AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 6, 1999
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

LENNOX INTERNATIONAL INC.
(Exact name of Registrant as specified in its charter)

DELAWARE	3585	42-0991521
(State or other jurisdiction of incorporation or organization)	(Primary Industrial Standard Classification Code Number)	(I.R.S. Employer Identification No.)

2100 LAKE PARK BLVD.
RICHARDSON, TEXAS 75080
(972) 497-5000
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

CARL E. EDWARDS, JR.
EXECUTIVE VICE PRESIDENT,
GENERAL COUNSEL AND SECRETARY
LENNOX INTERNATIONAL INC.
2100 LAKE PARK BLVD.
RICHARDSON, TEXAS 75080
(972) 497-5000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

ANDREW M. BAKER	ROBERT F. GRAY, JR.
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DALLAS, TEXAS 75201	HOUSTON, TEXAS 77010
(214) 953-6500	(713) 651-5151

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box: [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering: [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE
Common Stock, par value $.01 per share(1).....	$10,000,000	$2,780

(1) In accordance with Rule 457(o) under the Securities Act of 1933, as amended, the number of shares being registered and the proposed maximum offering price per share are not included in this table.

(2) Estimated solely for the purpose of calculating the registration fee.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

EXPLANATORY NOTE

This registration statement contains two forms of prospectus: one to be used in connection with an offering in the United States and Canada (the "U.S. Prospectus") and one to be used in a concurrent offering outside the United States and Canada (the "International Prospectus" and, together with the U.S. Prospectus, the "Prospectuses"). The Prospectuses are identical in all material respects except for the front cover page. The U.S. Prospectus is included herein and is followed by the alternate front cover page to be used in the International Prospectus. The alternate page for the International Prospectus included herein is labeled "Alternate Cover Page for International Prospectus." Final forms of each Prospectus will be filed with the Securities and Exchange Commission under Rule 424(b).

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

PROSPECTUS (Subject to Completion)

Issued April 6, 1999

Shares

[LENNOX INTERNATIONAL INC. LOGO]

COMMON STOCK

LENNOX INTERNATIONAL INC. IS OFFERING SHARES OF COMMON STOCK AND THE SELLING STOCKHOLDERS ARE OFFERING SHARES OF COMMON STOCK. THIS IS OUR INITIAL PUBLIC OFFERING AND NO PUBLIC MARKET CURRENTLY EXISTS FOR OUR SHARES. WE ANTICIPATE THAT THE INITIAL PUBLIC OFFERING PRICE WILL BE BETWEEN $ AND $ PER SHARE.

APPLICATION WILL BE MADE TO LIST THE COMMON STOCK ON THE NEW YORK STOCK EXCHANGE UNDER THE SYMBOL "LII."

INVESTING IN OUR COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 9.

PRICE $ A SHARE

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO LENNOX	PROCEEDS TO SELLING STOCKHOLDERS
Per Share.....	$	$	$	$
Total.....	$	$	$	$

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Lennox International Inc. has granted the underwriters the right to purchase up to an additional shares of common stock to cover over-allotments. Morgan Stanley & Co. Incorporated expects to deliver the shares of common stock to purchasers on , 1999.

MORGAN STANLEY DEAN WITTER

CREDIT SUISSE FIRST BOSTON

WARBURG DILLON READ LLC

, 1999

[LENNOX INTERNATIONAL INC. LOGO]
NORTH AMERICAN RESIDENTIAL
[PHOTO DEPICTING PRODUCTS]
[PHOTO DEPICTING PRODUCTS]
HEAT TRANSFER

CLIMATE CONTROL SOLUTIONS IN FOUR KEY BUSINESSES
[PHOTO DEPICTING PRODUCTS]
COMMERCIAL AIR CONDITIONING
COMMERCIAL REFRIGERATION
[PHOTO DEPICTING PRODUCTS]

[Graphics depicting timeline of various milestones throughout Lennox's history]

[GRAPHIC]
1895
Dave Lennox builds and markets the industry's first riveted-steel furnace.

1904
Lennox establishes a one-step distribution network, selling directly to installing contractors.

[GRAPHIC]
1923
Lennox expands for the first time, building a warehouse in Syracuse, New York. Two years later a factory is added.

[GRAPHIC]
1935
Lennox pioneers the introduction of a forced-air furnace for residential heating.

1943
Lennox retools its factories to support the World War II effort.

1952
Lennox establishes operations in Canada.

[GRAPHIC]
Lennox expands its product line with the introduction of residential central air-conditioning systems.

[GRAPHIC]
1960
Lennox establishes an international division with a facility in Basingstoke, England and sales offices and warehouses in Holland and Germany.

[GRAPHIC]
1964
Lennox develops and manufactures the Duracurve heat exchanger, reducing noise problems in gas furnaces.

1965
Lennox introduces packaged multi-zone units for commercial heating and cooling.

[GRAPHIC]
1972
"Dave Lennox" appears for the first time in a Lennox advertising campaign.

[GRAPHIC]
1973
Lennox increases air conditioning efficiency with the development of the two-speed hermetic compressor.

[LENNOX INTERNATIONAL INC. LOGO]

HISTORY AND INNOVATIONS

[Graphics depicting timeline of various milestones throughout Lennox's history]

1982

Lennox develops and manufactures the industry's first high-efficiency gas furnace.

[GRAPHIC]

[HEATCRAFT LOGO]

1986

Lennox International expands into the commercial refrigeration and heat transfer markets with the establishment of Heatcraft Inc.

[GRAPHIC]

1994

Lennox is the first to manufacture and market a complete combination high-efficiency residential space/water heating system.

[GRAPHIC]

Lennox enters the hearth products market with the introduction of gas fireplaces.

[GRAPHIC]

1996

Heatcraft introduces the Beacon Control System, improving the accuracy and reliability of refrigeration system information and easing installation.

[GRAPHIC]

1998

Lennox Industries begins to establish a retail distribution network offering full sales and service functions.

1984

Lennox International Inc. is established as the parent company for Lennox Industries Inc. and future acquisitions.

1988

Lennox International expands into two-step distribution of residential heating and cooling equipment with the acquisition of Armstrong Air Conditioning Inc.

[ARMSTRONG AIR CONDITIONING, INC. LOGO]

Heatcraft implements a 48-hour coil replacement program for commercial air conditioning systems.

[LGL LOGO]

1995

Lennox Global Ltd. (LGL) is established to expand the company's presence in worldwide commercial air conditioning, commercial refrigeration and heat transfer product markets.

[GRAPHIC]

Lennox begins factory configure-to-order for commercial air conditioning with the introduction of the L series.

[GRAPHIC]

Heatcraft develops Floating Tube and Thermoflex technology, significantly reducing leaks in air-cooled condensers and unit coolers used for commercial refrigeration.

1997

LGL enters into joint venture agreements in Europe, Asia and Latin America.

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the common stock.

We own or otherwise have rights to trademarks or trade names that we use in conjunction with the sale of our products. Lennox(R), Armstrong Air(TM), Bohn(R), Larkin(TM), Heatcraft(R), CompleteHeat(R), Climate Control(TM), Chandler Refrigeration(R), Advanced Distributor Products(R), Raised Lance(R), Air-Ease(R), Concord(R), Magic-Pak(R), Superior(TM), Marco(R), Whitfield(R), Security Chimneys(R), Alcair(TM), Friga-Bohn(TM) and Janka(R), among others, are trademarks that are owned by us. This prospectus also makes reference to trademarks of other companies.

Until , 1999 (25 days after the date of this prospectus), all dealers that buy, sell or trade our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information and our financial statements and notes appearing elsewhere in this prospectus.

LENNOX

We are a leading global provider of climate control solutions. We design, manufacture and market a broad range of products for the heating, ventilation, air conditioning and refrigeration markets, which is sometimes referred to as "HVACR." Our products are sold under well-established brand names including "Lennox", "Armstrong Air", "Bohn", "Larkin", "Heatcraft" and others. We are one of the largest manufacturers in North America of heat transfer products, such as evaporator coils and condenser coils. We have leveraged our expertise in heat transfer technology, which is critical to the efficient operation of any heating or cooling system, to become an industry leader known for our product innovation and the quality and reliability of our products. We have also become a leader in the growing market for hearth products, which includes pre-fabricated fireplaces and related products. Historically, we have sold our "Lennox" brand of residential heating and air conditioning products directly to a network of installing dealers, which currently numbers approximately 6,000, making us the largest wholesale distributor of these products in North America. We have recently initiated a program to acquire dealers in metropolitan areas in the U.S. and Canada so we can provide heating and air conditioning products and services directly to consumers.

Our furnaces, heat pumps, air conditioners, pre-fabricated fireplaces and related products are available in a variety of designs, efficiency levels and price points that provide an extensive line of comfort systems. A majority of our sales of residential heating and air conditioning products in the U.S. and Canada are to the repair and replacement market, which is less cyclical than the new construction market. We also provide a range of air conditioning products for commercial market applications such as mid-size office buildings, restaurants, churches and schools. Our commercial refrigeration products are used primarily in cold storage applications for food preservation in supermarkets, convenience stores, restaurants, warehouses and distribution centers. Our heat transfer products are used by us in our HVACR products and sold to third parties.

Shown below are our four business segments, the key products and brand names within each segment and 1998 net sales by segment. The North American residential segment also includes installation, maintenance and repair services performed by Lennox-owned dealers.

SEGMENT	PRODUCTS	BRAND NAMES	1998 NET SALES (IN MILLIONS)
North American residential	Furnaces, heat pumps, air conditioners, packaged heating and cooling systems and related products; pre-fabricated fireplaces, freestanding stoves, fireplace inserts and accessories	Lennox, Armstrong Air, Air-Ease, Concord, Magic-Pak, Advanced Distributor Products, Superior, Marco, Whitfield and Security Chimneys	$1,013.7
Commercial air conditioning	Unitary air conditioning and applied systems	Lennox, Alcair and Janka	392.1
Commercial refrigeration	Chillers, condensing units, unit coolers, fluid coolers, air cooled condensers and air handlers	Bohn, Friga-Bohn, Larkin, Climate Control and Chandler Refrigeration	237.3
Heat transfer	Evaporator and condenser coils and equipment and tooling to manufacture coils	Heatcraft and Friga-Bohn	178.7
		Total.....	$1,821.8

We market our products using multiple brand names and distribute our products through multiple distribution channels to penetrate different segments of the HVACR market. Our "Lennox" brand of residential heating and air conditioning products is sold directly through installing dealers -- the "one-step" distribution system -- which has created strong and long-term relationships with our dealers in North America. Our "Armstrong Air", "Air-Ease", "Concord" and "Magic-Pak" residential heating and air conditioning brands are sold to regional distributors that in turn sell the products to installing contractors -- the "two-step" distribution system typically utilized in the heating and air conditioning industry. The acquisition of heating and air conditioning dealers in Canada and the planned acquisition of dealers in the U.S. allows us to participate in the retail sale and service of heating and air conditioning products. Our hearth products, commercial air conditioning products and refrigeration products are also sold under multiple brand names and through a combination of wholesalers, contractors, original equipment manufacturers, manufacturers' representatives and national accounts.

From our beginning in 1895 until the mid-1980's, we focused primarily on the North American residential heating and air conditioning market. In the 1980's, we expanded our product offerings by acquiring several heat transfer and commercial refrigeration businesses. In the mid-1990's, we increased our international presence, product offerings and brand portfolio through acquisitions in Europe, Latin America and the Asia Pacific region. We recently expanded our product offerings to include hearth products through the acquisitions of four hearth products companies in the third quarter of 1998 and in the first quarter of 1999. As a result of these acquisitions, we are one of the largest manufacturers of hearth products in the U.S. and Canada, offering a broad line of products through a variety of distribution channels.

COMPETITIVE STRENGTHS

We have a combination of strengths that position us to continue to be a leading provider of climate control solutions, including:

- strong brand recognition and reputation, particularly with the well recognized "Lennox" name;

- one of the broadest distribution systems of any major HVACR manufacturer;

- leading heat transfer design and manufacturing expertise;

- commitment to product innovation and technological leadership; and

- demonstrated manufacturing efficiency for our products.

GROWTH STRATEGY

Our growth strategy is designed to capitalize on our competitive strengths in order to expand our market share and profitability in the worldwide HVACR markets. We will continue to pursue internal programs and strategic acquisitions that broaden our product and service offerings, expand our market opportunities and enhance our technological expertise. The key elements of this strategy include:

EXPAND MARKET IN NORTH AMERICA

Our program to acquire heating and air conditioning dealers in the U.S. and Canada represents a new direction for the heating and air conditioning industry because, to our knowledge, no other major manufacturer has made a significant investment in retail distribution. This strategy will enable us to extend our distribution directly to the consumer, thereby permitting us to participate in the revenues and margins available at the retail level while strengthening and protecting our brand equity. We believe that the retail sales and service market represents a significant growth opportunity because this market is large and highly fragmented. The retail sales and service market in the U.S. is comprised of over 30,000 dealers. We started this program in September 1998, and as of March 31, 1999 we had acquired 37 dealers in Canada for an aggregate purchase price of approximately $55 million and had signed letters of intent to acquire nine additional Canadian dealers for an aggregate purchase price of approximately $9 million. We believe our long history of direct relationships

with our dealers through the one-step distribution system and the resulting knowledge of local markets will give us advantages in identifying and acquiring suitable candidates.

We also intend to increase our market share in North America by:

- strengthening our independent dealer network by providing dealers with enhanced services and support;
- expanding the network of independent "Lennox" dealers;
- promoting the cross-selling of our "Armstrong Air" brand of products and our hearth products to our "Lennox" dealers;
- expanding the geographic market of the "Armstrong Air" brand of products from its traditional presence in the Northeast and Central U.S.; and
- pursuing complementary acquisitions that expand our product offerings or geographic presence.

EXPLOIT INTERNATIONAL OPPORTUNITIES

Principally as a result of acquisitions in Europe, Latin America and Asia Pacific, our international sales have grown from $28.5 million in 1996 to $244.5 million in 1998. We will continue to focus on expanding our international operations through acquisitions and internal growth because we believe that increasing international demand for HVACR products presents substantial opportunities, especially in emerging markets and particularly for heat transfer and refrigeration products.

INCREASE PRESENCE IN HEARTH PRODUCTS MARKET

With our recent acquisitions of hearth products companies, we now manufacture and sell one of the broadest lines of hearth products in North America. We believe that we can increase our penetration of this market by selling in the distribution channels we acquired and through our historical distribution channels.

CONTINUE PRODUCT INNOVATION

An important part of our growth strategy is to continue to invest in research and new product development. We have designated certain of our facilities as "centers for excellence" that are responsible for the research and development of the core competencies vital to our success. Technological advances are disseminated from these "centers for excellence" to all of our operating divisions. This commitment to research and development has resulted in recent product innovations such as the CompleteHeat, a high efficiency combination hot water heater and furnace, and the Beacon control system, an integrated electronic control system for commercial refrigeration applications.

We are located at 2100 Lake Park Blvd., Richardson, Texas 75080 and our telephone number is (972) 497-5000.

THE OFFERING

Common stock offered by:	
Lennox	shares
Selling stockholders	____ shares
Total	shares
Common stock offered in:	
U.S. offering	shares
International offering	____ shares
Total	shares
Common stock to be outstanding after this offering	shares
Use of proceeds	We will receive approximately $ million in net proceeds from the offering. The net proceeds will be used to repay amounts borrowed under our revolving credit facility and term credit agreement, to fund the purchase of additional dealers and for general corporate purposes. We will not receive any proceeds from the sale of the shares of common stock offered by the selling stockholders.
Proposed NYSE symbol	LII

All information in this prospectus relating to the number of shares of our common stock or options has been adjusted to reflect a -for-one stock split of our common stock which occurred on , 1999.

Unless we specifically state otherwise, the information in this prospectus does not take into account the issuance of up to shares of common stock which the underwriters have the option to purchase solely to cover over-allotments. If the underwriters exercise their over-allotment option in full, shares of common stock will be outstanding after the offering.

The number of shares of our common stock to be outstanding immediately after the offering does not take into account shares of our common stock that will be issuable upon the exercise of stock options, substantially all of which were awarded under our stock option plans. For more information on our stock option plans, see "Management -- 1998 Incentive Plan."

SUMMARY FINANCIAL AND OTHER DATA

The following summary financial and other data for each of the years ended December 31, 1996, 1997 and 1998 have been derived from our audited financial statements included elsewhere in this prospectus. Effective September 30, 1997 we increased our ownership of Ets. Brancher S.A., our European joint venture, from 50% to 70% and, accordingly, changed our accounting method of recognizing this investment from the equity method to the consolidation method. You should read "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the notes thereto included elsewhere in this prospectus for a further explanation of the financial data summarized here. The as adjusted amounts give effect to this offering and the use of the net proceeds as set forth under "Use of Proceeds."

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
STATEMENT OF OPERATIONS DATA:			
Net sales	$1,364,546	$1,444,442	$1,821,836
Cost of goods sold	961,696	1,005,913	1,245,623
Gross profit	402,850	438,529	576,213
Selling, general and administrative expenses	298,049	326,280	461,143
Other operating expense, net	4,213	7,488	8,467
Product inspection charge(1)	--	140,000	--
Income (loss) from operations	100,588	(35,239)	106,603
Interest expense, net	13,417	8,515	16,184
Other	(943)	1,955	1,602
Minority interest	--	(666)	(869)
Income (loss) before income taxes	88,114	(45,043)	89,686
Provision (benefit) for income taxes	33,388	(11,493)	37,161
Net income (loss)	$ 54,726	$ (33,550)	$ 52,525
Earnings (loss) per share:			
Basic			
Diluted			
Weighted average shares outstanding:			
Basic			
Diluted			
Dividends per share			
OTHER DATA:			
EBITDA(2)	$ 135,680	$ 136,902	$ 149,415
Depreciation and amortization	34,149	33,430	43,545
Capital expenditures	31,903	34,581	52,435
Research and development expenses	23,235	25,444	33,260

	DECEMBER 31, 1998	
	ACTUAL	AS ADJUSTED
	(IN THOUSANDS)	
BALANCE SHEET DATA:		
Cash and cash equivalents	$ 28,389	
Working capital	263,289	
Total assets	1,152,952	
Total debt	317,441	
Stockholders' equity	376,440	

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(1) Represents a pre-tax charge taken in the fourth quarter of 1997 for estimated costs of an inspection program for our Pulse furnaces installed from 1982 to 1990 in the U.S. and Canada. We initiated the inspection program because we received anecdotal reports of accelerated corrosion of a component of these products under extreme operating conditions. We periodically review the reserve balance and at this time we believe the remaining reserve of $27.3 million at December 31, 1998 will be adequate to cover the remaining costs associated with this inspection program. This program ends on June 30, 1999.

(2) EBITDA is defined as earnings before interest, taxes and depreciation and amortization expense. For 1997, EBITDA excludes the product inspection charge. EBITDA is presented here as an alternative measure of our ability to generate cash flow and should not be construed as an alternative to operating income or to cash flows from operating activities, as determined in accordance with generally accepted accounting principles. EBITDA is not calculated under generally accepted accounting principles and is not comparable to similarly titled measures of other companies.

RISK FACTORS

You should carefully consider the risks described below before making an investment decision. The risks and uncertainties described below are not the only ones facing our company. Additional risks and uncertainties not presently known to us may also impair our business operations.

If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment.

This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this prospectus.

RISK FACTORS RELATING TO OUR BUSINESS

Our business is subject to the following risks, which include risks relating to the industry in which we operate.

WE MAY INCUR MATERIAL COSTS AS A RESULT OF WARRANTY AND PRODUCT LIABILITY CLAIMS

The development, manufacture, sale and use of our products involve a risk of warranty and product liability claims. In addition, as we increase our efforts to acquire installing heating and air conditioning dealers in the U.S. and Canada, we incur the risk of liability claims for the installation and service of heating and air conditioning products. We maintain product liability insurance. Our product liability insurance policies have limits, however, that if exceeded, may result in losses that could have an adverse effect on our future financial results. In addition, warranty claims are not covered by our product liability insurance and there may be certain types of product liability claims that are also not covered by our product liability insurance.

WE ARE SUBJECT TO RISKS IN CONNECTION WITH OUR ACQUISITION STRATEGY

Our plan to make acquisitions part of our growth strategy is subject to several business risks, including:

- we may have difficulties consummating acquisitions and we may incur significant expenses in connection with acquisitions;
- we may have difficulties in assimilating the operations of the acquired business into our operations;
- we may lose the acquired customer base or key personnel;
- we face contingent risks with past operations of the acquired business;
- we may not achieve any cost savings or other synergies from our acquisitions;
- we may face competition for acquisitions, such as competition from consolidators and utility companies for the acquisition of dealers;
- competition for acquisitions could cause the cost of acquiring businesses to increase materially; and
- acquisition candidates may not be available on terms and conditions acceptable to us.

WE ARE ENTERING NEW BUSINESSES IN WHICH WE HAVE LIMITED EXPERIENCE

With our recently initiated program of acquiring heating and air conditioning dealers and with our recent acquisitions of hearth products manufacturers, we have entered into new lines of business. We cannot assure you that we will be able to successfully manage or operate these new businesses.

THE CONSOLIDATION OF DISTRIBUTORS AND DEALERS COULD FORCE US TO LOWER OUR PRICES OR HURT OUR BRAND NAMES

There is currently an effort underway in the U.S. by certain companies to purchase independent distributors and dealers and consolidate them into large enterprises. These large enterprises may be able to exert pressure on us or our competitors to reduce prices. Additionally, these new enterprises tend to emphasize their company name, rather than the brand of the manufacturer, in their promotional activities, which could lead to dilution of the importance and value of our brand names. Future price reductions and the brand dilution caused by such consolidation among HVACR distributors and dealers could have an adverse effect on our future financial results.

OUR DEALER ACQUISITION PROGRAM COULD LEAD TO LOSS OF SALES FROM INDEPENDENT DEALERS AND DEALERS OWNED BY CONSOLIDATORS

With our recently initiated program of acquiring heating and air conditioning dealers in the U.S. and Canada, we face the risk that dealers owned by consolidators and independent dealers may discontinue using our heating and air conditioning products because we are and increasingly will be in competition with them. We sold approximately $50 million of heating and air conditioning products to consolidators in 1998, representing 2.7% of our net sales.

OUR PROFITABILITY IS STRONGLY AFFECTED BY THE WEATHER

Demand for our products and for our services is strongly affected by the weather. Hotter than normal summers generate strong demand for our replacement air conditioning and refrigeration products and colder than normal winters have the same effect on our heating products. Conversely, cooler than normal summers and warmer than normal winters depress our sales. Because a high percentage of our overhead and operating expenses are relatively fixed throughout the year, operating earnings and net earnings tend to be lower in quarters with lower sales.

WE MAY NOT BE ABLE TO COMPETE FAVORABLY IN THE HIGHLY COMPETITIVE HVACR BUSINESS

Competition in our various markets could cause us to reduce our prices or lose market share, or could negatively affect our cash flow, which could have an adverse effect on our future financial results. Substantially all of the markets in which we participate are highly competitive. The most significant competitive factors we face are product reliability, product performance, service and price, with the relative importance of these factors varying among our product lines. In addition, with respect to our new distribution channel whereby we will sell our products directly to consumers, we face competition from independent dealers and dealers owned by consolidators and utility companies, some of whom may be able to provide their services at lower rates than we can.

WE MAY BE ADVERSELY AFFECTED BY PROBLEMS IN THE AVAILABILITY OF OR INCREASES IN THE PRICES OF COMPONENTS AND RAW MATERIALS

We are dependent upon components purchased from third parties as well as raw materials such as copper, aluminum and steel. We enter into contracts each year for the supply of certain key components at fixed prices. However, if a key supplier is unable or unwilling to meet our supply requirements, we could experience supply interruptions or cost increases which could have an adverse effect on our future financial results. In addition, we regularly pre-purchase a portion of our raw materials at a fixed price each year to hedge against price fluctuations, but a large increase in raw materials prices could significantly increase the cost of our products. Accordingly, increases in raw material costs or their lack of availability could have an adverse effect on our future financial results.

OUR INTERNATIONAL OPERATIONS ARE SUBJECT TO ECONOMIC, POLITICAL AND OTHER RISKS

Our international operations are subject to various economic, political and other risks that are generally not present in our North American operations. We sell products in over 70 countries and have business units

located in Europe, Asia Pacific, Latin America and Mexico. Sales of our products outside of the U.S. and Canada represented approximately 13.4% of our 1998 net sales. We anticipate that, over time, international sales will continue to grow as a percentage of our total sales. International risks include:

- instability of foreign economies and governments;

- price and currency exchange controls;

- unfavorable changes in monetary and tax policies and other regulatory changes;

- fluctuations in the relative value of currencies;

- expropriation and nationalization of our foreign assets; and

- war and civil unrest.

THE NATURE OF OUR OPERATIONS PRESENTS INHERENT RISKS OF LOSS THAT, IF NOT FULLY INSURED AGAINST, COULD ADVERSELY AFFECT OUR FUTURE FINANCIAL RESULTS

Our operations are subject to hazards and risks inherent in operating large manufacturing facilities, such as fires, natural disasters and explosions, all of which can result in loss of life or severe damage to our properties and the suspension of operations. We maintain business interruption and other types of property insurance as protection against operating hazards. The occurrence of a significant event not fully covered by insurance could have an adverse effect on our future financial results.

OUR BUSINESS MAY BE ADVERSELY IMPACTED BY WORK STOPPAGES AND OTHER LABOR RELATIONS MATTERS

We are subject to a risk of work stoppage and other labor relations matters because a significant percentage of our workforce is unionized. As of December 31, 1998, approximately 30% of our workforce was unionized. Within the U.S., we currently have eight manufacturing facilities and five distribution centers, along with our North American Parts Center in Des Moines, Iowa, with collective bargaining agreements ranging from three to eight years in length. With respect to our significant manufacturing facilities, two collective bargaining agreements expire in April 1999 and one expires in December 1999. Outside of the U.S., we have 12 significant facilities that are represented by unions. The agreement for our manufacturing facility in Toronto, Ontario expires in April 1999 and the agreement for our facility in Laval, Quebec expires in December 1999. As we expand our operations, we are subject to increased unionization of our workforce. The results of future negotiations with these unions, including the effects of any production interruptions or labor stoppages, could have an adverse effect on our future financial results. You should read "Business -- Employees" for a more complete discussion of our collective bargaining agreements.

WE MAY BE ADVERSELY AFFECTED BY ENVIRONMENTAL REGULATIONS

Our future financial results could be adversely affected by current or future environmental laws. We are subject to extensive and changing federal, state and local laws and regulations designed to protect the environment in the U.S. and in other parts of the world. These laws and regulations could impose liability for remediation costs or result in civil or criminal penalties in cases of non-compliance. Compliance with environmental laws increases our costs of doing business. Because these laws are subject to frequent change, we are unable to predict the future costs resulting from environmental compliance.

The U.S. and other countries have established programs for limiting the production, importation and use of certain ozone depleting chemicals, including refrigerants used by us in most of our air conditioning and refrigeration products. Some categories of these refrigerants have been banned completely and others are currently scheduled to be phased out in the U.S. by the year 2030. The U.S. is under pressure from the international environmental community to accelerate the current 2030 deadline. In Europe, this phaseout may occur even sooner. The industry's failure to find suitable replacement refrigerants for substances that have been or will be banned or the acceleration of any phase out schedules for these substances by governments could have an adverse effect on our future financial results. You should read "Business -- Regulation" for a more complete discussion of environmental regulations which affect our business.

WE MAY BE ADVERSELY IMPACTED BY THE YEAR 2000 AND OTHER INFORMATION TECHNOLOGY ISSUES

Year 2000 problems might require us to incur unanticipated expenses that could have an adverse effect on our future financial results. In 1996, we began converting all of our major domestic management information systems from mainframe systems to distributed processing systems. In order to avoid disruption to our operations, we have conducted the conversion on a phased basis. We anticipate that our major domestic operations will be supported by distributed processing by the end of 1999. In addition, we have and will continue to make investments in our computer systems and applications in an effort to ensure that they are Year 2000 compliant. However, we may experience interruptions of operations because of problems in implementing distributed processing or because of Year 2000 problems within our company. Our suppliers or customers might experience Year 2000 problems. You should read "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Year 2000 Compliance" and "Business -- Information Systems" for a more complete discussion of our systems upgrade and Year 2000 compliance initiative.

THE NORRIS FAMILY WILL BE ABLE TO EXERCISE SIGNIFICANT CONTROL OVER OUR COMPANY

Following the closing of the offering, approximately 110 descendants of or persons otherwise related to D.W. Norris, one of our original owners, will be able to collectively control % of the outstanding shares of our common stock. Accordingly, if the Norris family were to act together, it would have the ability to:

- control the vote of most matters submitted to our stockholders, including any merger, consolidation or sale of all or substantially all of our assets;

- elect the members of our Board of Directors;

- prevent or cause a change in control of our company; and

- decide whether to issue additional common stock or other securities or declare dividends.

RISK FACTORS RELATING TO SECURITIES MARKETS

There are risks relating to the securities markets that you should consider in connection with your investment in and ownership of our stock.

ANTI-TAKEOVER PROVISIONS IN OUR GOVERNING DOCUMENTS AND DELAWARE LAW COULD PREVENT OR DELAY A CHANGE IN CONTROL OF OUR COMPANY

Our governing documents contain certain provisions that may have the effect of delaying, deterring or preventing a change in control by making it difficult to implement certain corporate actions. Examples of these provisions include:

- the Board of Directors is authorized to issue shares of preferred stock without stockholder action;

- a vote of more than 80% of the outstanding voting stock is required for stockholders to amend certain provisions of the governing documents;

- the Board of Directors is divided into three classes, each serving three-year terms;

- members of the Board of Directors may be removed only for cause and only upon the affirmative vote of at least 80% of the outstanding voting stock; and

- a vote of more than 80% of the outstanding voting stock is required to approve certain transactions between us and any person or group that owns at least 10% of our voting stock.

In addition, the Delaware General Corporation Law, under which we are incorporated, contains certain provisions that impose restrictions on business combinations such as mergers between us and a holder of 15% or more of our voting stock. You should read the "Description of Capital Stock" section for a more complete description of these provisions.

A SUBSTANTIAL NUMBER OF OUR SHARES WILL BE AVAILABLE FOR SALE IN THE PUBLIC MARKET AFTER THE OFFERING AND SALES OF THOSE SHARES COULD ADVERSELY AFFECT OUR STOCK PRICE

Sales of a substantial number of shares of our common stock into the public market after the offering, or the perception that these sales could occur, could adversely affect our stock price or could impair our ability to obtain capital through an offering of equity securities. After this offering, we will have outstanding shares of common stock assuming no exercise of the over-allotment option granted to the underwriters of this offering. In addition, shares will be issuable upon exercise of options outstanding under our stock option plan and shares will be reserved for issuance pursuant to our stock option plan. All shares of common stock sold in the offering will be freely tradable without restrictions or registration under the Federal securities laws unless purchased by an "affiliate" of Lennox, as that term is defined in Rule 144 under the Securities Act of 1933, as amended. All remaining shares of common stock held by existing stockholders will be "restricted" securities, as that term is defined in Rule 144. We, along with our executive officers and directors, the selling stockholders and certain of our stockholders, have agreed, subject to certain exceptions, not to sell any common stock for a period of 180 days from the date of this prospectus without the prior consent of Morgan Stanley & Co. Incorporated. You should read the "Shares Eligible For Future Sale" section for a more complete discussion of these matters.

OUR STOCK PRICE MAY FLUCTUATE SIGNIFICANTLY AFTER THE OFFERING AND YOU COULD LOSE ALL OR PART OF YOUR INVESTMENT AS A RESULT

Prior to the offering, there has been no public market for our common stock. We do not know how our common stock will trade in the future. The initial public offering price will be determined through negotiations between the underwriters and us. You may not be able to resell your shares at or above the initial public offering price as the price of our common stock may be affected by a number of factors, including:

- actual or anticipated fluctuations in our operating results;

- changes in expectations as to our future financial performance or changes in financial estimates of securities analysts;

- announcements of new products or technological innovations; and

- the operating and stock price performance of other comparable companies.

In addition, the stock market in general has experienced extreme volatility that often has been unrelated to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the trading price of our common stock, regardless of our actual operating performance.

You should read the "Underwriters" section for a more complete discussion of the factors considered in determining the initial public offering price.

USE OF PROCEEDS

We estimate that our net proceeds from the sale of our common stock in the offering, after deducting estimated expenses of $ million and underwriting discounts and commissions, will be approximately $ million, or approximately $ million if the underwriters exercise their over-allotment option in full, at an assumed initial public offering price of $ per share. We will use the proceeds:

- to repay borrowings under our revolving credit facility and term credit agreement;
- to fund some of the cash portion of the purchase of additional dealers and for other acquisitions;
- to provide working capital for our expanded operations;
- to fund capital expenditures; and
- for other general corporate purposes.

We have no agreements or commitments with respect to any material acquisitions. As of March 31, 1999, approximately $115 million was outstanding under our revolving credit facility at an average interest rate of 5.3% and approximately $40 million was outstanding under our term credit agreement at an interest rate of 6.0%. Borrowings under our revolving credit facility and term credit agreement were used for:

- seasonal working capital needs;
- the acquisitions of the hearth products companies;
- the acquisitions of heating and air conditioning dealers in Canada;
- certain international acquisitions, including McQuay do Brasil S.A.; and
- expenses incurred in our Pulse inspection program.

For more information about our revolving credit facility and term credit agreement, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

We will not receive any proceeds from the sale of common stock offered by the selling stockholders.

DIVIDEND POLICY

We paid cash dividends of $, $ and $ per share on our common stock during 1996, 1997 and 1998, respectively. We anticipate that we will continue to pay cash dividends on our common stock, but any future determination as to the payment or amount of dividends will depend upon our future results of operations, capital requirements, financial condition and such other factors as our Board of Directors may consider. In addition, our revolving credit facility, term credit agreement and certain of our other debt instruments prohibit the payment of dividends unless we can incur $1.00 of additional indebtedness pursuant to the terms of such instruments. For more information about our debt instruments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

CAPITALIZATION

The following table sets forth our cash and cash equivalents, short-term debt and capitalization as of December 31, 1998 and as adjusted to give effect to the offering and the use of the net proceeds as set forth under "Use of Proceeds." The outstanding share information excludes shares of common stock issuable upon the exercise of outstanding options as of December 31, 1998. You should read the information presented below in conjunction with our consolidated financial statements and notes thereto, "Selected Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Management -- 1998 Incentive Plan" included elsewhere in this prospectus.

	DECEMBER 31, 1998	
	ACTUAL	AS ADJUSTED
	(DOLLARS IN THOUSANDS)	
Cash and cash equivalents	$ 28,389	
Short-term debt (including current maturities of long-term debt)	$ 74,848	
Long-term debt	$242,593	
Stockholders' equity:		
Preferred stock, $.01 par value, 25,000,000 shares authorized, no shares issued or outstanding	--	--
Common stock, $.01 par value, 200,000,000 shares authorized, shares issued and outstanding actual and shares as adjusted	11	
Additional paid-in capital	33,233	
Retained earnings	350,851	
Currency translation adjustments	(7,655)	
Total stockholders' equity	376,440	
Total capitalization	$619,033	

DILUTION

Our net tangible book value as of December 31, 1998 was approximately $ million or $ per share of common stock. Net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by the number of shares of common stock issued and outstanding. After giving effect to the sale of the shares of common stock offered by us at an assumed initial public offering price of $ per share and the use of the net proceeds as set forth under "Use of Proceeds", our pro forma net tangible book value as of December 31, 1998 would have been $ million, or $ per share. This represents an immediate increase in net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors.

The following table illustrates this per share dilution:

Assumed initial public offering price		$
Net tangible book value before the offering	$	
Increase in pro forma net tangible book value attributable to new investors		
Pro forma net tangible book value after the offering		
Dilution to new investors		$

The following table summarizes, on a pro forma basis as of December 31, 1998, the differences in the total consideration paid and the average price per share paid by our existing stockholders and by purchasers of the shares of common stock in the offering:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing stockholders		%	$	%	$
New investors		%		%	
Total		%	$	%	

The computations in the tables above exclude shares of common stock issuable upon exercise of stock options substantially all of which were awarded under our stock option plans. For more information on our stock option plans, see "Management -- 1998 Incentive Plan."

SELECTED FINANCIAL AND OTHER DATA

The following selected financial and other data for each of the years in the five-year period ended December 31, 1998 have been derived from our financial statements which have been audited by Arthur Andersen LLP. Effective September 30, 1997 we increased our ownership of Ets. Brancher, our European joint venture, from 50% to 70% and, accordingly, changed our accounting method of recognizing this investment from the equity method to the consolidation method. You should read "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the notes thereto included elsewhere in this prospectus for a further explanation of the financial data summarized here.

	YEAR ENDED DECEMBER 31,				
	1994	1995	1996	1997	1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENT OF OPERATIONS DATA:					
Net sales	$1,168,099	$1,306,999	$1,364,546	$1,444,442	$1,821,836
Cost of goods sold	815,511	946,881	961,696	1,005,913	1,245,623
Gross profit	352,588	360,118	402,850	438,529	576,213
Selling, general and administrative expenses	273,421	285,938	298,049	326,280	461,143
Other operating expense, net	7,460	2,555	4,213	7,488	8,467
Product inspection charge(1)	--	--	--	140,000	--
Income (loss) from operations	71,707	71,625	100,588	(35,239)	106,603
Interest expense, net	20,830	20,615	13,417	8,515	16,184
Other	836	(622)	(943)	1,955	1,602
Minority interest	--	--	--	(666)	(869)
Income (loss) before income taxes	50,041	51,632	88,114	(45,043)	89,686
Provision (benefit) for income taxes	19,286	17,480	33,388	(11,493)	37,161
Net income (loss)	$ 30,755	$ 34,152	$ 54,726	$ (33,550)	$ 52,525
Earnings (loss) per share:					
Basic					
Diluted					
Weighted average shares outstanding:					
Basic					
Diluted					
Dividends per share					
OTHER DATA:					
EBITDA(2)	$ 103,767	$ 104,459	$ 135,680	$ 136,902	$ 149,415
Depreciation and amortization	32,896	32,212	34,149	33,430	43,545
Capital expenditures	36,189	26,675	31,903	34,581	52,435
Research and development expenses	22,773	22,682	23,235	25,444	33,260

	DECEMBER 31,				
	1994	1995	1996	1997	1998
	(IN THOUSANDS)				
BALANCE SHEET DATA:					
Cash and cash equivalents	$ 2,980	$ 73,811	$ 151,877	$ 147,802	$ 28,389
Working capital	252,301	307,502	325,956	335,891	263,289
Total assets	737,528	768,517	820,653	970,892	1,152,952
Total debt	243,480	219,346	184,756	198,530	317,441
Stockholders' equity	286,849	315,313	361,464	325,478	376,440

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(1) Represents a pre-tax charge taken in the fourth quarter of 1997 for estimated costs of an inspection program for our Pulse furnaces installed from 1982 to 1990 in the U.S. and Canada. We initiated the inspection program because we received anecdotal reports of accelerated corrosion of a component of these products under extreme operating conditions. We periodically review the reserve balance and at this time we believe the remaining reserve of $27.3 million at December 31, 1998 will be adequate to cover the remaining costs associated with this inspection program. This program ends on June 30, 1999.

(2) EBITDA is defined as earnings before interest, taxes and depreciation and amortization expense. For 1997, EBITDA excludes the product inspection charge. EBITDA is presented here as an alternative measure of our ability to generate cash flow and should not be construed as an alternative to operating income or to cash flows from operating activities, as determined in accordance with generally accepted accounting principles. EBITDA is not calculated under generally accepted accounting principles and is not comparable to similarly titled measures of other companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We participate in four reportable business segments of the HVACR industry. The first segment is the North American residential market in which we manufacture and market a full line of heating, air conditioning and hearth products for the residential replacement and new construction markets in the U.S. and Canada. The North American residential segment also includes installation, maintenance and repair services performed by Lennox-owned dealers. The second segment is the global commercial air conditioning market in which we manufacture and sell rooftop products and applied systems for commercial applications. The third segment is the global commercial refrigeration market which consists of unit coolers, condensing units and other commercial refrigeration products. The fourth segment is the heat transfer market in which we design, manufacture and sell evaporator and condenser coils, copper tubing and related manufacturing equipment to original equipment manufacturers and other specialty purchasers on a global basis.

