the percentage equivalent of a fraction the numerator of which is equal to such Purchaser Group’s Purchaser Group Invested Amount at such time and the denominator of which is equal to the Invested Amount at such time and (b) with respect to any Purchase to be made by such Purchaser Group, the percentage equivalent of a fraction, the numerator of which is equal to such Purchaser Group’s Purchaser Group Limit in effect at such time and the denominator of which is equal to the Purchase Limit in effect at such time.

Purchase: As defined in Section 1.1.

Purchase Limit: With respect to any period, the corresponding amount for such period set forth below:

Period	Purchase Limit
Reporting Date in February until the date preceding the Reporting Date in March	\$225,000,000
Reporting Date in March until the date preceding the Reporting Date in April	\$225,000,000
Reporting Date in April until the date preceding the Reporting Date in May	\$290,000,000
Reporting Date in May until the date preceding the Reporting Date in June	\$290,000,000
Reporting Date in June until the date preceding the Reporting Date in July	\$290,000,000
Reporting Date in July until the date preceding the Reporting Date in August	\$380,000,000
Reporting Date in August until the date preceding the Reporting Date in September	\$380,000,000
Reporting Date in September until the date preceding the Reporting Date in October	\$380,000,000
Reporting Date in October until the date preceding the Reporting Date in November	\$290,000,000
Reporting Date in November until the date preceding the Reporting Date in December	\$290,000,000
Reporting Date in December until the date preceding the Reporting Date in January	\$290,000,000
Reporting Date in January until the date preceding the Reporting Date in February	\$225,000,000

; provided, however, that, each reference to a Reporting Date in the foregoing table shall be determined without reference to the proviso contained in the definition of “Reporting Date”.

Purchaser: The BTMU Purchaser and any other person designated as a Purchaser hereunder from time to time (collectively, the Purchasers).

Purchaser Agent: (i) With respect to the BTMU Purchaser, the BTMU Purchaser Agent, (ii) with respect to itself, the WFB Purchaser Agent, and (iii) with respect to itself, the PNC Purchaser Agent (collectively, the Purchaser Agents).

Purchaser Agent Account: (i) With respect to the BTMU Purchaser Agent, the BTMU Purchaser Account, (ii) with respect to the WFB Purchaser Agent, the WFB Purchaser Account, and (iii) with respect to the PNC Purchaser Agent, the PNC Purchaser Account.

Purchaser Group: Each of the BTMU Purchaser Group, the WFB Purchaser Group and the PNC Purchaser Group (collectively, the Purchaser Groups).

Purchaser Group Invested Amount: With respect to a Purchaser Group, the aggregate of the portions of the Invested Amount outstanding at such time that were funded by such Purchaser Group.

Purchaser Group Limit: (i) With respect to the BTMU Purchaser Group, the BTMU Purchaser Group Limit in effect at such time, (ii) with respect to the WFB Purchaser Group, the WFB Purchaser Group Limit in effect at such time, and (iii) with respect to the PNC Purchaser Group, the PNC Purchaser Group Limit in effect at such time.

Purchaser Group's Tranche Investment: In relation to any Asset Tranche of any Purchaser Group, the amount of the Invested Amount allocated by the Purchaser Agent of such Purchaser Group to that Asset Tranche pursuant to Section 2.1, provided, that at all times (i) the aggregate amounts allocated to all Asset Tranches of any Purchaser Group shall equal such Purchaser Group's Invested Amount and (ii) the aggregate amounts allocated to all Asset Tranches of all Purchaser Groups shall equal the Invested Amount.

Qualifying Liquidity Bank: A Liquidity Bank with a rating of its short-term securities equal to or higher than (i) A-1 by Standard & Poor's and (ii) P-1 by Moody's.

Receivable: Any right to payment from a Person, whether constituting an account, chattel paper, instrument or general intangible and includes the right to payment of any interest or finance charges and other amounts with respect thereto.

Receivables Pool: At any time all then outstanding Receivables which have been sold or contributed as capital, or purported to have been sold or contributed as capital, by an Originator to the Seller, other than those reconveyed to an Originator pursuant to Section 3.5 of the Sale Agreement.

Regulation D: Regulation D of the Federal Reserve Board, as the same may be amended or supplemented from time to time.

Regulatory Change: Any change after the date of this Agreement in United States (federal, state or municipal) or foreign laws or regulations (including Regulation D) or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks (including the Liquidity Banks) of or under any United States (federal, state or municipal) or foreign, laws, or regulations (whether or not having the force of law) by any Governmental Authority or monetary authority charged with the interpretation or administration thereof.

Reinvestment: As defined in Section 1.3(a)(iii).