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

The principal components of cost of goods sold are labor, raw materials, component costs, factory overhead and estimated costs of warranty expense. The principal raw materials used in our manufacturing processes are copper, aluminum and steel. In instances where we are unable to pass on to our customers increases in the costs of copper and aluminum, we enter into forward contracts for the purchase of such materials. We have forward commitments for the substantial majority of our internal needs of aluminum through December 1999 and copper through December 2000. We attempt to minimize the risk of price fluctuations in certain key components by entering into contracts, typically at the beginning of the year, which generally provide for fixed prices for our needs throughout the year. These hedging strategies enable us to establish product prices for the entire model year while minimizing the impact of price increases of components and raw materials on our margins. Warranty expense is estimated based on historical trends and other factors.

In September 1997, we increased our ownership in Ets. Brancher from 50% to 70%. As a result, we assumed control of the venture and began consolidating the financial position and operating results of the venture in the fourth quarter of 1997. Previously, we used the equity method of accounting for our investment in this entity. In the fourth quarter of 1998, we restructured our ownership of our various European entities to allow for more efficient transfer of funds and to provide for tax optimization. Although our European operations contributed to revenue, they had an operating loss in both 1997 and 1998, primarily due to the performance of the commercial air conditioning business. We have installed a new management team for our European operations and are bringing our manufacturing and operating expertise to the European businesses.

We acquired Superior Fireplace Company, Marco Mfg., Inc. and Pyro Industries, Inc. in the third quarter of 1998 and Security Chimneys International, Ltd. in the first quarter of 1999 for an aggregate purchase price of approximately $120 million. These acquisitions give us one of the broadest lines of hearth products in the industry. These businesses had aggregate revenues of approximately $150 million in 1998, $68.6 million of which was reflected in our 1998 net sales.

We recently initiated a program to acquire high quality heating and air conditioning dealers in metropolitan areas in the U.S. and Canada to market "Lennox" and other brands of heating and air conditioning products. This strategy will enable us to extend our distribution directly to the consumer, thereby

permitting us to participate in the revenues and margins available at the retail level while strengthening and protecting our brand equity. We believe that the retail sales and service market represents a significant growth opportunity because this market is large and highly fragmented. The retail sales and service market in the U.S. is comprised of over 30,000 dealers. In addition, we believe that the heating and air conditioning service business is somewhat less seasonal than the business of manufacturing and selling heating and air conditioning products. As of March 31, 1999, we had acquired 37 dealers in Canada for an aggregate purchase price of approximately $55 million and had signed letters of intent to acquire nine additional Canadian dealers for an aggregate purchase price of approximately $9 million. As we acquire more heating and air conditioning dealers, we expect that we will incur additional costs to expand our infrastructure to effectively manage these businesses.

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

RESULTS OF OPERATIONS

The following table sets forth, as a percentage of net sales, our statement of income data for the years ended December 31, 1996, 1997 and 1998.

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	70.5	69.6	68.4
Gross profit	29.5	30.4	31.6
Selling, general and administrative expenses	21.8	22.6	25.3
Other operating expense, net	0.3	0.5	0.4
Product inspection charge	--	9.7	--
Income (loss) from operations	7.4	(2.4)	5.9
Interest expense, net	1.0	0.6	0.9
Other	(0.1)	0.1	0.1
Minority interest	--	0.0	0.0
Income (loss) before income taxes	6.5	(3.1)	4.9
Provision (benefit) for income taxes	2.5	(0.8)	2.0
Net income (loss)	4.0%	(2.3)%	2.9%

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

	YEARS ENDED DECEMBER 31,					
	1996		1997		1998	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
BUSINESS SEGMENT:						
North American residential.....	$ 857.1	62.8%	$ 865.1	59.9%	$1,013.7	55.7%
Commercial air conditioning.....	228.9	16.8	278.8	19.3	392.1	21.5
Commercial refrigeration.....	135.6	9.9	154.3	10.7	237.3	13.0
Heat transfer.....	142.9	10.5	146.2	10.1	178.7	9.8
Total net sales.....	$1,364.5	100.0%	$1,444.4	100.0%	$1,821.8	100.0%
GEOGRAPHIC MARKET:						
U.S. and Canada.....	$1,336.0	97.9%	$1,368.1	94.7%	$1,577.3	86.6%
International.....	28.5	2.1	76.3	5.3	244.5	13.4
Total net sales.....	$1,364.5	100.0%	$1,444.4	100.0%	$1,821.8	100.0%

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

Net sales. Net sales increased $377.4 million, or 26.1%, to $1,821.8 million for the year ended December 31, 1998 from $1,444.4 million for the year ended December 31, 1997. If the effect of the consolidation of Ets. Brancher is excluded, net sales would have increased by $226.7 million, or 16.1%, to $1,630.9 million for 1998 as compared to 1997.

Net sales related to the North American residential segment were $1,013.7 million during 1998, an increase of 17.2% from $865.1 million for 1997. This increase was primarily due to sales growth of both the "Lennox" and "Armstrong Air" brands and the inclusion of $68.6 million of sales beginning in the third quarter of 1998 of the hearth products companies. Hot weather in the spring of 1998 and an expanded dealer and distributor base led to greater sales of the "Lennox" and "Armstrong Air" brands. Commercial air conditioning revenues increased $113.3 million, or 40.6%, to $392.1 million for 1998 compared to 1997. If the effect of the consolidation of Ets. Brancher is excluded, commercial air conditioning revenues would have increased $46.5 million, or 17.9%, to $306.1 million for 1998 as compared to 1997. This increase was primarily due to increased rooftop air conditioner business in the U.S. and Canada. Net sales related to the commercial refrigeration segment were $237.3 million during 1998, an increase of 53.8% from $154.3 million for 1997. If the effect of the consolidation of Ets. Brancher is excluded, net sales related to the commercial refrigeration products segment would have increased $20.2 million, or 14.8%, to $156.8 million for 1998 as compared to 1997. This increase is primarily due to hot weather in North America in the spring of 1998 and the acquisition of McQuay do Brasil in September 1998. Heat transfer revenues increased $32.5 million, or 22.3%, to $178.7 million for 1998 compared to 1997. If the effect of the consolidation of Ets. Brancher is excluded, heat transfer revenues would have increased $11.4 million, or 8.0%, to $154.3 million for 1998 as compared to 1997. This increase is primarily due to hot weather in North America in the spring of 1998.

Gross profit. Gross profit was $576.2 million for the year ended December 31, 1998 as compared to $438.5 million for the year ended December 31, 1997, an increase of $137.7 million. Gross profit margin increased to 31.6% in 1998 from 30.4% for 1997. The increase of $137.7 million in gross profit was primarily attributable to increased sales in 1998 as compared to 1997 and the effect of the consolidation of Ets. Brancher for the full year. Ets. Brancher contributed $47.7 million and $11.2 million to gross profit in 1998 and 1997, respectively, and its gross profit margin was 25.0% and 27.9% in 1998 and 1997, respectively. If the effect of the consolidation of Ets. Brancher is excluded, gross profit margin would have been 32.4% and 30.4% for 1998 and 1997, respectively. The improved gross profit margin for 1998 is due to lower material costs, improved manufacturing processes and increased overhead absorption associated with the higher volume of sales in North America.

Selling, general and administrative expenses. Selling, general and administrative expenses were $461.1 million for 1998, an increase of $134.8 million, or 41.3%, from $326.3 million for 1997. Selling, general

and administrative expenses represented 25.3% and 22.6% of total net revenues for 1998 and 1997, respectively. If the effect of the consolidation of Ets. Brancher is excluded, selling, general and administrative expenses would have been $413.9 million for 1998, an increase of $99.8 million, or 31.8%, from $314.1 million for 1997, representing 25.4% and 22.4% of total net sales for 1998 and 1997, respectively. Approximately $16.7 million of the increase in selling, general and administrative expenses is composed of three non-recurring items: $7.1 million associated with the settlement of a lawsuit; approximately $5.0 million of incremental expense associated with the implementation of the SAP enterprise business software system; and $4.6 million associated with increased expenses of a terminated performance share plan. If the effect of these non-recurring items and the consolidation of Ets. Brancher is excluded, selling, general and administrative expenses would have been $397.2 million for 1998, an increase of $83.1 million, or 26.5%, from $314.1 million for 1997, representing 24.4% and 22.4% of total net sales for 1998 and 1997, respectively. The remaining increase in selling, general and administrative expenses is primarily due to increased variable costs associated with sales growth in North America and costs associated with creating infrastructure to manage international businesses, such as the establishment of a sales office in Singapore and the business development functions for our global operation.

Other operating expense, net. Other operating expense, net totaled $8.5 million for 1998, an increase of $1.1 million from $7.4 million for 1997. Other operating expense, net is comprised of (income) loss from joint ventures, amortization of goodwill and other intangibles and miscellaneous items. The $1.1 million increase is due to increases in amortization of goodwill of $1.7 million and losses from joint ventures of $1.3 million, partially offset by a decrease in other intangible and miscellaneous expense of $2.0 million.

Product inspection charge. In the fourth quarter of 1997, we recorded a non-recurring pre-tax charge of $140.0 million to provide for projected expenses of the product inspection program related to our Pulse furnace. We have offered the owners of all Pulse furnaces installed between 1982 and 1990 a subsidized inspection and a free carbon monoxide detector. The inspection includes a severe pressure test to determine the serviceability of the heat exchanger. If the heat exchanger does not pass the test, we will either replace the heat exchanger or offer a new furnace and subsidize the labor costs for installation. The cost required for the program depends on the number of furnaces located, the percentage of those that do not pass the pressure test and the replacement option chosen by the homeowner. We periodically review the reserve balance and at this time believe the remaining reserve of $27.3 million at December 31, 1998 will be adequate to cover the remaining costs associated with this inspection program. This program ends on June 30, 1999.

Income (loss) from operations. Income (loss) from operations was $106.6 million for 1998 compared to $(35.2) million for 1997. Excluding the Ets. Brancher consolidation, the special charge for the Pulse inspection program and the three non-recurring selling, general and administrative expense items mentioned above, income from operations would have been $122.6 million for 1998, or 7.5% of net sales, as compared to $106.1 million for 1997, or 7.6% of net sales.

Interest expense, net. Interest expense, net for 1998 increased to $16.2 million from $8.5 million for 1997. Of the $7.7 million increase in interest expense, $3.6 million was due to the incurrence of $75 million in additional long-term borrowings in April 1998, $1.3 million was due to the consolidation of Ets. Brancher for the full year and the remainder was due to less interest income in 1998.

Other. Other expense was $1.6 million for 1998 and $2.0 million for 1997. Other expense is primarily comprised of currency exchange gains or losses.

Minority interest. Minority interest in subsidiaries' net loss of $(0.7) million in 1997 and $(0.9) million in 1998 represents the minority interest in Ets. Brancher and, for 1998, McQuay do Brasil.

Provision (benefit) for income taxes. The effective tax rates for the 1998 provision and the 1997 benefit were 41.4% and 25.5%, respectively. The effective tax rates differ from the federal statutory rate of 35% primarily due to state income taxes and valuation reserves provided for foreign operating losses.

Net income (loss). Net income (loss) was $52.5 million and $(33.6) million for the year ended December 31, 1998 and 1997, respectively. If the effects of the consolidation of Ets. Brancher and the non-recurring charge relating to the Pulse inspection program are excluded, net income would have been

$52.9 million and $55.2 million for 1998 and 1997, representing 3.2% and 3.9% of net sales for 1998 and 1997, respectively.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

Net sales. Net sales increased $79.9 million, or 5.9%, to $1,444.4 million for the year ended December 31, 1997 from $1,364.5 million for the year ended December 31, 1996. If the effect of the consolidation of Ets. Brancher is excluded, net sales would have increased by $39.7 million, or 2.9%, to $1,404.2 million for 1997 compared to 1996.

Net sales related to the North American residential segment were $865.1 million during 1997, an increase of 0.9% from $857.1 million for 1996. This increase was principally due to increases in the number of heating and air conditioning units sold by us, despite the fact that industry shipments were generally down 5% for 1997. The weather in 1997 was mild with a cool spring and modest winter over most of the U.S., and inventory levels for both dealers and distributors were higher than normal at the end of 1996. Commercial air conditioning revenues increased $49.9 million, or 21.8%, to $278.8 million for 1997 compared to 1996. Of the $49.9 million increase, 61.5% was due to increased rooftop air conditioner business in North America and the balance was due to the consolidation of Ets. Brancher in the fourth quarter of 1997. Rooftop air conditioner business increased in 1997 principally due to focused sales efforts through commercial districts that we established early in 1997 as well as the continued roll out of the L Series rooftop product line. Net sales related to the commercial refrigeration segment were $154.3 million during 1997, an increase of 13.8% from $135.6 million for 1996. This increase was primarily due to the consolidation of Ets. Brancher in the fourth quarter of 1997. Heat transfer revenues increased $3.3 million, or 2.3%, to $146.2 million for 1997 compared to 1996. Ets. Brancher contributed $3.3 million to heat transfer product sales in 1997.

Gross profit. Gross profit was $438.5 million for the year ended December 31, 1997 as compared to $402.9 million for the year ended December 31, 1996, an increase of $35.6 million. Gross profit margins were 30.4% and 29.5% for 1997 and 1996, respectively. The increase of $35.6 million in gross profit was primarily attributable to increased sales in 1997 and the effect of the consolidation of Ets. Brancher. Ets. Brancher contributed $11.2 million to gross profit in 1997, and its gross profit margin was 27.9%. If the effect of the consolidation of Ets. Brancher is excluded, gross profit margin would have remained the same for 1997.

Selling, general and administrative expenses. Selling, general and administrative expenses were $326.3 million for 1997, an increase of $28.3 million, or 9.5%, from $298.0 million for 1996. Selling, general and administrative expenses represented 22.6% and 21.8% of net sales for 1997 and 1996, respectively. Of the $28.3 million increase, $12.2 million was related to the consolidation of Ets. Brancher. Excluding the effect of the consolidation of Ets. Brancher, selling, general and administrative expenses would have represented 22.4% of net sales in 1997. The remaining $16.1 million increase in selling, general and administrative expenses related to expenses in establishing specialized commercial sales districts in North America, increased expenses related to a profit sharing plan and other variable cost increases associated with increased sales.

Other operating expense, net. Other operating expense, net totaled $7.4 million for 1997, an increase of $3.2 million from $4.2 million for 1996. In 1996, we recognized a non-recurring $4.6 million gain on the sale of a portion of our interest in Alliance Compressors, a joint venture to manufacture compressors. After the sale, we owned a 24.5% interest in Alliance Compressors.

Income (loss) from operations. Income (loss) from operations was $(35.2) million in 1997, a decrease of $135.8 million from $100.6 million in 1996. The $135.8 million decrease was primarily due to the $140.0 million non-recurring pre-tax charge relating to the Pulse inspection program. Excluding the special charge for the Pulse inspection program and the consolidation of Ets. Brancher, income from operations would have been $106.1 million in 1997, representing 7.6% of net sales, the same percent as in 1996.

Interest expense, net. Interest expense, net for 1997 decreased to $8.5 million from $13.4 million for 1996. The decrease of $4.9 million in interest expense was primarily due to higher average cash balances resulting from improved working capital management. We did not have any short-term borrowings in 1996 or 1997 and long-term debt remained fairly consistent each year.

Other. Other expense was $2.0 million for 1997 and $(0.9) million for 1996. Other expense is primarily comprised of currency exchange gains or losses.

Minority interest. Minority interest in subsidiaries' net loss of $(0.7) million in 1997 represents the minority interest in Ets. Brancher.

Provision (benefit) for income taxes. The effective tax rates for the 1997 benefit and the 1996 provision were 25.5% and 37.9%, respectively. The effective tax rates differ from the federal statutory rate of 35% primarily due to state income taxes and valuation reserves provided for foreign operating losses.

Net income (loss). There was a net loss of $(33.6) million for the year ended December 31, 1997 compared to net income of $54.7 million for the year ended December 31, 1996. If the non-recurring charge relating to the Pulse inspection program and the consolidation of Ets. Brancher are excluded, net income would have been $55.2 million for 1997, representing 3.9% of net sales, compared to 4.0% of net sales for 1996.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed our operations and capital requirements from internally generated funds and, to a lesser extent, borrowings from external sources. Our capital requirements have related principally to acquisitions, the expansion of our production capacity and increased working capital needs that have accompanied sales growth.

We closely monitor controllable working capital, which we define as inventories plus trade accounts receivables less accounts payable. To measure the effectiveness of our management of controllable working capital, we calculate the amount of controllable working capital as a percent of sales on a rolling twelve month basis. From January 1996 to December 1998, controllable working capital as a percent of sales has declined from 36.1% to 26.7%. If controllable working capital management had not improved, we estimate that our investment in working capital would have been approximately $180 million higher at December 31, 1998. Controllable working capital has improved primarily because we have introduced the concepts of "Demand Flow"(R) technology, cellular manufacturing, just-in-time inventory management and configure-to-order processes to reduce production cycle lead times in our manufacturing facilities. Prior to introducing these manufacturing efficiencies, lead times were as long as 90 days or more and, consequently, substantial buffer stocks were required to cover anticipated forecast errors. These stocks were often inventoried in one location when the demand would occur in another location. With lead times as short as one week, we now require minimal safety stock and rarely have to redeploy inventory from one location to another.

Net cash provided by operating activities totaled $158.8 million, $58.5 million and $5.0 million for 1996, 1997 and 1998, respectively. The reduction in cash provided by operating activities is primarily due to the Pulse inspection program as we spent $26.6 million and $86.1 million on this program in 1997 and 1998, respectively. In addition, we had unusually strong sales of our "Lennox" brand of North American air conditioning products late in 1997 and accordingly accounts receivable in December 1997 were higher than normal. Net cash used in investing activities totaled $37.1 million, $44.6 million and $212.4 million for 1996, 1997 and 1998, respectively. The greater use of cash for investing relates primarily to increased acquisition activity as we spent $14.3 million and $160.5 million for acquisitions in 1997 and 1998, respectively. Net cash provided by (used in) financing activities was ($44.0) million, ($17.3) million and $89.5 million for 1996, 1997 and 1998, respectively. In 1998, we issued $75.0 million principal amount of notes and increased short term borrowings by $36.7 million. Due to the seasonality of the air conditioning and refrigeration businesses, we typically use cash in the first six months and generate cash during the latter half of the year. Our internally generated cash flow, along with borrowings under our revolving credit facility, have been sufficient to cover our working capital, capital expenditure and debt service requirements over the last three years.

In the past, we have used a combination of internally generated funds, external borrowings and our stock to make acquisitions. We intend to acquire additional heating and air conditioning dealers in the U.S. and Canada. We plan to finance these acquisitions with a combination of cash, including a portion of the net proceeds of this offering, stock and debt. As of March 31, 1999, we had acquired 37 dealers in Canada for an

aggregate purchase price of approximately $55 million and had signed letters of intent to acquire nine additional Canadian dealers for an aggregate purchase price of approximately $9 million.

Our capital expenditures were $31.9 million, $34.6 million and $52.4 million for 1996, 1997 and 1998, respectively. We have budgeted $80 million for capital expenditures for 1999. These expenditures primarily relate to production equipment (including tooling), training facilities and information systems. The majority of these planned capital expenditures are discretionary. We plan to finance these capital expenditures using cash flow from operations and a portion of the net proceeds from this offering.

At December 31, 1998, we had long-term debt obligations outstanding of $261.4 million. The total long-term debt consists primarily of six issues of notes with an aggregate principal amount of $240.6 million, interest rates ranging from 6.56% to 9.69% and maturities ranging from 2001 to 2008. The notes contain certain restrictive covenants, including covenants that place certain limitations on our ability to incur additional indebtedness, encumber our assets or pay dividends. Our ability to incur debt is limited to 60.0% of our consolidated capitalization. As of December 31, 1998, our consolidated indebtedness as a percent of consolidated capitalization was 43.4%. Under the terms of the notes, we are not allowed to pay dividends unless we could incur $1.00 of additional indebtedness. In addition, we are required to maintain a consolidated net worth equal to $261.0 million plus 15% of our consolidated quarterly net income beginning April 1, 1998. At December 31, 1998, the required consolidated net worth was $267.8 million and we had a consolidated net worth of $376.4 million. Our debt service requirements (including principal and interest payments) for long-term debt are $38.1 million for 1999. As of December 31, 1998, we had approximate minimum commitments on all non-cancelable operating leases of $22 million and $19 million in 1999 and 2000, respectively.

We have $135 million of borrowings available under our revolving credit facility. Our revolving credit facility provides for both "standby loans" and "offered rate loans." Standby loans are made ratably by all lenders under the revolving credit facility, while offered rate loans are, subject to the terms and conditions of the credit facility, separately negotiated between us and one or more members of the lending syndicate. Standby loans bear interest, at our option, at a rate equal to either (a) the London Interbank Offered Rate plus a margin equal to 0.150% to 0.405% depending on the ratio of our debt to total capitalization, or (b) the greater of (1) the Federal Funds Effective Rate plus 0.5%, and (2) the Prime Rate. Offered rate loans bear interest at a fixed rate agreed to by us and the lender or lenders making such loans. Under the revolving credit facility, we are obligated to pay certain fees, including (a) a quarterly facility fee to each lender under the credit facility equal to a percentage, varying from 0.100% to 0.220% (depending on the ratio of our debt to total capitalization) of each lender's total commitment, whether used or unused, under the revolving credit facility and (b) certain administrative fees to the administrative agent and documentation agent under the revolving credit facility. The revolving credit facility contains the same restrictive covenants and maintenance tests as the notes. The revolving credit facility will expire on July 13, 2001, unless earlier terminated pursuant to its terms and conditions.

In March 1999, we entered into a term credit agreement which provides for borrowings of up to $115 million. Repayments of borrowings result in a permanent reduction of the commitment. Loans bear interest, at our option, at a rate equal to (a) the rate offered by the administrative agent in its London offices plus 1.00% to 1.75%, depending upon the period, or (b) the greater of (1) the Federal Funds Effective Rate plus 0.5% or (2) the Prime Rate, in each case plus 0% to 0.75%, depending upon the period. Under the term credit agreement, we are obligated to pay certain fees, including (a) a quarterly commitment fee equal to 0.15% of the unused portion of the commitment and (b) certain administrative fees to the administrative agent. We are required to use the net proceeds from any issuance of our securities, including the net proceeds from this offering, to repay any amounts outstanding under the term credit agreement. The term credit agreement otherwise expires on December 31, 1999.

We believe that cash flow from operations, as well as the net proceeds from the offering and available borrowings under our revolving credit facility, will be sufficient to fund our operations for the foreseeable future.

QUARTERLY RESULTS OF OPERATIONS

The following table presents certain of our quarterly information for the years ended December 31, 1997 and 1998. Such information is derived from our unaudited financial statements and, in the opinion of our management, includes all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of such information. Operating results for any given quarter are not necessarily indicative of results for any future period and should not be relied upon as an indicator of future performance. Beginning with the fourth quarter of 1997, our results of operations reflect the consolidation of Ets. Brancher.

	QUARTER ENDED							
	1997				1998			
	MAR. 31	JUNE 30	SEPT. 30	DEC. 31	MAR. 31	JUNE 30	SEPT. 30	DEC. 31
	(IN MILLIONS)							
Net sales	$307.1	$365.4	$381.9	$390.0	$379.6	$456.0	$529.2	$457.0
Cost of goods sold	211.6	252.0	265.2	277.1	261.8	309.0	359.6	315.2
Gross profit	95.5	113.4	116.7	112.9	117.8	147.0	169.6	141.8
Selling, general, administrative and other expenses	79.1	80.3	81.0	93.3	99.6	116.9	121.7	131.4
Product inspection charge	--	--	--	140.0	--	--	--	--
Income (loss) from operations	16.4	33.1	35.7	(120.4)	18.2	30.1	47.9	10.4
Net income (loss)	$ 7.9	$ 17.6	$ 18.5	$(77.6)	$ 8.3	$ 17.2	$ 24.5	$ 2.5

The following table sets forth, as a percentage of net sales, statement of income data by quarter for the years ended December 31, 1997 and 1998.

	QUARTER ENDED							
	1997				1998			
	MAR. 31	JUNE 30	SEPT. 30	DEC. 31	MAR. 31	JUNE 30	SEPT. 30	DEC. 31
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	68.9	69.0	69.4	71.1	69.0	67.8	68.0	69.0
Gross profit	31.1	31.0	30.6	28.9	31.0	32.2	32.0	31.0
Selling, general and administrative expenses	25.8	22.0	21.2	23.9	26.2	25.6	22.9	28.8
Product inspection charge	--	--	--	35.9	--	--	--	--
Income (loss) from operations	5.3	9.0	9.4	(30.9)	4.8	6.6	9.1	2.2
Net income (loss)	2.6%	4.8%	4.8%	(19.9)%	2.2%	3.8%	4.6%	.5%

Our quarterly operating results have varied significantly and are likely to vary significantly in the future. Demand for our products is seasonal and dependent on the weather. In addition, a majority of our revenue is derived from products whose sales peak in the summer months. Consequently, we often experience lower sales levels in the first and fourth quarters of each year. Because a high percentage of our overhead and operating expenses are relatively fixed throughout the year, operating earnings and net earnings tend to be lower in quarters with lower sales.

MARKET RISK

The estimated fair values of our financial instruments approximate their respective carrying amounts at December 31, 1998, except as follows (in thousands):

		FAIR VALUE	
	CARRYING AMOUNT	AMOUNT	INTEREST RATE
9.69% promissory notes	$24,600	$26,601	6.75%
9.53% promissory notes	21,000	21,923	6.75
11.10% promissory notes	7,547	7,739	9.00

The fair values presented above are based on the amount of future cash flows associated with each instrument, discounted using our current borrowing rate for similar debt instruments of comparable maturity.

The fair values are estimates as of December 31, 1998, and are not necessarily indicative of amounts for which we could settle currently or indicative of the intent or ability of us to dispose of or liquidate such instruments.

Our results of operations can be affected by changes in exchange rates. Net sales and expenses in currencies other than the U.S. dollar are translated into U.S. dollars for financial reporting purposes based on the average exchange rate for the period. During 1996, 1997 and 1998, net sales from outside the U.S. and Canada represented 2.1%, 5.3% and 13.4%, respectively, of total net sales. Historically, foreign currency transaction gains (losses) have not had a material effect on our operations.

We have entered into foreign currency exchange contracts to hedge our investment in Ets. Brancher. We do not engage in currency speculation. These contracts do not subject us to risk from exchange rate movements because the gains or losses on the contracts offset the losses or gains, respectively, on the assets and liabilities of Ets. Brancher. As of December 31, 1998, we had entered into foreign currency exchange contracts with a nominal value of 165.5 million French francs (approximately $30.0 million). These contracts require us to exchange French francs for U.S. dollars at maturity, which is in May 2003, at rates agreed to at inception of the contracts. If the counterparties to the exchange contracts do not fulfill their obligations to deliver the contracted currencies, we could be at risk for any currency related fluctuations.

From time to time we enter into foreign currency exchange contracts to hedge receivables from our foreign subsidiaries. These contracts do not subject us to risk from exchange rate movements because the gains or losses on the contracts offset losses or gains, respectively, on the receivables being hedged. As of December 31, 1998, we had obligations to deliver the equivalent of $33.2 million of various foreign currencies by March 31, 1999, for which the counterparties to the contracts will pay fixed contract amounts.

INFLATION

Historically, inflation has not had a material effect on our results of operations.

YEAR 2000 COMPLIANCE

The Year 2000 issue concerns the ability of information technology and non-information technology systems and processes to properly recognize and process date-sensitive information before, during and after December 31, 1999. We have a variety of computer software program applications, computer hardware equipment and other equipment with embedded electronic circuits, including applications used in our financial business systems, manufacturing processes and administrative functions, which are collectively referred to as the "Systems". We expect that our Systems will be ready for the Year 2000 transition.

In order to identify and resolve Year 2000 issues affecting us, we established a Year 2000 Compliance Program. The Year 2000 Compliance Program is administered by a Task Force, consisting of members of senior management as well as personnel from our accounting, internal audit and legal departments, which has oversight of the information systems managers and other administrative personnel charged with implementing our Year 2000 Compliance Program. The Task Force has established a specific compliance team for Lennox Corporate and for each of our operating locations.

In 1994 we began the replacement of all core business systems for our domestic subsidiaries. The purpose of this replacement was to upgrade systems architecture and functionality, improve business integration and implement process improvements. SAP was selected as the enterprise resource for planning ("ERP") system to replace mission critical software and hardware for Lennox Industries, Heatcraft (Heat Transfer and Refrigeration Products Divisions) and the Lennox Corporate operations. Fourth Shift was selected as the ERP system for the Electrical Products Division of Heatcraft and is also being implemented for various subsidiaries of Lennox Global. A new version of ROI Manage 2000 was implemented for Armstrong. As of December 31, 1998, all replacements were complete except for the Heat Transfer Division of Heatcraft, which is scheduled to be complete by September 30, 1999, and replacements for certain subsidiaries of Lennox Global.

SAP, Fourth Shift and ROI Manage 2000 have certified that these systems are Year 2000 compliant. Hardware, operating systems and databases installed to support these systems are either compliant or have

Year 2000 vendor supplied updates to be applied in 1999. Other smaller applications integrated with SAP have been replaced or upgraded with Year 2000 compliant software.

The implementations of SAP, Fourth Shift and ROI Manage 2000 and the related hardware, operating systems and databases comprise the systems that are most critical to our operations ("Critical Systems") and address the areas of our business which would have otherwise been significantly affected by the Year 2000. As of March 15, 1999, we were approximately 85% complete with the implementation of the Year 2000 Compliance Program for all Critical Systems, and we expect to be 100% complete by September 30, 1999.

Our Year 2000 Program also addresses compliance in areas in addition to Critical Systems, including: voice and data networks, desktop computers, peripherals, EDI, contracted or purchased departmental software, computer controlled production equipment, test stations, building security, transport and heating and air conditioning systems, service providers, key customers and suppliers and Lennox manufactured and purchased products. As of March 15, 1999, we were more than 50% complete with the implementation of the Year 2000 Compliance Program for all such areas, and we expect to be 100% complete by September 30, 1999.

We have initiated communications with significant suppliers, customers and other third parties to identify and assess Year 2000 risks and to develop solutions that will minimize the impact on us. If third party providers, due to the Year 2000 issue, fail to provide us with components or materials which are necessary to manufacture our products, with sufficient electrical power and other utilities to sustain our manufacturing process, or with adequate and reliable means of transporting our products to our customers, then any such failure could have an adverse effect on our future financial results. The amount of potential liability and lost revenue cannot be estimated. Currently, we are not aware of any of our significant third party providers or customers that are not or will not be Year 2000 compliant.

In order to address the potential Year 2000 non-compliance by third parties affecting our operations, we will continue to survey our key customers and third party providers requesting that they respond regarding their Year 2000 plans. If we find a third party whose lack of Year 2000 readiness could have a substantial impact on our operations, we intend to take corrective action. However, no assurance can be given that third party suppliers or others on whom we rely will address such issues successfully.

The implementation of Critical Systems began in 1994 and was not accelerated as a result of the Year 2000. We do not separately track the costs of our Year 2000 Compliance Program because the majority of such costs consist of internal payroll and related benefits of our compliance teams. Year 2000 remediation costs are expensed in the year incurred. We do not expect future remediation expenditures to be material.

To date, we have no indication that the time to replace or convert any specific function or system is so great as to threaten our present schedule. If we complete our remediation plans, then any adverse effects from the Year 2000 problem will result from circumstances outside our control. As we cannot anticipate such circumstances now, we have not yet developed "most reasonably likely worst case Year 2000 scenarios."

Although at this time we believe that we are adequately addressing the Year 2000 issues, there can be no assurance that the Year 2000 issues will not have an adverse effect on our future financial results. In addition, disruptions in the economy generally resulting from Year 2000 issues could have a materially adverse effect on us.

FORWARD-LOOKING STATEMENTS

"Management's Discussion and Analysis of Financial Condition and Results of Operations" and other sections of this prospectus contain forward-looking statements which are subject to various risks and uncertainties. Actual results could differ materially from those discussed herein. Important factors that could cause or contribute to such differences include those discussed under "Risk Factors" as well as those discussed elsewhere in this prospectus.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments, including certain derivatives embedded in other contracts (collectively referred to as derivatives) and for hedging activities. This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. We do not believe that the adoption of this pronouncement will have a significant impact on our financial statements.

BUSINESS

We are a leading global provider of climate control solutions. We design, manufacture and market a broad range of products for the HVACR markets. Our products are sold under well-established brand names including "Lennox", "Armstrong Air", "Bohn", "Larkin", "Heatcraft" and others. We are also one of the largest manufacturers in North America of heat transfer products, such as evaporator coils and condenser coils. We have leveraged our expertise in heat transfer technology, which is critical to the efficient operation of any heating or cooling system, to become an industry leader known for our product innovation and the quality and reliability of our products. As a result of recent acquisitions, we have also become a leader in the growing market for hearth products, which includes pre-fabricated fireplaces and related products. Historically, we have sold our "Lennox" brand of residential heating and air conditioning products directly to a network of installing dealers, which currently numbers approximately 6,000, making us the largest wholesale distributor of these products in North America. We have recently initiated a program to acquire dealers in metropolitan areas in the U.S. and Canada so that we can provide heating and air conditioning products and services directly to consumers.

Our furnaces, heat pumps, air conditioners, pre-fabricated fireplaces and related products are available in a variety of designs, efficiency levels and price points that provide an extensive line of comfort systems. A majority of our sales of residential heating and air conditioning products in the U.S. and Canada are to the repair and replacement market, which is less cyclical than the new construction market. We also provide a range of air conditioning products for commercial market applications such as mid-size office buildings, restaurants, churches and schools. Our commercial refrigeration products are used primarily in cold storage applications for food preservation in supermarkets, convenience stores, restaurants, warehouses and distribution centers. Our heat transfer products are used by us in our HVACR products and sold to third parties.

Shown below are our four business segments, the key products and brand names within each segment and 1998 net sales by segment. The North American residential segment also includes installation, maintenance and repair services performed by Lennox-owned dealers. See our audited financial statements included elsewhere in this prospectus for more information on our segments.

SEGMENT	PRODUCTS	BRAND NAMES	1998 NET SALES (IN MILLIONS)
North American residential	Furnaces, heat pumps, air conditioners, packaged heating and cooling systems and related products; pre-fabricated fireplaces, free standing stoves, fireplace inserts and accessories	Lennox, Armstrong Air, Air-Ease, Concord, Magic-Pak, Advanced Distributor Products, Superior, Marco, Whitfield and Security Chimneys	$1,013.7
Commercial air conditioning	Unitary air conditioning and applied systems	Lennox, Alcair and Janka	392.1
Commercial refrigeration	Chillers, condensing units, unit coolers, fluid coolers, air cooled condensers and air handlers	Bohn, Friga-Bohn, Larkin, Climate Control and Chandler Refrigeration	237.3
Heat transfer	Evaporator and condenser coils and equipment and tooling to manufacture coils	Heatcraft and Friga-Bohn	178.7
		Total.....	$1,821.8

We market and distribute our products using multiple brand names through multiple distribution channels to penetrate different segments of the HVACR market. Our "Lennox" brand of residential heating and air conditioning products is sold directly through installing dealers -- the "one-step" distribution system -- which has created strong and long-term relationships with dealers in North America. Our "Armstrong Air," "Air-Ease," "Concord" and "Magic-Pak" residential heating and air conditioning brands are sold to regional distributors that in turn sell the products to installing contractors -- the "two-step" distribution system typically utilized in the heating and air conditioning industry. The acquisition of heating

and air conditioning dealers in Canada and the planned acquisition of dealers in the U.S. allows us to participate in the retail sale and service of heating and air conditioning products. Our hearth products, commercial air conditioning products and refrigeration products are also sold under multiple brand names and through a combination of wholesalers, contractors, original equipment manufacturers, manufacturers' representatives and national accounts.

From our beginning in 1895 until the mid-1980's, we focused primarily on the North American residential heating and air conditioning market. In the 1980's, we expanded our product offerings by acquiring several heat transfer and commercial refrigeration businesses. In the mid-1990's, we increased our international presence, product offerings and brand portfolio through acquisitions in Europe, Latin America and the Asia Pacific region. The most significant international acquisition was the purchase in 1996 of a 50% interest in two operating subsidiaries of Ets. Brancher for approximately $22.0 million, which significantly expanded our geographic presence and provided us with an entry into the commercial air conditioning and refrigeration markets in Europe. In 1997, we increased our ownership interest in Ets. Brancher to 70% for an additional $18.4 million. In September 1998, we acquired a majority interest in McQuay do Brasil S.A., a Brazilian company which participates in the commercial refrigeration and heat transfer markets in Brazil and surrounding countries, for $20.5 million. We recently expanded our product offerings to include hearth products through the acquisitions of Superior Fireplace Company, Marco Mfg., Inc. and Pyro Industries, Inc. in the third quarter of 1998 and Security Chimneys International, Ltd. in the first quarter of 1999 for an aggregate purchase price of approximately $120 million. As a result of these acquisitions, we are one of the largest manufacturers of hearth products in the U.S. and Canada, offering a broad line of products through a variety of distribution channels.

We were founded in 1895 in Marshalltown, Iowa when Dave Lennox, who owned a machine repair business for the railroads, successfully developed and patented a riveted steel coal-fired furnace which was substantially more durable than the cast iron furnaces used at the time. By 1904, the manufacture of these furnaces had grown into a significant business and was diverting the Lennox Machine Shop from its core business. As a result, in 1904, a group of investors headed by D.W. Norris bought the furnace business and named it the Lennox Furnace Company. Over the years, D.W. Norris ensured that ownership of Lennox was distributed to all generations of his family. Today, Lennox's ownership is broadly distributed among approximately 110 descendants of or persons otherwise related to D.W. Norris.

INDUSTRY OVERVIEW

NORTH AMERICAN RESIDENTIAL

Residential Heating and Air Conditioning. The residential market in the U.S. and Canada is divided into two basic categories: furnaces and air conditioning systems. Air conditioning is further divided into two basic categories: residential split systems and heat pumps and window and room air conditioners. We do not participate in the window and room air conditioner category. Split system air conditioners are comprised of a condensing unit, normally located outside of the household, and an evaporator unit, which is typically positioned indoors to use the blower mechanism of a furnace or fan coil unit in the case of a heat pump.

In recent decades the functions performed by the products of this market have become increasingly important to modern life. The advent of modern, high efficiency air conditioning was one of the significant factors contributing to the growth of large metropolitan areas in parts of the southern U.S. According to a report published by the U.S. Department of Housing and Urban Development for 1995, 98% of all new houses constructed in the southern region of the U.S. and 80% of all new houses in the U.S. included central air conditioning. According to the U.S. Census Bureau, manufacturers' sales for all residential air conditioners and warm air furnaces produced in 1997 for the U.S. market were approximately $5.5 billion, reflecting a compound annual growth rate of approximately 7.2% from 1993 to 1997. We estimate that manufacturers' sales in Canada were approximately $200 million in 1997.

Services in the residential market in North America consist of the installation, replacement, maintenance and repair of heating and air conditioning systems at existing residences and the installation of heating and air conditioning systems at newly constructed homes. This market is served by small, owner-operated businesses

operating in a single geographic area and dealers owned by consolidators, utility companies and others, some of whom may operate under a uniform trade name and in multiple geographic locations. The retail sales and service market in the U.S. is comprised of over 30,000 dealers.