Related Assets: (i) all rights to, but not any obligations under, all related Contracts and other Related Security related to any Pool Receivables, (ii) all rights and interests of the Seller under the Sale Agreement in relation to any Pool Receivables, (iii) all books and records evidencing or otherwise relating to any Pool Receivables, (iv) all Lockbox Accounts and related lock boxes and all cash and investments therein, to the extent constituting or representing the items in the following clause (v) and (v) all Collections in respect of, and other proceeds of, any Pool Receivables or any other Related Assets.

Related Security: With respect to any Pool Receivable, all of the Seller's (in the case of usage in the Receivables Purchase Agreement) or the Originator's (in the case of usage in the Sale Agreement) right, title and interest in and to: (i) all Contracts that relate to such Pool Receivable; (ii) all merchandise (including returned merchandise), if any, relating to the sale which gave rise to such Pool Receivable; (iii) all security deposits and other security interests or liens and property subject thereto from time to time purporting to secure payment of such Pool Receivable, whether pursuant to the Contract related to such Pool Receivable or otherwise; (iv) all UCC financing statements covering any collateral securing payment of such Pool Receivable (but only to the extent of the interest of the Seller in the respective Pool Receivable); (v) all guarantees and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Pool Receivable whether pursuant to the Contract related to such Pool Receivable or otherwise; and (vi) all insurance policies, and all claims thereunder, related to such Pool Receivable, in each case to the extent directly related to rights to payment, collection and enforcement, and other rights with respect to such Pool Receivable. Except to the extent included in the Collateral, the interest of each Investor in any Related Security is only to the extent of the undivided percentage ownership interest of such Investor's Purchaser Group, as more fully described in the definition of Asset Interest.

Reportable Event: Any reportable event as defined in Section 4043(b) of ERISA or the regulations issued thereunder with respect to a Plan (other than a Plan maintained by an ERISA Affiliate which is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code).

Reporting Date: The fifteenth day of each month or if such day is not a Business Day, the next succeeding Business Day; provided however, that if the senior unsecured debt ratings of Lennox International Inc. by Moody's or S&P are reduced below Ba3 or BB-, respectively, or are withdrawn by either of Moody's or S&P or if either Moody's or S&P no longer provides a senior unsecured debt rating for Lennox International Inc. and, in any such case, the aggregate Invested Amount is greater than \$0.00, then, in any such case, the Reporting Date will be the first Business Day of each week.

Required Reserve: On any day during a Collection Period, an amount equal to the product of (i) the Net Pool Balance and (ii) the sum of (a) the Yield Reserve on such day, (b) the Servicing Reserve on such day and (c) the greater of (I) Required Reserve Factor Floor on such day and (II) the sum of (1) the Loss Reserve on such day and (2) the Dilution Reserve on such day.

Required Reserve Factor Floor: The sum of (i) an amount, as of any date of determination and expressed as a percentage of the aggregate Unpaid Balance of Eligible Receivables as of such date, equal to the greatest of (A) the sum of the four (4) largest aggregate Unpaid Balances of Eligible Receivables for specific Obligor (including Michel) (calculated as if each such Obligor and its Affiliated Obligors were one Obligor) who do not have a debt rating listed in clause (i) of the definition of "Obligor Concentration Limit" or who are not rated as of such date (up to the Obligor Concentration Limit for each such Obligor), (B) the sum of the two (2) largest aggregate Unpaid Balances of Eligible Receivables for specific Obligors (calculated as if each such

Obligor and its Affiliated Obligors were one Obligor) who have a short term unsecured debt rating currently assigned to them by either S&P or Moody's of A-3 or P-3, respectively, as of such date (up to the Obligor Concentration Limit for each such Obligor), (C) the largest aggregate Unpaid Balances of Eligible Receivables for any Obligor (calculated as if such Obligor and its Affiliated Obligors were one Obligor) who has a short term unsecured debt rating currently assigned to it by either S&P or Moody's of A-2 or P-2, respectively, as of such date (up to the Obligor Concentration Limit for such Obligor), and (D) the largest aggregate Unpaid Balances of Eligible Receivables for any Obligor (calculated as if such Obligor and its Affiliated Obligors were one Obligor) who has a short term unsecured debt rating currently assigned to it by either S&P or Moody's of A-1 or P-1, respectively, as of such date (up to the Obligor Concentration Limit for such Obligor), and (ii) the product of the Adjusted Dilution Ratio times the Dilution Horizon Ratio. For purposes of calculating the Required Reserve Factor Floor, the applicable rating of any Obligor that is rated by both S&P and Moody's and has a split rating will be the lower of the two ratings.

S&P: Standard & Poor's Ratings Service.

Sale Agreement: The Second Amended and Restated Purchase and Sale Agreement dated as of November 18, 2011 among the Originators and the Seller as it may be amended, restated, supplemented or otherwise modified.

Sanctioned Country: At any time of determination, a country or territory which is the subject or target of any Sanctions administered by OFAC (at November 21, 2014, Cuba, Burma (Myanmar), Iran, North Korea, Sudan and Syria).

Sanctioned Person: At any time of determination, (a) any Person that is the subject or the target of any applicable Sanctions, including any Person listed in any Sanctions-related list of designated Persons maintained OFAC, the U.S. Department of State or by the United Nations Security Council, the European Union or any European Union member state, or (b) any Person directly or indirectly 50 percent or more owned or controlled by any such Person or Persons described in the foregoing clause (a).

Sanctions: Economic, financial or other sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government, including those administered by OFAC or the U.S. Department of State, or other relevant sanctions authority, including the U.S. and Canada.

SEC: The Securities and Exchange Commission.

Secured Parties: The Purchasers, the Liquidity Banks, the Agents, the other Indemnified Parties and the other Affected Parties.

Seller: As defined in the preamble.

Seller Information: As defined in Section 14.7(a).

Seller Information Provider: As defined in Section 14.7(a).

Seller Party: As defined in the preamble.

Seller's Account: The account specified in a written notice provided by the Seller to the Agents.

Seller's Share: With respect to any amount means 100% minus the lesser of (i) the most recently calculated Asset Interest and (ii) 100%.

Servicer Default: As defined in Section 8.4.

Servicing Fee: Accrued for any day in a Collection Period means: (i) an amount equal to the product of (A) the Servicing Fee Rate, (B) the aggregate Unpaid Balance of the Pool Receivables at the close of business on the first day of such Collection Period, and (C) 1/360; or (ii) on and after the Master Servicer's reasonable request made at any time when Lennox, Seller or any Affiliate or designee thereof shall no longer be Master Servicer, an alternative amount specified by Master Servicer not exceeding (A) 110% of Master Servicer's costs and expenses of performing its obligations under the Agreement during the Collection Period when such day occurs divided by (B) the number of days in such Collection Period.

Servicing Fee Rate: 1.00% per annum.

Servicing Reserve: The product of (i) the Servicing Fee Rate and (ii) a fraction, the numerator of which is the Twelve Month DSO and the denominator of which is 360.

Settlement Date: Two Business Days following each Reporting Date; provided, however, during any period during which a Weekly Report is required to be delivered, the Settlement Date shall also be two Business Days immediately following the related Weekly Reporting Date.

Special Obligor: As defined in the definition of Obligor Concentration Limit.

Specified Annual Rebate: Identifiable annual volume and sales rebates tracked and processed by Lennox during the applicable period.

Subsidiary: With respect to any Person means (i) a corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned or controlled by such Person, directly or indirectly through Subsidiaries, and (ii) any partnership, association, limited liability company, joint venture or other entity in which such Person, directly or indirectly through Subsidiaries, has more than a 50% equity interest at the time.

Successor Notice: As defined in Section 8.1(b).

Swaps: With respect to any Person, payment obligations with respect to interest rate swaps, currency swaps and similar obligations obligating such Person to make payments, whether periodically or upon the happening of a contingency. For the purpose of this Agreement, the amount of the obligation under any Swap shall be an amount determined in respect thereof as of the end of the then most recently ended fiscal quarter of such Person, based on the assumption that such Swap had terminated at the end of such fiscal quarter, and in making such determination, if any agreement relating to such Swap provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined.

Taxes: As defined in Section 3.3(d).

Termination Date: The earliest of:

(i) the date of termination (whether by scheduled expiration, termination on default or otherwise) of the Liquidity Banks' commitments under their respective Liquidity Agreement (unless such commitments are renewed, extended or replaced on or before such date);

(ii) the Funding Termination Date;

(iii) the date designated by the Seller as the "Termination Date" on not less than thirty (30) days' notice to the Administrative Agent, provided that on such date the Invested Amount has been reduced to zero, all accrued Earned Discount, CP Costs and fees have been paid in full and all other amounts due to the Investors and the Agents have been paid in full; and

(iv) the date on which any of the following shall occur:

(A) A Downgrading Event with respect to a Liquidity Bank shall have occurred and been continuing for not less than 45 days, (x) the Downgraded Liquidity Bank shall not have been replaced by a Qualifying Liquidity Bank pursuant to a Liquidity Agreement in form and substance acceptable to the Purchaser and the Administrative Agent, and (y) the commitment of such Downgraded Liquidity Bank under the Liquidity Agreement shall not have been funded or collateralized in such a manner that such Downgrading Event will not result in a reduction or withdrawal of the credit rating applied to the Commercial Paper Notes by any of the rating agencies then rating the Commercial Paper Notes; or

(B) Purchaser shall become an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Termination Notice: As defined in Section 8.4.