The principal factors affecting market growth in the North American residential market are new home construction, the weather and economic conditions, especially consumer confidence. Residential heating and air conditioning products are sold for both the replacement and new construction markets. The residential new construction market has historically been a more price sensitive market because many homebuilders focus on initial price rather than operating efficiency or ongoing service costs.

Hearth Products. The main components of the hearth products market are pre-fabricated gas fireplaces and inserts, pre-fabricated wood burning fireplaces and inserts, pellet stoves, gas logs, and accessories and miscellaneous items. We participate in all major aspects of the hearth products market. According to the Hearth Products Association, an industry trade group, there were 2.3 million unit sales in 1998, including all gas and wood burning appliances, and this market is expected to grow at 7.5% per year through 2000. The addition of a fireplace is considered one of the best return on investment decisions that a homeowner can make. Hearth products are distributed and sold through many channels, ranging from contractors to specialty retailers.

COMMERCIAL AIR CONDITIONING

The global commercial air conditioning market is divided into two basic categories: unitary air conditioners and applied systems. We primarily participate in the unitary air conditioning market in North America and in both the unitary and applied systems markets in Europe. Unitary products consist of modular split systems and packaged products with up to 30 tons of cooling capacity. One ton of cooling capacity is equivalent to 12,000 BTUs and is generally adequate to air condition approximately 500 square feet of space. Packaged units are self-contained heating and cooling or cooling only units that typically fit on top of a low rise commercial building such as a shopping center or a restaurant. Applied systems are typically larger engineered systems, which are designed to operate in multi-story buildings and include air cooled and water cooled chillers, air handling units and equipment to monitor and control the entire system.

According to the Air-Conditioning & Refrigeration Institute, an industry trade group, global manufacturers' sales for all commercial air conditioning systems produced in 1994 (the latest available data) were approximately $14 billion. The principal factors affecting growth in this market are new construction, economic conditions and environmental regulation of refrigerants. Unlike residential heating and air conditioning systems, some commercial air conditioning systems use refrigerants that have been banned or that are currently being phased out, especially in Europe. We expect that such regulation will lead to increased growth in this market.

COMMERCIAL REFRIGERATION

The global refrigeration market is a highly diversified market, including everything from household refrigerators and walk-in coolers to large, ammonia based flash freezing plants and process cooling equipment. We define our served market as the design and manufacture of equipment used in cold storage, primarily for the preservation of perishable goods. Our served market includes condensing units, unit coolers, air cooled condensers, non-supermarket racks and packaged systems. According to the U.S. Census Bureau, our served market in the U.S. accounted for approximately $510.9 million in revenues in 1997, reflecting a compound annual growth rate of approximately 5.3% from 1993 to 1997.

The principal factors affecting growth in the commercial refrigeration market are:

- new commercial construction activity, including construction of supermarkets, restaurants, convenience stores and distribution centers;

- replacement and retrofit activity in commercial buildings such as efficiency improvements and store design changes; and

- emergency replacement activity such as replacement of weather related product/component breakdowns and product maintenance.

HEAT TRANSFER

The heat transfer surface or coil is a fundamental technology employed in the heating and cooling cycles for HVACR products. The global heat transfer surface market is comprised not only of the traditional HVACR applications such as furnaces, air conditioners and unit coolers, but also numerous other applications such as ice machines, refrigerated trucks, certain farm equipment and off-road vehicles, recreational vehicles, computer room air conditioners and process cooling equipment used with sophisticated laser cutting machines. We produce heat transfer surfaces not only for traditional HVACR applications, but also for many of these other applications. Many HVACR manufacturers produce standard coils for their own use and generally do not sell coils to third parties. Coils are also designed and produced by independent coil manufacturers and sold to original equipment manufacturers for use in their products. Coils are typically designed, developed and sold by engineers who work with customers to produce a coil that will meet the customer's precise specifications. Factors affecting a coil purchaser's decision are quality, delivery time, engineering and design capability, and price.

Since heat transfer products are a fundamental part of HVACR products, the heat transfer market is driven by the same economic factors that affect the HVACR markets generally. Because of the fragmented nature of this market and the fact that coils are often produced internally by HVACR manufacturers, it is difficult to gauge the size of the worldwide served heat transfer market. According to the U.S. Census Bureau, the served market in the U.S. (i.e., third party sales) accounted for approximately $528.1 million in revenues in 1997, reflecting a compound annual growth rate of approximately 6.2% from 1993 to 1997.

COMPETITIVE STRENGTHS

We have a combination of strengths that position us to continue to be a leading provider of climate control solutions including:

STRONG BRAND RECOGNITION AND REPUTATION

We believe that our well known brand names and reputation for quality products and services position us to compete successfully in our existing markets and to continue to expand internationally. Our studies indicate that our "Lennox" brand is the most widely recognized brand name in the North American residential heating and air conditioning markets. Furthermore, in a recent survey of home builders, the "Lennox" brand received the highest overall rating in terms of product quality for furnaces and unitary air conditioners. We market our other HVACR and hearth products under the well known brand names of "Armstrong Air", "Bohn", "Larkin" and "Superior", among others.

BREADTH OF DISTRIBUTION

We market and distribute our products using multiple brand names through multiple distribution channels to penetrate different segments of the HVACR market. We sell our heating and air conditioning products through independent and Lennox-owned installing dealers, as well as through regional distributors. Our hearth products, commercial air conditioning and refrigeration products are also sold under multiple brand names and through a combination of wholesalers, installing contractors, manufacturers' representatives, original equipment manufacturers, national accounts and specialty retailers. We believe that sales growth is driven, in part, by the level of exposure to our customers and our distribution strategy is designed to maximize this exposure.

PROVEN HEAT TRANSFER EXPERTISE

Heat transfer surfaces, which include evaporator and condenser coils, are critical to the operation of most HVACR products. For a given application, a variety of factors must be evaluated, such as the size of the HVACR unit and desired energy efficiency, while considering such additional elements as manufacturing

ease. Since our acquisition of the Heatcraft business in 1986, we have devoted significant resources to the development of heat transfer surfaces. We use computer-aided design and other advanced software to improve the efficiency of designs and simulate and evaluate the movement of refrigerants even before a prototype is built. Since we also produce coils for sale to third parties, we are able to spread our research and development costs over third party purchases of heat transfer products as well as sales of our own HVACR products. We have recently agreed to acquire Livernois Engineering Holding Company, which will provide us with access to additional heat transfer technology. Livernois produces heat transfer manufacturing equipment for the HVACR and automotive industries.

COMMITMENT TO PRODUCT INNOVATION AND TECHNOLOGICAL LEADERSHIP

Throughout our history, we have dedicated substantial resources to research and development and product innovation. We pioneered the introduction of the forced air furnace in 1935, which resulted in new approaches to home design for more efficient heating. Other examples of our product innovation include:

- the multi-zone rooftop air conditioner in 1965;

- the two-speed condensing unit for more efficient air conditioning in 1973;

- the high efficiency gas furnace in 1982;

- the first commercially available high efficiency combination hot water heater and furnace in 1994; and

- "Floating Tube" and "Thermoflex" technologies, which significantly reduce leaks in air cooled condensers and unit coolers, in 1995.

We have invested approximately $125 million over the last five years on research and development activities, and we intend to continue to invest in these activities to create innovative and technologically superior products.

DEMONSTRATED MANUFACTURING EFFICIENCY

Over the last several years, we have introduced concepts of "Demand Flow"(R) technology, cellular manufacturing, just-in-time inventory management and configure-to-order processes to reduce production cycle lead times to a week or as little as 48 hours in many of our manufacturing facilities, compared to lead times of 90 days or more before the introduction of such concepts. The increases in manufacturing efficiency have led to improvements in inventory turnover. Without these improvements, along with improvements in accounts receivable and accounts payable management, we estimate that our investment in working capital would have been approximately $180 million higher at December 31, 1998.

GROWTH STRATEGY

Our growth strategy is designed to capitalize on our competitive strengths in order to expand our market share and profitability in the worldwide HVACR markets. We will continue to pursue internal programs and strategic acquisitions that broaden our product and service offerings, expand our market opportunities and enhance our technological expertise. The key elements of this strategy include:

EXPAND MARKET IN NORTH AMERICA

Our program to acquire heating and air conditioning dealers in the U.S. and Canada represents a new direction for the heating and air conditioning industry because, to our knowledge, no other major manufacturer has made a significant investment in retail distribution. This strategy will enable us to extend our distribution directly to the consumer, thereby permitting us to participate in the revenues and margins available at the retail level while strengthening and protecting our brand equity. We believe that the retail sales and service market represents a significant growth opportunity because this market is large and highly fragmented. The retail sales and service market in the U.S. is comprised of over 30,000 dealers. We started this program in September 1998, and as of March 31, 1999 we had acquired 37 dealers in Canada for an aggregate purchase

price of approximately $55 million and had signed letters of intent to acquire nine additional Canadian dealers for an aggregate purchase price of approximately $9 million. We intend to start acquiring dealers in the U.S. by initially focusing on our existing "Lennox" dealers and will try to achieve a balance between residential new construction, residential replacement and light commercial activities. We believe our long history of direct relationships with our dealers through the one-step distribution system and the resulting knowledge of local markets will give us advantages in identifying and acquiring suitable candidates. We have assembled an experienced management team to administer the dealer operations, and we have developed a portfolio of training programs, management procedures and goods and services that we believe will enhance the quality, effectiveness and profitability of dealer operations.

In addition to our acquisition program, we have initiated a program to strengthen our independent dealer network by providing all dealers with a broad array of services and support. Participants in a newly-created Associate Dealer Program will receive certain retirement and other benefits in exchange for agreeing that a certain percentage of their purchases will be of our products and for granting us a right of first refusal to acquire their businesses. All independent dealers, including participants in the Associate Dealer Program, will be provided with access to Lennox-sponsored volume purchasing programs with third parties for goods and services used in their businesses.

We also intend to increase our market share in North America by:

- selectively expanding our "Lennox" independent dealer network;

- promoting the cross-selling of our "Armstrong Air" and other residential heating and air conditioning brands to our existing network of "Lennox" dealers as a second line;

- promoting the cross-selling of our hearth products to our "Lennox" dealer base;

- expanding the geographic market for the "Armstrong Air" brand of residential heating and air conditioning products from its traditional presence in the Northeast and Central U.S. to the southern and western portions of the U.S.;

- exploiting the fragmented third-party evaporator coil market; and

- pursuing complementary acquisitions that expand our product offerings or geographic presence.

EXPLOIT INTERNATIONAL OPPORTUNITIES

Worldwide demand for residential and commercial heating, air conditioning, refrigeration and heat transfer products is increasing. We believe that the increasing international demand for these products presents substantial opportunities, especially in emerging markets and particularly for heat transfer and refrigeration products. An example is the increasing use of refrigeration products to preserve perishables including food products in underdeveloped countries. Refrigeration products generally have the same design and applications globally. To take advantage of international opportunities, we have made substantial investments in manufacturing facilities in Europe, Latin America and Asia Pacific through acquisitions, including a 70% interest in Ets. Brancher. Our international sales have grown from $28.5 million in 1996 to $244.5 million in 1998. We will continue to focus on expanding our international operations through acquisitions and internal growth to take advantage of international growth opportunities. We are also investing additional resources in our international operations with the goal of achieving manufacturing and distribution efficiencies comparable to that of our North American operations.

INCREASE PRESENCE IN HEARTH PRODUCTS MARKET

With our recent acquisitions of hearth products companies, we now manufacture and sell one of the broadest lines of hearth products in North America. We offer multiple brands of hearth products at a range of price points. We believe that this broad product line will allow us to compete successfully in the hearth products market since many distributors prefer to concentrate their product purchases with a limited number of suppliers. We believe that we can increase our penetration of this market by selling in the distribution

channels we acquired and through our historical distribution channels. Many of our heating and air conditioning dealers have begun to expand their product offerings to include hearth products.

CONTINUE PRODUCT INNOVATION

An important part of our growth strategy is to continue to invest in research and new product development. We have designated certain of our facilities as "centers for excellence" that are responsible for the research and development of core competencies vital to our success, such as combustion technology, vapor compression, heat transfer and low temperature refrigeration. Technological advances are disseminated from these "centers for excellence" to all of our operating divisions. Historically, our commitment to research and development has resulted in product innovations such as the first high efficiency gas furnace. More recently, we were the first to manufacture and market a complete combination high efficiency water heater and furnace, the CompleteHeat, and also developed an integrated electronic refrigeration control system, the Beacon control system.

PRODUCTS

NORTH AMERICAN RESIDENTIAL PRODUCTS AND SERVICES

Heating and Air Conditioning Products. We manufacture and market a broad range of furnaces, heat pumps, air conditioners, packaged heating and cooling systems and related products. These products are available in a variety of product designs and efficiency levels at a range of price points intended to provide a complete line of home comfort systems for both the residential replacement and new construction markets. We market these products through multiple brand names. In addition, we manufacture zoning controls, thermostats and a complete line of replacement parts. We believe that by maintaining a broad product line with multiple brand names, we can address different market segments and penetrate multiple distribution channels.

Our Advanced Distributor Products division builds evaporator coils, unit heaters and air handlers under the "ADP" brand as well as the "Lennox" and "Armstrong Air" brands. This division supplies us with components for our heating and air conditioning products and produces evaporator coils to be used in conjunction with competitors' heating and air conditioning products and as an alternative to such competitors' brand name components. We started this business in 1993 and have been able to achieve an approximate 20% share of this market for evaporator coils through the application of our technological and manufacturing skills.

Hearth Products. We believe we are the only North American HVACR manufacturer that also designs, manufactures and markets residential hearth products. Our hearth products include prefabricated gas and wood burning fireplaces, free standing pellet and gas stoves, fireplace inserts, gas logs and accessories. Many of the fireplaces are built with a blower or fan option and are efficient heat sources as well as attractive amenities to the home. Prior to the hearth products acquisitions, we offered a limited selection of hearth products in Canada and, to a lesser extent, in the U.S. We substantially expanded our offering of hearth products and distribution outlets with these acquisitions. We currently market our hearth products under the "Lennox", "Superior", "Marco", "Whitfield", and "Security Chimneys" brand names. We believe that our strong relationship with our dealers and our brand names will assist in selling into this market.

Retail Service. With our recently initiated program of acquiring dealers in the U.S. and Canada, we have begun to provide installation, maintenance, repair and replacement services for heating and air conditioning systems directly to both residential and light commercial customers. Installation services include the installation of heating and air conditioning systems in new construction and the replacement of existing systems. Other services include preventative maintenance, emergency repairs and the replacement of parts associated with heating and air conditioning systems. We also sell a wide range of mechanical and electrical equipment, parts and supplies in connection with these services.

COMMERCIAL AIR CONDITIONING

We manufacture and sell commercial air conditioning equipment in North America, Europe, Asia Pacific and South America.

North America. In the North American commercial markets, our air conditioning equipment is used in applications such as low rise office buildings, restaurants, retail and supermarket centers, churches and schools. Our product offerings for these applications include rooftop units which range from two to 30 tons of cooling capacity and split system/air handler combinations which range from two to 20 tons. In North America, we sell unitary equipment as opposed to larger applied systems. Our newest rooftop unit, the L Series, was introduced in 1995 and has been well received by the national accounts market where it is sold to restaurants, mass merchandisers and other retail outlets. We believe that this product's success is attributable to its efficiency, design flexibility, low life cycle cost, ease of service and advanced control technology.

International. We compete in the commercial air conditioning market in Europe through our ownership of 70% of Ets. Brancher and Ets. Brancher's operating subsidiaries, HCF S.A. and Friga-Bohn S.A. We have agreed to buy the remaining 30% interest in Ets. Brancher on March 31, 2000 for approximately $17 million. HCF manufactures and sells unitary products which range from two to 30 tons and applied systems which range up to 500 tons. HCF's products consist of chillers, air handlers, fan coils and large rooftop units and serve medium high-rise buildings, institutional applications and other field engineered applications. HCF manufactures its air conditioning products in several locations throughout Europe, including sites in the United Kingdom, France, Holland and Spain, and markets such products through various distribution channels in the foregoing countries and Italy, Germany, Belgium and the Czech Republic.

We have been active in Australia for several years, primarily in the distribution of our residential and light commercial heating and air conditioning products manufactured in North America. In 1997, we acquired the assets of Alcair Industries, an Australian manufacturer of commercial heating and air conditioning products (packaged and split systems) ranging in size from two to 60 tons. This acquisition provided us with a manufacturing presence, doubled our revenues in Australia and added marketing, distribution and management strength to our operations in Australia.

Through our 50% owned Fairco joint venture in Argentina, we manufacture split system heating and air conditioning products and a limited range of L Series commercial air conditioning products for sale in Argentina, Chile and the surrounding Mercosur trading zone, which includes Brazil, Argentina, Bolivia, Paraguay and Uruguay.

COMMERCIAL REFRIGERATION

North America. We are one of the leading manufacturers of commercial refrigeration products in North America. Our refrigeration products include chillers, condensing units, unit coolers, fluid coolers, air cooled condensers and air handlers. Our refrigeration products are sold for cold storage applications to preserve food and other perishables. These products are used by supermarkets, convenience stores, restaurants, warehouses and distribution centers. As part of our sale of commercial refrigeration products, we routinely provide application engineering for consulting engineers, contractors and others. Some of our larger commercial refrigeration projects have included the sale of custom designed systems for the Georgia Dome, Camden Yards, Ohio University, the Boston Museum of Fine Arts and Ericsson Stadium.

International. Friga-Bohn manufactures and markets refrigeration products through manufacturing facilities and joint ventures located in France, Italy and Spain. Friga-Bohn's refrigeration products include small chillers, unit coolers, air cooled condensers, fluid coolers and refrigeration racks. These products are sold to distributors, installing contractors and original equipment manufacturers.

We also own 50% of a joint venture in Mexico that produces unit coolers and condensing units of the same design and quality as those manufactured by us in the U.S. Since this venture produces a smaller range of products, the product line is complemented with imports from the U.S. which are sold through the joint venture's distribution network. Sales are made in Mexico to wholesalers, installing contractors and original

equipment manufacturers. As production volumes increase, there exists the potential to export some of the high labor content products from the joint venture into North America and Latin America.

In the third quarter of 1998, we acquired a 79% interest in McQuay do Brasil S.A., a Brazilian company that manufactures condensing units and unit coolers. We believe this acquisition gives us the leading market share for commercial refrigeration products in Brazil.

In the fourth quarter of 1998, we acquired the assets of Lovelock Luke Pty. Limited, a distributor of refrigeration and related equipment in Australia and New Zealand. This acquisition gives us an established commercial refrigeration business in Australia and New Zealand.

HEAT TRANSFER

We are one of the largest manufacturers of heat transfer coils in the U.S., Europe, Mexico and Brazil. These products are used primarily by original equipment manufacturers of residential and commercial air conditioning products, transportation air conditioning and refrigeration systems, and commercial refrigeration products. A portion of our original equipment manufacturer coils are produced for use in our residential and commercial HVACR products. We also produce private label replacement coils for use in other manufacturers' HVACR equipment. We believe that the engineering expertise of our sales force provides us with an advantage in designing and applying these products for our customers. Advanced computer software enables us to predict with a high degree of accuracy the performance of complete air conditioning and refrigeration systems.

In addition to supplying the original equipment manufacturer market, we also produce replacement coils for large commercial air conditioning, heating and industrial processing systems. Many of these coils are specially designed for particular systems and in the event of a failure may need to be replaced quickly. We are the industry leader in this market and have designed our manufacturing processes and systems in North America so that we can deliver custom coils within 48 hours of receipt of an order. This premium service enables us to receive superior prices and generate attractive margins.

We also design and manufacture the equipment and tooling necessary to produce coils. We use such equipment and tooling in our manufacturing facilities and sell it to third parties. Typically, there is a long lead time between the initial order and receipt for this type of equipment and tooling from third parties. Since we have the ability to quickly produce the equipment and tooling necessary to manufacture heat transfer products and systems, we can accelerate the international growth of our heat transfer products segment. For example, we were able to design, manufacture and deliver the equipment necessary to produce evaporator and condenser coils for our joint venture in Mexico in what we estimate was half the time than would otherwise have been required to obtain the equipment from third parties. Upon completion of our acquisition of Livernois, we will also supply heat transfer manufacturing equipment to the automotive industry.

In addition to manufacturing heat transfer products in the North American market, we produce coils for the European market through a joint venture in the Czech Republic. Our joint venture in Mexico produces evaporator and condenser coils for use in that country and for export to the Caribbean and the U.S. Our Brazilian joint venture manufactures heat transfer coils that are sold to both HVACR manufacturers and automotive original equipment manufacturers in Brazil.

MARKETING AND DISTRIBUTION

We manage numerous distribution channels for our products in order to better penetrate the HVACR market. Generally, our products are sold through a combination of distributors, independent and company-owned dealers, wholesalers, manufacturers' representatives, original equipment manufacturers and national accounts. We have also established separate distribution networks in each country in which we conduct operations. We deploy dedicated sales forces across all our business segments and brands in a manner designed to maximize the ability of each sales force to service its particular distribution channel. To maximize enterprise-wide effectiveness, we have active cross-functional and cross-organizational teams working on issues such as pricing and coordinated approaches to product design and national account customers with

interests cutting across business segments. We have approximately 1,600 persons employed in sales and marketing positions and spent $50.2 million on advertising, promotions and related marketing activities in 1998.

One example of the competitive strength of our marketing and distribution strategy is in the North American residential heating and air conditioning market, in which we use three distinctly different distribution approaches -- the one-step distribution system, the two-step distribution system and sales made directly to consumers through Lennox-owned dealers. We market and distribute our "Lennox" brand of heating and air conditioning products directly to approximately 6,000 dealers that install these products.

We distribute our "Armstrong Air", "Air-Ease", "Concord" and "Magic-Pak" brands of residential heating and air conditioning products through the traditional two-step distribution process whereby we sell our products to distributors who, in turn, sell the products to a local installing dealer. Accordingly, by using multiple brands and distribution channels, we are able to better penetrate the North American residential heating and air conditioning market. In addition, we have begun to acquire or establish distributors in key strategic areas when a satisfactory relationship with an independent distributor is not available.

We have initiated a program to acquire high quality dealers in metropolitan areas in the U.S. and Canada so we can provide heating and air conditioning products and services directly to consumers. We intend to start acquiring dealers in the U.S. by initially focusing on our existing "Lennox" dealers who are part of our one-step distribution system.

Through the years, the "Lennox" brand has become synonymous with the "Dave Lennox" image, which is utilized in national television and print advertising as well as in numerous locally produced dealer ads, open houses and trade events, and is easily the best recognized advertising icon in the heating and air conditioning industry. We spent an aggregate of $40.1 million in advertising, promotions and related marketing activities in 1998 on the "Lennox" brand alone.

MANUFACTURING

We operate 15 manufacturing facilities in the U.S. and Canada and 19 outside the U.S. and Canada. These plants range from small manufacturing facilities to large 1,000,000 square foot facilities in Grenada, Mississippi and Marshalltown, Iowa. In our facilities most impacted by seasonal demand, we manufacture both heating and air conditioning products to smooth seasonal production demands and maintain a relatively stable labor force. We are generally able to hire temporary employees to meet changes in demand.

Over the last several years, we have introduced concepts of "Demand Flow"(R) technology, cellular manufacturing, just-in-time inventory management and configure-to-order processes to reduce production cycle lead times to a week or as little as 48 hours in many of our manufacturing facilities, compared to lead times of 90 days or more before the introduction of such concepts. These processes enable us to deliver to our customers the product with the exact specifications and features they desire in a very short lead time while reducing inventory, inventory obsolescence and working capital. If these improvements had not occurred, along with improvements in accounts receivable and accounts payable management, we estimate that our investment in working capital would have been approximately $180 million higher at December 31, 1998. These improvements in manufacturing efficiency have also allowed us to produce more output with a smaller workforce and less factory space, and accordingly to consolidate our manufacturing facilities.

Some of the recently acquired manufacturing facilities have not yet reached the levels of efficiency that have been achieved at our plants which we have owned for a longer time. However, we intend to bring our manufacturing and operating expertise to these plants.

PURCHASING

We rely on various suppliers to furnish the raw materials and components used in the manufacture of our products. To maximize our buying power in the marketplace, we utilize a "purchasing council" that consolidates purchases of our entire domestic requirements of particular items across all business segments. The purchasing council generally concentrates its purchases for a given material or component with one or two

suppliers, although we believe that there are alternative suppliers for all of our key raw material and component needs. Compressors, motors and controls constitute our most significant component purchases, while steel, copper and aluminum account for the bulk of our raw material purchases. Although most of the compressors used by us are purchased directly from major compressor manufacturers, we own a 24.5% interest in a joint venture to manufacture compressors in the one and one-half to seven horsepower range. We expect that this joint venture, which began limited production in April 1998, will be capable of providing us with a substantial portion of our compressor requirements in the residential air conditioning market after achieving full production levels, which is expected in 2001.

We attempt to minimize the risk of price fluctuations in certain key components by entering into contracts, typically at the beginning of the year, which generally provide for fixed prices for our needs throughout the year. In instances where we are unable to pass on to our customers increases in the costs of copper and aluminum, we enter into forward contracts for the purchase of such materials. We have forward commitments for the substantial majority of our internal needs of aluminum through December 1999 and copper through December 2000.

INFORMATION SYSTEMS

Our North American operations are supported by enterprise business systems which support all core business processes. Enterprise business systems are designed to enhance the continuity of operations, ensure appropriate controls, and support timely and efficient decision making. Our largest operating divisions began installing the SAP enterprise business software system in 1996. We have substantially completed the implementation of SAP software and full implementation by all divisions converting to SAP is expected to be completed by the end of 1999. The SAP software system is designed to facilitate the flow of information and business processes across all business functions such as sales, manufacturing, distribution and financial accounting.

TECHNOLOGY AND RESEARCH AND DEVELOPMENT

We support an extensive research and development program focusing on the development of new products and improvements to our existing product lines. We spent an aggregate of $23.2 million, $25.4 million and $31.8 million on research and development during 1996, 1997 and 1998, respectively. As of December 31, 1998, we employed approximately 480 persons dedicated to research and development activities. We have a number of research and development facilities located around the world, including a limited number of "centers for excellence" that are responsible for the research and development of particular core competencies vital to our business, such as combustion technology, vapor compression, heat transfer and low temperature refrigeration.

We use advanced, commercially available computer-aided design, computer-aided manufacturing, computational fluid dynamics and other sophisticated software not only to streamline the design and manufacturing processes, but also to give us the ability to run complex computer simulations on a product design before a working prototype is created. We operate a full line of metalworking equipment and advanced laboratories certified by applicable industry associations.

PATENTS AND PROPRIETARY RIGHTS

We hold numerous patents that relate to the design and use of our products. We consider these patents important, but no single patent is material to the overall conduct of our business. Our policy is to obtain and protect patents whenever such action would be beneficial to us. We own several trademarks that we consider important in the marketing of our products, including Lennox(R), Heatcraft(R), CompleteHeat(R), Raised Lance(R), Larkin(TM), Climate Control(TM), Chandler Refrigeration(R), Bohn(R), Advanced Distributor Products(R), Armstrong Air(TM), Air-Ease(R), Concord(R), Magic-Pak(R), Superior(TM), Marco(R), Whitfield(R), Security Chimneys(R), Janka(R), Alcair(TM) and Friga-Bohn(TM). We believe our rights in these trademarks are adequately protected.

COMPETITION

Substantially all of the markets in which we participate are highly competitive. The most significant competitive factors facing us are product reliability, product performance, service and price, with the relative importance of these factors varying among our product lines. In addition, as we acquire more heating and air conditioning dealers, we will face increasing competition from independent dealers and dealers owned by consolidators and utility companies. Certain competitors may have greater financial and marketing resources than we have. Listed below are some of the companies that we view as our main manufacturing competitors in each segment we serve, with relevant brand names, when different than the company name, shown in parentheses.

- North American residential -- United Technologies Corporation (Carrier); Goodman Manufacturing Company (Janitrol, Amana); American Standard Companies Inc. (Trane); York International Corporation; Hearth Technologies Inc. (Heatilator); and CFM Majestic, Inc. (Majestic).

- Commercial air conditioning -- United Technologies Corporation (Carrier); American Standard Companies Inc. (Trane); York International Corporation; Daikin Industries, Ltd.; and McQuay International.

- Commercial refrigeration -- United Technologies Corporation (Ardco Group); Tecumseh Products Co.; Copeland Corporation; and Hussmann International Inc. (Krack).

- Heat transfer -- Modine Manufacturing Company and Super Radiator Coils.

EMPLOYEES

As of December 31, 1998, we employed approximately 11,700 employees, approximately 3,400 of which were represented by unions. The number of hourly workers we employ during the course of the year may vary in order to match our labor needs during periods of fluctuating demand. We believe that our relationships with our employees are generally good.

Within the U.S., we have eight manufacturing facilities and five distribution centers, along with our North American Parts Center in Des Moines, Iowa, with collective bargaining agreements ranging from three to eight years in length. The five distribution centers are covered by a single contract that expires in 2001. With respect to our significant manufacturing facilities, two collective bargaining agreements expire in April 1999 -- Bellevue, Ohio and Union City, Tennessee -- and one expires in December 1999 -- Lynwood, California. Three collective bargaining agreements expire in 2000 -- Marshalltown, Iowa, Burlington, Washington and Atlanta, Georgia -- and one expires in 2002 -- Danville, Illinois. Outside of the U.S., we have 12 significant facilities that are represented by unions. The four agreements for HCF in France have no fixed expiration date. The agreements at our facilities in Toronto, Ontario and Laval, Quebec expire in April 1999 and December 1999, respectively, and the agreement at our facility in Burgos, Spain expires in 2000. We believe that our relationships with the unions representing our employees are generally good, and do not anticipate any material adverse consequences resulting from negotiations to renew these agreements.

PROPERTIES

The following chart lists our major domestic and international manufacturing, distribution and office facilities and whether such facilities are owned or leased:

DOMESTIC FACILITIES

LOCATION	DESCRIPTION AND APPROXIMATE SIZE	PRINCIPAL PRODUCTS	OWNED/LEASED
Richardson, TX	World headquarters and offices; Lennox Industries headquarters; 230,000 square feet	N/A	Owned and Leased
Bellevue, OH	Armstrong headquarters, factory and distribution center; 800,000 square feet	Residential furnaces, residential and light commercial air conditioners and heat pumps	Owned and Leased
Grenada, MS	Heatcraft Heat Transfer Division headquarters and factory, 1,000,000 square feet; Advanced Distributor Products factory, 300,000 square feet; commercial products factory, 217,000 square feet	Coils and copper tubing; evaporator coils, gas-fired unit heaters and residential air handlers; and custom order replacement coils	Owned and Leased
Stone Mountain, GA	Heatcraft Refrigeration Products Division headquarters, R&D and factory; 145,000 square feet	Commercial and industrial condensing units, packaged chillers and custom refrigeration racks	Owned
Marshalltown, IA	Lennox Industries heating and air conditioning products factory, 1,000,000 square feet; distribution center, 300,000 square feet	Residential heating and cooling products, gas furnaces, split-system condensing units, split-system heat pumps and CompleteHeat	Owned and Leased
Des Moines, IA	Lennox Industries distribution center and light manufacturing; 352,000 square feet	Central supplier of Lennox repair parts	Leased
Carrollton, TX	Lennox Industries heating and air conditioning products development and research facility; 130,000 square feet	N/A	Owned
Stuttgart, AR	Lennox Industries light commercial heating and air conditioning factory; 500,000 square feet	Commercial rooftop equipment and accessories	Owned and Leased
Union City, TN	Superior Fireplace Company factory; 294,690 square feet	Gas and wood burning fireplaces	
Lynwood, CA	Marco Mfg. Inc. headquarters and factory; 200,000 square feet	Gas and wood burning fireplaces	Leased

INTERNATIONAL FACILITIES

LOCATION	DESCRIPTION AND APPROXIMATE SIZE	PRINCIPAL PRODUCTS	OWNED/LEASED
Genas, France	Friga-Bohn headquarters and factory; 16,000 square meters	Heat exchangers for refrigeration and air conditioning; refrigeration products, condensers, fluid coolers, pressure vessels, liquid receivers and refrigeration components	*
Mions, France	HCF-Lennox headquarters and factories; 12,000 square meters	Air cooled chillers, water cooled chillers, reversible chillers and packaged boilers	*
Burgos, Spain	Lennox-Refac factory; 8,000 square meters	Comfort air conditioning equipment, packaged and split units (cooling or heat pump); small and medium capacity water cooled chillers	*
Krunkel, Germany	European headquarters and factories for HYFRA GmbH products; 6,000 square meters	Process cooling systems	*
Prague, Czech Republic	Janka and Friga-Coil factories; 30,000 square meters	Air handling equipment; heat transfer coils	*
Sydney, Australia	Lennox Australia Pty. Ltd. headquarters and factory; 20,000 square feet	Rooftop packaged and split commercial air conditioners	Leased
San Jose dos Campos, Brazil	McQuay do Brasil headquarters and factory; 160,000 square feet	Refrigeration condensing units, unit coolers and heat transfer coils	*
Etobicoke, Canada	Lennox-Canada factory, 212,000 square feet	Multi-position gas furnaces, gas fireplaces and commercial unit heaters	Owned

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* Facilities owned or leased by a joint venture in which we have an interest.

In addition to the properties described above and excluding dealer facilities, we lease over 60 facilities in the U.S. for use as sales offices and district warehouses and a limited number of additional facilities worldwide for use as sales and service offices and regional warehouses. We believe that our properties are in good condition and adequate for our requirements. We also believe that our principal plants are generally adequate to meet our production needs.

REGULATION

Our operations are subject to evolving and often increasingly stringent federal, state, local and international laws and regulations concerning the environment. Environmental laws that affect or could affect our domestic operations include, among others, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Occupational Safety and Health Act, the National Environmental Policy Act, the Toxic Substances Control Act, any regulations promulgated under these acts and various other Federal, state and local laws and regulations governing environmental matters. We believe we are in substantial compliance with such existing environmental laws and regulations. Our non-U.S. operations are also subject to various environmental statutes and regulations. Generally, these statutes and regulations impose operational requirements that are similar to those imposed in the U.S. We believe we are in substantial compliance with applicable non-U.S. environmental statutes and regulations.

Refrigerants. In the past decade, there has been increasing regulatory and political pressure to phase out the use of certain ozone depleting substances, including hydrochlorofluorocarbons, which are sometimes referred to as "HCFCs". This development is of particular importance to us and our competitors because of the common usage of HCFCs as refrigerants for air conditioning and refrigeration equipment. As discussed below, we do not believe that implementation of the phase out schedule for HCFCs contained in the current regulations will have a material adverse effect on our financial position or results of operations. We do believe, however, that there will likely be continued pressure by the international environmental community for the U.S. and other countries to accelerate the phase out schedule. We have been an active participant in the ongoing international dialogue on these issues and believe that we are well positioned to react to any changes in the regulatory landscape.

In September 1987, the U.S. became a signatory to an international agreement titled the Montreal Protocol on Substances that Deplete the Ozone Layer. The Montreal Protocol requires its signatories to phase out HCFCs on an orderly basis. All countries in the developed world have become signatories to the Montreal Protocol. The manner in which these countries implement the Montreal Protocol and regulate HCFCs differs widely.

The 1990 U.S. Clean Air Act amendments implement the Montreal Protocol by establishing a program to limit the production, importation and use of certain ozone depleting substances, including HCFCs currently used as refrigerants by us and our competitors. Under the Act and implementing regulations, all HCFCs must be phased out between 2010 and 2030. We believe that these regulations as currently in effect will not have a material adverse effect on our operations. It is not expected that the planned phase out of HCFCs will have a significant impact on the sales of products utilizing these refrigerants prior to the end of the decade. Nonetheless, as the supply of virgin and recycled HCFCs falls, it will be necessary to address the need to substitute permitted substances for HCFCs. Further, the U.S. is under pressure from the international environmental community to accelerate the current 2030 deadline for phase out of HCFCs. An accelerated phase out schedule could adversely affect our future financial results and the industry generally.

We, in conjunction with major chemical manufacturers, are continually in the process of reviewing and addressing the potential impact of refrigerant regulations on our products. We believe that the combination of products that presently utilize HCFCs, and products in the field which can be retrofitted to alternate refrigerants, provide a complete line of commercial and industrial products. Therefore, we do not foresee any material adverse impact on our business or competitive position as a result of the Montreal Protocol, the 1990 Clean Air Act amendments or their implementing regulations. However, we believe that the implementation

of severe restrictions on the production, importation or use of refrigerants we employ in larger quantities or acceleration of the current phase out schedule could have such an impact on us and our competitors.

We are subject to appliance efficiency regulations promulgated under the National Appliance Energy Conservation Act of 1987, as amended, and various state regulations concerning the energy efficiency of our products. We have developed and are developing products which comply with National Appliance Energy Conservation Act regulations, and do not believe that such regulations will have a material adverse effect on our business. The U.S. Department of Energy began in 1998 its review of national standards for comfort products covered under National Appliance Energy Conservation Act. It is anticipated that the National Appliance Energy Conservation Act regulations requiring manufacturers to phase in new higher efficiency products will not take effect prior to 2006. We believe we are well positioned to comply with any new standards that may be promulgated by the Department of Energy and do not foresee any adverse material impact from a National Appliance Energy Conservation Act standard change.

Remediation Activity. In addition to affecting our ongoing operations, applicable environmental laws can impose obligations to remediate hazardous substances at our properties, at properties formerly owned or operated by us and at facilities to which we sent or send waste for treatment or disposal. We are currently involved in remediation activities at our facility in Grenada, Mississippi and at a formerly owned site in Ft. Worth, Texas. In addition, former hazardous waste management units at two of our facilities, Danville, Illinois and Wilmington, North Carolina, are currently in the process of being closed under the Resource Conservation and Recovery Act. The Resource Conservation and Recovery Act closure process can result in the need to conduct soil and/or groundwater remediation to address any on-site releases. The Grenada facility is subject to an administrative order issued by the Mississippi Department of Environmental Quality pursuant to which we will conduct groundwater remediation. We have established a $1.8 million reserve to cover costs of remediation at the Grenada facility and possible costs associated with the Resource Conservation and Recovery Act closure at the Danville facility. We also have installed and are operating a groundwater treatment system at our previously owned facility in Ft. Worth, Texas. We have established a reserve having a balance of approximately $200,000 to cover the projected $50,000 annual operating costs for ongoing treatment at the Ft. Worth site. Resource Conservation and Recovery Act closure activities at the Wilmington facility include an ongoing groundwater remediation project. This project is being conducted and funded by a prior owner of the facility, pursuant to an indemnification obligation under the contract pursuant to which we acquired the facility. We have no reason to believe that the prior owner will not continue to conduct and pay for the required remediation at the Wilmington facility. However, if the prior owner refused to meet its contractual obligations, we could be required to complete the remediation. In addition, we have from time to time received notices that we are a potentially responsible party along with other potentially responsible parties in Superfund proceedings for cleanup of hazardous substances at certain sites to which the potentially responsible parties are alleged to have sent waste. At present, our only active Superfund involvements are at the Granville Solvents Superfund Site located in Ohio and at the Envirochem Third Site in Illinois. Since 1994, we have spent an average of $49,000 per year for costs related to the Granville Solvents site and expect to incur similar costs with respect to the site over the next few years. Total estimated exposure costs at the Envirochem Third Site are approximately $30,000. Based on the facts presently known, we do not believe that environmental cleanup costs associated with either Superfund site will have a material adverse effect on our financial position or results of operations.

Dealer operations. The heating and air conditioning dealers acquired in the U.S. and Canada will be subject to various federal, state and local laws and regulations, including, among others:

- permitting and licensing requirements applicable to service technicians in their respective trades;

- building, heating, ventilation, air conditioning, plumbing and electrical codes and zoning ordinances;

- laws and regulations relating to consumer protection, including laws and regulations governing service contracts for residential services; and

- laws and regulations relating to worker safety and protection of the environment.

A large number of state and local regulations governing the residential and commercial maintenance services trades require various permits and licenses to be held by individuals. In some cases, a required permit or license held by a single individual may be sufficient to authorize specified activities for all of our service technicians who work in the geographic area covered by the permit or license.

LEGAL PROCEEDINGS

We are involved in various claims and lawsuits incidental to our business. In the opinion of our management, these claims and suits in the aggregate will not have a material adverse effect on our business, financial condition or results of operations.

MANAGEMENT

The directors and executive officers of our company, their present positions and their ages are as follows:

NAME	AGE	POSITION
John W. Norris, Jr.	63	Chairman of the Board and Chief Executive Officer
H. E. French	57	President and Chief Operating Officer, Heatcraft Inc.
Robert E. Schjerven	56	President and Chief Operating Officer, Lennox Industries Inc.
Michael G. Schwartz	40	President and Chief Operating Officer, Armstrong Air Conditioning Inc.
Harry J. Ashenhurst	50	Executive Vice President, Human Resources
Scott J. Boxer	48	Executive Vice President, Lennox Global Ltd. and President, European Operations
Carl E. Edwards, Jr.	57	Executive Vice President, General Counsel and Secretary
W. Lane Pennington	43	Executive Vice President, Lennox Global Ltd. and President, Asia Pacific Operations
Clyde W. Wyant	60	Executive Vice President, Chief Financial Officer and Treasurer
John J. Hubbuch	56	Vice President, Controller and Chief Accounting Officer
Linda G. Alvarado	47	Director
David H. Anderson	58	Director
Richard W. Booth	67	Director
David V. Brown	51	Director
James J. Byrne	63	Director
Thomas B. Howard, Jr.	70	Director
John E. Major	53	Director
Donald E. Miller	68	Director
Loraine B. Millman	52	Director
Robert W. Norris	61	Director
Terry D. Stinson	57	Director
Lynn B. Storey	58	Director
Richard L. Thompson	59	Director

The following biographies describe the business experience of our executive officers and directors.

John W. Norris, Jr. was elected Chairman of the Board of Directors of Lennox in 1991. He has served as a Director of Lennox since 1966. After joining Lennox in 1960, Mr. Norris held a variety of key positions including Vice President of Marketing, President of Lennox Industries (Canada) Ltd., and Corporate Senior Vice President. He became President of Lennox in 1977 and was appointed President and Chief Executive Officer of Lennox in 1980. Mr. Norris is on the Board of Directors of the Air-Conditioning & Refrigeration Institute of which he was Chairman in 1986. He is also an active Board member of the Gas Appliance Manufacturers Association, where he was Chairman from 1980 to 1981. He also serves as a Director of AmerUs Life Holdings, Inc. and Metroplex Regional Advisory Board of Chase Bank of Texas, NA.

H. E. French is the President and Chief Operating Officer of Heatcraft Inc. Mr. French joined Lennox in 1989 as Vice President and General Manager of the Refrigeration Products division for Heatcraft Inc. In 1995 he was named President and Chief Operating Officer of Armstrong Air Conditioning Inc. Mr. French was appointed to his current role in 1997. Prior to joining Lennox, Mr. French spent 11 years in management with Wickes/Larkin, Inc.

Robert E. Schjerven was named President and Chief Operating Officer of Lennox Industries Inc. in 1995. In 1986, he joined Lennox as Vice President of Marketing and Engineering for Heatcraft Inc. From 1988 to 1991 he held the position of Vice President and General Manager of that subsidiary. From 1991 to 1995 he

served as President and Chief Operating Officer of Armstrong Air Conditioning Inc. Mr. Schjerven spent the first 20 years of his career with the Trane Company and McQuay-Perfex Inc.

Michael G. Schwartz became the President and Chief Operating Officer of Armstrong Air Conditioning Inc. in 1997. He joined Heatcraft in 1990 when Lennox acquired Bohn Heat Transfer Inc. and served as Director of Sales and Marketing, Original Equipment Manufacturer Products. Prior to his current appointment, he served as Vice President of Commercial Products for Heatcraft Inc. where his responsibilities included the development of Heatcraft's position in the A-Coil market. Mr. Schwartz began his career with Bohn Heat Transfer Inc. in 1981.

Harry J. Ashenhurst was appointed Executive Vice President, Human Resources and Administration in 1994. He joined Lennox in 1989 as Vice President of Human Resources. Dr. Ashenhurst was named Executive Vice President, Human Resources for Lennox in 1990 and in 1994 moved to his current position and assumed responsibility for the Public Relations and Communications and Aviation departments. Prior to joining Lennox, he worked as an independent management consultant with the consulting firm of Roher, Hibler and Replogle. While at Roher, Hibler and Replogle, Dr. Ashenhurst was assigned to work as a corporate psychologist for Lennox.

Scott J. Boxer joined Lennox in 1998 as Executive Vice President, Lennox Global Ltd. and President, European Operations. Prior to joining Lennox, Mr. Boxer spent 26 years with York International Corporation in various roles, most recently as President, Unitary Products Group Worldwide, where he reported directly to the Chairman of that company and was responsible for directing that company's residential and light commercial heating and air conditioning operations worldwide.

Carl E. Edwards, Jr. joined Lennox in February 1992 as Vice President and General Counsel. He became the Secretary of Lennox in April 1992 and was also named Executive Vice President and General Counsel in December 1992. Prior to joining Lennox, he was Vice President, General Counsel and Secretary for Elcor Corporation. He also serves as a Director of Kentucky Electric Steel Inc.

W. Lane Pennington was appointed to his current position of Executive Vice President, Lennox Global Ltd. and President, Asia Pacific Operations in 1998. He joined Lennox in 1997 as Vice President, Asia Pacific Operations. From 1988 until 1997, Mr. Pennington was with Hilti International Corp., where he most recently served as President, Hilti Asia Limited, based in Hong Kong.

Clyde W. Wyant joined Lennox in 1990 and was appointed Executive Vice President, Chief Financial Officer and Treasurer, the position he still holds. Prior to joining Lennox, he served as Executive Vice President, Chief Financial Officer and Director of Purolator Products Co. (formerly Facet Enterprises, Inc.), from 1985 to 1990. In 1965, Mr. Wyant began his career with Helmerich & Payne Inc., where he last served as Vice President, Finance.

John J. Hubbuch was named Vice President, Controller and Chief Accounting Officer of Lennox in 1998. Mr. Hubbuch joined Lennox in 1986 as the Division Controller for Heatcraft Inc. In 1989 he became Heatcraft's Group Controller. From 1982 to 1986, Mr. Hubbuch was the Division Controller for McQuay-Perfex Inc./SynderGeneral. In 1992 he became Corporate Controller of Lennox.

Linda G. Alvarado has served as a Director of Lennox since 1987. She is President of Alvarado Construction, Inc. a general contracting firm specializing in commercial, government and industrial construction and environmental remediation projects. She currently serves on the Board of Directors of Cyprus Amax Minerals Company, US West Communications, Inc., Englehard Corporation and Pitney Bowes Inc., and is part owner of the Colorado Rockies Baseball Club.

David H. Anderson has served as a Director of Lennox since 1973. Mr. Anderson currently serves as the Co-Executive Director of the Santa Barbara Museum of Natural History. He formerly had a private law practice specializing in land use and environmental law. Mr. Anderson also serves as legal counsel for a local land conservation organization in Santa Barbara County. He currently serves on the Boards of the California Nature Conservancy, the Land Trust for Santa Barbara County and the Santa Barbara Foundation.

Richard W. Booth has served as a Director of Lennox since 1966. Mr. Booth retired from Lennox in 1992 as Executive Vice President, Administration and Secretary, a position he had held since 1983. Mr. Booth held a variety of key positions after joining Lennox in 1954. He serves on the Board of Directors of Employers Mutual Casualty Company and is a member of the Board of Trustees of Grinnell College.

David V. Brown has served as a Director of Lennox since 1989. Dr. Brown owns the Plantation Farm Camp, a working 500-acre ranch with livestock that provides learning in a farm setting for children. He is currently serving on the Strategic Planning Board of the Western Association of Independent Camps.

James J. Byrne has served as a Director of Lennox since 1990. He has been a managing partner of Byrne Technology Partners, Ltd. since January 1996. Prior to his current role, he held a number of positions in the technology industry including President of Harris Adacom Corporation, Senior Vice President of United Technologies Corporation's Semiconductor Operation and President of North American group of Mohawk Data Sciences. Mr. Byrne began his career with General Electric. Mr. Byrne is a Director of STB Systems Inc. and ICARUS International, Inc.

Thomas B. Howard, Jr. has served as a Director of Lennox since 1980. From 1989 to 1992, Mr. Howard served as Chairman and Chief Executive Officer of Beazer U.S.A. and as a Director of Beazer PLC (U.K.). From 1969 to 1989, Mr. Howard served Gifford-Hill & Company Inc. in various capacities most recently as its Chief Executive Officer. After Gifford-Hill was acquired by Beazer PLC (U.K.), Mr. Howard assumed the position of Chairman and Chief Executive Officer, a position he held until he retired in 1992. He is a member of the Board of Directors of Beazer Homes USA.

John E. Major has served as a Director of Lennox since 1993. Mr. Major has been the Chairman, Chief Executive Officer and President of Wireless Knowledge, a QUALCOMM Incorporated and Microsoft joint venture, since November 1998. Previously he was Executive Vice President of QUALCOMM and President of its Wireless Infrastructure Division, and was responsible for managing and guiding the market potential for CDMA infrastructure products. Prior to joining QUALCOMM in 1997, Mr. Major served most recently as Senior Vice President and Staff Chief Technical Officer at Motorola, Inc. and Senior Vice President and General Manager for Motorola's Worldwide Systems Group of the Land Mobile Products Sector. Mr. Major currently serves on the Board of Directors of Littlefuse, Inc. and Verilink Corporation.

Donald E. Miller has served as a Director of Lennox since 1987. Mr. Miller spent his 35 year career with The Gates Corporation. He retired as Vice Chairman of that company in 1996. From 1987 until 1994 he held the position of President and Chief Operating Officer of The Gates Corporation. Mr. Miller serves on the Board of Directors of Sentry Insurance Corporation, OEA, Inc. and Chateau Communities Inc., and is the President of the Board of Colorado School of Mines Foundation.

Loraine B. Millman has served as a Director of Lennox since 1994. She is a social worker who is currently the Director of Treatment Services at Central Nassau Guidance and Counseling Services, Inc., a mental health clinic in Hicksville, New York where she has worked since 1983. Prior to that she worked in the field of education.

Robert W. Norris has served as a Director of Lennox since 1967. Mr. Norris is recently retired from teaching. Mr. Norris joined Lennox in 1966 as manager of Lennox-Europe and in 1968 he became Assistant Works Manager in Columbus, Ohio, a position he held until 1972. From 1972 to 1979 he held various positions including assistant superintendent of Chapel Hills Public Schools, consultant with the International Management training for Educational Change in Oslo, Norway, and owner and manager of Provent AB. He serves as a Trustee of both Sunbridge College and WAMC Public Radio Station.

Terry D. Stinson has served as a Director of Lennox since 1998. Mr. Stinson has been the Chairman and Chief Executive Officer of Bell Helicopter Textron Inc. since 1998 and was its President from 1996 to 1998. From 1991 to 1996, Mr. Stinson served as Group Vice President and Segment President of Textron Aerospace Systems and Components for Textron Inc. Prior to that position, he had been the President of Hamilton Standard Division of United Technologies Corporation since 1986.

Lynn B. Storey has served as a Director of Lennox since 1981. Ms. Storey is a community volunteer and fundraiser. At present she is co-chair for Community Leadership for Planned Parenthood for Monterey County. She served on the Board of Directors of Planned Parenthood Monterey/Mar Monte from 1990 to 1997. She also served on the Community Services District of Fallen Leaf Lake in California administering the development and financing of public lands. She is a past president of the Junior League of Monterey County and the Monterey County Medical Auxiliary and served on the Board of the National Council on Alcoholism for Monterey County.

Richard L. Thompson has served as a Director of Lennox since 1993. In 1995, Mr. Thompson was named to his present position of Group President and member of the Executive Office of Caterpillar Inc. He joined Caterpillar in 1983 as Vice President, Customer Services. In 1990, he was appointed President of Solar Turbines Inc., a wholly owned subsidiary of Caterpillar. From 1990 to 1995, he held the role of Vice President of Caterpillar, with responsibility for its worldwide engine business. Previously, he had held the positions of Vice President of Marketing and Vice President and General Manager, Components Operations with RTE Corporation.

John W. Norris, Jr., Richard W. Booth, Robert W. Norris, David H. Anderson, David V. Brown, Loraine B. Millman, Lynn B. Storey are all grandchildren of D.W. Norris. John W. Norris, Jr. and Robert W. Norris are siblings, as are Lynn B. Storey, Loraine B. Millman and David V. Brown. Both groups of siblings, as well as Richard W. Booth and David H. Anderson, are first cousins.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND COMMITTEES

Our Board of Directors is divided into three classes of directors, with each class elected to a three-year term every third year and holding office until their successors are elected and qualified. The class whose term of office will expire at our 1999 Annual Meeting of Stockholders consists of David H. Anderson, James J. Byrne, Donald E. Miller, John W. Norris, Jr. and Lynn B. Storey. The class whose term of office will expire at our 2000 Annual Meeting of Stockholders consists of Linda G. Alvarado, Richard W. Booth, David V. Brown, Thomas B. Howard, Jr. and John E. Major. The class whose term of office will expire at our 2001 Annual Meeting of Stockholders consists of Robert W. Norris, Loraine B. Millman, Terry D. Stinson and Richard L. Thompson.

Our Board of Directors has established an Audit Committee, Acquisition Committee, Board Operations Committee, Human Resource Committee, Compensation Committee and a Pension and Risk Management Committee. The Audit Committee is responsible for meeting with management and our independent accountants to determine the adequacy of internal controls and other financial reporting matters. The following directors currently serve on the Audit Committee: John E. Major (Chair), Linda G. Alvarado, Donald E. Miller, Loraine B. Millman and Terry D. Stinson.

The Acquisition Committee is responsible for evaluating potential acquisitions and making recommendations with respect to proposed acquisitions. The following directors currently serve on the Acquisition Committee: Donald E. Miller (Chair), David H. Anderson, Thomas B. Howard, Jr., Robert W. Norris, Terry D. Stinson and Richard L. Thompson.

The Board Operations Committee is responsible for making recommendations with respect to the election of directors and officers, the number of directors, and other matters pertaining to the operations of our Board of Directors. The following directors currently serve on the Board Operations Committee: Richard W. Booth (Chair), James J. Byrne, John E. Major, Robert W. Norris and Lynn B. Storey.

The Human Resource Committee is responsible for succession planning, management development programs and other human resource matters. The following directors currently serve on the Human Resource Committee: James J. Byrne (Chair), Linda G. Alvarado, David V. Brown, Thomas B. Howard, Jr., John E. Major and Richard L. Thompson.

The Compensation Committee is responsible for evaluating the performance of our Chief Executive Officer, making recommendations with respect to the salary of our Chief Executive Officer, approving the compensation of executive staff members, approving the compensation for non-employee directors and

committee members, approving incentive stock options for senior management, approving all employee benefit plan designs and other matters relating to the compensation of our directors, officers and employees. The following directors currently serve on the Compensation Committee: Richard L. Thompson (Chair), Linda G. Alvarado, James J. Byrne and Thomas B. Howard, Jr.

The Pension and Risk Management Committee is responsible for overseeing the administration of our pension and profit sharing plans, overseeing matters relating to our insurance coverage, reviewing matters of legal liability and environmental issues, and other matters relating to risk management. The following directors currently serve on the Pension and Risk Management Committee: David H. Anderson (Chair), Richard W. Booth, David V. Brown, Donald E. Miller, Loraine B. Millman and Lynn B. Storey.

COMPENSATION OF DIRECTORS

In 1999, non-employee directors will receive an annual retainer of $21,000 in cash and $5,000 in common stock for board of directors and committee service, an annual retainer of $4,000 in cash for serving as a committee chair and a fee of $1,000, or $500 in the event of a telephonic meeting, in cash for attending each meeting day of the Board of Directors or any committee thereof. Board members may elect to receive the cash portion of their annual retainer in cash or shares of common stock. All directors receive reimbursement for reasonable out-of-pocket expenses incurred in connection with attendance at meetings of the Board of Directors or any committee thereof. In addition, each non-employee director may receive, pursuant to our 1998 Incentive Plan, options to purchase shares of common stock at an exercise price equal to the fair market value of such shares at the date of grant.

EXECUTIVE COMPENSATION

The following table sets forth information on compensation earned in 1998 by our Chief Executive Officer and our four other most highly compensated executive officers, such individuals sometimes being referred to as the "Named Executive Officers". In the third quarter of 1998, we terminated the Lennox International Inc. Performance Share Plan in connection with the adoption of the 1998 Incentive Plan of Lennox International Inc. We terminated the Performance Share Plan to reduce potential earnings volatility associated with the application of variable price accounting rules to the provisions of the plan. The amounts in the LTIP Payouts column in the Summary Compensation Table below consists of the value of common stock issued to the Named Executive Officers in connection with the termination of the Performance Share Plan and in full settlement of our obligations under that plan. Performance awards are now granted under our 1998 Incentive Plan.

SUMMARY COMPENSATION TABLE

			LONG-TERM COMPENSATION			
			AWARDS		PAYOUTS	
	ANNUAL COMPENSATION		RESTRICTED STOCK	SECURITIES UNDERLYING OPTIONS/SARS	LTIP	ALL OTHER
NAME	SALARY	BONUS(1)	AWARDS(2)	GRANTED	PAYOUTS(3)	COMPENSATION(4)
John W. Norris, Jr.	$648,660	$1,130,003	$1,960,304		$2,043,909	$146,600
Robert L. Jenkins(5)	361,200	370,158	288,206		859,815	91,425
Robert E. Schjerven	335,400	323,562	739,038		750,994	86,656
H.E. French	309,852	328,902	502,320		595,940	80,389
Clyde W. Wyant	291,300	348,639	516,762		718,883	67,645

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(1) Includes annual incentive payments for the respective year from two annual variable pay plans.

(2) Represents performance share awards of the following number of shares of restricted common stock granted pursuant to the 1998 Incentive Plan in December 1998 multiplied by the stock price on the grant date, $ per share: Mr. Norris -- ; Mr. Jenkins -- ; Mr. Schjerven -- ; Mr. French -- ; and Mr. Wyant -- . Such shares represent all of such individual's holdings

of restricted common stock at December 31, 1998. For the Named Executive Officers, shares will vest at December 31, 1999, shares will vest at December 31, 2000 and the remainder will vest at December 31, 2001, in each case if performance targets are met. Shares which do not vest in any performance period due to failure to achieve such goals will vest in 2006, 2007 and 2008, respectively. Information with respect to performance share awards made pursuant to the 1998 Incentive Plan in December 1998 which do not vest unless certain performance goals are met is set forth in the table titled "Long-Term Incentive Plans -- Awards in Last Fiscal Year."

(3) Represents awards of shares of common stock multiplied by the stock price on the award date, $ per share, in connection with the termination of the Performance Share Plan.

(4) Composed of contributions by Lennox to the Lennox International Inc. Profit Sharing Retirement Plan and to the Lennox International Inc. Profit Sharing Restoration Plan and the dollar value of term life insurance premiums paid by us for the benefit of the Named Executive Officers. Contributions to the plans for the Named Executive Officers were as follows: Mr. Norris -- $139,730; Mr. Jenkins -- $86,223; Mr. Schjerven -- $81,369; Mr. French -- $73,833; and Mr. Wyant -- $62,619.

(5) On December 31, 1998, Mr. Jenkins retired from his position as the Assistant to the Chairman of the Board -- Business Development.

We maintain a pay-for-performance compensation philosophy to pay market-competitive base salaries, while also delivering variable pay which is directly linked to the achievement of performance measurements and to the performance and contribution of the individual.

Executive compensation is composed of three primary components: base salary, variable pay (annual incentives and long-term incentives) and benefits and perquisites. In order to evaluate the competitiveness of our total compensation programs, we have periodically engaged Hewitt Associates LLC, a Human Resources consulting firm, to conduct market analyses of the compensation programs for executive level jobs within our organization. In doing so, we emphasize delivering competitive total compensation opportunities, while maintaining the flexibility to design individual compensation components to support critical business objectives.

The following table provides information concerning stock options granted to the Named Executive Officers in 1998.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

	INDIVIDUAL GRANTS				
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED	PERCENT OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE	EXPIRATION DATE	GRANT DATE PRESENT VALUE(1)
John W. Norris, Jr....		16.7%		December 11, 2008	$755,325
Robert L. Jenkins.....		--		--	--
Robert E. Schjerven...		5.6		December 11, 2008	251,775
H. E. French.....		4.1		December 11, 2008	184,635
Clyde W. Wyant.....		4.1		December 11, 2008	184,635

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(1) The grant date present values shown in the table were determined pursuant to the Black-Scholes option valuation model using the following assumptions: stock price volatility of 35.4% which represents an average volatility among general industry companies; expected option life of 10.0 years; dividend yield of 1.66%; risk free interest rate of 4.53%; Hewitt Associates Modified Derived Value: $ which includes the following additional assumptions: discounts for the probability of termination for death, disability, retirement and voluntary/involuntary terminations.

The following table sets forth for each of the Named Executive Officers the options exercised during 1998 and the number of options and the value of unexercised options held by the Named Executive Officers as of December 31, 1998.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT DECEMBER 31, 1998		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT DECEMBER 31, 1998(1)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
John W. Norris, Jr.....		--			$1,872,771	0
Robert L. Jenkins.....	$ 812,648	--	--		--	--
Robert E. Schjerven.....	1,042,300	--			--	0
H. E. French.....	1,363,807	--			--	0
Clyde W. Wyant.....	360,121				1,106,297	0

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(1) Calculated on the basis of the fair market value of the underlying securities as of December 31, 1998, $ per share, minus the exercise price of "in-the-money" options

The following table provides certain information concerning performance share awards made under the 1998 Incentive Plan to the Named Executive Officers in 1998. The Named Executive Officers are awarded a number of shares of common stock subject to achievement of certain performance targets based on the average return on equity for a three year period. Information with respect to the portion of the award that becomes vested regardless of whether the performance goals are met is set forth under the Restricted Stock Awards column in the table titled "Summary Compensation Table." Set forth below is the maximum number of shares of common stock that may be payable to each of the Named Executive Officers that is subject to achievement of the performance goals. The actual number of shares awarded depends on the level of achievement of the performance objectives.

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

NAME	NUMBER OF SHARES, UNITS OR OTHER RIGHTS	PERFORMANCE OR OTHER PERIOD UNTIL MATURATION OR PAYOUT
John W. Norris, Jr.....		3 years
Robert L. Jenkins.....		3 years
Robert E. Schjerven.....		3 years
H. E. French.....		3 years
Clyde W. Wyant.....		3 years

1998 INCENTIVE PLAN

GENERAL

Our Board of Directors has adopted, and our stockholders have approved, the 1998 Incentive Plan. The 1998 Incentive Plan amends and restates the Lennox International Inc. 1994 Stock Option and Restricted Stock Plan. Any outstanding awards under the 1994 Stock Option and Restricted Stock Plan will remain outstanding. The objectives of the 1998 Incentive Plan are to attract and retain employees, to attract and retain qualified directors and to stimulate the active interest of such persons in our development and financial success. Awards provide participants with a proprietary interest in our growth and performance. The description set forth below represents a summary of the principal terms and conditions of the 1998 Incentive Plan.

Awards to our employees or independent contractors under the 1998 Incentive Plan may be made in the form of grants of stock options, stock appreciation rights, restricted or non-restricted stock or units denominated in stock, cash awards, performance awards or any combination of the foregoing. Awards to non-employee directors under the 1998 Incentive Plan will be in the form of grants of stock options.

The 1998 Incentive Plan provides for awards to be made in respect of a maximum of shares of our common stock, of which shares will be available for awards to our employees and the remainder of which will be available for awards to non-employee directors. No participant under the 1998 Incentive Plan may be granted in any 12-month period awards consisting of stock options or stock appreciation rights for more than shares of common stock, stock awards for more than shares of common stock or cash awards in excess of $. Shares of common stock which are the subject of awards that are forfeited or terminated or expire unexercised will again immediately become available for awards under the 1998 Incentive Plan.

Insofar as the 1998 Incentive Plan relates to employee awards, our Compensation Committee will have the exclusive authority to administer the 1998 Incentive Plan and to take all actions which are specifically contemplated by the plan or are necessary or appropriate in connection with the administration thereof. The Compensation Committee may, in its discretion:

- provide for the extension of the exercisability of an award;

- accelerate the vesting or exercisability of an award to our employees;

- eliminate or make less restrictive any restrictions contained in an award to our employees;

- waive any restriction or other provision of the 1998 Incentive Plan or in any award to our employees; or

- otherwise amend or modify an award to our employees in any manner that is either not adverse to the employee holding the award or consented to by such employee.

EMPLOYEE AWARDS

The Compensation Committee will determine the type or types of awards made under the 1998 Incentive Plan and will designate the employees who are to be recipients of such awards. Each award may be embodied in an agreement, which will contain such terms, conditions and limitations as are determined by the Compensation Committee. Awards to our employees may be granted singly, in combination or in tandem. Awards to our employees may also be made in combination or in tandem with, in replacement of, or as alternatives to, grants or rights under the 1998 Incentive Plan or any other employee plan or program of Lennox, including any acquired entity. All or part of an award to our employees may be subject to conditions established by the Compensation Committee, which may include continuous service with Lennox, achievement of specific business objectives, increases in specified indices, attainment of specified growth rates and other comparable measurements of performance.

The types of awards to our employees that may be made under the 1998 Incentive Plan are as follows:

Options: Options are rights to purchase a specified number of shares of common stock at a specified price. An option granted pursuant to the 1998 Incentive Plan may consist of either an incentive stock option that complies with the requirements of Section 422 of the Internal Revenue Code of 1986, or a non-qualified stock option that does not comply with such requirements. Incentive stock options must have an exercise price per share that is not less than the fair market value of the common stock on the date of grant. To the extent that the aggregate fair market value, measured at the time of grant, of common stock subject to incentive stock options that first become exercisable by an employee in any one calendar year exceeds $100,000, such options shall be treated as non-qualified stock options and not as incentive stock options. Non-qualified stock options must have an exercise price per share that is not less than, but may exceed, the fair market value of the common stock on the date of grant. In either case, the exercise price must be paid in full at the time an option is exercised in cash or, if the employee so elects, by means of tendering common stock or surrendering another award.

Stock Appreciation Rights: Stock appreciation rights are rights to receive a payment, in cash or common stock, equal to the excess of the fair market value or other specified valuation of a specified number of shares of common stock on the date the rights are exercised over a specified strike price. A stock appreciation right may be granted in tandem under the 1998 Incentive Plan to the holder of an option with respect to all or a portion of the shares of common stock subject to such option or may be granted separately. The terms, conditions and limitations applicable to any stock appreciation rights, including the term of any stock

appreciation rights and the date or dates upon which they become exercisable, will be determined by our Compensation Committee.

Stock Awards: Stock awards consist of grants of restricted common stock or non-restricted common stock or units denominated in common stock. The terms, conditions and limitations applicable to any stock awards will be determined by our Compensation Committee. The Compensation Committee may remove any restrictions on stock awards, at its discretion. Without limiting the foregoing, rights to dividends or dividend equivalents may be extended to and made part of any stock award in the discretion of the Compensation Committee.

Cash Awards: Cash awards consist of grants denominated in cash. The terms, conditions and limitations applicable to any cash awards will be determined by our Compensation Committee.

Performance Awards: Performance awards consist of grants made to an employee subject to the attainment of one or more performance goals. A performance award will be paid, vested or otherwise deliverable solely upon the attainment of one or more pre-established, objective performance goals established by our Compensation Committee prior to the earlier of (a) 90 days after the commencement of the period of service to which the performance goals relate and (b) the elapse of 25% of the period of service, and in any event while the outcome is substantially uncertain. A performance goal may be based upon one or more business criteria that apply to the employee, one or more business units of Lennox or Lennox as a whole. The terms, conditions and limitations applicable to any performance awards will be determined by our Compensation Committee.

DIRECTOR AWARDS

Our Board of Directors will administer the 1998 Incentive Plan as it relates to awards to non-employee directors. The board will have the right to determine on an annual basis, or at any other time in its sole discretion, to award options which are non-qualified stock options to non-employee directors. Such options awarded shall provide that no more than shares of common stock be purchased in any year. All options awarded to directors shall have a term of 10 years and shall vest and become exercisable in increments of one-third on each of the three succeeding anniversaries after the date of grant. Unvested options awarded to directors shall be forfeited if a director resigns without the consent of the majority of our Board of Directors.

OTHER PROVISIONS

Our Board of Directors may amend, modify, suspend or terminate the 1998 Incentive Plan for the purpose of addressing any changes in legal requirements or for any other purpose permitted by law, except that:

- no amendment that would impair the rights of any employee or non-employee director with respect to any award may be made without the consent of such employee or non-employee Director; and

- no amendment requiring stockholder approval pursuant to any applicable legal requirements will be effective until such approval has been obtained.

In the event of any subdivision or consolidation of outstanding shares of our common stock, declaration of a stock dividend payable in shares of our common stock or other stock split, the 1998 Incentive Plan provides for the Board of Directors to make appropriate adjustments to:

- the number of shares of common stock reserved under the 1998 Incentive Plan;

- the number of shares of common stock covered by outstanding awards in the form of common stock or units denominated in common stock;

- the exercise or other price in respect of such awards;

- the appropriate fair market value and other price determinations for awards in order to reflect such transactions; and

- the limitations set forth in the 1998 Incentive Plan regarding the number of awards which may be made to any employee in a given year.

Furthermore, in the event of any other recapitalization or capital reorganization of Lennox, any consolidation or merger of Lennox with another corporation or entity, the adoption by Lennox of any plan of exchange affecting the common stock or any distribution to holders of common stock or securities or property, other than normal cash dividends or stock dividends, our Board of Directors will make appropriate adjustments to the amounts or other items referred to above to give effect to such transactions, but only to the extent necessary to maintain the proportionate interest of the holders of the awards and to preserve, without exceeding, the value thereof.

RETIREMENT PLANS

The Named Executive Officers participate in four Lennox-sponsored retirement plans. The plans are as follows: the Lennox International Inc. Pension Plan for Salaried Employees, the Lennox International Inc. Profit Sharing Retirement Plan, the Lennox International Inc. Supplemental Retirement Plan, and the Lennox International Inc. Profit Sharing Restoration Plan. The Supplemental Retirement Plan and the Profit Sharing Restoration Plan are non-qualified plans. We pay the full cost of all these plans.

The Pension Plan for Salaried Employees is a floor offset plan. A target benefit is calculated using credited service and final average pay during the five highest consecutive years. The benefit is currently based on 1.00% of final average pay, plus .60% of final average pay above Social Security covered compensation, times the number of years of credited service, not to exceed 30 years. Employees vest after five years of service and may commence unreduced benefits at age 65. If certain age and service requirements are met, benefits may commence earlier on an actuarially reduced basis. At time of retirement, a participant may choose one of five optional forms of payment. The Supplemental Retirement Plan permits income above Internal Revenue Service limitations to be considered in determining final average pay, doubles the rate of benefit accrual, limits credited service to 15 years and permits early retirement on somewhat more favorable terms than the Pension Plan.

The Profit Sharing Retirement Plan is a defined contribution plan. Profit sharing contributions, as determined by the Board of Directors, are credited annually to participants' accounts based on pay. Participants are fully vested after 6 years. The assets of the plan are employer directed. Distributions may occur at separation of employment and can be paid directly to the participant. The Restoration Plan permits accruals that otherwise could not occur because of Internal Revenue Service limitations on compensation.

The estimates of annual retirement benefits shown in the following table are the targets established by the Supplemental Retirement Plan.

FINAL AVERAGE EARNINGS(1)	YEARS OF SERVICE 5	10	15	20	25	30
$ 250,000	$ 35,896	$ 71,792	$107,688	$107,688	$107,688	$107,688
425,000	63,896	127,792	191,688	191,688	191,688	191,688
600,000	91,896	183,792	275,688	275,688	275,688	275,688
775,000	119,896	239,792	359,688	359,688	359,688	359,688
950,000	147,896	295,792	443,688	443,688	443,688	443,688
1,125,000	175,896	351,792	527,688	527,688	527,688	527,688

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(1) Final Average Earnings are the average of the five highest consecutive years of includible earnings. Compensation for these purposes includes salary and bonuses, and excludes extraordinary compensation such as benefits from the 1998 Incentive Plan or its predecessor plans. Bonus numbers used in these calculations, as per plan requirements, are the bonuses actually paid in those years. In the Summary Compensation Table, the 1998 bonus reported is the bonus earned in 1998, but not paid until 1999.

As of December 31, 1998, the final average pay and the eligible years of credited service for each of the Named Executive Officers was as follows: Mr. Norris, $855,001 -- 38.25 years; Mr. Jenkins, $483,948 -- 14.00 years; Mr. Wyant, $402,391 -- 8.30 years; Mr. Schjerven, $411,416 -- 12.80 years; Mr. French, $340,666 -- 9.80 years.

EMPLOYMENT AGREEMENTS

We have entered into an employment agreement with each of the Named Executive Officers who are currently employees of Lennox. These employment agreements establish a specified duration or term of employment; the basis of compensation and assignments; and post-employment covenants covering confidential information, the diverting of employees, vendors and contractors and the solicitation of customers. These agreements also establish binding arbitration as the mechanism for resolving disputes and provide certain benefits and income in the event employment terminates under specified circumstances.

The agreements commence on the date they are signed by both parties and remain in effect until December 31 of that year and thereafter for a series of one-year terms. On January 1 of each year after the end of the first term and for each year thereafter, the agreements automatically renew for an additional year, unless either party notifies the other, in writing, at least 30 days prior to such date, of a decision not to renew the agreement.

If we terminate the employee prior to the expiration of the term of the agreement or if we do not renew the agreement for any reason other than for cause (as defined in the agreement), the employee will be entitled to receive monthly payments of the greater of the employee's base salary for the remainder of the agreement's term or three months of the employee's base salary in addition to any other compensation or benefits applicable to an employee at the employee's level.

If we terminate the employee other than for cause, including our non-renewal of the agreement, and the employee agrees to execute a written general release of any and all possible claims against us existing at the time of termination, we will provide the employee with an enhanced severance package. That package includes payment of the employee's base monthly salary for a period of twenty-four months following the date of termination, a lump sum payment of $12,000 in lieu of perquisites lost, and forgiveness of COBRA premiums due for group health insurance coverage for up to eighteen months while the employee remains unemployed. If the employee remains unemployed at the end of eighteen months, the equivalent of the COBRA premium will be paid to the employee on a month to month basis for up to six additional months while the employee remains unemployed. Outplacement services are provided or, at the employee's election, a lump-sum payment of 10% of the employee's annual base salary will be made to the employee in lieu of those services. Additionally, the employee's beneficiary will receive a lump-sum death benefit equivalent to six months of the employee's base salary should the employee die while entitled to enhanced severance payments.

CHANGE OF CONTROL EMPLOYMENT AGREEMENTS

We have entered into a change of control employment agreement with each of the Named Executive Officers who are currently employees of Lennox. The change of control agreements provide for certain benefits under specified circumstances if the officer's employment is terminated following a change of control transaction involving Lennox. The change of control agreements are intended to provide protections to the officers that are not afforded by their existing employment agreements, but not to duplicate benefits provided thereunder. The term of the change of control agreements is generally two years from the date of a Potential Change of Control, as discussed below, or a Change of Control. If the officer remains employed at the conclusion of such term, the officer's existing employment agreement will continue to apply. The employment rights of the Named Executive Officers under the change of control agreements would be triggered by either a Change of Control or a Potential Change of Control. Following a Potential Change of Control, the term of the change of control agreement may terminate but the Change of Control Agreement will remain in force and a new term of the agreement will apply to any future Change of Control or Potential Change of Control, if either (a) our Board of Directors determines that a Change of Control is not likely or (b) the Named Executive

Officer, upon proper notice to us, elects to terminate his term of the change of control agreement as of any anniversary of the Potential Change of Control.

A "Change of Control" generally includes the occurrence on or after the date of the offering of any of the following:

(a) any person, other than certain exempt persons, including Lennox and its subsidiaries and employee benefit plans, becoming a beneficial owner of 35% or more of the shares of common stock or voting stock of Lennox then outstanding, including as a result of the offering;

(b) a change in the identity of a majority of the persons serving as members of our Board of Directors, unless such change was approved by a majority of the incumbent members of our Board of Directors;

(c) the approval by the stockholders of a reorganization, merger or consolidation in which:

(1) existing stockholders would not own more than 65% of the common stock and voting stock of the resulting company;

(2) a person, other than certain exempt persons, would own 35% or more of the common stock or voting stock of the resulting company; or

(3) less than a majority of the board of the resulting company would consist of the then incumbent members of our Board of Directors; or

(d) the approval by the stockholders of a liquidation or dissolution of Lennox, unless such liquidation or dissolution is part of a plan of liquidation or dissolution involving a sale to a company of which following such transaction:

(1) more than 65% of the common stock and voting stock would be owned by existing stockholders;

(2) no person (other than certain exempt persons) would own 35% or more of the common stock or voting stock of such company; and

(3) at least a majority of the board of directors of such company would consist of the then incumbent members of our Board of Directors.

A "Potential Change in Control" generally includes any of the following:

- the commencement of a tender or exchange offer for voting stock that, if consummated, would result in a Change of Control;

- Lennox entering into an agreement which, if consummated, would constitute a Change of Control;

- the commencement of a contested election contest subject to certain proxy rules; or

- the occurrence of any other event that our Board of Directors determines could result in a Change of Control.

During the term of the change of control agreement, an officer's position, authority, duties and responsibilities may not be diminished, and all forms of compensation, including salary, bonus, regular salaried employee plan benefits, stock options, restricted stock and other awards, must continue on a basis no less favorable than at the beginning of the term of the change of control agreement and, in the case of certain benefits, must continue on a basis no less favorable in the aggregate than the most favorable application of such benefits to any of our employees.

If an officer terminates employment during the term of the change of control agreement for good reason, as defined in the change of control agreements, and we fail to honor the terms of the change of control agreement, we will pay the officer:

- his then unpaid current salary and a pro rata portion of the highest bonus earned during the three preceding years, as well as previously deferred compensation and accrued vacation time;

- a lump-sum benefit equal to the sum of three times the officer's annual base salary and three times the annual bonus (as both such terms are defined in the change of control agreements) he would have earned in the year of termination;

- for purposes of our Supplemental Retirement Plan and our Profit Sharing Restoration Plan, three additional years added to both his service and age criteria; and

- continued coverage under our employee welfare benefits plans for up to four and one-half years.

In addition, all options, restricted stock and other compensatory awards held by the officer will immediately vest and become exercisable, and the term thereof will be extended for up to one year following termination of employment. The officer may also elect to cash out equity-based compensatory awards at the highest price per share paid by specified persons during the term of the change of control agreement or the six-month period prior to the beginning of the term of the change of control agreement.

In the event of any contest concerning a change of control agreement in which the officer is successful, in whole or in part, on the merits, (a) we have no right of offset, (b) the officer is not required to mitigate damages, and (c) we agree to pay any legal fees incurred by the officer in connection with such contest. We also agree to pay all amounts owing to the officer during any period of dispute, subject only to the officer's agreement to repay any amounts to which he is determined not to be entitled. The change of control agreements provide for a tax gross-up in the event that certain excise taxes are applicable to payments made by us under a change of control agreement or otherwise. The change of control agreements require the officer to maintain the confidentiality of our information, and, for a period of 24 months following his termination of employment, to avoid any attempts to induce our employees to terminate their employment with us.