Threshold Amount: \$1,000,000, or such other amount to which the Administrative Agent may agree in writing from time to time.

Transaction Documents: This Agreement, the Lockbox Agreements, the Sale Agreement, the Assurance Agreement, the Fee Letter, all amendments and waivers to any of the foregoing, and the other documents to be executed and delivered in connection herewith.

Transaction Fees: Subject to the limitations set forth in the Fee Letter, all reasonable expenses of the Agents incurred in connection with the consummation of this Agreement and each other Transaction Document, including but not limited to (i) the legal fees of Kaye Scholer LLP, counsel to the Administrative Agent, (ii) expenses incurred in connection with any due diligence audit and (iii) out-of-pocket expenses of the Agents.

Twelve Month DSO: For any day, the highest Days Sales Outstanding that occurred during the twelve (12) month period ending on such date of calculation.

UCC: The Uniform Commercial Code, as from time to time in effect in the applicable jurisdiction or jurisdictions.

Unmatured Liquidation Event: Any event which, with the giving of notice or lapse of time, or both, would become a Liquidation Event.

Unpaid Balance: With respect to any Receivable means at any time the unpaid amount thereof, but excluding all late payment charges, delinquency charges and extension or collection fees.

Unused Fee: The aggregate “Unused Fee” set forth in the Fee Letter.

Volcker Rule: Section 13 of the U.S. Bank Holding Company Act of 1956, as amended, and the applicable rules and regulations thereunder

Weekly Report: A report (for the week most recently ended) in the form of Exhibit 3.1(a)-2.

Weekly Reporting Date: For any period during which Weekly Reports are required to be delivered, the first Business Day of each calendar week.

Weekly Reporting Period: For any Weekly Reporting Date, the calendar week ended on the Friday immediately preceding such Weekly Reporting Date.

Weekly Settlement Date: One Business Day following each Weekly Reporting Date.

Weighted Average Term: On any day, the weighted average of the stated terms of all Receivables (excluding Receivables owed by an Affiliate or employee of any Seller Party or Originator) owned by Seller on such date, weighted on the basis of the Unpaid Balance of each such Receivable, as of such date of calculation.

WFB: As defined in the preamble.

WFB LIBO Rate: For any day during any Yield Period, an interest rate per annum determined by the WFB Purchaser Agent and equal to LMIR. “LMIR” means, for any day during any Yield Period, the greater of (i) 0% and (ii) the one-month eurodollar rate for U.S. dollar deposits as reported on the Reuters Screen LIBOR01 Page or any other page that may replace such page from time to time for the purpose of displaying offered rates of leading banks for London interbank deposits in United States dollars, as of 11:00 a.m. (London time) on such day, or if such day is not a Business Day, then the immediately preceding Business Day (or if not so reported, then as determined by the WFB Purchaser Agent from another recognized source for interbank quotation), in each case, changing when and as such rate changes.

WFB LIBO Rate Reserve Percentage: With respect to any Investor for any Yield Period in respect of which Earned Discount is computed by reference to the WFB LIBO Rate, the maximum effective percentage in effect on such day as prescribed by the Federal Reserve Board for determining the reserve requirements (including without limitation, supplemental, marginal, and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as Eurocurrency Liabilities (as such term is defined in Regulation D)).

WFB LIBO Rate (Reserved): With respect to any Yield Period means a rate per annum equal to the quotient obtained (rounded upwards, if necessary, to the next higher 1/100th of 1%) by dividing (i) the applicable WFB LIBO Rate for such Yield Period by (ii) a percentage equal to 100% minus the WFB LIBO Rate Reserve Percentage.

WFB Liquidity Bank: WFB or any other Person designated as such from time to time.

WFB Purchaser Account: Such account set forth in a separate letter by the WFB Purchaser Agent to the Seller and Master Servicer, or such other account as may be specified in writing from time to time by the WFB Purchaser Agent to the Seller and Master Servicer.

WFB Purchaser Agent: As defined in the preamble.

WFB Purchaser Group: The WFB Liquidity Banks and the WFB Purchaser Agent, together with their respective successors, assigns and participants.