INDEMNIFICATION AGREEMENTS

We have entered into indemnification agreements with our directors and certain of our executive officers. Under the terms of the indemnification agreements, we have generally agreed to indemnify, and advance expenses to, each indemnitee to the fullest extent permitted by applicable law on the date of the agreements and to such greater extent as applicable law may thereafter permit. In addition, the indemnification agreements contain specific provisions pursuant to which we have agreed to indemnify each indemnitee:

- if such person is, by reason of his or her status as a director, nominee for director, officer, agent or fiduciary of ours or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise with which such person was serving at our request, any such status being referred to as a "Corporate Status," made or threatened to be made a party to any threatened, pending or completed action, suit, arbitration, alternative dispute resolution mechanism, investigation or other proceeding, other than a proceeding by or in the right of Lennox;

- if such person is, by reason of his or her Corporate Status, made or threatened to be made a party to any proceeding brought by or in the right of Lennox to procure a judgment in its favor, except that no indemnification shall be made in respect of any claim, issue or matter in such proceeding as to which such indemnitee shall have been adjudged to be liable to Lennox if applicable law prohibits such indemnification, unless and only to the extent that a court shall otherwise determine;

- against expenses actually and reasonably incurred by such person or on his or her behalf in connection with any proceeding to which such indemnitee was or is a party by reason of his or her Corporate Status and in which such indemnitee is successful, on the merits or otherwise;

- against expenses actually and reasonably incurred by such person or on his or her behalf in connection with a proceeding to the extent that such indemnitee is, by reason of his or her Corporate Status, a witness or otherwise participates in any proceeding at a time when such person is not a party in the proceeding; and

- against expenses actually and reasonably incurred by such person in certain judicial adjudications of or awards in arbitration to enforce his or her rights under the indemnification agreements.

In addition, under the terms of the indemnification agreements, we have agreed to pay all reasonable expenses incurred by or on behalf of an indemnitee in connection with any proceeding, whether brought by or in the right of Lennox or otherwise, in advance of any determination with respect to entitlement to indemnification and within 15 days after the receipt by us of a written request from such indemnitee for such payment. In the indemnification agreements, each indemnitee has agreed that he or she will reimburse and repay us for any expenses so advanced to the extent that it shall ultimately be determined that he or she is not entitled to be indemnified by us against such expenses.

The indemnification agreements also include provisions that specify the procedures and presumptions which are to be employed to determine whether an indemnitee is entitled to indemnification thereunder. In some cases, the nature of the procedures specified in the indemnification agreements varies depending on whether we have undergone a change in control, as such term is defined in the indemnification agreements.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our common stock as of December 31, 1998 and as adjusted to reflect the offering by the following individuals:

- each person known by us to own more than 5% of the outstanding shares of common stock;
- each of our directors;
- each Named Executive Officer;
- all executive officers and directors as a group; and
- each selling stockholder.

All persons listed have an address in care of our principal executive offices and have sole voting and investment power with respect to their shares unless otherwise indicated.

The information contained in this table with respect to beneficial ownership reflects "beneficial ownership" as defined in Rule 13d-3 of the Securities Exchange Act of 1934, as amended. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that were exercisable on December 31, 1998 or became exercisable within 60 days following December 31, 1998 are deemed outstanding. However, such shares are not deemed outstanding for the purpose of computing the percentage ownership of any other person. To our knowledge and unless otherwise indicated, each stockholder has sole voting and investment power with respect to the shares listed as beneficially owned by such stockholder, subject to community property laws where applicable. Percentage of ownership is based on shares of common stock outstanding as of December 31, 1998 and shares of common stock outstanding after the completion of the offering assuming no exercise of the underwriters' over-allotment option. As of December 31, 1998, we had approximately beneficial holders of our common stock.

	SHARES BENEFICIALLY OWNED BEFORE THE OFFERING			SHARES BENEFICIALLY OWNED AFTER THE OFFERING	
BENEFICIAL OWNER	NUMBER	PERCENTAGE	SHARES TO BE SOLD IN THE OFFERING	NUMBER	PERCENTAGE
John W. Norris, Jr.(1)		11.2%			
H. E. French		*			
Robert E. Schjerven		*			
Robert L. Jenkins		*			
Clyde W. Wyant(2)		*			
Linda G. Alvarado(3)		*			
David H. Anderson(4)		12.4			
Richard W. Booth(5)		14.5			
David V. Brown(6)		3.7			
James J. Byrne(7)		*			
Thomas B. Howard, Jr.(8)		*			
John E. Major(9)		*			
Donald E. Miller(10)		*			
Loraine B. Millman(11)		3.1			
Robert W. Norris(12)		7.0			
Terry D. Stinson		--			
Lynn B. Storey(13)		3.6			
Richard L. Thompson(14)		*			
All executive officers and directors as a group (23 persons)(15)		56.7			
A.O.C. Corporation(16)		7.6			
Thomas W. Booth(17)		7.8			

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* Less than 1%

(1) Includes:
(a) shares held by the Robert W. Norris Trust A of which John W. Norris, Jr. is a co-trustee;
(b) shares held by the John W. Norris, Jr. Trust A of which John W. Norris, Jr. is a co-trustee;
(c) shares held by the Megan E. Norris Trust A of which John W. Norris, Jr. is a co-trustee;
(d) shares of the Robert W. Norris Irrevocable Descendants' Trust of which John W. Norris, Jr. is the trustee; and
(e) shares subject to options.

(2) Includes shares of common stock subject to options.

(3) Includes:
(a) shares held by Cimarron Holdings L.L.C. of which Linda G. Alvarado is the managing member; and
(b) shares subject to options.

(4) Includes:
(a) shares held by the Leo E. Anderson Trust of which David H. Anderson is the trustee;
(b) shares held by the Kristin H. Anderson Trust of which David H. Anderson is a co-trustee;
(c) shares held by the David H. Anderson Trust of which David H. Anderson is the trustee;
(d) shares held by the Betty Oakes Trust of which David H. Anderson is the trustee;
(e) shares held by David H. Anderson's child; and
(f) shares subject to options.

(5) Includes:
(a) shares held by the 1996 Anderson GST Exempt Trust of which Richard W. Booth is the trustee;
(b) shares held by a trust for the benefit of Richard W. Booth of which Richard W. Booth is a co-trustee;
(c) shares held by a trust for the benefit of Anne Zink of which Richard W. Booth is a co-trustee; and
(d) shares subject to options.

(6) Includes:
(a) shares held by David V. Brown's children; and
(b) shares subject to options.

(7) Includes shares subject to options.

(8) Includes:
(a) shares held by the Howard Family Trust of which Thomas B. Howard, Jr. is a co-trustee; and
(b) shares subject to options.

(9) Includes shares subject to options.

(10) Includes:
(a) shares held by the Donald E. Miller Trust of which Donald E. Miller is a co-trustee; and
(b) shares subject to options.

(11) Includes shares subject to options.

(12) Includes:
(a) shares held by the Robert W. Norris Trust A of which Robert W. Norris is a co-trustee;
(b) shares held by the John W. Norris, Jr. Trust A of which Robert W. Norris is a co-trustee;
(c) shares held by the Robert W. Norris Revocable Trust of which Robert W. Norris is the trustee;
(d) shares held by the Christine Marie Dammann 1991 Revocable Trust of which Robert W. Norris is the trustee;
(e) shares held by the Stefan Robert Norris Revocable Trust of which Robert W. Norris is the trustee; and
(f) shares held by the Nicholas W. Norris 1991 Revocable Trust of which Robert W. Norris is the trustee; and
(g) shares subject to options.

(13) Includes shares subject to options.

(14) Includes shares subject to options.

(15) Includes shares subject to options.

(16) John W. Norris, Jr., David H. Anderson, Richard W. Booth and David V. Brown are members of the board of directors of A.O.C. Corporation.

(17) Includes:
(a) shares held by a trust for the benefit of Richard W. Booth of which Thomas W. Booth is a co-trustee;
(b) shares held by the Thomas W. Booth Trust of which Thomas W. Booth is the trustee; and
(c) shares held by Thomas W. Booth's children.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

John W. Norris, Jr., our Chairman and Chief Executive Officer, and David H. Anderson, Richard W. Booth, David V. Brown, Loraine B. Millman, Robert W. Norris and Lynn B. Storey, each one of our directors, as well as certain of our stockholders, are members of AOC Land Investment, LLC. AOC Land Investment, LLC owns 70% of AOC Development II, LLC. AOC Development II, LLC is building a new office building and we have agreed to lease part of it for use in conjunction with our corporate headquarters. The lease will have a term of 25 years and the annual lease payments are expected to be approximately $2.1 million per year for the first five years. We believe that the terms of our lease with AOC Development II, LLC are at least as favorable as could be obtained from unaffiliated third parties.

From time to time we have entered into Stock Disposition Agreements which allowed certain executives, directors and stockholders to borrow money and use our capital stock held by them as collateral. The Stock Disposition Agreements provided that in the event of a default on the underlying loan, we would do one of several things, including registering the capital stock under the Securities Act of 1933, as amended, finding a buyer to purchase the stock or purchasing the stock ourself. There were never any defaults under these agreements. Currently, there are Stock Disposition Agreements in existence covering shares of common stock. We will not enter into these type of agreements following consummation of the offering.

The foregoing transactions were not the result of arms-length negotiations. Accordingly certain of the terms of these transactions may be more or less favorable to us than might have been obtained from unaffiliated third parties. We do not intend to enter into any future transactions in which our directors, executive officers or principal stockholders and their affiliates have a material interest unless such transactions are approved by a majority of the disinterested members of our Board of Directors and are on terms that are no less favorable to us than those that we could obtain from unaffiliated third parties.

DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 200,000,000 shares of common stock and 25,000,000 shares of preferred stock, par value $.01 per share. Of the 200,000,000 shares of common stock authorized, are being offered in the offering, or shares if the underwriters' over-allotment option is exercised in full, and shares have been reserved for issuance pursuant to our 1998 Incentive Plan. See "Management -- 1998 Incentive Plan" for a description of the 1998 Incentive Plan. None of the preferred stock is outstanding. The following summary description of our capital stock is qualified by reference to our restated certificate of incorporation and bylaws, copies of which are filed as exhibits to the registration statement of which this prospectus forms a part.

COMMON STOCK

The holders of common stock are entitled to one vote per share on all matters to be voted on by stockholders. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all shares of common stock present in person or represented by proxy, voting together as a single class, except as may be required by law and subject to any voting rights granted to holders of any preferred stock. However, the removal of a director from office, the approval and authorization of certain business combinations and amendments to certain provisions of our certificate of incorporation each require the approval of not less than 80% of the combined voting power of our outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class. See "-- Certificate of Incorporation and Bylaw Provisions". The common stock does not have cumulative voting rights.

Subject to the prior rights of the holders of any shares of our preferred stock, the holders of common stock shall be entitled to receive, to the extent permitted by law, such dividends as may be declared from time to time by our Board of Directors. On our liquidation, dissolution or winding up, after payment in full of the amounts required to be paid to holders of preferred stock, if any, all holders of common stock are entitled to share ratably in any assets available for distribution to holders of shares of common stock.

The outstanding shares of common stock are legally issued, fully paid and nonassessable. The common stock does not have any preemptive, subscription or conversion rights. Additional shares of authorized common stock may be issued, as authorized by our Board of Directors from time to time, without stockholder approval, except as may be required by applicable stock exchange requirements.

PREFERRED STOCK

As of the date of this prospectus, no shares of preferred stock are outstanding. Our Board of Directors may authorize the issuance of preferred stock in one or more series and may determine, with respect to any such series, the designations, powers, preferences and rights of such series, and the qualifications, limitations and restrictions thereof, including:

- the designation of the series;
- the consideration for which the shares of any such series are to be issued;
- the rate or amount per annum, if any, at which holders of the shares of such series shall be entitled to receive dividends, the dates on which such dividends shall be payable, whether the dividends shall be cumulative or noncumulative, and if cumulative, the date or dates from which such dividends shall be cumulative;
- the redemption rights and price or prices, if any, for shares of the series;
- the amounts payable on and the preferences, if any, of shares of the series in the event of dissolution or upon distribution of our assets;
- whether the shares of the series will be convertible into or exchangeable for other of our securities, and the price or prices or rate or rates at which conversion or exchange shall be exercised;
- the terms and amounts of any sinking fund provided for the purchase or redemption of shares of any series;
- the voting rights, if any, of the holders of shares of such series; and
- such other preferences and rights, privileges and restrictions applicable to any such series as may be permitted by law.

We believe that the ability of our Board of Directors to issue one or more series of preferred stock will provide us with flexibility in structuring possible future financings and acquisitions and in meeting other corporate needs that might arise. The authorized shares of preferred stock will be available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange on which our securities may be listed or traded.

Although our Board of Directors has no intention at the present time of doing so, it could issue a series of preferred stock that could, depending on the terms of such series, impede the completion of a merger, tender offer or other takeover attempt. Our Board of Directors will make any determination to issue such shares based on its judgment as to our best interests and the best interests of our stockholders. Our Board of Directors, in so acting, could issue preferred stock having terms that could discourage a potential acquiror from making, without first negotiating with the Board of Directors, an acquisition attempt through which such acquiror may be able to change the composition of the Board of Directors, including a tender offer or other transaction that some, or a majority, of our stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then current market price of such stock.

BUSINESS COMBINATION STATUTE

As a corporation organized under the laws of the State of Delaware, we will be subject to Section 203 of the Delaware General Corporation Law, which restricts certain business combinations between us and an "interested stockholder" (in general, a stockholder owning 15% or more of our outstanding voting stock) or its

affiliates or associates for a period of three years following the time that the stockholder becomes an "interested stockholder." The restrictions do not apply if:

- prior to an interested stockholder becoming such, our Board of Directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction which resulted in any person becoming an interested stockholder, such interested stockholder owns at least 85% of our voting stock outstanding at the time the transaction commenced, excluding shares owned by certain employee stock ownership plans and persons who are both directors and officers of Lennox; or

- at or subsequent to the time an interested stockholder becomes such, the business combination is both approved by our Board of Directors and authorized at an annual or special meeting of our stockholders, not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock not owned by the interested stockholder.

Under certain circumstances, Section 203 makes it more difficult for a person who would be an "interested stockholder" to effect various business combinations with a corporation for a three-year period, although the stockholders may elect to exclude a corporation from the restrictions imposed thereunder. Our certificate of incorporation does not exclude us from the restrictions imposed under Section 203. It is anticipated that the provisions of Section 203 may encourage companies interested in acquiring us to negotiate in advance with our Board of Directors since the stockholder approval requirement would be avoided if a majority of the directors then in office approves, prior to the date on which a stockholder becomes an interested stockholder, either the business combination or the transaction which results in the stockholder becoming an interested stockholder.

CERTIFICATE OF INCORPORATION AND BYLAW PROVISIONS

The summary set forth below describes certain provisions of our certificate of incorporation and bylaws. The summary is qualified in its entirety by reference to the provisions of our restated certificate of incorporation and bylaws, copies of which have been filed as exhibits to the registration statement of which this prospectus forms a part.

Certain of the provisions of our certificate of incorporation and bylaws discussed below may have the effect, either alone or in combination with the provisions of Section 203 discussed above, of making more difficult or discouraging a tender offer, proxy contest or other takeover attempt that is opposed by our Board of Directors but that a stockholder might consider to be in such stockholder's best interest. Those provisions include:

- restrictions on the rights of stockholders to remove directors;

- prohibitions against stockholders calling a special meeting of stockholders or acting by unanimous written consent in lieu of a meeting;

- requirements for advance notice of actions proposed by stockholders for consideration at meetings of the stockholders; and

- restrictions on business combination transactions with "related persons."

CLASSIFIED BOARD OF DIRECTORS; REMOVAL; NUMBER OF DIRECTORS; FILLING VACANCIES

Our certificate of incorporation and bylaws provide that the Board of Directors shall be divided into three classes, designated Class I, Class II and Class III, with the classes to be as nearly equal in number as possible. The term of office of each class shall expire at the third annual meeting of stockholders for the election of directors following the election of such class. See "Management -- Information Regarding the Board of Directors and Committees" for a discussion of the directors in each class. Each director is to hold office until his or her successor is duly elected and qualified, or until his or her earlier resignation or removal.

Our bylaws provide that the number of directors will be fixed from time to time pursuant to a resolution adopted by the Board of Directors; provided that the number so fixed shall not be more than 15 nor less than three directors. Our bylaws also provide that any vacancies will be filled only by the affirmative vote of a majority of the remaining directors, even if less than a quorum. Accordingly, absent an amendment to the bylaws, the Board of Directors could prevent any stockholder from enlarging the Board of Directors and filling the new directorships with such stockholder's own nominees. Moreover, our certificate of incorporation and bylaws provide that directors may be removed only for cause and only upon the affirmative vote of holders of at least 80% of our voting stock at a special meeting of stockholders called expressly for that purpose.

The classification of directors could have the effect of making it more difficult for stockholders to change the composition of the Board of Directors. At least two annual meetings of stockholders, instead of one, are generally required to effect a change in a majority of the Board of Directors. Such a delay may help ensure that our directors, if confronted by a holder attempting to force a proxy contest, a tender or exchange offer, or an extraordinary corporate transaction, would have sufficient time to review the proposal as well as any available alternatives to the proposal and to act in what they believe to be the best interest of the stockholders. The classification provisions will apply to every election of directors, however, regardless of whether a change in the composition of the Board of Directors would be beneficial to us and our stockholders and whether or not a majority of our stockholders believe that such a change would be desirable.

The classification provisions could also have the effect of discouraging a third party from initiating a proxy contest, making a tender offer or otherwise attempting to obtain control of us, even though such an attempt might be beneficial to us and our stockholders. The classification of the Board of Directors could thus increase the likelihood that incumbent directors will retain their positions. In addition, because the classification provisions may discourage accumulations of large blocks of our stock by purchasers whose objective is to take control of us and remove a majority of the Board of Directors, the classification of the Board of Directors could tend to reduce the likelihood of fluctuations in the market price of the common stock that might result from accumulations of large blocks. Accordingly, stockholders could be deprived of certain opportunities to sell their shares of common stock at a higher market price than might otherwise be the case.

NO STOCKHOLDER ACTION BY WRITTEN CONSENT; SPECIAL MEETINGS

Our certificate of incorporation and bylaws provide that stockholder action can be taken only at an annual or special meeting of stockholders and stockholder action may not be taken by written consent in lieu of a meeting. Special meetings of stockholders can be called only by the Board of Directors pursuant to a resolution adopted by a majority of the Board of Directors, or by the Chairman of the Board, Vice Chairman or the President. Moreover, the business permitted to be conducted at any special meeting of stockholders is limited to the business brought before the meeting pursuant to the notice of meeting given by us.

The provisions of our certificate of incorporation and bylaws prohibiting stockholder action by written consent and permitting special meetings to be called only by the Chairman, Vice Chairman or President, or at the request of a majority of the Board or Directors, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting. The provisions would also prevent the holders of a majority of our voting stock from unilaterally using the written consent procedure to take stockholder action. Moreover, a stockholder could not force stockholder consideration of a proposal over the opposition of the Chairman, Vice Chairman or President, or a majority of the Board of Directors, by calling a special meeting of stockholders prior to the time such parties believe such consideration to be appropriate.

ADVANCE NOTICE PROVISIONS FOR STOCKHOLDER NOMINATIONS AND STOCKHOLDER PROPOSALS

Our bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors or bring other business before an annual meeting of stockholders.

The stockholder notice procedure provides that only persons who are nominated by, or at the direction of, the Board of Directors, or by a stockholder who has given timely written notice containing specified information to our Secretary prior to the meeting at which directors are to be elected, will be eligible for election as our directors. The stockholder notice procedure also provides that at an annual meeting only such

business may be conducted as has been brought before the meeting by, or at the direction of, the Chairman of the Board of Directors, or in the absence of the Chairman of the Board, the President, or by a stockholder who has given timely written notice containing specified information to our Secretary of such stockholder's intention to bring such business before such meeting. Under the stockholder notice procedure, for notice of stockholder nominations or proposals to be made at an annual meeting to be timely, such notice must be received by us not less than 60 days nor more than 90 days in advance of such meeting. For notice of stockholder nominations or proposals to be made at a special meeting of stockholders to be timely, such notice must be received by us not later than the close of business on the tenth day following the date on which notice of such meeting is first given to stockholders. Notwithstanding the foregoing, in the event that less than 70 days notice or prior public disclosure of the date of the meeting of stockholders is given or made to the stockholders, to be timely, notice of a nomination or proposal delivered by the stockholder must be received by our Secretary not later than the close of business on the tenth day following the day on which notice of the date of the meeting of stockholders was mailed or such public disclosure was made to the stockholders. If the Board of Directors or, alternatively, the presiding officer at a meeting, in the case of a stockholder proposal, or the chairman of the meeting, in the case of a stockholder nomination to the Board of Directors, determines at or prior to the meeting that business was not brought before the meeting or a person was not nominated in accordance with the stockholder notice procedure, such business will not be conducted at such meeting, or such person will not be eligible for election as a director, as the case may be.

By requiring advance notice of nominations by stockholders, the stockholder notice procedure will afford the Board of Directors an opportunity to consider the qualifications of the proposed nominees and, to the extent deemed necessary or desirable by the Board of Directors, to inform stockholders about such qualifications. By requiring advance notice of other proposed business, the stockholder notice procedure will also provide a more orderly procedure for conducting annual meetings of stockholders and, to the extent deemed necessary or desirable by the Board of Directors, will provide the Board of Directors with an opportunity to inform stockholders, prior to such meetings, of any business proposed to be conducted at such meetings, together with any recommendations as to the Board of Directors' position regarding action to be taken with respect to such business, so that stockholders can better decide whether to attend such a meeting or to grant a proxy regarding the disposition of any such business.

Although our bylaws do not give the Board of Directors any power to approve or disapprove stockholder nominations for the election of directors or proposals for action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if the proper procedures are not followed, and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal, without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

FAIR PRICE PROVISION

Our certificate of incorporation contains a "fair price" provision that applies to certain business combination transactions involving any person, entity or group that beneficially owns at least 10% of our aggregate voting stock -- such person, entity or group is sometimes referred to as a "related person". This provision requires the affirmative vote of the holders of not less than 80% of our voting stock to approve certain transactions between a related person and us or our subsidiaries, including:

- any merger, consolidation or share exchange;

- any sale, lease, exchange, mortgage, pledge, transfer or other disposition of our assets, or the assets of any of our subsidiaries having a fair market value of more than 10% of our total consolidated assets, or assets representing more than 10% of our earning power and our subsidiaries taken as a whole (a "Substantial Part");

- any sale, lease, exchange, mortgage, pledge, transfer or other disposition to or with us or any of our subsidiaries of all or a Substantial Part of the assets of a related person;

- the issuance or transfer of any of our securities or any of our subsidiaries by us or any of our subsidiaries to a related person;

- any reclassification of securities, recapitalization, or any other transaction involving us or any of our subsidiaries that would have the effect of increasing the voting power of a related person;

- the adoption of a plan or proposal for our liquidation or dissolution proposed by or on behalf of a related person;

- the acquisition by or on behalf of a related person of shares constituting a majority of our voting power; and

- the entering into of any agreement, contract or other arrangement providing for any of the transactions described above.

This voting requirement will not apply to certain transactions, including:

(a) any transaction approved by a two-thirds vote of the continuing directors (as defined in our certificate of incorporation); or

(b) any transaction in which:

(1) the consideration to be received by the holders of common stock (other than the related person involved in the business combination) is not less in amount than the highest per share price paid by the related person in acquiring any of its holdings of common stock; and

(2) if necessary, a proxy statement complying with the requirements of the Securities Exchange Act of 1934 shall have been mailed at least 30 days prior to any vote on such business combination to all of our stockholders for the purpose of soliciting stockholder approval of such business combination.

This provision could have the effect of delaying or preventing a change in control of us in a transaction or series of transactions that did not satisfy the "fair price" criteria.

LIABILITY OF DIRECTORS; INDEMNIFICATION

Our certificate of incorporation provides that a director will not be personally liable for monetary damages to us or our stockholders for breach of fiduciary duty as a director, except for liability:

- for any breach of the director's duty of loyalty to us or our stockholders;

- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

- for paying a dividend or approving a stock repurchase in violation of Section 174 of the Delaware General Corporation Law; or

- for any transaction from which the director derived an improper personal benefit.

Any amendment or repeal of such provision shall not adversely affect any right or protection of a director existing under such provision for any act or omission occurring prior to such amendment or repeal.

Our bylaws provide that each person who at any time serves or served as one of our directors or officers, or any person who, while one of our directors or officers, is or was serving at our request as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, shall be entitled to indemnification and the advancement of expenses from us, and to the fullest extent, permitted by Section 145 of the Delaware General Corporation Law or any successor statutory provision. We will indemnify any person who was or is a party to any threatened, pending or completed action, suit or proceeding because he or she is or was one of our directors or officers, or is or was serving at our request as a director or officer of another corporation, partnership or other enterprise. However, as provided in Section 145, this indemnification will only be provided

if the indemnitee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, our best interests.

AMENDMENTS

Our certificate of incorporation provides that we reserve the right to amend, alter, change, or repeal any provision contained in our certificate of incorporation, and all rights conferred to stockholders are granted subject to such reservation. The affirmative vote of holders of not less than 80% of our voting stock, voting together as a single class, shall be required to alter, amend, adopt any provision inconsistent with or repeal certain provisions of our certificate of incorporation, including those provisions discussed in this section. In addition, the 80% vote described in the prior sentence shall not be required for any alteration, amendment, adoption of inconsistent provision or repeal of the "fair price" provision discussed under "-- Fair Price Provision" above which is recommended to the stockholders by two-thirds of the continuing directors of Lennox and such alteration, amendment, adoption of inconsistent provision or repeal shall require the vote, if any, required under the applicable provisions of the Delaware General Corporation Law and our certificate of incorporation. In addition, our certificate of incorporation provides that stockholders may only adopt, amend or repeal our bylaws by the affirmative vote of holders of not less than 80% of our voting stock, voting together as a single class. Our bylaws may be amended by our Board of Directors.

RIGHTS TO PURCHASE SECURITIES AND OTHER PROPERTY

Our certificate of incorporation authorizes the Board of Directors to create and issue rights, warrants and options entitling the holders thereof to purchase from us shares of any class or classes of our capital stock or other securities or property upon such terms and conditions as the Board of Directors may deem advisable.

LISTING

Application will be made to list the common stock on the New York Stock Exchange under the symbol "LII".

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common stock is ChaseMellon Shareholder Services, L.L.C.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to the offering, there has been no public market for our common stock. Future sales of substantial amounts of common stock in the public market could adversely affect prevailing market prices.

Upon completion of the offering, we will have shares of common stock issued and outstanding, or shares if the underwriters' over-allotment option is exercised in full. Of these shares, the shares of common stock to be sold in the offering will be freely tradable without restrictions or further registration under the Securities Act of 1933, as amended, except that shares purchased by an "affiliate" of ours (as that term is defined in Rule 144 under the Securities Act of 1933, as amended) will be subject to the resale limitations of Rule 144. The remaining shares of common stock outstanding will be "restricted securities" as that term is defined by Rule 144.

In general, under Rule 144 as currently in effect, if a period of at least one year has elapsed after the later of the date on which "restricted" shares were acquired from us or the date on which they were acquired from an "affiliate," then the holder of such shares, including an affiliate, is entitled to sell a number of shares within any three-month period that does not exceed the greater of:

- one percent of the then outstanding shares of the common stock; or

- the average weekly reported volume of trading of the common stock during the four calendar weeks preceding such sale.

Sales under Rule 144 are also subject to certain requirements pertaining to the manner of such sales, notices of such sales and the availability of current public information concerning Lennox. Affiliates may sell shares not constituting "restricted" shares in accordance with the foregoing volume limitations and other requirements but without regard to the one-year period. Under Rule 144(k), if a period of at least two years has elapsed between the later of the date on which "restricted" shares were acquired from us and the date on which they were acquired from an affiliate, a holder of such shares who is not an affiliate at the time of the sale and has not been an affiliate for at least three months prior to the sale would be entitled to sell the shares immediately without regard to the volume limitations and other conditions described above. The foregoing description of Rule 144 is not intended to be a complete description thereof.

Sales of significant amounts of the common stock, or the perception that such sales could occur, could have an adverse impact on the market price of the common stock. We, our directors and executive officers, the selling stockholders and certain other stockholders have agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the underwriters, such person will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or

- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock;

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise; provided, however, that any such person or entity shall be permitted to make a bona fide gift of shares of common stock during such period if such person or entity delivers to Morgan Stanley & Co. Incorporated an agreement substantially similar to the above executed by the donee.

The restrictions described in the previous paragraph do not apply to

- the sale of the shares of common stock to the underwriters;

- transactions by any person other than Lennox relating to shares of common stock or other securities acquired in open market transactions after completion of the offering; or

- the issuance or sale of shares of common stock pursuant to our stock option plans existing on the date of consummation of the offering.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES FOR NON-U.S. HOLDERS

The following is a summary of certain material U.S. federal income and estate tax consequences expected to result under current law from the purchase, ownership and taxable disposition of common stock by a Non-U.S. Holder. For this purpose, a "Non-U.S. Holder" is defined as a person or entity other than:

(a) a citizen or resident of the U.S.;

(b) a corporation, partnership or other entity created or organized in or under the laws of the U.S. or of any state thereof;

(c) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

(d) a trust whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust.

This summary deals only with purchasers of common stock who hold common stock as capital assets and does not address all of the U.S. federal income and estate tax considerations that may be relevant to a Non-U.S. Holder in light of its particular circumstances or to Non-U.S. Holders that may be subject to special treatment under U.S. federal income tax laws, such as insurance companies, tax-exempt organizations, financial institutions, brokers, dealers in securities, regulated investment companies, common trust funds, or persons that hold common stock as part of a hedge, conversion or constructive sale transaction, straddle or other risk reduction transaction. Furthermore, this summary does not discuss any aspects of state, local or foreign taxation. This summary is based on current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations, judicial opinions, published positions of the U.S. Internal Revenue Service and other applicable authorities, all of which are subject to change, possibly with retroactive effect. Each prospective purchaser of common stock is advised to consult its tax advisor with respect to the tax consequences of acquiring, holding and disposing of common stock.

DIVIDENDS

Dividends paid to a Non-U.S. Holder of common stock generally will be subject to withholding of U.S. federal income tax at a 30 percent rate (or such lower rate as may be specified by an applicable income tax treaty) unless the dividends are effectively connected with the conduct of a trade or business of the Non-U.S. Holder within the U.S. (and, if an income tax treaty applies, such dividends are attributable to a U.S. permanent establishment of the Non-U.S. Holder) and the Non-U.S. Holder provides the payor with proper documentation (generally I.R.S. Form 4224 or any successor form), in which case the dividends will be taxed at ordinary U.S. federal income tax rates and will not be subject to the withholding tax described above. If the Non-U.S. Holder is a corporation, such effectively connected income may also be subject to an additional "branch profits tax" which is imposed, under certain circumstances, at a rate of 30% (or such lower rate as may be specified by an applicable treaty) of the Non-U.S. corporation's "effectively connected earnings and profits," subject to certain adjustments.

SALE OR DISPOSITION OF COMMON STOCK

A Non-U.S. Holder generally will not be subject to U.S. federal income tax in respect of any gain recognized on the sale or other taxable disposition of common stock unless:

- the gain is effectively connected with a trade or business of the Non-U.S. Holder in the U.S.;
- in the case of a Non-U.S. Holder who is an individual and holds the common stock as a capital asset, the holder is present in the U.S. for 183 or more days in the taxable year of the disposition and either (a) the individual has a "tax home" for U.S. federal income tax purposes in the U.S. or (b) the gain is attributable to an office or other fixed place of business maintained by the individual in the U.S.;
- the Non-U.S. Holder is subject to tax pursuant to the provisions of U.S. federal income tax law applicable to certain U.S. expatriates; or

- Lennox is or has been during certain periods preceding the disposition a U.S. real property holding corporation and either (a) the common stock ceases to be "regularly traded on an established securities market" for U.S. federal income tax purposes or (b) the Non-U.S. Holder has held, directly or indirectly, at any time during the five-year period ending on the date of disposition (or, if shorter, the Non-U.S. Holder's holding period), more than 5 percent of all of Lennox's outstanding common stock. Lennox is not, and does not anticipate becoming, a U.S. real property holding corporation.

BACKUP WITHHOLDING AND INFORMATION REPORTING

Lennox must report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid to such holder and the amount, if any, of tax withheld with respect to such dividends. This information may also be made available to the tax authorities in the Non-U.S. Holder's country of residence.

U.S. backup withholding (which generally is a withholding tax imposed at the rate of 31% on certain payments to persons that fail to furnish certain information under the U.S. information reporting requirements) generally will not apply to dividends paid to Non-U.S. Holders if such dividends are subject to the 30% withholding discussed above (or that are not so subject because a tax treaty applies that reduces or eliminates such 30% withholding). In the case of dividends which are not described in the preceding sentence, backup withholding would still not apply (a) under current law, if such dividends are paid before January 1, 2000 to a Non-U.S. Holder at an address outside the U.S. or (b) under recently promulgated final U.S. Treasury regulations which are to become effective as of January 1, 2000, if certain certification procedures (or, in the case of payments made outside the U.S. with respect to an offshore account, certain documentary evidence procedures) are satisfied.

Upon the sale or other taxable disposition of common stock by a Non-U.S. Holder to or through a U.S. office of a broker, the broker must backup withhold at a rate of 31 percent and report the sale to the IRS, unless the holder certifies its non-U.S. status under penalties of perjury or otherwise establishes an exemption. Upon the sale or other taxable disposition of common stock by a Non-U.S. Holder to or through the foreign office of a U.S. broker, or a foreign broker with certain types of relationships to the U.S., the broker must report the sale to the IRS (but, prior to January 1, 2000, is not required to backup withhold) unless the broker has documentary evidence in its files that the seller is a Non-U.S. Holder and certain other conditions are met, or the holder otherwise establishes an exemption. A sale or other taxable disposition of common stock by a Non-U.S. Holder to or through the foreign office of a foreign broker that does not have certain types of relationships to the U.S. is generally not subject to either information reporting or backup withholding.

Backup withholding is not an additional U.S. federal income tax. Amounts withheld under the backup withholding rules are generally allowable as a refund or credit against such Non-U.S. Holder's U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

FEDERAL ESTATE TAXES

Common stock owned or treated as owned by an individual who is not a citizen or resident (as specially defined for U.S. federal estate tax purposes) of the U.S. at the time of death will be included in such individual's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

UNDERWRITERS

Under the terms and subject to the conditions contained in an Underwriting Agreement dated the date hereof (the "Underwriting Agreement"), the U.S. underwriters named below, for whom Morgan Stanley & Co. Incorporated, Credit Suisse First Boston Corporation and Warburg Dillon Read LLC are acting as U.S. representatives, and the international underwriters named below, for whom Morgan Stanley & Co. International Limited, Credit Suisse First Boston (Europe) Limited and UBS AG, acting through its division Warburg Dillon Read, are acting as international representatives, have severally agreed to purchase, and Lennox and the selling stockholders have agreed to sell to them, severally, the respective number of shares of common stock set forth opposite the names of such underwriters below:

NAME	NUMBER OF SHARES
U.S. Underwriters:	
Morgan Stanley & Co. Incorporated	
Credit Suisse First Boston Corporation	
Warburg Dillon Read LLC, a subsidiary of UBS AG	
Subtotal	
International Underwriters:	
Morgan Stanley & Co. International Limited	
Credit Suisse First Boston (Europe) Limited	
UBS AG, acting through its division Warburg Dillon Read	
Subtotal	
Total	

The U.S. underwriters and the international underwriters are collectively referred to as the "underwriters", and the U.S. representatives and the international representatives are collectively referred to as the "representatives". The underwriters are offering the shares subject to their acceptance of the shares from us and the selling stockholders and subject to prior sale. The Underwriting Agreement provides that the

obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of our common stock offered hereby, other than those covered by the U.S. underwriters' over-allotment option described below, if any such shares are taken.

Pursuant to the Agreement between U.S. and International Underwriters, each U.S. underwriter has represented and agreed that, with certain exceptions:

- it is not purchasing any shares (as defined herein) for the account of anyone other than a U.S. or Canadian Person (as defined herein); and

- it has not offered or sold, and will not offer or sell, directly or indirectly, any shares or distribute any prospectus relating to the shares outside the U.S. or Canada or to anyone other than a U.S. or Canadian Person.

Pursuant to the Agreement between U.S. and International Underwriters, each international underwriter has represented and agreed that, with certain exceptions:

- it is not purchasing any shares for the account of any U.S. or Canadian Person; and

- it has not offered or sold, and will not offer or sell, directly or indirectly, any shares or distribute any prospectus relating to the shares in the U.S. or Canada or to any U.S. or Canadian Person.

With respect to any underwriter that is a U.S. underwriter and an international underwriter, the foregoing representations and agreements made by it in its capacity as a U.S. underwriter apply only to it in its capacity as a U.S. underwriter and made by it in its capacity as an international underwriter apply only to it in its capacity as an international underwriter. The foregoing limitations do not apply to stabilization transactions or to certain other transactions specified in the Agreement between U.S. and International Underwriters. As used herein, "U.S. or Canadian Person" means any national or resident of the U.S. or Canada, or any corporation, pension, profit-sharing or other trust or other entity organized under the laws of the U.S. or Canada or of any political subdivision thereof (other than a branch located outside the U.S. and Canada of any U.S. or Canadian Person), and includes any U.S. or Canadian branch of a person who is otherwise not a U.S. or Canadian Person. All shares of common stock to be purchased by the Underwriters under the Underwriting Agreement are referred to herein as the "shares".

Pursuant to the Agreement between U.S. and International Underwriters, sales may be made between the U.S. underwriters and international underwriters of any number of shares as may be mutually agreed. The per share price of any shares so sold shall be the public offering price set forth on the cover page hereof, in U.S. dollars, less an amount not greater than the per share amount of the concession to dealers set forth below.

Pursuant to the Agreement between U.S. and International Underwriters, each U.S. underwriter has represented that it has not offered or sold, and has agreed not to offer or sell, any shares, directly or indirectly, in any province or territory of Canada or to, or for the benefit of, any resident of any province or territory of Canada in contravention of the securities laws thereof and has represented that any offer or sale of shares in Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer or sale is made. Each U.S. underwriter has further agreed to send to any dealer who purchases from it any of the shares a notice stating in substance that, by purchasing such shares, such dealer represents and agrees that it has not offered or sold, and will not offer or sell, directly or indirectly, any of such shares in any province or territory of Canada or to, or for the benefit of, any resident of any province or territory of Canada in contravention of the securities laws thereof and that any offer or sale of shares in Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer or sale is made, and that such dealer will deliver to any other dealer to whom it sells any of such shares a notice containing substantially the same statement as is contained in this sentence.

Pursuant to the Agreement between U.S. and International Underwriters, each international underwriter has represented and agreed that:

- it has not offered or sold and, prior to the date six months after the closing date for the sale of the shares to the international underwriters, will not offer or sell, any shares to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments, as principal or agent, for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

- it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom; and

- it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the offering of the shares to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom such document may otherwise lawfully be issued or passed on.

Pursuant to the Agreement between U.S. and International Underwriters, each international underwriter has further represented that it has not offered or sold, and has agreed not to offer or sell, directly or indirectly, in Japan or to or for the account of any resident thereof, any of the shares acquired in connection with the distribution contemplated hereby, except for offers or sales to Japanese international underwriters or dealers and except pursuant to any exemption from the registration requirements of the Securities and Exchange Law and otherwise in compliance with applicable provisions of Japanese law. Each international underwriter has further agreed to send to any dealer who purchases from it any of the shares a notice stating in substance that, by purchasing such shares, such dealer represents and agrees that it has not offered or sold, and will not offer or sell, any of such shares, directly or indirectly, in Japan or to or for the account of any resident thereof except for offers or sales to Japanese international underwriters or dealers and except pursuant to any exemption from the registration requirements of the Securities and Exchange Law and otherwise in compliance with applicable provisions of Japanese law, and that such dealer will send to any other dealer to whom it sells any of such shares a notice containing substantially the same statement as is contained in this sentence.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the public offering price set forth on the cover page hereof and part to certain dealers at a price that represents a concession not in excess of $ a share under the public offering price. Any underwriter may allow, and such dealers may reallow, a concession not in excess of $ a share to other underwriters or to certain dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives.

Lennox has granted to the U.S. underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of additional shares of common stock at the public offering price set forth on the cover page hereof, less underwriting discounts and commissions. The U.S. underwriters may exercise such option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered hereby. To the extent such option is exercised, each U.S. underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares of common stock as the number set forth next to such U.S. underwriter's name in the preceding table bears to the total number of shares of common stock set forth next to the names of all U.S. underwriters in the preceding table. If the U.S. underwriters' option is exercised in full, the total price to the public for this offering would be $, the total underwriters' discounts and commissions would be $ and the total proceeds to Lennox would be $.

At the request of Lennox, the underwriters have reserved for sale, at the initial public offering price, up to shares offered hereby for directors, officers, employees, business associates and related persons of Lennox. The number of shares of common stock available for sale to the general public will be reduced to the extent such

persons purchase such reserved shares. Any reserved shares which are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered hereby.

The underwriters have informed Lennox that they do not intend sales to discretionary accounts to exceed five percent of the total number of shares of common stock offered by them.

Application will be made to list the common stock on the New York Stock Exchange under the symbol "LII."

Each of Lennox, its directors and executive officers, the selling stockholders and certain other stockholders has agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the underwriters, it will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or

- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock;

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise; provided, however, that any such person or entity shall be permitted to make a bona fide gift of shares of common stock during such period if such person or entity delivers to Morgan Stanley & Co. Incorporated an agreement substantially similar to the above executed by the donee.

The restrictions described in the previous paragraph do not apply to:

- the sale of the shares to the underwriters;

- transactions by any person other than Lennox relating to shares of common stock or other securities acquired in open market transactions after the completion of the offering; or

- the issuance or sale of shares of common stock pursuant to Lennox stock option plans existing on the date of consummation of the offering.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may agree to sell, or allot, more shares than the shares of common stock Lennox has agreed to sell to them. This over-allotment would create a short position in the common stock for the underwriters' account. To cover any over-allotments or to stabilize the price of the common stock, the underwriters may bid for, and purchase, shares of common stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the common stock in the offering, if the syndicate repurchases previously distributed common stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. The underwriters have reserved the right to reclaim selling concessions in order to encourage underwriters and dealers to distribute the common stock for investment, rather than for short-term profit taking. Increasing the proportion of the offering held for investment may reduce the supply of common stock available for short-term trading. Any of these activities may stabilize or maintain the market price of the common stock above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

Lennox, the selling stockholders and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

An affiliate of Credit Suisse First Boston Corporation was a participant bank in Lennox's revolving credit facility which expired in June 1998. Such affiliate currently has issued approximately $20 million in letters of credit on behalf of Lennox, all but $1 million of which expired in December 1998. Such affiliate has received customary banking fees for such services. In addition, Warburg Dillon Read LLC has provided certain

investment banking services and has acted as placement agent for Lennox's private placements of debt securities in 1993 and 1998, for which services they received customary fees in connection therewith.

PRICING OF THE OFFERING

Prior to this offering, there has been no public market for the common stock. The initial public offering price will be determined by negotiations between Lennox and the U.S. representatives. Among the factors to be considered in determining the initial public offering price will be the future prospects of Lennox and its industry in general, sales, earnings and certain other financial operating information of Lennox in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to those of Lennox. The estimated initial public offering price range set forth on the cover page of this prospectus is subject to change as a result of market conditions and other factors.

LEGAL MATTERS

The validity of the issuance of the shares of common stock offered by this prospectus will be passed upon for us by Baker & Botts, L.L.P., Dallas, Texas. Certain legal matters in connection with the sale of the common stock offered hereby will be passed upon for the underwriters by Fulbright & Jaworski L.L.P., Houston, Texas.

EXPERTS

Our financial statements and schedule as of December 31, 1997 and 1998 and for each of the three years in the period ended December 31, 1998 included in this prospectus and elsewhere in the registration statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission, Washington, D.C. 20549, a registration statement on Form S-1 under the Securities Act of 1933, as amended, with respect to the common stock offered hereby. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. Certain items are omitted in accordance with the rules and regulations of the SEC. For further information with respect to Lennox and the common stock, reference is made to the registration statement and the exhibits and any schedules filed therewith. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance, if such contract or document is filed as an exhibit, reference is made to the copy of such contract or other documents filed as an exhibit to the registration statement, each statement being qualified in all respects by such reference. A copy of the registration statement, including the exhibits and schedules thereto, may be read and copied at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at http://www.sec.gov, from which interested persons can electronically access the registration statement, including the exhibits and any schedules thereto.

As a result of the offering, we will become subject to the full informational requirements of the Securities Exchange Act of 1934, as amended. We will fulfill our obligations with respect to such requirements by filing periodic reports and other information with the SEC. We intend to furnish our shareholders with annual reports containing consolidated financial statements certified by an independent public accounting firm.

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of
Lennox International Inc.:

We have audited the accompanying consolidated balance sheets of Lennox International Inc. (a Delaware corporation) and Subsidiaries as of December 31, 1997 and 1998, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lennox International Inc. and Subsidiaries as of December 31, 1997 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Dallas, Texas,
February 18, 1999

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 1997 AND 1998
(IN THOUSANDS, EXCEPT SHARE DATA)

ASSETS

	AS OF DECEMBER 31,	
	1997	1998
CURRENT ASSETS:		
Cash and cash equivalents	$147,802	$ 28,389
Accounts and notes receivable, net	273,229	318,858
Inventories	183,077	274,679
Deferred income taxes	51,137	37,426
Other assets	15,260	36,183
Total current assets	670,505	695,535
INVESTMENTS IN JOINT VENTURES	14,803	17,261
PROPERTY, PLANT, AND EQUIPMENT, net	215,333	255,125
GOODWILL, net	42,620	155,290
OTHER ASSETS	27,631	29,741
TOTAL ASSETS	$970,892	$1,152,952

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Short-term debt	$ 6,021	$ 56,070
Current maturities of long-term debt	8,926	18,778
Accounts payable	104,679	149,824
Accrued expenses	210,668	207,040
Income taxes payable	4,320	534
Total current liabilities	334,614	432,246
LONG-TERM DEBT	183,583	242,593
DEFERRED INCOME TAXES	2,690	11,628
POSTRETIREMENT BENEFITS, OTHER THAN PENSIONS	17,288	16,511
OTHER LIABILITIES	92,471	60,845
Total liabilities	630,646	763,823
MINORITY INTEREST	14,768	12,689
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value, 25,000,000 shares authorized, no shares issued or outstanding	--	--
Common stock, $.01 par value, 200,000,000 shares authorized, 1,042,648 shares and 1,077,180 shares issued and outstanding for 1997 and 1998, respectively	10	11
Additional paid-in capital	19,594	33,233
Retained earnings	309,610	350,851
Currency translation adjustments	(3,736)	(7,655)
Total stockholders' equity	325,478	376,440
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$970,892	$1,152,952

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

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	FOR THE YEARS ENDED DECEMBER 31,		
	1996	1997	1998
NET SALES	$1,364,546	$1,444,442	$1,821,836
COST OF GOODS SOLD	961,696	1,005,913	1,245,623
Gross profit	402,850	438,529	576,213
OPERATING EXPENSES:			
Selling, general and administrative	298,049	326,280	461,143
Other operating expense, net	4,213	7,488	8,467
Product inspection charge	--	140,000	--
Income (loss) from operations	100,588	(35,239)	106,603
INTEREST EXPENSE, net	13,417	8,515	16,184
OTHER	(943)	1,955	1,602
MINORITY INTEREST	--	(666)	(869)
Income (loss) before income taxes	88,114	(45,043)	89,686
PROVISION (BENEFIT) FOR INCOME TAXES	33,388	(11,493)	37,161
Net income (loss)	$ 54,726	$ (33,550)	$ 52,525
EARNINGS (LOSS) PER SHARE:			
Basic	$ 53.60	$ (32.64)	$ 49.65
Diluted	$ 52.52	$ (32.64)	$ 48.50

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

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998
(IN THOUSANDS, EXCEPT SHARE DATA)

	COMMON STOCK						
	SHARES ISSUED AND OUTSTANDING	AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	CURRENCY TRANSLATION ADJUSTMENTS	TOTAL STOCKHOLDERS' EQUITY	COMPREHENSIVE INCOME
BALANCE AT DECEMBER 31, 1995	998,665	$ 10	$ 4,078	$313,044	$(1,819)	$315,313	$ --
Net income	--	--	--	54,726	--	54,726	54,726
Dividends, $8.66 per share	--	--	--	(8,845)	--	(8,845)	--
Stock dividend -- 2%	19,991	--	6,097	(6,097)	--	--	--
Foreign currency translation adjustments	--	--	--	--	(156)	(156)	(156)
Common stock repurchased	(4,177)	--	(1,460)	--	--	(1,460)	--
Common stock issued	6,816	--	1,886	--	--	1,886	--
Comprehensive income	--	--	--	--	--	--	54,570
BALANCE AT DECEMBER 31, 1996	1,021,295	10	10,601	352,828	(1,975)	361,464	--
Net loss	--	--	--	(33,550)	--	(33,550)	(33,550)
Dividends, $9.38 per share	--	--	--	(9,668)	--	(9,668)	--
Foreign currency translation adjustments	--	--	--	--	(1,761)	(1,761)	(1,761)
Common stock repurchased	(11,180)	--	(4,892)	--	--	(4,892)	--
Common stock issued	32,533	--	13,885	--	--	13,885	--
Comprehensive income (loss)	--	--	--	--	--	--	(35,311)
BALANCE AT DECEMBER 31, 1997	1,042,648	10	19,594	309,610	(3,736)	325,478	--
Net income	--	--	--	52,525	--	52,525	52,525
Dividends, $10.62 per share	--	--	--	(11,284)	--	(11,284)	--
Foreign currency translation adjustments	--	--	--	--	(3,919)	(3,919)	(3,919)
Common stock repurchased	(15,321)	--	(8,510)	--	--	(8,510)	--
Common stock issued	49,853	1	22,149	--	--	22,150	--
Comprehensive income	--	--	--	--	--	--	$ 48,606
BALANCE AT DECEMBER 31, 1998	1,077,180	$ 11	$33,233	$350,851	$(7,655)	$376,440	

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

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998
(IN THOUSANDS)

	FOR THE YEARS ENDED DECEMBER 31,		
	1996	1997	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 54,726	$(33,550)	$ 52,525
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Minority interest	--	(666)	(869)
Joint venture losses	1,118	1,782	3,111
Depreciation and amortization	34,149	33,430	43,545
Loss (gain) on disposal of equipment	1,315	(251)	570
Deferred income taxes	(5,103)	(42,195)	26,424
Other	(962)	2,112	(130)
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts and notes receivable	13,269	(25,878)	(20,567)
Inventories	28,539	17,258	(52,445)
Other current assets	(3,239)	3,622	(4,739)
Accounts payable	(3,018)	(4,774)	29,851
Accrued expenses	38,774	64,400	(17,040)
Income taxes payable and receivable	4,166	(2,361)	(18,610)
Long-term warranty, deferred income and other liabilities	(4,890)	45,557	(36,662)
Net cash provided by operating activities	158,844	58,486	4,964
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the disposal of property, plant and equipment	547	4,205	538
Purchases of property, plant and equipment	(31,903)	(34,581)	(52,435)
Investments in joint ventures	(23,395)	(3,735)	(458)
Acquisitions, net of cash acquired	--	(10,527)	(160,063)
Proceeds from the sale of businesses	17,633	--	--
Net cash used in investing activities	(37,118)	(44,638)	(212,418)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Short-term borrowings	--	(3,732)	36,724
Repayments of long-term debt	(34,588)	(5,712)	(12,499)
Long-term borrowings	--	5,572	75,044
Sales of common stock	630	729	9,607
Repurchases of common stock	(1,460)	(4,892)	(8,510)
Cash dividends paid	(8,560)	(9,312)	(10,820)
Net cash provided by (used in) financing activities	(43,978)	(17,347)	89,546
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	77,748	(3,499)	(117,908)
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	318	(576)	(1,505)
CASH AND CASH EQUIVALENTS, beginning of year	73,811	151,877	147,802
CASH AND CASH EQUIVALENTS, end of year	$151,877	$147,802	$ 28,389
Supplementary disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 18,481	$ 15,016	$ 20,351
Income taxes	$ 34,198	$ 33,938	$ 29,347

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

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998

1. NATURE OF OPERATIONS:

Lennox International Inc. and subsidiaries (the "Company"), a Delaware corporation, is a global designer, manufacturer, and marketer of a broad range of products for the heating, ventilation, air conditioning, and refrigeration ("HVACR") markets. The Company participates in four reportable business segments of the HVACR industry. The first is North American residential heating, air conditioning and hearth products in which the Company manufactures and markets a full line of these products for the residential replacement and new construction markets in North America. The second reportable segment is the global commercial air conditioning market in which the Company manufactures and sells rooftop products and applied systems for commercial applications. The third is the global commercial refrigeration market which consists of unit coolers, condensing units and other commercial refrigeration products. The fourth reportable segment is heat transfer products in which the Company designs, manufactures and sells evaporator and condenser coils, copper tubing, and related equipment to original equipment manufacturers ("OEMs") and other specialty purchasers on a global basis. See Note 4 for financial information regarding the Company's reportable segments.

The Company sells its products to numerous types of customers, including distributors, installing dealers, national accounts and OEMs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Lennox International Inc. and its subsidiaries. All intercompany transactions and balances have been eliminated. Investments in joint ventures where the Company has a 50% or less ownership interest are being accounted for using the equity method of accounting.

As discussed in Note 7, the Company increased its ownership in Ets. Brancher from 50% to 70% in September 1997. As a result, the Company assumed control of the venture and began consolidating the financial position and results of operations in the fourth quarter of 1997. Previously, the Company used the equity method of accounting for its investment in this entity.

CASH EQUIVALENTS

The Company considers all highly liquid temporary investments with original maturity dates of three months or less to be cash equivalents. Cash equivalents consist of investment grade securities and are stated at cost which approximates fair value. The Company earned interest income of $4.8 million, $6.4 million and $4.5 million for the years ended December 31, 1996, 1997 and 1998, respectively, which is included in interest expense, net on the accompanying consolidated statements of income.

ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable have been shown net of an allowance for doubtful accounts of $16.9 million and $18.5 million as of December 31, 1997 and 1998, respectively. The Company has no significant credit risk concentration among its diversified customer base.

INVENTORIES

Inventory costs include applicable material, labor, depreciation, and plant overhead. Inventories of $125.5 million and $169.6 million in 1997 and 1998, respectively, are valued at the lower of cost or market using the last-in, first-out (LIFO) cost method. The remaining portion of the inventory is valued at the lower of cost or market with cost being determined on the first-in, first-out (FIFO) basis.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost. Expenditures for renewals and betterments are capitalized, and expenditures for maintenance and repairs are charged to expense as incurred. Gains and losses resulting from the dispositions of property, plant and equipment are included in other operating expense. Depreciation is computed using the straight-line method over the following estimated useful lives:

Land and improvements	10 to 20 years
Buildings and improvements	15 to 39 years
Machinery and equipment	3 to 10 years

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets have been recorded based on their fair value at the date of acquisition and are being amortized on a straight-line basis over periods generally ranging from thirty to forty years. As of December 31, 1997 and 1998, accumulated amortization was $26.5 million and $34.4 million, respectively.

Goodwill and other long-lived assets are periodically reviewed for impairment by comparing the carrying value of the assets to the estimated undiscounted future cash flows associated with them. If such evaluations indicated that the future undiscounted cash flows of certain long-lived assets were not sufficient to recover the carrying value of such assets, the assets would be adjusted to their fair values. As a result of these periodic reviews, there have been no adjustments to the carrying value of long-lived assets in 1996, 1997 and 1998.

PRODUCT WARRANTIES

A liability for estimated warranty expense is established by a charge against operations at the time products are sold. The subsequent costs incurred for warranty claims serve to reduce the product warranty liability. The actual warranty costs the Company will ultimately pay could differ materially from this estimate.

Total liabilities for estimated warranty expense are $155.7 million and $83.2 million as of December 31, 1997 and 1998, respectively, and are included in the following captions on the accompanying consolidated balance sheets (in thousands):

	DECEMBER 31,	
	1997	1998
Current accrued expenses	$ 94,042	$48,467
Other non-current liabilities	61,617	34,707
	$155,659	$83,174

Liabilities for estimated warranty expense as of December 31, 1997 and 1998, include approximately $113.4 million and $27.3 million, respectively, in remaining estimated liabilities associated with a product inspection program initiated in 1997 (see Note 3).

INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

REVENUE RECOGNITION

Sales are recorded when products are shipped or when services are rendered.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs are expensed as incurred. The Company expended approximately $23.2 million, $25.4 million, and $33.3 million for the years ended December 31, 1996, 1997, and 1998, respectively, for research and product development activities. Research and development costs are included in selling, general and administrative expense on the accompanying consolidated statements of income.

ADVERTISING

Production costs of commercials and programming are charged to operations in the period first aired. The costs of other advertising, promotion and marketing programs are charged to operations in the period incurred. Advertising expense was $36.4 million, $37.9 million, and $50.2 million for the years ended December 31, 1996, 1997, and 1998, respectively.

TRANSLATION OF FOREIGN CURRENCIES

All assets and liabilities of foreign subsidiaries and joint ventures are translated into United States dollars using rates of exchange in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates during the respective years. The unrealized translation gains and losses are accumulated in a separate component of stockholders' equity. Transaction gains (losses) included in the accompanying statements of income were $943,000, $(1,955,000), and $(1,602,000) for the years ended December 31, 1996, 1997, and 1998, respectively.

FOREIGN CURRENCY CONTRACTS

The Company has entered into foreign currency exchange contracts to hedge its investment in Ets. Brancher S.A. (see Note 7) and not to engage in currency speculation. These contracts do not subject the Company to risk from exchange rate movements because the gains or losses on the contracts offset the losses or gains, respectively, on the assets and liabilities of the subsidiary. As of December 31, 1998, the Company had 165.5 million French francs (approximately $30.0 million) outstanding under these contracts.

These contracts require the Company to exchange French francs for U.S. dollars at maturity (May 2003), at rates agreed to at inception of the contracts. If the counterparty to the exchange contracts does not fulfill their obligations to deliver the contracted currencies, the Company could be at risk for any currency related fluctuations. The gains and losses associated with these contracts, net of tax, are recorded as a component of currency translation adjustments on the accompanying 1996, 1997 and 1998 consolidated statements of stockholders' equity.

The Company from time to time enters into foreign currency exchange contracts to hedge receivables from its foreign subsidiaries, and not to engage in currency speculation. These contracts do not subject the Company to risk from exchange rate movements because the gains or losses on the contracts offset losses or gains, respectively, on the receivables being hedged. As of December 31, 1998, the Company had obligations to deliver $33.2 million of various foreign currencies within the next three months, for which the counterparties to the contracts will pay fixed contract amounts.

PURCHASE COMMITMENTS

The Company has contracts with various suppliers to purchase copper and aluminum for use in its manufacturing processes. These contracts, which vary from one to thirty-six months, cover fixed quantities at fixed and floating prices. As of December 31, 1998, the Company had forward commitments for delivery through December 31, 1999, for approximately 9.4 million pounds of aluminum and 8.5 million pounds of copper.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. PRODUCT INSPECTION CHARGE

During 1997, the Company recorded a pre-tax charge of $140.0 million to provide for projected expenses of the product inspection program related to its Pulse furnace. The Company has offered the owners of Pulse furnaces installed between 1982 and 1990 a subsidized inspection and a free carbon monoxide detector. The inspection includes a severe pressure test to determine the serviceability of the heat exchanger. If the heat exchanger does not pass the test, the Company will either replace the heat exchanger or offer a new furnace and subsidize the labor costs for installation. The cost required for the program depends on the number of furnaces located, the percentage of those located that do not pass the pressure test, and the replacement option chosen by the homeowner.

As of December 31, 1998, the Company had incurred approximately $112.7 million in costs related to the product inspection program. Consequently, there is a current liability of $27.3 million recorded on the accompanying consolidated balance sheet as of December 31, 1998, to accrue for the estimated remaining costs of the program. The product inspection program ends in June 1999 and the Company believes its current liability of $27.3 million is adequate to cover the remaining costs of the program.

4. REPORTABLE BUSINESS SEGMENTS:

As of December 31, 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 131, which requires disclosure of business segment data in accordance with the "management approach." The management approach is based on the way segments are organized within the Company for making operating decisions and assessing performance. The Company's business operations are organized within the following four reportable business segments as follows (in thousands):

	FOR THE YEARS ENDED DECEMBER 31,		
	1996	1997	1998
Net Sales			
North American residential	$ 857,131	$ 865,147	$1,013,747
Commercial air conditioning	228,935	278,837	392,053
Commercial refrigeration	135,566	154,247	237,264
Heat transfer*	142,914	146,211	178,772
	$1,364,546	$1,444,442	$1,821,836

- ---

* The Heat transfer segment had intersegment sales of $34,911, $23,571, and $32,307 in 1996, 1997, and 1998, respectively.

Income (Loss) from Operations			
North American residential	$ 99,658	$ (47,516)*	$ 123,426
Commercial air conditioning	(9,477)	4,521	(6,579)
Commercial refrigeration	13,717	15,407	20,383
Heat transfer	17,311	16,857	12,700
Corporate and other	(20,621)	(24,508)	(43,327)
	$ 100,588	$ (35,239)	$ 106,603

- ---

* Includes a $140.0 million charge related to a product inspection program (see Note 3).

	AS OF DECEMBER 31,	
	1997	1998
Identifiable Assets		
North American residential	$330,864	$ 528,660
Commercial air conditioning	175,748	198,982
Commercial refrigeration	146,118	194,601
Heat transfer	69,272	88,633
Corporate and other	248,890	142,076
	$970,892	$1,152,952

	FOR THE YEARS ENDED DECEMBER 31,		
	1996	1997	1998
Capital Expenditures			
North American residential	$18,561	$12,914	$14,942
Commercial air conditioning	2,577	5,677	6,180
Commercial refrigeration	3,779	6,798	7,367
Heat transfer	6,453	6,907	12,136
Corporate and other	533	2,285	11,810
	$31,903	$34,581	$52,435
Depreciation and Amortization			
North American residential	$15,170	$14,892	$15,437
Commercial air conditioning	4,447	4,048	5,802
Commercial refrigeration	6,428	6,390	9,376
Heat transfer	3,963	3,991	5,912
Corporate and other	4,141	4,109	7,018
	$34,149	$33,430	$43,545

The following table sets forth certain financial information relating to the Company's operations by geographic area (in thousands):

	FOR THE YEARS ENDED DECEMBER 31,		
	1996	1997	1998
Net Sales to External Customers			
United States and Canada	$1,336,013	$1,368,063	$1,577,296
International	28,533	76,379	244,540
Total net sales to external customers	$1,364,546	$1,444,442	$1,821,836

	AS OF DECEMBER 31,	
	1997	1998
Long-Lived Assets		
United States and Canada	$253,196	$371,361
International	47,191	86,056
Total long-lived assets	$300,387	$457,417

5. INVENTORIES:

Components of inventories are as follows (in thousands):

	AS OF DECEMBER 31,	
	1997	1998
Finished goods	$116,052	$177,490
Repair parts	37,248	31,674
Work in process	15,755	15,574
Raw materials	70,223	102,876
	239,278	372,614
Reduction for last-in, first-out	56,201	52,935
	$183,077	$274,679

6. PROPERTY, PLANT AND EQUIPMENT:

Components of property, plant and equipment are as follows (in thousands):

	AS OF DECEMBER 31,	
	1997	1998
Land and improvements	$ 15,305	$ 24,959
Buildings and improvements	145,039	156,488
Machinery and equipment	325,392	404,848
Total	485,736	586,295
Less -- accumulated depreciation	(270,403)	(331,170)
Property, plant and equipment, net	$ 215,333	$ 255,125

7. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES:

ALLIANCE

In 1994, the Company acquired a 50% interest in a joint venture, Alliance Compressors, with American Standard Inc.'s Trane subsidiary ("Trane") to develop, manufacture, and market both reciprocating and scroll compressor products.

In December 1996, Alliance Compressors was restructured to admit a new partner, Copeland Corporation, and to focus solely on the development, manufacturing, and marketing of scroll compressors. In connection with the restructuring, the net assets associated with the reciprocating compressor business were distributed equally to the Company and Trane. The Company subsequently sold its share of the reciprocating compressor net assets to Trane. In addition, the Company and Trane sold portions of their interests in Alliance Compressors to Copeland Corporation. As a result, Alliance Compressors is now owned 51% by Copeland Corporation, 24.5% by the Company, and 24.5% by Trane. During 1996, the Company recognized a pretax gain of $4.6 million as a result of the restructuring, which is included in other operating expense, net on the

accompanying 1996 consolidated statement of income. The Company's investment in Alliance Compressors at December 31, 1998, is $6.1 million and is being accounted for using the equity method of accounting.

ETS. BRANCHER

In May 1996, the Company's subsidiary, Lennox Global Ltd., acquired a 50% interest in HCF-Lennox, a manufacturer of air conditioning and refrigeration equipment. In addition to acquiring an interest in HCF-Lennox, the Company increased its ownership of an existing joint venture, Friga-Bohn, from 20% to 50%. The aggregate purchase price for these acquisitions was approximately $22 million in cash. The aggregate purchase price exceeded the Company's interests in the underlying equity in the ventures at the date of acquisition. As a result, the Company recorded goodwill of approximately $2.9 million, which is being amortized on a straight-line basis over a 30-year period.

Effective September 30, 1997, Lennox Global Ltd. acquired an additional 20% interest in HCF-Lennox and Friga-Bohn, and a 70% interest in certain real properties. In conjunction with the purchase, the stock of HCF-Lennox and Friga-Bohn was combined into an existing holding company, Ets. Brancher S.A. As of December 31, 1997, Lennox Global Ltd. owns 70% of the stock of Ets. Brancher S.A. The aggregate purchase price for this acquisition was $18.4 million, of which $10 million was in cash and $8.4 million was in Company stock. The acquisition was accounted for in accordance with the purchase method of accounting. Accordingly, the purchase price has been allocated to the assets and liabilities based upon their estimated fair values at the date of acquisition. As a result, the Company recorded additional goodwill of approximately $6.4 million, which is being amortized on a straight-line basis over a 30-year period.

The Company obtained control of Ets. Brancher S.A. on September 30, 1997, and, accordingly, began consolidating the financial position and operating results of the subsidiary. The 30% interest in Ets. Brancher S.A. not owned by the Company is reflected as minority interest on the accompanying consolidated balance sheets and statements of income.

The following table presents the pro forma results as if the Company's 70% interest in Ets. Brancher had been consolidated beginning January 1, 1996 (in thousands, except per share data).

	YEAR ENDED DECEMBER 31,	
	1996	1997
Net sales	$1,576,418	$1,588,985
Net income (loss)	54,605	(33,381)
Basic earnings per share	53.48	(32.47)
Diluted earnings per share	52.40	(32.47)

CANADIAN DEALERS

In the fourth quarter of 1998, the Company's Lennox Industries (Canada) Ltd. subsidiary, which is included in the North American residential segment, purchased for cash fourteen dealers (the "Dealers") in Canada that had been independent retail outlets of the Company's products. The aggregate purchase price of the Dealers was $22.9 million in cash. These acquisitions were accounted for in accordance with the purchase method of accounting. The purchase price of each Dealer has been allocated to the assets and liabilities of the Dealers, and the excess of $19.0 million has been allocated to goodwill, which is being amortized on a straight-line basis over 40 years. The results of operations of the Dealers, including sales of $8.2 million and net income of $139,000, have been fully consolidated with those of the Company since the dates of acquisition.

HEARTH COMPANIES

During June and July 1998, the Company's Hearth Products Inc. subsidiary, which is included in the North American residential segment, purchased substantially all of the assets and certain liabilities of Superior Fireplace Co. and all of the outstanding stock of Marco Manufacturing Inc. and Pyro Industries Inc. The aggregate purchase price for these acquisitions was $102.9 million, of which $99.1 million was in cash and $3.8 million was in the form of a note payable. These acquisitions were accounted for in accordance with the purchase method of accounting. Accordingly, the aggregate purchase price has been allocated to assets totaling $131.5 million and to liabilities totaling $28.6 million of the acquired companies based upon the fair value of those assets and liabilities. As a result, the Company recorded goodwill of approximately $73.8 million which is being amortized on a straight-line basis over 40 years. The results of operations of the acquired Hearth companies, including sales of $68.6 million and net income of $1.9 million, have been fully consolidated with those of the Company since the dates of acquisition.

MCQUAY DO BRASIL

During August 1998, the Company's Lennox Global Ltd. subsidiary purchased 84% of the outstanding stock of McQuay do Brasil, a Brazilian company engaged in the manufacture and sale of refrigeration, automotive air conditioning equipment, and heat transfer products. The purchase price of $20.5 million in cash has been allocated to the acquired assets and liabilities based upon the fair value of those assets and liabilities, and the excess of $11.3 million has been allocated to goodwill, which is being amortized on a straight-line basis over 40 years. The results of operations of McQuay do Brasil have been consolidated with those of the Company since the date of acquisition.

8. LONG-TERM DEBT AND LINES OF CREDIT:

Long-term debt at December 31 consists of the following (in thousands):

	1997	1998
6.73% promissory notes, payable $11,111 annually 2000 through 2008	$100,000	$100,000
9.69% promissory notes, payable $4,900 annually 1998 through 2002 and $5,000 in 2003	29,500	24,600
5.75% promissory note, payable in 1999	1,596	951
5.84% promissory note, payable in 2000	2,146	2,275
4.80% promissory note, payable annually through 2004	1,197	1,119
6.50% promissory note, payable annually 1999 through 2005	1,334	1,382
5.50% promissory note, payable annually through 2004	--	639
6.50% promissory note, payable annually through 2003	--	371
9.53% promissory notes, payable $10,000 in 1999, $8,000 in 2000, and $3,000 in 2001	21,000	21,000
7.06% promissory note, payable $10,000 annually in 2004 and 2005	20,000	20,000
6.56% promissory note, payable in 2005	--	25,000
6.75% promissory note, payable in 2008	--	50,000
11.10% mortgage note, payable semiannually through 2000	8,306	7,547
Texas Housing Opportunity Fund, Ltd. note, payable in 1999	205	109
Capitalized lease obligations and other	7,225	6,378
	192,509	261,371
Less current maturities	8,926	18,778
	$183,583	$242,593

At December 31, 1998, the aggregate amounts of required payments on long-term debt are as follows (in thousands):

1999	$ 18,778
2000	35,354
2001	20,712
2002	17,534
2003	17,424
Thereafter	151,569
	$261,371

The Company has bank lines of credit aggregating $164 million, of which $56 million was outstanding at December 31, 1998. Included in the bank lines is a $135 million revolving credit facility. The revolving credit facility provides for both "standby loans" and "offered rate loans." Standby loans are made ratably by all lenders under the revolving credit facility, while offered rate loans are, subject to the terms and conditions of the credit facility, separately negotiated between the Company and one or more members of the lending syndicate. Standby loans bear interest at a rate equal to either (a) the London Interbank Offered Rate plus a margin equal to 0.150% to 0.405% depending on the ratio of debt to total capitalization, or (b) the greater of (1) the Federal Funds Effective Rate plus 0.5%, and (2) the Prime Rate. Offered rate loans bear interest at a fixed rate negotiated with the lender or lenders making such loans. Under the revolving credit facility, the Company is obligated to pay certain fees, including (a) a quarterly facility fee to each lender under the credit facility equal to a percentage, varying from 0.100% to 0.220% (depending on the ratio of debt to total capitalization), of each lender's total commitment, whether used or unused, under the revolving credit facility and (b) certain administrative fees to the administrative agent and documentation agent under the revolving credit facility. The revolving credit facility will expire on July 13, 2001, unless earlier terminated pursuant to its terms and conditions. The unsecured promissory note agreements and lines of credit provide for restrictions with respect to additional borrowings, maintenance of minimum working capital and payment of dividends.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The estimated fair values of the Company's financial instruments approximate their respective carrying amounts at December 31, 1998, except as follows (in thousands):

		FAIR VALUE	
	CARRYING AMOUNT	AMOUNT	INTEREST RATE
9.69% promissory notes	$24,600	$26,601	6.75%
9.53% promissory notes	21,000	21,923	6.75%
11.10% mortgage note	7,547	7,739	9.00%

The fair values presented above are based on the amount of future cash flows associated with each instrument, discounted using the Company's current borrowing rate for similar debt instruments of comparable maturity. The fair values are estimates as of December 31, 1998, and are not necessarily indicative of amounts for which the Company could settle currently or indicative of the intent or ability of the Company to dispose of or liquidate such instruments.

10. INCOME TAXES:

The income tax provision (benefit) consisted of the following (in thousands):

	FOR THE YEARS ENDED DECEMBER 31,		
	1996	1997	1998
Current --			
Federal	$33,615	$ 24,673	$15,820
State	3,950	790	944
Foreign	926	5,239	(6,027)
Total current	38,491	30,702	10,737
Deferred --			
Federal	(5,135)	(31,144)	30,946
State	32	(1,917)	2,237
Foreign	--	(9,134)	(6,759)
Total deferred	(5,103)	(42,195)	26,424
Total income tax provision (benefit)	$33,388	$(11,493)	$37,161

The difference between the income tax provision (benefit) computed at the statutory federal income tax rate and the financial statement provision (benefit) for taxes is summarized as follows (in thousands):

	1996	1997	1998
Provision (benefit) at the U.S. statutory rate of 35%	$30,840	$(15,765)	$31,390
Increase (reduction) in tax expense resulting from --			
State income tax, net of federal income tax benefit	2,437	(350)	705
Foreign losses not providing a current benefit	--	1,044	3,572
Other	(111)	3,578	1,494
Total income tax provision (benefit)	$33,388	$(11,493)	$37,161

Deferred income taxes reflect the tax consequences on future years of temporary differences between the tax basis of assets and liabilities and their financial reporting basis and are reflected as current or noncurrent depending on the timing of the expected realization. The deferred tax provision (benefit) for the periods shown represents the effect of changes in the amounts of temporary differences during those periods.

Deferred tax assets (liabilities), as determined under the provisions of SFAS No. 109, "Accounting for Income Taxes," were comprised of the following at December 31 (in thousands):

	1997	1998
Gross deferred tax assets --		
Warranties	$ 60,421	$ 28,281
Foreign operating losses	14,537	12,652
Postretirement and pension benefits	7,799	7,852
Inventory reserves	4,907	6,383
Receivable allowance	3,420	3,950
Other	3,518	9,253
Total deferred tax assets	94,602	68,371
Valuation allowance	(14,543)	(12,652)
Net deferred tax assets	80,059	55,719
Gross deferred tax liabilities --		
Depreciation	(19,241)	(17,999)
Intangibles	(1,873)	(1,674)
Other	(10,498)	(10,248)
Total deferred tax liabilities	(31,612)	(29,921)
Net deferred tax asset	$ 48,447	$ 25,798

The Company has net foreign operating loss carryforwards, mainly in Europe, which expire at various dates in the future. All such loss carryforwards have a full valuation allowance. The net change in the deferred tax asset valuation reserve for the year ended December 31, 1998, was a decrease of $1,891. The decrease is a result of operating loss carryforwards which have expired.

No provision has been made for income taxes which may become payable upon distribution of the foreign subsidiaries' earnings since management considers substantially all of these earnings permanently invested. As of December 31, 1998, the unrecorded deferred tax liability related to the undistributed earnings of the Company's foreign subsidiaries was insignificant.

11. CURRENT ACCRUED EXPENSES:

Significant components of current accrued expenses are as follows (in thousands):

	DECEMBER 31,	
	1997	1998
Accrued product inspection charge	$ 71,956	$ 27,336
Accrued wages	46,685	52,915
Accrued warranties	22,086	21,131
Other	69,941	105,658
Total current accrued expenses	$210,668	$207,040

12. EMPLOYEE BENEFIT PLANS:

PROFIT SHARING PLANS

The Company maintains noncontributory profit sharing plans for its salaried employees. These plans are discretionary as the Company's contributions are determined annually by the Board of Directors. Provisions

for contributions to the plans amounted to $12.0 million, $11.5 million, and $13.6 million in 1996, 1997, and 1998, respectively.

401(k) PLAN

The Company provides a 401(k) plan to substantially all eligible hourly and salary employees of the Company, as defined. Participants may contribute up to 12% of their compensation to a 401(k) plan under Internal Revenue Code Section 401(k).

LONG-TERM INCENTIVE PLAN

The Company provided a long-term incentive plan, the Lennox International Inc. Performance Share Plan (the "Performance Plan") to certain employees. During 1998, the Company terminated the Performance Plan. Under the Performance Plan, participants earned shares of the Company's common stock in accordance with a discretionary formula established by the Board of Directors based on the Company's performance over a three-year period. The value of the shares earned was determined using an independent appraisal. Under the Performance Plan 2,009 shares, 7,243 shares, and 5,293 shares earned in fiscal 1995, 1996, and 1997, respectively, were issued in 1996, 1997, and 1998, respectively. During 1998, 10,878 shares were earned and issued in the same year. Compensation expense recognized under the Performance Plan was $1,900,000, $2,259,616, and $6,876,335 for the years ended December 31, 1996, 1997, and 1998, respectively, based on the fair value of the shares earned.

EMPLOYEE BENEFITS TRUST

The Company also has an Employee Benefits Trust (the "Trust") to provide eligible employees of the Company, as defined, with certain medical benefits. Trust contributions are made by the Company as defined by the Trust agreement.

PENSION AND POSTRETIREMENT BENEFIT PLANS

The Company has domestic and foreign pension plans covering substantially all employees. The Company makes annual contributions to the plans equal to or greater than the statutory required minimum. The Company also maintains an unfunded postretirement benefit plan which provides certain medical and life insurance benefits to eligible employees. The pension plans are accounted for under provisions of SFAS No. 87, "Employers' Accounting for Pensions." The postretirement benefit plan is accounted for under the provisions of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." The following table sets forth amounts recognized in the Company's financial statements and the plans' funded status (in thousands):

	PENSION BENEFITS		OTHER BENEFITS	
	1997	1998	1997	1998
Change in benefit obligation --				
Benefit obligation at beginning of year	$113,942	$119,835	$ 15,679	$ 16,055
Service cost	3,439	3,875	457	494
Interest cost	8,411	9,128	1,166	1,128
Plan participants' contributions	304	189	1,274	1,452
Amendments	93	2,132	--	--
Actuarial (gain)/loss	993	7,471	40	(449)
Exchange rate changes	--	83	--	--
Benefits paid	(7,347)	(7,892)	(2,561)	(2,382)
Benefit obligation at end of year	$119,835	$134,821	$ 16,055	$ 16,298

	PENSION BENEFITS		OTHER BENEFITS	
	1997	1998	1997	1998
Changes in plan assets --				
Fair value of plan assets at beginning of year	$112,588	$131,376	$ --	$ --
Actual return on plan assets	21,510	17,466	--	--
Employer contribution	4,610	3,792	1,287	930
Plan participants' contributions	304	189	1,274	1,452
Expenses	(664)	(549)	(79)	(34)
Benefits paid	(6,972)	(7,405)	(2,482)	(2,348)
Fair value of plan assets at end of year	131,376	144,869	--	--
Funded status	11,541	10,048	(16,055)	(16,298)
Unrecognized actuarial (gain)/loss	(16,151)	(14,420)	(2,158)	(1,311)
Unrecognized prior service cost	747	641	--	--
Unrecognized net obligation/(asset)	6,248	7,420	(520)	(347)
Net amount recognized	$ 2,385	$ 3,689	$(18,733)	$(17,956)
Amounts recognized in the consolidated balance sheets consist of --				
Prepaid benefit cost	$ 13,588	$ 13,303	$ --	$ --
Accrued benefit liability	(12,742)	(12,540)	(18,733)	(17,956)
Intangible assets	1,539	2,926	--	--
Net amount recognized	$ 2,385	$ 3,689	$(18,733)	$(17,956)
Weighted-average assumptions as of December 31 --				
Discount rate	7.50%	7.25%	7.50%	7.25%
Expected return on plan assets	9.50	9.50	--	--
Rate of compensation increase	4.00	4.00	--	--

For measurement purposes, an 8.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1998. The rate was assumed to decrease gradually to 5.0% by 2003 and remain at that level thereafter.