WFB Purchaser Group Limit: With respect to any period, the corresponding amount for such period set forth below:

Period	WFB Purchaser Group Limit
Reporting Date in February until the date preceding the Reporting Date in March	\$65,131,578.95
Reporting Date in March until the date preceding the Reporting Date in April	\$65,131,578.95
Reporting Date in April until the date preceding the Reporting Date in May	\$83,947,368.42
Reporting Date in May until the date preceding the Reporting Date in June	\$83,947,368.42
Reporting Date in June until the date preceding the Reporting Date in July	\$83,947,368.42
Reporting Date in July until the date preceding the Reporting Date in August	\$110,000,000
Reporting Date in August until the date preceding the Reporting Date in September	\$110,000,000
Reporting Date in September until the date preceding the Reporting Date in October	\$110,000,000

Reporting Date in October until the date preceding the Reporting Date in November	\$83,947,368.42
Reporting Date in November until the date preceding the Reporting Date in December	\$83,947,368.42
Reporting Date in December until the date preceding the Reporting Date in January	\$83,947,368.42
Reporting Date in January until the date preceding the Reporting Date in February	\$65,131,578.95

; provided, however, that, each reference to a Reporting Date in the foregoing table shall be determined without reference to the proviso contained in the definition of “Reporting Date”.

Yield Period: With respect to any Asset Tranche funded by a Liquidity Funding,

(a) the period commencing on the date of the initial Purchase of the Asset Interest, the making of such Liquidity Funding, or the creation of such Asset Tranche pursuant to Section 2.1 (whichever is latest) and ending (x) other than in the case of an Asset Tranche funded by the WFB Purchaser Group or the PNC Purchaser Group, such number of days thereafter as the Purchaser Agent of the Liquidity Bank making such Liquidity Funding shall select and (y) in the case of an Asset Tranche funded by the WFB Purchaser Group or the PNC Purchaser Group, on the last day of the same calendar month thereof (or, during any period during which Weekly Reports are required to be delivered, on the last day of the same calendar week thereof); and

(b) thereafter, (x) other than in the case of an Asset Tranche funded by the WFB Purchaser Group or the PNC Purchaser Group, each period commencing on the last day of the immediately preceding Yield Period for the related Asset Tranche and ending such number of days thereafter as the Purchaser Agent of the Liquidity Bank making such Liquidity Funding shall select and (y) in the case of an Asset Tranche funded by the WFB Purchaser Group or the PNC Purchaser Group, a period of one month (or, during any period during which Weekly Reports are required to be delivered, a period of one week) commencing on the last day of the immediately preceding Yield Period for such Asset Tranche (which period shall correspond to a calendar month (or, during any period during which Weekly Reports are required to be delivered, a calendar week));

provided, however, that

(i) any such Yield Period (other than a Yield Period consisting of one day) which would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day (unless the related Asset Tranche shall be accruing Earned Discount at a rate determined by reference to BTMU LIBO Rate (Reserved), in which case if such succeeding Business Day is in a different calendar month, such Yield Period shall instead be shortened to the next preceding Business Day);

(ii) in the case of Yield Periods of one day for any Asset Tranche, (A) the initial Yield Period shall be the date such Yield Period commences as described in clause (a) above; and (B) any subsequently occurring Yield Period which is one day shall, if the immediately preceding Yield Period is more than one day, be the last day of such immediately preceding Yield Period, and if the immediately preceding Yield Period is one day, shall be the next day following such immediately preceding Yield Period; and

(iii) in the case of any Yield Period for any Asset Tranche which commences before the Termination Date and would otherwise end on a date occurring after such Termination Date, such Yield Period shall end on such Termination Date and the duration of each such Yield Period which commences on or after the Termination Date for such Asset Tranche shall be of such duration as shall be selected by the applicable Purchaser Agent.

Yield Reserve: On any date of determination, the product of (i) 1.5, (ii) the Base Rate and (iii) a fraction the numerator of which is the Twelve Month DSO and the denominator of which is 360.

(A) Other Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

(B) Computation of Time Periods. Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding”.

CERTIFICATION

I, Todd M. Bluedorn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lennox International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 22, 2018

/s/ Todd M. Bluedorn

Todd M. Bluedorn

Chief Executive Officer

CERTIFICATION

I, Joseph W. Reitmeier, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lennox International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 22, 2018

/s/ Joseph W. Reitmeier

Joseph W. Reitmeier

Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Lennox International Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, Todd M. Bluedorn, Chief Executive Officer of the Company, and Joseph W. Reitmeier, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to his or her knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Todd M. Bluedorn

Todd M. Bluedorn
Chief Executive Officer

October 22, 2018

/s/ Joseph W. Reitmeier

Joseph W. Reitmeier
Chief Financial Officer

October 22, 2018

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the report.