	PENSION BENEFITS			OTHER BENEFITS		
	1996	1997	1998	1996	1997	1998
	(IN THOUSANDS)			(IN THOUSANDS)		
Components of net periodic benefit cost --						
Service cost	$ 3,344	$ 3,439	$ 3,875	$ 268	$ 457	$ 494
Interest cost	8,153	8,411	9,128	1,161	1,166	1,128
Expected return on plan assets	(8,655)	(9,844)	(10,931)	--	--	--
Amortization of prior service cost	716	716	880	(173)	(173)	(173)
Recognized actuarial loss	--	--	--	(961)	(1,129)	(1,297)
Net periodic benefit cost	$ 3,558	$ 2,722	$ 2,952	$ 295	$ 321	$ 152

The benefit obligation and fair value of plan assets for the pension plans with benefit obligations in excess of plan assets were approximately $10,770,000 and $0, respectively, as of December 31, 1997, and $12,478,000 and $3,607,000, respectively, as of December 31, 1998.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects (in thousands):

	1-PERCENTAGE-POINT INCREASE	1-PERCENTAGE-POINT DECREASE
Effect on total of service and interest cost components	$ 230	$ (187)
Effect on the post-retirement benefit obligation	1,882	(1,605)

13. COMMITMENTS AND CONTINGENCIES:

OPERATING LEASES

The Company has various leases relating principally to the use of operating facilities. Rent expense for 1996, 1997 and 1998 was approximately $18.6 million, $23.2 million and $28.2 million, respectively.

The approximate minimum commitments under all noncancelable leases at December 31, 1998, are as follows (in thousands):

1999	$ 22,244
2000	18,825
2001	13,241
2002	10,977
2003	10,049
Thereafter	33,386
	$108,722

LITIGATION

The Company is involved in various claims and lawsuits incidental to its business. In the opinion of management, these claims and suits in the aggregate will not have a material adverse effect on the Company's business, financial condition or results of operations.

14. STOCK-BASED COMPENSATION PLAN:

The Company has a Stock Option and Restricted Stock Plan, which was amended in September 1998 (the "1998 Incentive Plan"). The 1998 Incentive Plan is accounted for under APB Opinion No. 25, under which no compensation cost has been recognized. If the 1998 Incentive Plan had been accounted for under the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income (loss) would have been adjusted to the following pro forma amounts (in thousands, except per share data):

		YEARS ENDED DECEMBER 31,		
		1996	1997	1998
Net income (loss):	As reported	$54,726	$(33,550)	$52,525
	Pro forma	52,557	(35,595)	52,525
Basic earnings (loss) per share:	As reported	$ 53.60	$ (32.64)	$ 49.65
	Pro forma	51.48	(34.63)	49.65
Diluted earnings (loss) per share:	As reported	$ 52.52	$ (32.64)	$ 48.50
	Pro forma	50.44	(34.63)	$ 48.50

Because the method of accounting under SFAS No. 123 has not been applied to options granted prior to January 1, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

Under the 1998 Incentive Plan, the Company is authorized to issue options for 248,987 shares of common stock. As of December 31, 1998, options for 165,529 shares of common stock have been granted and options for 24,892 shares have been cancelled or repurchased. Consequently, as of December 31, 1998, there are options for 108,350 shares available for grant. Under the 1998 Incentive Plan, the option exercise price equals the stock's fair value on the date of grant. 1998 Incentive Plan options granted prior to 1998 vest on the date of grant. 1998 Incentive Plan options granted in 1998 vest over three years. All 1998 Incentive Plan options expire after ten years.

The Plan's status is as follows:

	YEARS ENDED DECEMBER 31,					
	1996		1997		1998	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	67,204	$237.35	92,099	$297.55	115,828	$334.33
Granted	28,675	430.50	26,570	458.04	32,450	622.84
Exercised	(3,680)	235.29	(2,141)	253.02	(31,751)	298.20
Forfeited	(100)	253.35	(700)	439.35	(1,434)	285.11
Outstanding at end of year	92,099	$297.55	115,828	$334.33	115,093	$426.30
Exercisable at end of year	92,099	$297.55	115,828	$334.33	82,943	$426.30
Fair value of options granted		$127.48		$124.15		$192.49

The following table summarizes information about stock options outstanding at December 31, 1998:

	OPTIONS OUTSTANDING		
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT DECEMBER 31, 1998	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE(YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE
$240.28 to $248.38	40,534	6	$245.71
$436.01 to $458.82	42,409	7	448.74
$514.55 to $627.90	32,150	9.5	624.37
	115,093	8	$426.30

As of December 31, 1998, options to purchase 40,534 shares of common stock with exercise prices ranging from $240.28 to $248.38 and options to purchase 42,409 shares of common stock with exercise prices ranging from $436.01 to $458.82 were exercisable. The fair value of each option is estimated on the date of grant based on a risk-free interest rate of 6%, expected life of ten years, and an expected dividend yield of 2% in 1996, 1997 and 1998.

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 the Company's stock-based compensation plans. Diluted earnings per share are computed as follows (in thousands, except per share data):

	1996	1997	1998
Net income (loss)	$54,726	$(33,550)	$52,525
Weighted average shares outstanding	1,021	1,028	1,058
Effect of assumed exercise of options	21	--	25
Weighted average shares outstanding, as adjusted	1,042	1,028	1,083
Diluted earnings (loss) per share	$ 52.52	$ (32.64)	$ 48.50

Options to purchase 27,400 shares of common stock at $439.25 per share, 115,828 shares of common stock at prices ranging from $169.49 per share to $458.82 per share and 31,450 shares of common stock at $627.90 per share were outstanding for the years ended December 31, 1996, 1997, and 1998, respectively, but were not included in the diluted earnings per share calculation because the assumed exercise of such options would have been antidilutive.

16. RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments, including certain derivatives embedded in other contracts (collectively referred to as derivatives) and for hedging activities. This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. The Company does not believe that the adoption of this pronouncement will have a significant impact on the Company's financial statements.

17. RELATED PARTY TRANSACTIONS

John W. Norris, Jr., the Company's Chairman and Chief Executive Officer, and David H. Anderson, Richard W. Booth, David V. Brown, Loraine B. Millman, Robert W. Norris and Lynn B. Storey, directors of the Company, as well as certain stockholders, are members of AOC Land Investment, LLC. AOC Land Investment, LLC owns 70% of AOC Development II, LLC. AOC Development II, LLC is building a new office building and the Company has agreed to lease part of it for use in conjunction with the Company's corporate headquarters. The lease will have a term of 25 years and the annual lease payments are expected to be approximately $2.1 million per year for the first five years. The Company believes that the terms of the lease with AOC Development II, LLC are at least as favorable as could be obtained from unaffiliated third parties.

18. SUBSEQUENT EVENTS (UNAUDITED):

The Company is filing a registration statement for an initial public offering of its common stock, the proceeds of which will be used for general corporate purposes, including regularly scheduled debt payments and for any possible future acquisitions.

Subsequent to year-end, the Company's Lennox Industries (Canada) Ltd. subsidiary completed the acquisition of eleven dealers in Canada that had been independent retail outlets of the Company's products. The aggregate cash purchase price of these entities was $43.8 million.

On March 16, 1999, the Company entered into a term loan agreement with a bank pursuant to which the Company may borrow up to $115 million. On March 22, 1999, the Company borrowed $40 million at LIBOR plus 1% (6.0%). The Company is required to use the net proceeds from the initial public offering to repay any amounts outstanding under the term loan agreement. The term loan agreement expires on December 31, 1999.

[LENNOX INTERNATIONAL INC. LOGO]

STRENGTH THROUGH
BRANDS AND PEOPLE

[Inside of back cover]
[Graphics depicting pictures of employees of the Company]

[LENNOX LOGO]
[HEARTH PRODUCTS INC. LOGO]
[MARCO LOGO]
[SUPERIOR, THE FIREPLACE COMPANY LOGO]
[WHITFIELD HEARTH PRODUCTS LOGO]
[AIR-EASE LOGO]
[ARMSTRONG LOGO]
[MAGIC-PAK LOGO]
[HEATCRAFT LOGO]
[ADVANCED DISTRIBUTOR PRODUCTS LOGO]
[ALCAIR LOGO]
[APPLIED PRODUCTS LOGO]
[BOHN LOGO]
[CHANDLER REFRIGERATION LOGO]
[CLIMATE CONTROL LOGO]
[CONCORD LOGO]
[FRIGA-BOHN LOGO]
[LARKIN LOGO]

[LENNOX LOGO]

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

[ALTERNATE COVER PAGE FOR INTERNATIONAL PROSPECTUS]

PROSPECTUS (Subject to Completion)

Issued April 6, 1999

Shares

[LENNOX INTERNATIONAL INC. LOGO]

COMMON STOCK

LENNOX INTERNATIONAL INC. IS OFFERING SHARES OF COMMON STOCK AND THE SELLING STOCKHOLDERS ARE OFFERING SHARES OF COMMON STOCK. THIS IS OUR INITIAL PUBLIC OFFERING AND NO PUBLIC MARKET CURRENTLY EXISTS FOR THE COMMON STOCK. WE ANTICIPATE THAT THE INITIAL PUBLIC OFFERING PRICE WILL BE BETWEEN $ AND $ PER SHARE.

APPLICATION WILL BE MADE TO LIST THE COMMON STOCK ON THE NEW YORK STOCK EXCHANGE UNDER THE SYMBOL "LII."

INVESTING IN OUR COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 9.

PRICE $ A SHARE

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO LENNOX	PROCEEDS TO SELLING STOCKHOLDERS
Per Share.....	$	$	$	$
Total.....	$	$	$	$

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Lennox International Inc. has granted the U.S. underwriters the right to purchase up to an additional shares of common stock to cover over-allotments. Morgan Stanley & Co. Incorporated expects to deliver the shares of common stock to purchasers on , 1999.

MORGAN STANLEY DEAN WITTER

CREDIT SUISSE FIRST BOSTON

WARBURG DILLON READ

, 1999

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

All capitalized terms used and not defined in Part II of this Registration Statement shall have the meanings assigned to them in the prospectus which forms a part of this Registration Statement.

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following is a statement of estimated expenses incurred by Lennox in connection with the issuance and distribution of the securities being registered pursuant to this Registration Statement, other than underwriting discounts and commissions.

	AMOUNT
Securities Act registration fee	$2,780
NASD filing fee	1,500
Blue sky qualification fees and expenses	*
Printing and engraving fees and expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees and expenses	*
New York Stock Exchange listing fee	*
Miscellaneous	*
Total	$

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* To be completed by amendment.

All of the foregoing estimated costs, expenses and fees will be borne by Lennox.

ITEM 14. INDEMNIFICATION OF OFFICERS AND DIRECTORS.

DELAWARE GENERAL CORPORATION LAW

Section 145(a) of the Delaware General Corporation Law (the "DGCL") provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful.

Section 145(b) of the DGCL provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the

adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

Section 145(c) of the DGCL provides that to the extent that a present or former director or officer of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 145(a) and (b), or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 145(d) of the DGCL provides that any indemnification under Section 145(a) and (b) (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 145(a) and (b). Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (1) by a majority vote of the directors who were not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

Section 145(e) of the DGCL provides that expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation as authorized in Section 145. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the corporation deems appropriate.

Section 145(f) of the DGCL provides that the indemnification and advancement of expenses provided by, or granted pursuant to, Section 145 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

Section 145(g) of the DGCL provides that a corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under Section 145.

Section 102(b)(7) of the DGCL provides that the liability of a director may not be limited or eliminated for the breach of such director's duty of loyalty to the corporation or its stockholders, for such director's intentional acts or omissions not in good faith, for such director's concurrence in or vote for an unlawful payment of a dividend or unlawful stock purchase or redemption or for any improper personal benefit derived by the director from any transaction.

RESTATED CERTIFICATE OF INCORPORATION

Article Eighth of Lennox's restated certificate of incorporation provides that a director of Lennox shall not be liable to Lennox or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or may hereafter be amended. Any repeal or modification of Article Eighth shall not adversely affect any right or protection of a director of Lennox existing thereunder with respect to any act or omission occurring prior to such repeal or modification.

BYLAWS

Article VI of Lennox's bylaws provides that each person who at any time shall serve or shall have served as a director or officer of Lennox, or any person who, while a director or officer of Lennox, is or was serving at the request of Lennox as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, shall be entitled to (a) indemnification and (b) the advancement of expenses incurred by such person from Lennox as, and to the fullest extent, permitted by Section 145 of the DGCL or any successor statutory provision, as from time to time amended. Lennox may indemnify any other person, to the same extent and subject to the same limitations specified in the immediately preceding sentence, by reason of the fact that such other person is or was an employee or agent of Lennox or another corporation, partnership, joint venture, trust or other enterprise.

The indemnification and advancement of expenses provided by, or granted pursuant to, Article VI shall not be deemed exclusive of any other rights to which any person seeking indemnification or advancement of expenses may be entitled under any bylaw of Lennox, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. All rights to indemnification under Article VI shall be deemed to be provided by a contract between Lennox and the director, officer, employee or agent who served in such capacity at any time while the bylaws of Lennox and other relevant provisions of the DGCL and other applicable law, if any, are in effect. Any repeal or modification thereof shall not affect any rights or obligations then existing. Without limiting the provisions of Article VI, Lennox is authorized from time to time, without further action by the stockholders of Lennox, to enter into agreements with any director or officer of Lennox providing such rights of indemnification as Lennox may deem appropriate, up to the maximum extent permitted by law. Any agreement entered into by Lennox with a director may be authorized by the other directors, and such authorization shall not be invalid on the basis that similar agreements may have been or may thereafter be entered into with other directors.

Lennox may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of Lennox, or is or was serving at the request of Lennox as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not Lennox would have the power to indemnify such person against such liability under the applicable provisions of Article VI or the DGCL.

UNDERWRITING AGREEMENT

The Underwriting Agreement, the form of which is filed as Exhibit 1.1 to this Registration Statement, provides for the indemnification of the directors and officers of Lennox against certain liabilities, including liabilities arising under the Securities Act of 1933, as amended (the "Securities Act").

The above discussion of the restated certificate, bylaws and Underwriting Agreement, and Section 145 of the DGCL is not intended to be exhaustive and is respectively qualified in its entirety by the restated certificate, bylaws, Underwriting Agreement and such statute.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Pursuant to the several Note Purchase Agreements, dated as of April 3, 1998, by and among Lennox International Inc. and The Prudential Insurance Company of America, Teachers Insurance and Annuity Association of America, Connecticut General Life Insurance Company, Connecticut General Life Insurance Company on Behalf of One or More Separate Accounts, CIGNA Property and Casualty Insurance Company and U.S. Private Placement Fund, United of Omaha Life Insurance Company and Companion Life Insurance Company (collectively, the "Note Purchasers"), Lennox sold an aggregate of $25,000,000 of its 6.56% Senior Notes due April 3, 2005, and an aggregate of $50,000,000 of its 6.75% Senior Notes due April 3, 2008 to the Note Purchasers at the purchase price of 100% of the principal amount thereof in reliance upon the exemption from the registration requirements of the Securities Act set forth in Section 4(2) thereof.

Between April 1, 1996 and April 6, 1999, Lennox sold the following securities pursuant to its various benefit programs: (a) 39,153 shares of common stock issued upon the exercise of options granted to directors and employees of Lennox pursuant to Lennox's benefit programs and (b) 399 shares of common stock to directors of Lennox. The exercise prices of the options referred to in clause (a) ranged from $130.71 to $469.59 per share. The sale prices of shares referred to in clause (b) ranged from $266.65 to $702.12 per share. Lennox issued the securities referred to in clauses (a) and (b) above in reliance upon the exemption from the registration requirements of the Securities Act set forth in Section 4(2) and Regulation 701 thereof. During the same three-year period, Lennox sold 2,886 shares of common stock to certain existing stockholders of Lennox at sales prices ranging from $299.01 per share to $707.12 per share in reliance upon the exemption from the registration requirements of the Securities Act set forth in Section 4(2) thereof.

In November 1997, Lennox issued 2,500 shares of common stock to Ray Strong, an individual, in connection with the purchase of a 50% interest in Strong LGL International, L.L.C. The value allocated to such shares of common stock was approximately $1.2 million. In addition, in September 1997, Lennox issued 19,133 shares of common stock to Jean Jacques Brancher, an individual, or his designated assigns, in connection with Lennox's acquisition of an additional 20% interest in the Ets. Brancher joint venture. The value allocated to such shares of common stock was approximately $8.3 million. The shares issued in both of the foregoing transactions were issued in reliance upon the exemption from the registration requirements of the Securities Act set forth in Section 4(2) thereof.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

EXHIBIT NUMBER	DESCRIPTION
1.1*	-- Form of Underwriting Agreement.
3.1	-- Restated Certificate of Incorporation of Lennox.
3.2	-- Amended and Restated Bylaws of Lennox.
4.1*	-- Specimen Stock Certificate for the Common Stock, par value $.01 per share, of Lennox.
5.1*	-- Opinion of Baker & Botts, L.L.P. regarding legality of securities being registered.
10.1	-- Agreement of Assumption and Restatement, dated as of December 1, 1991 between Lennox and identified Noteholders relating to Lennox's 9.53% Series F Promissory Notes due 2001 and 9.69% Promissory Notes due 2003.
10.2	-- Note Purchase Agreement, dated as of December 1, 1993, between Lennox and identified Noteholders relating to Lennox's 6.73% Senior Promissory Notes due 2008.
10.3	-- Note Purchase Agreement, dated as of July 6, 1995, between Lennox and Teachers Insurance and Annuity Association of America relating to Lennox's 7.06% Senior Promissory Notes due 2005.
10.4	-- Note Purchase Agreement, dated as of April 3, 1998, between Lennox and identified Noteholders relating to Lennox's 6.56% Senior Notes due 2005 and 6.75% Senior Notes due 2008.
10.5	-- Note Amendment Agreement, dated as of April 3, 1998, between Lennox and identified Noteholders relating to Lennox's 9.53% Senior Promissory Notes due 2001, 9.69% Senior Promissory Notes due 2003, 7.06% Senior Promissory Notes due 2005 and 6.73% Senior Promissory Notes due 2008.
10.6	-- Revolving Credit Facility Agreement, dated as of July 13, 1998, among Lennox, identified Lenders, Chase Bank of Texas, N.A., as Administrative Agent, and Wachovia Bank, N.A., as Documentation Agent.

EXHIBIT NUMBER	DESCRIPTION
10.7	-- Advance Term Credit Agreement, dated as of March 16, 1999, among Lennox, Chase Bank of Texas, National Association, as Administrative Agent, and Wachovia Bank, N.A., as Documentation Agent.
10.8	-- 1998 Incentive Plan of Lennox International Inc.
10.9	-- Lennox International Inc. Profit Sharing Restoration Plan.
10.10	-- Lennox International Inc. Supplemental Executive Retirement Plan.
10.11	-- Letter of Intent, dated as of June 23, 1998, between Jean-Jacques Brancher and Lennox Global Ltd.
10.12*	-- First Amendment to the Amended and Restated Venture Agreement, dated as of December 27, 1997, between Ets. Brancher S.A. and Lennox Global Ltd.
10.13*	-- Amended and Restated Venture Agreement, dated as of November 10, 1997, by and among Lennox Global Ltd., Lennox International Inc., Ets. Brancher S.A. and Fibel S.A.
10.14*	-- Shareholder Restructure Agreement, dated as of September 30, 1997, by and among Jean Jacques Brancher, Ets. Brancher S.A., AFIBRAL S.A., Parifri S.A. and Lennox International Inc.
10.15	-- Form of Indemnification Agreement entered into between Lennox and certain executive officers and directors.
10.16	-- Form of Employment Agreement entered into between Lennox and certain executive officers.
10.17	-- Form of Change of Control Employment Agreement entered into between Lennox and certain executive officers.
21.1	-- Subsidiaries of Lennox.
23.1	-- Consent of Arthur Andersen LLP
23.2	-- Consent of Baker & Botts, L.L.P. (included in the opinion filed as Exhibit 5.1 to this Registration Statement).
24.1	-- Powers of Attorney (included in the signature pages of this Registration Statement).
27.1	-- Financial Data Schedule.

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* To be filed by amendment

(b) Financial Statement Schedule

Schedule II Valuation and Qualifying Accounts and Reserves and report of Arthur Andersen LLP thereon.

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense

of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant also undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of the registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and this offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Richardson, State of Texas, on April 6, 1999.

LENNOX INTERNATIONAL INC.

By: /s/ JOHN W. NORRIS, JR.

John W. Norris, Jr.
Chairman of the Board and
Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors and officers of Lennox International Inc., a Delaware corporation, which is filing a Registration Statement on Form S-1 with the Securities and Exchange Commission under the provisions of the Securities Act of 1933, as amended (the "Securities Act"), hereby constitutes and appoints John W. Norris, Jr., Carl E. Edwards and Clyde W. Wyant, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, and in any and all capacities, to sign and file (i) any and all amendments (including post-effective amendments) to this Registration Statement, with all exhibits thereto, and other documents in connection therewith, and (ii) a registration statement, and any and all amendments thereto, relating to the offering covered hereby filed pursuant to Rule 462(b) under the Securities Act, with the Securities and Exchange Commission, it being understood that said attorneys-in-fact and agents, and each of them, shall have full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person and that each of the undersigned hereby ratifies and confirms all that said attorneys-in-fact as agents or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ JOHN W. NORRIS, JR. John W. Norris, Jr.	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	April 6, 1999
/s/ CLYDE W. WYANT Clyde W. Wyant	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	April 6, 1999
/s/ JOHN J. HUBBUCH John J. Hubbuch	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	April 6, 1999
/s/ LINDA G. ALVARADO Linda G. Alvarado	Director	April 6, 1999
/s/ DAVID H. ANDERSON David H. Anderson	Director	April 6, 1999

SIGNATURE	TITLE	DATE
/s/ DAVID V. BROWN David V. Brown	Director	April 6, 1999
/s/ RICHARD W. BOOTH Richard W. Booth	Director	April 6, 1999
/s/ JAMES J. BYRNE James J. Byrne	Director	April 6, 1999
/s/ THOMAS B. HOWARD, JR. Thomas B. Howard, Jr.	Director	April 6, 1999
/s/ JOHN E. MAJOR John E. Major	Director	April 6, 1999
/s/ DONALD E. MILLER Donald E. Miller	Director	April 6, 1999
Loraine B. Millman	Director	
Robert W. Norris	Director	
/s/ TERRY D. STINSON Terry D. Stinson	Director	April 6, 1999
Lynn B. Storey	Director	
/s/ RICHARD L. THOMPSON Richard L. Thompson	Director	April 6, 1999

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To: The Stockholders and Board of Directors of
Lennox International Inc.

We have audited in accordance with generally accepted auditing standards the consolidated financial statements of Lennox International Inc. and subsidiaries included in this registration statement on Form S-1 and have issued our report thereon dated February 18, 1999. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. Schedule II, Valuation and Qualifying Accounts and Reserves, is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Dallas, Texas
February 18, 1999

LENNOX INTERNATIONAL INC.

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998

	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO COST AND EXPENSES	DEDUCTIONS(1)	BALANCE AT END OF YEAR
		(IN THOUSANDS)		
1996:				
Allowance for doubtful accounts.....	$ 9,611	$7,041	$(4,537)	$12,115
1997:				
Allowance for doubtful accounts.....	$12,115	$8,997	$(4,164)	$16,948
1998:				
Allowance for doubtful accounts.....	$16,948	$6,224	$(4,647)	$18,525

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(1) Uncollectable accounts charged off, net of recoveries.

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
1.1*	-- Form of Underwriting Agreement.
3.1	-- Restated Certificate of Incorporation of Lennox.
3.2	-- Amended and Restated Bylaws of Lennox.
4.1*	-- Specimen Stock Certificate for the Common Stock, par value $.01 per share, of Lennox.
5.1*	-- Opinion of Baker & Botts, L.L.P. regarding legality of securities being registered.
10.1	-- Agreement of Assumption and Restatement, dated as of December 1, 1991 between Lennox and identified Noteholders relating to Lennox's 9.53% Series F Promissory Notes due 2001 and 9.69% Promissory Notes due 2003.
10.2	-- Note Purchase Agreement, dated as of December 1, 1993, between Lennox and identified Noteholders relating to Lennox's 6.73% Senior Promissory Notes due 2008.
10.3	-- Note Purchase Agreement, dated as of July 6, 1995, between Lennox and Teachers Insurance and Annuity Association of America relating to Lennox's 7.06% Senior Promissory Notes due 2005.
10.4	-- Note Purchase Agreement, dated as of April 3, 1998, between Lennox and identified Noteholders relating to Lennox's 6.56% Senior Notes due 2005 and 6.75% Senior Notes due 2008.
10.5	-- Note Amendment Agreement, dated as of April 3, 1998, between Lennox and identified Noteholders relating to Lennox's 9.53% Senior Promissory Notes due 2001, 9.69% Senior Promissory Notes due 2003, 7.06% Senior Promissory Notes due 2005 and 6.73% Senior Promissory Notes due 2008.
10.6	-- Revolving Credit Facility Agreement, dated as of July 13, 1998, among Lennox, identified Lenders, Chase Bank of Texas, N.A., as administrative agent, and Wachovia Bank, N.A., as documentation agent.
10.7	-- Advance Term Credit Agreement, dated as of March 16, 1999, among Lennox, Chase Bank of Texas, National Association, as Administrative Agent, and Wachovia Bank, N.A., as Documentation Agent.
10.8	-- 1998 Incentive Plan of Lennox International Inc.
10.9	-- Lennox International Inc. Profit Sharing Restoration Plan.
10.10	-- Lennox International Inc. Supplemental Executive Retirement Plan.
10.11	-- Letter of Intent, dated as of June 23, 1998, between Jean-Jacques Brancher and Lennox Global Ltd.
10.12*	-- First Amendment to the Amended and Restated Venture Agreement, dated as of December 27, 1997, between Ets. Brancher S.A. and Lennox Global Ltd.
10.13*	-- Amended and Restated Venture Agreement, dated as of November 10, 1997, by and among Lennox Global Ltd., Lennox International Inc., Ets. Brancher S.A. and Fibel S.A.
10.14*	-- Shareholder Restructure Agreement, dated as of September 30, 1997, by and among Jean Jacques Brancher, Ets. Brancher S.A., AFIBRAL S.A., Parifri S.A. and Lennox International Inc.
10.15	-- Form of Indemnification Agreement entered into between Lennox and certain executive officers and directors.
10.16	-- Form of Employment Agreement entered into between Lennox and certain executive officers.

EXHIBIT NUMBER	DESCRIPTION
10.17	-- Form of Change of Control Employment Agreement entered into between Lennox and certain executive officers.
21.1	-- Subsidiaries of Lennox.
23.1	-- Consent of Arthur Andersen LLP
23.2	-- Consent of Baker & Botts, L.L.P. (included in the opinion filed as Exhibit 5.1 to this Registration Statement).
24.1	-- Powers of Attorney (included in the signature pages of this Registration Statement).
27.1	-- Financial Data Schedule.

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* To be filed by amendment

EXHIBIT 3.1

RESTATED CERTIFICATE OF INCORPORATION
OF
LENNOX INTERNATIONAL INC.

Lennox International Inc., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is Lennox International Inc. The Certificate of Incorporation of the corporation was filed with the Secretary of State of the State of Delaware on August 13, 1991.

2. Pursuant to Sections 242 and 245 of the General Corporation Law of Delaware, this Restated Certificate of Incorporation restates and integrates and amends the provisions of the Restated Certificate of Incorporation of the corporation.

3. The text of the Restated Certificate of Incorporation is hereby restated and amended to read in its entirety as follows:

FIRST: The name of the corporation (the "Corporation") is Lennox International Inc.

SECOND: The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle 19801. The name of its registered agent at such address is The Corporation Trust Company.

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

FOURTH:

(a) The total number of shares of stock that the Corporation shall have authority to issue is Two Hundred Twenty-Five Million (225,000,000) consisting of Two Hundred Million (200,000,000) shares of Common Stock, par value one cent ($.01) per share, and Twenty-Five Million (25,000,000) shares of Preferred Stock, par value one cent ($.01) per share.

(b) The designations, voting powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of the above classes of stock are as follows:

(1) Subject to the limitations hereinafter contained and to the requirements of the laws of the State of Delaware, authority is hereby vested in the Board of Directors of the corporation to issue from time to time said Twenty-Five Million (25,000,000) shares of

Preferred Stock in one or more series, with such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated in the resolution or resolutions providing for the issuance of such stock adopted by the Board of Directors. Without limiting the generality of the foregoing, in the resolution or resolutions providing for the issuance of such shares of each particular series of Preferred Stock, subject to the limitations hereinafter contained and to the requirements of the laws of the State of Delaware, the Board of Directors is also expressly authorized:

(i) to fix the distinctive serial designation of the shares of any such series;

(ii) to fix the consideration for which the shares of any such series are to be issued;

(iii) to fix the rate or amount per annum, if any, at which the holders of the shares of any such series shall be entitled to receive dividends, the dates on which such dividends shall be payable, whether the dividends shall be cumulative or noncumulative, and if cumulative, to fix the date or dates from which such dividends shall be cumulative;

(iv) to fix the price or prices at which, the times during which, and the other terms, if any, upon which the shares of any such series may be redeemed;

(v) to fix the rights, if any, which the holders of shares of any such series have in the event of dissolution or upon distribution of the assets of the Corporation;

(vi) to determine whether the shares of any such series shall be made convertible into or exchangeable for other securities of the Corporation, including shares of the Common Stock of the Corporation or shares of any other series of the Preferred Stock of the Corporation, now or hereafter authorized, or any new class of preferred stock of the Corporation hereafter authorized, the price or prices or the rate or rates at which conversion or exchange may be made, and the terms and conditions upon which any such conversion right or exchange right shall be exercised;

(vii) to determine whether a sinking fund shall be provided for the purchase or redemption of shares of any series and, if so, to fix the terms and amount or amounts of such sinking fund;

(viii) to determine whether the shares of any such series shall have voting rights, and, if so, to fix the voting rights of the shares of such series; and

(ix) to fix such other preferences and rights, privileges and restrictions applicable to any such series as may be permitted by law.

(2) Subject to the prior rights of the holders of any shares of Preferred Stock, the holders of the Common Stock shall be entitled to receive, to the extent permitted by law, such dividends as may be declared from time to time by the Board of Directors.

(3) In the event of any voluntary or involuntary liquidation, dissolution, distribution of assets or winding up of the Corporation, after the holders of the Preferred Stock then outstanding, if any, shall have received the full preferential amounts to which such holders may be entitled upon such voluntary or involuntary liquidation, dissolution, distribution of assets or winding up, the holders of Common Stock shall be entitled, to the exclusion of such holders of the Preferred Stock then outstanding, to receive all the remaining assets of the Corporation of whatever kind available for distribution to stockholders, ratably in proportion to the number of shares of Common Stock held by them respectively. A consolidation, merger or reorganization of the Corporation with any other corporation or corporations, or a sale of all or substantially all of the assets of the Corporation, shall not be considered a dissolution, liquidation or winding up of the Corporation within the meaning of the immediately preceding sentence.

(4) Except as may otherwise be required by law, the Bylaws of the corporation or this Certificate of Incorporation, each holder of Common Stock shall be entitled to one vote for each share of Common Stock held of record in the name of such stockholder on all matters voted upon by the stockholders, including the election of directors.

FIFTH: The Corporation is to have perpetual existence.

SIXTH:

(a) Except as may be otherwise provided by law or in this Certificate of Incorporation, the business and affairs of the Corporation shall be managed under the direction of the Board of Directors. The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation and for the purpose of creating, defining, limiting and regulating the powers of the Corporation and its directors and stockholders:

(1) The number of directors of the Corporation shall be fixed from time to time by, or in the manner provided in, the Bylaws of the Corporation.

(2) Elections of directors need not be by written ballot except to the extent provided in the Bylaws of the Corporation.

(3) In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors of the Corporation is expressly authorized:

(i) to adopt, amend or repeal the Bylaws of the Corporation, subject to this Certificate of Incorporation and the power of the stockholders, at the time entitled to vote, to alter, amend or repeal Bylaws made by the Board of Directors;

(ii) to authorize and issue obligations of the Corporation, secured or unsecured, and to include therein such provisions as to redemption, conversion or other terms thereof as the Board of Directors in its sole discretion may determine, and to authorize the mortgaging or pledging, as security therefor, of any property of the Corporation, real or personal, including after-acquired property;

(iii) to determine whether any, and if any, what part, of the net prof its of the Corporation or of its surplus shall be declared in dividends and paid to the stockholders, and to direct and determine the use and disposition of such net profits or such surplus; and

(iv) from time to time, without the vote or assent of the stockholders, to issue additional shares of authorized Common Stock.

In addition to the powers and authorities herein or by law expressly conferred upon it, the Board of Directors may exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the laws of the State of Delaware, of this Certificate of Incorporation and of the Bylaws of the Corporation.

(b) The Board of Directors shall be divided into three classes, designated Class I, Class II and Class III, as nearly equal in number as the then total number of directors constituting the whole Board permits. If the number of directors is changed, any increase or decrease shall be apportioned by the Board of Directors among the three classes so that the number in each class shall be as nearly equal as possible. The term of office of each class shall expire at the third annual meeting of stockholders for election of directors following the election of such class, except that the initial term of office of the Class I directors shall expire at the annual meeting of stockholders in 1996, the initial term of office of the Class II directors shall expire at the annual meeting of stockholders in 1997 and the initial term of office of the Class III directors shall expire at the annual meeting of stockholders in 1998. At each annual meeting of the stockholders of the Corporation, the successors of the class of directors whose term expires at such meeting shall be elected to hold office for a term expiring as of the third succeeding annual meeting.

(c) A director may be removed from office only for cause and by the affirmative vote of the holders of not less than eighty percent (80%) of all the outstanding shares of stock of the Corporation entitled to vote generally in the election of directors at a special meeting of stockholders called expressly for that purpose.

SEVENTH: All preemptive rights of shareholders are hereby denied, so that no shares of capital stock of the Corporation of any class whether now or hereafter authorized and no other

security of the Corporation shall carry with it and no holder or owner of any share or shares of capital stock of the Corporation of any class whether now or hereafter authorized or of any other security of the Corporation shall have any preferential or preemptive right to acquire additional shares of capital stock of the Corporation of any class whether now or hereafter authorized or of any other security of the Corporation.

All cumulative voting rights are hereby denied, so that none of the capital stock of the Corporation of any class whether now or hereafter authorized or of any other security of the Corporation shall carry with it and no holder or owner of any share or shares of capital stock of the Corporation of any class whether now or hereafter authorized or of any other security of the Corporation shall have any right to cumulative voting in the election of directors or for any other purpose.

EIGHTH: A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or may hereafter be amended. Any repeal or modification of this ARTICLE EIGHTH shall not adversely affect any right or protection of a director of the Corporation existing hereunder with respect to any act or omission occurring prior to such repeal or modification.

NINTH: Except as otherwise provided in this Certificate of Incorporation, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by consent in writing by such stockholders. A special meeting of stockholders may be called only by the Board of Directors pursuant to a resolution adopted by the affirmative vote of a majority of the entire Board of Directors or by the Chairman of the Board of Directors, a Vice Chairman of the Board of Directors or the President. The stockholders of the Corporation shall have the power to adopt, amend or repeal the Bylaws of the Corporation at any annual or special meeting by the affirmative vote of holders of not less than eighty percent (80%) of the combined voting power of the outstanding shares of stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

TENTH: Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of Section 279 of Title 8 of the Delaware Code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may

be, agree to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

ELEVENTH:

(a) The affirmative vote of the holders of not less than eighty percent (80%) of the voting power of the Corporation shall be required for the approval or authorization of any "Business Combination" (as hereinafter defined); provided, however, that the eighty percent (80%) voting requirement shall not be applicable, and the provisions of Delaware law and of this Certificate of Incorporation relating to the percentage of stockholder approval, if any, shall apply to any such Business Combination if:

(1) The Continuing Directors (as hereinafter defined) of the Corporation by a two-thirds vote have expressly approved the Business Combination either in advance of or subsequent to the acquisition of outstanding shares of Common Stock of the Corporation that caused the Related Person (as hereinafter defined) involved in the Business Combination to become a Related Person; or

(2) If (A) the aggregate amount of the cash and the fair market value of the property, securities or other consideration to be received in the Business Combination by holders of the Common Stock of the Corporation, other than the Related Person involved in the Business Combination, is not less than the "Highest Per Share Price" (as hereinafter defined) (with appropriate adjustments for recapitalizations, reclassifications, stock splits, reverse stock splits and stock dividends) paid by the Related Person in acquiring any of its holdings of the Corporation's Common Stock, all as determined by two-thirds of the Continuing Directors; and (B) if necessary, a proxy statement complying with the requirements of the Securities Exchange Act of 1934, as amended, shall have been mailed at least thirty (30) days prior to any vote on the Business Combination, to all stockholders of the Corporation for the purpose of soliciting stockholder approval of the Business Combination. The proxy statement shall contain at the front thereof, in a prominent place, the position of the Continuing Directors as to the advisability (or inadvisability) of the Business Combination and, if deemed appropriate by two-thirds of the Continuing Directors, the opinion of an investment banking firm selected by two-thirds of the Continuing Directors as to the fairness of the terms of the Business combination, from the point of view of the holders of the outstanding shares of capital stock of the Corporation other than the Related Person involved in the Business Combination.

(b) For purposes of this ARTICLE ELEVENTH:

(1) The term "Business Combination" shall mean (A) any merger, consolidation or share exchange of the Corporation or any of its subsidiaries into or with a Related Person, in each case irrespective of which corporation or company is the surviving entity; (B) any sale, lease, exchange, mortgage, pledge, transfer or other disposition to or with a Related Person (in a single transaction or a series of related transactions) of all or a Substantial Part (as hereinafter defined) of the assets of the Corporation (including without limitation any securities of a subsidiary of the Corporation) or a Substantial Part of the assets of any of its subsidiaries; (C) any sale, lease, exchange, mortgage, pledge, transfer or other disposition to or with the Corporation or to or with any of its subsidiaries (in a single transaction or series of related transactions) of all or a Substantial Part of the assets of a Related Person; (D) the issuance or transfer of any securities of the Corporation or any of its subsidiaries by the Corporation or any of its subsidiaries to a Related Person (other than an issuance or transfer of securities which is effected on a pro rata basis to all stockholders of the Corporation); (E) any reclassification of securities (including any reverse stock split), recapitalization, or any other transaction involving the Corporation or any of its subsidiaries, that would have the effect of increasing the voting power of a Related Person; (F) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of a Related Person; (G) the acquisition by or on behalf of a Related Person of shares constituting a majority of the voting power of the Corporation; and (H) the entering into of any agreement, contract or other arrangement providing for any of the transactions described in this definition of Business combination.

(2) The term "Related Person" shall mean any individual, corporation, partnership or other person or entity, other than the Corporation or any of its subsidiaries or any benefit plan or trust (or any trustee thereof), which, as of the record date for the determination of stockholders entitled to notice of and to vote on any Business Combination, or immediately prior to the consummation of such transaction, together with its "Affiliates" and "Associates" (each as defined in Rule 12b-2 of the Regulations under the Securities Exchange Act of 1934 as in effect at the date of the adoption of this ARTICLE ELEVENTH by the stockholders of the Corporation (collectively and as so in effect, the "Exchange Act")), are "Beneficial Owners" (as defined in Rule 13d-3 of the Exchange Act) in the aggregate of 10% or more of the outstanding shares of Common Stock of the Corporation, and any Affiliate or Associate of any such individual, corporation, partnership or other person or entity. Notwithstanding the definition of "Beneficial Owners" in this subparagraph 2, any Common Stock of the Corporation that any Related Person has the right to acquire pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, shall be deemed beneficially owned by the Related Person.

(3) The term "Substantial Part" shall mean more than 10% of the fair market value, as determined by two-thirds of the continuing Directors, of the total consolidated assets, or assets representing more than 10% of the earning power, of the Corporation and its subsidiaries taken as a whole, as of the end of its most recent fiscal year ending prior to the time the determination is being made.

(4) In the event of a Business Combination in which the Corporation is the surviving corporation, the term "other consideration to be received" shall include, without limitation, Common Stock or other capital stock of the Corporation retained by stockholders of the Corporation other than Related Persons or parties to such Business Combination.

(5) The term "Continuing Directors" shall mean a director who either (i) was a member of the Board of Directors of the Corporation immediately prior to the time that the Related Person involved in a Business Combination became a Related Person, or (ii) was designated (before his or her initial election as a director) as a Continuing Director by two-thirds of the then Continuing Directors.

(6) A Related Person shall be deemed to have acquired a share of the Common Stock of the Corporation at the time when such Related Person became the Beneficial Owner thereof. With respect to the shares owned by Affiliates, Associates or other person whose ownership is attributed to a Related Person under the foregoing definition of Related Person, the price paid for said shares shall be deemed to be the higher of (i) the price paid upon the acquisition thereof by the Affiliate, Associate or other person, or (ii) the market price of the shares in question at the time when the Related Person became the Beneficial Owner thereof.

(7) The term "Highest Per Share Price" shall mean the highest price determined by two-thirds of the Continuing Directors to have been paid at any time by the Related Person for any share or shares of Common Stock. In determining the Highest Per Share Price, all purchases by the Related Person shall be taken into account regardless of whether the shares were purchased before or after the Related Person became a Related Person. The Highest Per Share Price shall include any brokerage commission, transfer taxes and soliciting dealers' fees paid by the Related Person with respect to the shares of Common Stock of the Corporation acquired by the Related Person.

TWELFTH: To the extent not prohibited by law, the Corporation by action of its Board of Directors may purchase shares of any class of stock issued by it from any holder or holders thereof.

THIRTEENTH: The Corporation by action of its Board of Directors may create and issue, from time to time, whether or not in connection with the issuance and sale of any shares of stock or other securities of the Corporation, rights, warrants and options entitling the holders thereof to purchase from the Corporation shares of any class or classes of its capital stock or other securities or property of the Corporation, or shares or other securities or property of any successor in interest of the Corporation, at such times, in such amounts, to such persons, for such consideration, if any, and upon such other terms and conditions as the Board of Directors may deem advisable.

FOURTEENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation; provided, however, that notwithstanding anything contained in the Certificate of

Incorporation to the contrary, the affirmative vote of holders of not less than eighty percent (80%) of the combined voting power of the outstanding shares of stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend, adopt any provision inconsistent with or repeal ARTICLE SIXTH, ARTICLE SEVENTH, ARTICLE EIGHTH, ARTICLE NINTH, ARTICLE ELEVENTH or this ARTICLE FOURTEENTH; provided, further, that such eighty percent (80%) vote shall not be required for any such alteration, amendment, adoption of any provision inconsistent with or repeal of ARTICLE ELEVENTH which is recommended to stockholders by two-thirds of the Continuing Directors and such alteration, amendment, adoption of inconsistent provision or repeal shall require the vote, if any, required under the applicable provisions of the DGCL and this Certificate of Incorporation.

FIFTEENTH: No sale, assignment, transfer or other disposition of shares of Common Stock of the Corporation by any stockholder, whether voluntary or by operation of law or by gift or otherwise, shall be effective unless and until there is compliance with the following terms and conditions of this ARTICLE FIFTEENTH:

(a) Any stockholder who desires to sell all or any part of such stockholder's shares of Common Stock of the Corporation pursuant to a bona fide offer to purchase such shares from a third party, including, without limitation, another stockholder of the Corporation, shall, as a condition precedent to such stockholder's right to do so, by notice in writing delivered to the Chairman of the Board of the Corporation at the Corporation's principal executive offices, inform the Corporation of such stockholder's intention to sell all or any part of such stockholder's shares of Common Stock and the identity of the third party to whom, and the terms pursuant to which, such shares are proposed to be sold, and shall by such notice offer the shares that such stockholder desires to sell for sale to the Corporation at the price per share at which, and the terms pursuant to which, such stockholder proposes to sell such shares to such third party. The Corporation shall have a period of fifteen (15) days after such notice is received by it within which to indicate its election to exercise its right to purchase, at such price and on such terms, all or any portion of such shares. The Corporation may elect by notice in writing to such stockholder given within such fifteen (15)-day period to purchase all or any portion of such shares, and the shares selected by the Corporation for purchase must be sold at such price and on such terms and transferred to the Corporation by such stockholder. Delivery of such shares and payment therefor shall be made at the principal executive offices of the Corporation within ten (10) days after notice of the election to purchase is given by the Corporation to such stockholder. Any of such shares offered by such stockholder to the Corporation and not selected for purchase by the Corporation may then be sold by such stockholder to such third party at a price and upon terms no more favorable than those set forth in the notice of offer delivered to the Corporation; provided, however, that any such sale must be completed within fortyfive (45) days after the date such notice of offer was received by the Corporation; and provided further that such third party shall receive and hold such shares subject to all the terms and conditions of this ARTICLE FIFTEENTH. If such sale to such third party is not completed within such fortyfive (45)-day period, such stockholder shall continue to hold such shares subject to all the terms and conditions of this ARTICLE FIFTEENTH and may not consummate a sale without again complying with the provisions of this paragraph (a). Notwithstanding the foregoing provisions of this paragraph

(a), if the purchase price (or any portion thereof) of the shares proposed to be sold by such stockholder to such third party consists of a consideration other than cash, then the purchase price payable by the Corporation under this paragraph (a) for any shares proposed to be sold for such noncash consideration which are selected for purchase by the Corporation shall be a cash purchase price per share in an amount equal to the Applicable Market Value (as defined in paragraph (d) of this ARTICLE FIFTEENTH) of the Common Stock as of the date the notice of offer relating to such shares was received by the Corporation.

(b) The terms and conditions of this ARTICLE FIFTEENTH shall not apply to any disposition by any stockholder of all or any part of such stockholder's shares of Common Stock of the Corporation by will or pursuant to the laws of descent and distribution, or by gift, to or for the benefit of such stockholder's spouse, father, mother or adopted or natural lineal descendants (and if such transfer is in trust, the trustee, upon termination of the trust, may transfer such shares to such beneficial owner); provided, however, that the transferee of such shares shall receive and hold such shares subject to all the terms and conditions of this ARTICLE FIFTEENTH.

(c) Dispositions by stockholders of shares of Common Stock of the Corporation other than as provided for under paragraphs (a) and (b) of this ARTICLE FIFTEENTH, whether voluntary or by operation of law or by gift or otherwise, shall be subject to a right of first refusal in favor of the corporation, which right of first refusal shall entitle the Corporation to purchase, in accordance with the procedures specified in paragraph (a) of this ARTICLE FIFTEENTH (including without limitation the delivery to the Corporation of a notice of offer), all or any portion of the shares that are the subject of such disposition; provided, however, that the purchase price payable by the Corporation for any shares selected for purchase by the Corporation pursuant to the exercise by it of such right of first refusal shall be a cash purchase price per share in an amount equal to the Applicable Market Value of the Common Stock as of the date the notice of offer relating to such shares was received by the Corporation. The transferee of any such shares not so selected for purchase by the Corporation shall receive and hold such shares subject to all the terms and conditions of this ARTICLE FIFTEENTH.

(d) As used in this ARTICLE FIFTEENTH, the term "Applicable Market Value" shall mean the fair market value of a share of Common Stock of the Corporation as most recently fixed and determined (prior to the date of the event giving rise to the use and application of such term) by independent consultants to the Corporation selected and appointed by the Board of Directors of the Corporation for the purpose of ascertaining Applicable Market Value. Such independent consultants shall fix and determine the fair market value of a share of Common Stock of the Corporation on a quarterly basis following the end of each calendar quarter. In ascertaining such value, such consultants shall consider the latest available financial statements and financial information of the Corporation, projections and internal information relating to the Corporation prepared by its management and furnished to such consultants for the purpose of their analysis, publicly available information concerning other companies and the trading markets for certain other companies' securities and all other information such consultants believe relevant to their inquiry. The value of a share of Common Stock shall be discounted to reflect, as and to the extent deemed appropriate by

the independent consultants, the minority nature of any individual's shareholding and the lack of a public market for the Common Stock and consequent illiquidity.

(e) The restrictions on transfer set forth in this ARTICLE FIFTEENTH shall terminate and be of no further force or effect in the event the Common Stock of the Corporation becomes publicly traded on an established securities market. Nothing contained in this ARTICLE FIFTEENTH shall be deemed to limit the scope or effect of any other restrictions on transfer which may be imposed on shares of Common Stock of the Corporation pursuant to the terms of any employee benefit plan, arrangement or program of the Corporation or any of its subsidiaries or any agreement between the Corporation and an employee of the Corporation or any of its subsidiaries.

4. This Restated Certificate of Incorporation shall become effective at the close of business, Dallas, Texas time, on the day on which it shall be filed in the office of the Secretary of State of the State of Delaware.

EXHIBIT 3.2

AMENDED AND RESTATED BYLAWS

OF

LENNOX INTERNATIONAL INC.
(A Delaware Corporation)

as of
September 11, 1998

ARTICLE I.

OFFICES

Section 1. Registered Office. The registered office of Lennox International Inc. (the "Corporation") in the State of Delaware shall be at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, and the registered agent in charge thereof shall be The Corporation Trust Company.

Section 2. Other Offices. The Corporation may also have an office or offices, and keep the books and records of the Corporation, except as may otherwise be required by law, at such other place or places, either within or without the State of Delaware, as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II.

MEETINGS OF STOCKHOLDERS

Section 1. Place of Meeting. All meetings of the stockholders shall be held at the principal executive offices of the Corporation or at such other places, either within or without the State of Delaware, as may from time to time be fixed by the Board of Directors, the Chairman of the Board or the President.

Section 2. Annual Meetings. The annual meetings of stockholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held on such date and at such time and place as may from time to time be established by the Board of Directors, the Chairman of the Board or the President.

Section 3. Special Meetings. Except as otherwise required by law, special meetings of the stockholders for any purpose or purposes may be called only by (i) the Board of Directors, (ii) the Chairman of the Board or (iii) the President. Only such business as is specified in the notice of any special meeting of the stockholders shall come before such meeting.

Section 4. Notice of Meetings. Except as otherwise provided in this Section 4 or by law, written notice of each meeting of the stockholders, whether annual or special, shall be given, either by personal delivery or by mail, not less than ten nor more than sixty days before the date of the meeting to each stockholder of record entitled to notice of the meeting, unless the meeting is called for the purpose of acting on an agreement of merger or consolidation involving the Corporation or for the purpose of authorizing the sale, lease or exchange of all or substantially all of the property and assets of the Corporation, in which case the notice of the meeting shall be given at least twenty days prior to the date of the meeting. If mailed, such notice shall be deemed given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. Each such notice shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Notice of any meeting of stockholders shall not be required to be given to any stockholder who shall waive notice thereof as provided in Article X of these Bylaws. Notice of adjournment of a meeting of stockholders need not be given if the time and place to which it is adjourned are announced at such meeting, unless the adjournment is for more than thirty days or, after adjournment, a new record date is fixed for the adjourned meeting.

Whenever notice is required to be given by these Bylaws or by law to any stockholder to whom (i) notice of two consecutive annual meetings of the stockholders, and all notices of meetings to such person during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve-month period, have been mailed addressed to such person at such person's address as shown on the records of the Corporation and have been returned undeliverable, the giving of such notice to such person shall not be required. Any action or meeting which shall be taken or held without notice to such person shall have the same force and effect as if such notice had been duly given. If any such person shall deliver to the Corporation a written notice setting forth such person's then current address, the requirement that notice be given to such person shall be reinstated.

Section 5. Quorum. Except as otherwise provided by law or the Certificate of Incorporation or these Bylaws, the holders of a majority of the outstanding shares of stock of each class entitled to be voted, present in person or represented by proxy, shall constitute a quorum for the transaction of business at any meeting of the stockholders. For purposes of the foregoing, two or more classes or series of stock shall be considered a single class if the holders thereof are entitled to vote together as a single class at the meeting. The stockholders present or represented at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Shares of the Corporation's own capital stock belonging on the record date for the meeting to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation to vote stock, including, but not limited to, its own stock, held by it in a fiduciary capacity.

Section 6. Adjournments. In the absence of a quorum, the holders of a majority of the shares of stock entitled to be voted at the meeting, present in person or represented by proxy, may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called.

Section 7. Order of Business. At each meeting of the stockholders, the Chairman of the Board, or in the absence of the Chairman of the Board, the President, shall act as chairman. The order of business at each such meeting shall be as determined by the chairman of the meeting. The chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, the establishment of procedures for the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the Corporation, restrictions on entry to such meeting after the time prescribed for the commencement thereof and the opening and closing of the voting polls.

Section 8. List of Stockholders. It shall be the duty of the Secretary or other officer of the Corporation who has charge of the stock ledger of the Corporation to prepare and make, at least ten days before each meeting of stockholders, a complete list of the stockholders entitled to vote thereat, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in such stockholder's name. Such list shall be produced and kept available at the times and places required by law.

Section 9. Voting. Except as otherwise provided by law or in the Certificate of Incorporation, each stockholder of record shall be entitled at each meeting of the stockholders to one vote for each share of stock which has voting power upon the matter in question, registered in such stockholder's name on the books of the Corporation:

(a) on the date fixed pursuant to Section 6 of Article VII of these Bylaws as the record date for the determination of stockholders entitled to notice of and to vote at such meeting; or

(b) if no such record date shall have been so fixed, then at the close of business on the day next preceding the date on which notice of such meeting is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

Each stockholder entitled to vote at any meeting of stockholders may authorize another person or persons to act for such stockholder by a proxy signed by such stockholder or such stockholder's attorney-in-fact or by any other means which constitutes a valid grant of a proxy under the General Corporation Law of the State of Delaware. Any such proxy relating to a meeting of stockholders shall be delivered to the secretary of such meeting at or prior to the time designated for holding such meeting but, in any event, not later than the time designated in the order of business for so delivering such proxies. No such proxy shall be voted or acted upon after three years from

its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date than the original proxy with the Secretary of the Corporation.

At each meeting of the stockholders, all corporate actions, other than the election of directors, to be taken by vote of the stockholders (except as otherwise required by law or the Certificate of Incorporation or these Bylaws) shall be authorized by a majority of the outstanding shares of all classes of stock entitled to vote thereon, present in person or represented by proxy; provided that (except as otherwise required by law or by the Certificate of Incorporation) the Board of Directors may require a larger vote upon any election or question. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of the directors.

Unless required by law or determined by the chairman of the meeting to be advisable, the vote on any matter, including the election of directors, need not be by written ballot. In the case of a vote by written ballot, each ballot shall be signed by the stockholder voting, or by such stockholder's proxy, and shall state the number of shares voted.

Section 10. Inspectors. Except as otherwise provided by law, either the Board of Directors or, in the absence of a designation of inspectors by the Board, the chairman of any meeting of stockholders may, in its or such person's discretion, appoint one or more inspectors to act at any meeting of stockholders. Such inspectors shall perform such duties as shall be specified by the Board or the chairman of the meeting. Inspectors need not be stockholders. No director or nominee for the office of director shall be appointed such an inspector.

Section 11. Action Without a Meeting. Except as otherwise provided in the Certificate of Incorporation, any action required by law to be taken at any annual or special meeting of the stockholders, or any action which may be taken at any annual or special meeting of the stockholders, may not be effected by consent in writing in lieu of a meeting by such stockholders.

Section 12. Notice of Stockholder Business. At a meeting of the stockholders, only such business shall be conducted, and only such proposals shall be acted upon, as shall have been properly brought before the meeting. To be properly brought before a meeting, business or a proposal must (a) be specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors or the persons calling the meeting as herein provided, (b) otherwise be properly brought before the meeting by or at the direction of the Board of Directors or (c) otherwise (i) be properly requested to be brought before the meeting by a stockholder of record entitled to vote in the election of directors generally, and (ii) constitute a proper subject to be brought before such meeting.

For business or a proposal to be properly brought before a meeting of stockholders, any stockholder who intends to bring any matter (other than the election of directors) before a meeting of stockholders and is entitled to vote on such matter must deliver written notice of such stockholder's intent to bring such matter before the meeting of stockholders, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation. Such notice must be received by the Secretary: (i) with respect to an annual meeting of stockholders, not less than sixty days nor more than ninety days in advance of such meeting; and (ii) with respect to any special meeting of stockholders, not later than the close of business on the tenth day following the date on which notice of such meeting is first given to stockholders; provided, however, that in the event that less than seventy (70) days notice or prior public disclosure of the date of the annual meeting of stockholders is given or made to the stockholders, to be timely, notice of a proposal delivered by the stockholder must be received by the Secretary not later than the close of business on the tenth day following the day on which notice of the date of the annual meeting of stockholders was mailed or such public disclosure was made to the stockholders.

A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the meeting of stockholders (a) a brief description of the business or proposal desired to be brought before the meeting and the reasons for conducting such business at the meeting, (b) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business and any other stockholders known to be supporting the proposal, (c) the class or classes of stock and number of shares of such class or classes of stock which are beneficially owned by the proposing stockholder on the date of the stockholder notice, and (d) any material interest of the proposing stockholder in such business.

No business shall be conducted at a meeting of stockholders except in accordance with the procedures set forth in this Section 12. The Board of Directors may reject any stockholder proposal submitted for consideration at a meeting of stockholders which is not made in accordance with the terms of this Section 12 or which is not a proper subject for stockholder action in accordance with provisions of applicable law. Alternatively, if the Board of Directors fails to consider the validity of any such stockholder proposal, the presiding officer of a meeting shall, if the facts warrant, determine and declare to the meeting that (i) the business proposed to be brought before the meeting is not a proper subject therefor and/or (ii) such business was not properly brought before the meeting in accordance with the provisions hereof, and if he should so determine, he shall declare to the meeting that (i) the business proposed to be brought before the meeting is not a proper subject therefor and/or (ii) such business was not properly brought before the meeting and shall not be transacted. The Board of Directors or, as the case may be, the presiding officer of the meeting shall have absolute authority to decide questions of compliance with the foregoing procedures and the Board of Directors' or, as the case may be, the presiding officer's ruling thereon shall be final and conclusive. This provision shall not prevent the consideration and approval or disapproval at the annual meeting of stockholders of reports of officers, directors and committees of the Board of Directors, but, in connection with such reports, no new business shall be acted upon at such meeting unless stated, filed and received as herein provided.

ARTICLE III.

BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law or by the Certificate of Incorporation of the Corporation directed or required to be exercised or done by the stockholders.

Section 2. Number, Qualifications and Election. The exact number of directors which shall constitute the whole Board shall be fixed from time to time by resolution of the Board of Directors; provided, however, that the number so fixed shall not be less than three nor more than fifteen; and provided further that no decrease in the number of directors constituting the Board shall have the effect of shortening the term of any incumbent director.

Each director shall be at least twenty-one years of age. No person shall be qualified for election or appointment as a director who, on or before the date set for election or appointment, has attained seventy or more years of age. Directors need not be stockholders of the Corporation.

The Board of Directors is specifically authorized to divide the Board into three classes, as authorized by the Delaware General Corporation Law and the Certificate of Incorporation, designated Class I, Class II and Class III, as nearly equal in number as the then total number of directors constituting the whole Board permits. The term of office of each class shall expire at the third annual meeting of stockholders for election of directors following the election of such class, except that the initial term of office of the Class I directors shall expire at the annual meeting of stockholders in 1996, the initial term of office of the Class II directors shall expire at the annual meeting of stockholders in 1997 and the initial term of office of the Class III directors shall expire at the annual meeting of stockholders in 1998. At each annual meeting of stockholders, directors of the class whose term then expires shall be elected for a full term of three (3) years to succeed the directors of such class so that the term of office of the directors of one class shall expire in each year.

In any election of directors, the persons receiving a plurality of the votes cast, up to the number of directors to be elected in such election, shall be deemed elected. The stockholders of the Corporation are expressly prohibited from cumulating their votes in any election of directors of the Corporation. Each director shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Section 3. Notification of Nominations. Except for directors elected pursuant to the provisions of Section 13 of this Article III, only individuals nominated for election to the Board of Directors pursuant to and in accordance with the provisions of this Section 3 may be elected to and may serve upon the Board of Directors of the Corporation. Nominations for the election of directors may be made by the Board of Directors or by any stockholder entitled to vote in the election of

directors generally. Subject to the foregoing, only a stockholder of record entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting of stockholders and only if written notice of such stockholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation and has been received by the Secretary: (i) with respect to an election to be held at an annual meeting of stockholders, not less than sixty days nor more than ninety days in advance of such meeting; and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, not later than the close of business on the tenth day following the date on which notice of such meeting is first given to stockholders; provided, however, that in the event that less than seventy (70) days' notice or prior public disclosure of the date of the meeting of stockholders is given or made to stockholders, to be timely, notice of a nomination delivered by such stockholder must be received by the Secretary not later than the close of business on the tenth day following the day on which notice of the date of the meeting of stockholders was mailed or such public disclosure was made to the stockholders.

Each such notice shall set forth:

(a) the name, age, business address and residence address, and the principal occupation or employment of any nominee proposed in such notice;

(b) the name and address of the stockholder or stockholders giving the notice as the same appears in the Corporation's stock ledger;

(c) a representation that each nominating stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, and the number of shares of stock of the Corporation which are beneficially owned by such stockholder and by any such person or persons;

(d) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; and

(e) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission soliciting proxies for the election of such nominee, had the Corporation been subject to such proxy rules and had the nominee been nominated, or intended to be nominated, by the Board of Directors.

At the request of the Board of Directors, any person nominated for election as a director shall furnish to the Secretary the information required by this Section 3 to be set forth in a stockholder's notice of nomination which pertains to the nominee.

To be effective, each notice of intent to make a nomination given hereunder shall be accompanied by the written consent of each nominee to serve as a director of the Corporation if elected.

The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not properly brought before the meeting in accordance with the provisions hereof and, if he should so determine, he shall declare to the meeting that such nomination was not properly brought before the meeting and shall not be considered. The chairman of a meeting of stockholders shall have absolute authority to decide questions of compliance with the foregoing procedures and such chairman's ruling thereon shall be final and conclusive.

Section 4. Quorum and Manner of Acting. Except as otherwise provided by law or in Article IV of these Bylaws, (i) a majority of the entire Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board and (ii) the vote of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board unless the Certificate of Incorporation or these Bylaws require a vote of a greater number. In the absence of a quorum, a majority of the directors present may adjourn the meeting to another time and place. At any adjourned meeting at which a quorum is present, any business that might have been transacted at the meeting as originally called may be transacted.

Section 5. Place of Meeting. The Board of Directors may hold its meetings at such place or places within or without the State of Delaware as the Board may from time to time determine or as shall be specified or fixed in the respective notices or waivers of notice thereof.

Section 6. Annual Meetings. The first meeting of each newly elected Board of Directors shall be held for the purpose of organization and the transaction of any other business, without notice, immediately following the annual meeting of stockholders, and at the same place, unless such time or place shall be changed by the Board.

Section 7. Regular Meetings. Regular meetings of the Board of Directors shall be held at such times and places as the Board shall from time to time by resolution determine. If any day fixed for a regular meeting shall be a legal holiday under the laws of the place where the meeting is to be held, the meeting that would otherwise be held on that day shall be held at the same hour on the next succeeding business day.

Section 8. Special Meetings. Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board or the President or by any two or more directors.

Section 9. Notice of Meetings. Notice of annual and regular meetings of the Board of Directors or of any adjourned meeting thereof need not be given. Notice of each special meeting of the Board shall be mailed to each director, addressed to such director at such director's residence or usual place of business, not later than the third day before the day on which the meeting is to be held or shall be sent to such director at such place by facsimile transmission, telegram or telex or be given

personally or by telephone, not later than the day before the meeting is to be held, but notice need not be given to any director who shall waive notice thereof as provided in Article X of these Bylaws. Every such notice shall state the time and place but need not state the purpose of the meeting.

Section 10. Participation in Meeting by Means of Communication Equipment. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any one or more members of the Board of Directors or any committee thereof may participate in any meeting of the Board or of any such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

Section 11. Action Without a Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board or of any such committee consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the Board or of such committee.

Section 12. Resignations; Removal. Any director of the Corporation may at any time resign by giving written notice to the Board of Directors, the Chairman of the Board, the President or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein or, if the time be not specified, upon delivery thereof; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. A director may be removed from office only for cause and by the affirmative vote of the holders of not less than eighty percent (80%) of all the outstanding shares of stock of the Corporation entitled to vote generally in the election of directors at a special meeting of stockholders called expressly for that purpose.

Section 13. Vacancies. Unless otherwise provided in the Certificate of Incorporation or these Bylaws, vacancies on the Board of Directors and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election of the class for which such directors shall have been chosen, and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office then an election of directors may be held in the manner provided by the statutes.

Section 14. Compensation. Each director who shall not at the time also be a salaried officer or employee of the Corporation or any of its subsidiaries (an "outside director"), in consideration of such person serving as a director, shall be entitled to receive from the Corporation such amount per annum and such fees for attendance at meetings of the Board of Directors or of committees of the Board, or both, as the Board shall from time to time determine. In addition, each outside director shall be entitled to receive from the Corporation reimbursement for the reasonable expenses incurred by such person in connection with the performance of such person's duties as a director. Nothing

contained in this Section 14 shall preclude any director from serving the Corporation or any of its subsidiaries in any other capacity and receiving compensation therefor.

Section 15. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because such person's or persons' votes are counted for such purpose, if: (i) the material facts as to such person's relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to such person's relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IV.

EXECUTIVE AND OTHER COMMITTEES

Section 1. Executive Committee. The Board of Directors may, by resolution passed by a majority of the whole Board, designate annually two or more of its members to constitute members or alternate members of an Executive Committee, which Committee shall have and may exercise, between meetings of the Board, all the powers and authority of the Board in the management of the business and affairs of the Corporation, including, if such Committee is so empowered and authorized by resolution adopted by a majority of the whole Board, the power and authority to declare a dividend and to authorize the issuance of stock, and may authorize the seal of the Corporation to be affixed to all papers that may require it, except that the Executive Committee shall not have such power or authority in reference to:

(a) amending the Certificate of Incorporation of the Corporation;

(b) adopting an agreement of merger or consolidation involving the Corporation;

(c) recommending to the stockholders the sale, lease or exchange of all or substantially all of the property and assets of the Corporation;

(d) recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution;

(e) adopting, amending or repealing any bylaw of the Corporation;

(f) filling vacancies on the Board of Directors or any committee of the Board, including the Executive Committee; or

(g) amending or repealing any resolution of the Board of Directors which by its terms may be amended or repealed only by the Board.

The Board shall have the power at any time to change the membership of the Executive Committee, to fill all vacancies in it and to discharge it, either with or without cause.

Section 2. Other Committees. The Board of Directors may, by resolution passed by a majority of the whole Board, designate from among its members one or more other committees, each of which shall, except as otherwise prescribed by law, have such authority of the Board as may be specified in the resolution of the Board designating such committee. A majority of all members of such committee may determine its action and fix the time and place of its meetings, unless the Board shall otherwise provide. The Board shall have the power at any time to change the membership of, to fill all vacancies in and to discharge any such committee, either with or without cause.

Section 3. Procedure, Meetings, Quorum. Regular meetings of the Executive Committee or any other committee of the Board of Directors, of which no notice shall be necessary, may be held at such times and places as shall be fixed by resolution adopted by a majority of the members thereof. Special meetings of the Executive Committee or any other committee of the Board shall be called at the request of any member thereof. Notice of each special meeting of the Executive Committee or any other committee of the Board shall be sent by mail, facsimile transmission, telegram, telex or telephone, or be delivered personally, to each member thereof not later than the day before the day on which the meeting is to be held, but notice need not be given to any member who shall waive notice thereof as provided in Article X of these Bylaws. Any special meeting of the Executive Committee or any other committee of the Board shall be a legal meeting without any notice thereof having been given if all the members thereof shall be present thereat. Notice of any adjourned meeting of the Executive Committee or any other committee of the Board need not be given. The Executive Committee or any other committee of the Board may adopt such rules and regulations not inconsistent with the provisions of law, the Certificate of Incorporation of the Corporation or these Bylaws for the conduct of its meetings as the Executive Committee or such other committee deems proper. A majority of the Executive Committee or any other committee of the Board shall constitute a quorum for the transaction of business at any meeting, and the vote of a majority of the members thereof present at any meeting at which a quorum is present shall be the act of such committee. The Executive Committee and any other committee of the Board shall keep written minutes of its proceedings and shall report on such proceedings to the Board.

ARTICLE V.

OFFICERS

Section 1. Number, Term of Office. The officers of the Corporation shall be elected by the Board of Directors and shall be a Chairman of the Board, a President, one or more Vice Presidents as may be determined from time to time by the Board (and in the case of each such Vice President, with such descriptive title, if any, including that of Executive Vice President, as the Board shall deem appropriate), a Treasurer, a Secretary and such other officers or agents with such titles and such duties as the Board of Directors may from time to time determine, each to have such authority, functions or duties as in these Bylaws provided or as the Board may from time to time determine, and each to hold office for such term as may be prescribed by the Board and until such person's successor shall have been elected and shall qualify, or until such person's death or resignation, or until such person's removal in the manner hereinafter provided. The Chairman of the Board shall be elected from among the directors. One person may hold the offices and perform the duties of any two or more of said officers; provided, however, that no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument is required by law, the Certificate of Incorporation of the Corporation or these Bylaws to be executed, acknowledged or verified by two or more officers. The Board may from time to time authorize any officer to appoint and remove any such other officers and agents and to prescribe their powers and duties.

Section 2. Removal. Any officer may be removed, either with or without cause, by the Board of Directors at any meeting thereof, or, except in the case of any officer elected by the Board, by any committee or superior officer upon whom such power may be conferred by the Board.

Section 3. Resignation. Any officer may at any time resign by giving written notice to the Board of Directors, the Chairman of the Board, the President or the Secretary of the Corporation. Any such resignation shall take effect at the date of delivery of such notice or at any later date specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal or any other cause may be filled for the unexpired portion of the term in the manner prescribed in these Bylaws for election to such office.

Section 5. Chairman of the Board. The Chairman of the Board shall have general supervision and direction of the business and affairs of the Corporation, subject to the control of the Board of Directors. The Chairman of the Board shall, if present, preside at meetings of the stockholders, meetings of the Board and meetings of the Executive Committee. The Chairman of the Board shall perform such other duties as the Board or the Executive Committee may from time to time determine. The Chairman of the Board may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments authorized by the Board or any committee thereof empowered to authorize the same.

Section 6. President. The President shall, if present and in the absence of the Chairman of the Board, preside at meetings of the stockholders, meetings of the Board and meetings of the Executive Committee. The President shall counsel with and advise the Chairman of the Board and perform such other duties as the Board, the Executive Committee or the Chairman of the Board may from time to time determine. The President may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments authorized by the Board or any committee thereof empowered to authorize the same.

Section 7. Vice Presidents. Each Vice President shall have such powers and duties as shall be prescribed by the Chairman of the Board, the President or the Board of Directors. Any Vice President may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments authorized by the Board or any committee thereof empowered to authorize the same.

Section 8. Treasurer. The Treasurer shall perform all duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the Chairman of the Board, the President or the Board of Directors. The Board may require the Treasurer to give security for the faithful performance of such person's duties.

Section 9. Secretary. It shall be the duty of the Secretary to act as secretary at all meetings of the Board of Directors, of the Executive Committee and of the stockholders and to record the proceedings of such meetings in a book or books kept for that purpose; the Secretary shall see that all notices required to be given by the Corporation are duly given and served; the Secretary shall be custodian of the seal of the Corporation (if one is adopted) and shall affix the seal or cause it to be affixed to all certificates of stock of the Corporation (unless the seal of the Corporation on such certificates shall be a facsimile, as hereinafter provided) and to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these Bylaws; the Secretary shall have charge of the stock ledger books and also of the other books, records and papers of the Corporation and shall see that the reports, statements and other documents required by law are properly kept and filed; and the Secretary shall in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to such person by the Chairman of the Board, the President or the Board of Directors.

Section 10. Assistant Treasurers and Assistant Secretaries. If elected, the Assistant Treasurers and Assistant Secretaries shall perform such duties as shall be assigned to them by the Treasurer and Secretary, respectively, or by the Chairman of the Board, the President or the Board of Directors. The Board may require any Assistant Treasurer to give security for the faithful performance of such person's duties.

ARTICLE VI.

INDEMNIFICATION

Section 1. General. Each person who at any time shall serve or shall have served as a Director or officer of the Corporation, or any person who, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, shall be entitled to (a) indemnification and (b) the advancement of expenses incurred by such person from the Corporation as, and to the fullest extent, permitted by Section 145 of the General Corporation Law of the State of Delaware or any successor statutory provision, as from time to time amended. The Corporation may indemnify any other person, to the same extent and subject to the same limitations specified in the immediately preceding sentence, by reason of the fact that such other person is or was an employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise. The foregoing right of indemnification and advancement of expenses provided shall not be deemed exclusive of any other rights to which any person seeking indemnification or advancement of expenses may be entitled under any agreement, vote of stockholders or disinterested directors of the Corporation or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. All rights to indemnification under this Article shall be deemed to be provided by a contract between the Corporation and the director, officer, employee or agent who served in such capacity at any time while this Article and other relevant provisions of the General Corporation Law of the State of Delaware and other applicable law, if any, are in effect. Any repeal or modification thereof shall not affect any rights or obligations then existing. Without limiting the provisions of this Article, the Corporation is authorized from time to time, without further action by the stockholders of the Corporation, to enter into agreements with any director or officer of the Corporation providing such rights of indemnification as the Corporation may deem appropriate, up to the maximum extent permitted by law. Any agreement entered into by the Corporation with a director may be authorized by the other directors, and such authorization shall not be invalid on the basis that similar agreements may have been or may thereafter be entered into with other directors.

Section 2. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have had the power to indemnify such person against such liability under the applicable provisions of this Article VI or the General Corporation Law of the State of Delaware.

ARTICLE VII.

CAPITAL STOCK

Section 1. Certificates For Shares. Certificates representing shares of stock of the Corporation, whenever authorized by the Board of Directors, shall be in such form as shall be approved by the Board. The certificates representing shares of stock shall be signed by, or in the

name of, the Corporation by the Chairman of the Board or the President or a Vice President and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer of the Corporation, and sealed with the seal of the Corporation (if one has been adopted), which may be by a facsimile thereof. Any or all such signatures may be facsimiles. Although any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate ceases to be such officer, transfer agent or registrar before such certificate is issued, it may nevertheless be issued by the Corporation with the same effect as if such officer, transfer agent or registrar were still such at the date of issue.

The stock ledger and blank share certificates shall be kept by the Secretary or a transfer agent or by a registrar or by any other officer or agent designated by the Board.

Section 2. Transfer of Shares. Transfer of shares of stock of the Corporation shall be made only on the books of the Corporation by the holder thereof, or by such holder's attorney thereunto authorized by a power of attorney duly executed and filed with the Secretary of the Corporation or a transfer agent for such stock, if any, and on surrender of the certificate or certificates for such shares properly endorsed or accompanied by a duly executed stock transfer power and the payment of all taxes thereon. The person in whose name shares stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation; provided, however, that whenever any transfer of shares shall be made for collateral security and not absolutely, and written notice thereof shall be given to the Secretary or to such transfer agent, such fact shall be stated in the entry of the transfer. No transfer of shares shall be valid as against the Corporation, its stockholders and creditors for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

Section 3. Address of Stockholders. Each stockholder shall designate to the Secretary or transfer agent of the Corporation an address at which notices of meetings and all other corporate notices may be served or mailed to such person, and, if any stockholder shall fail to designate such address, corporate notices may be served upon such person by mail directed to such person at such person's post office address, if any, as the same appears on the share record books of the Corporation or at such person's last known post office address.

Section 4. Lost, Destroyed and Mutilated Certificates. The holder of any share of stock of the Corporation shall immediately notify the Corporation of any loss, theft, destruction or mutilation of the certificate therefor; the Corporation may issue to such holder a new certificate or certificates for shares, upon the surrender of the mutilated certificate or, in the case of loss, theft or destruction of the certificate, upon satisfactory proof of such loss, theft or destruction; and the Board of Directors, or a committee designated thereby, may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or such person's legal representative, to give the Corporation a bond in such sum and with such surety or sureties as it may direct to indemnify the Corporation and said transfer agents and registrars against any claim that may be made on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

Section 5. Regulations. The Board of Directors may make such additional rules and regulations as it may deem expedient concerning the issue and transfer of certificates representing shares of stock of the Corporation and may make such rules and take such action as it may deem expedient concerning the issue of certificates in lieu of certificates claimed to have been lost, stolen, destroyed or mutilated.

Section 6. Fixing Record Date for Determination of Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

ARTICLE VIII.

SEAL

The Board of Directors may provide a corporate seal, which, if adopted, shall be in the form of a circle and shall bear the full name of the Corporation and the words "Corporate Seal Delaware" or such other words or figures as the Board of Directors may approve and adopt. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

ARTICLE IX.

FISCAL YEAR

The twelve-month period ending at midnight on December 31 in each year shall be the fiscal year of the Corporation.

ARTICLE X.

WAIVER OF NOTICE

Whenever any notice whatsoever is required to be given by these Bylaws, by the Certificate of Incorporation of the Corporation or by law, the person entitled thereto may, either before or after the meeting or other matter in respect of which such notice is to be given, waive such notice in writing, which writing shall be filed with or entered upon the records of the meeting or the records kept with respect to such other matter, as the case may be, and in such event such notice need not be given to such person and such waiver shall be deemed equivalent to notice. Neither the business to be transacted at, nor the purpose of, any meeting of the stockholders, the Board of Directors or any committee of the Board need be specified in any waiver of notice of such meeting. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE XI.

AMENDMENTS

To the extent permitted by law and the Certificate of Incorporation, these Bylaws may be altered, amended or repealed or new bylaws may be adopted by the Board of Directors at any annual, regular or special meeting of the Board.

ARTICLE XII.

MISCELLANEOUS

Section 1. Execution of Documents. The Board of Directors or any committee thereof shall designate the officers, employees and agents of the Corporation who shall have power to execute and deliver deeds, contracts, mortgages, bonds, debentures, notes, checks, drafts and other orders for the payment of money and other documents for and in the name of the Corporation and may authorize such officers, employees and agents to delegate such power (including authority to redelegate) by written instrument to other officers, employees or agents of the Corporation. Such delegation may be by resolution or otherwise and the authority granted shall be general or confined to specific matters, all as the Board or such committee may determine. In the absence of such designation referred to in the first sentence of this Section 1, the officers of the Corporation shall have such power so referred to, to the extent incident to the normal performance of their duties.

Section 2. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation or otherwise as the Board of Directors or any

committee thereof or any officer of the Corporation to whom power in that respect shall have been delegated by the Board or any such committee shall select.

Section 3. Checks. All checks, drafts and other orders for the payment of money out of the funds of the Corporation, and all notes or other evidence of indebtedness of the Corporation, shall be signed on behalf of the Corporation in such manner as shall from time to time be determined by resolution of the Board of Directors or of any committee thereof. In the absence of such resolution referred to in the immediately preceding sentence, the officers of the Corporation shall have such power so referred to, to the extent incident to the normal performance of their duties.

Section 4. Proxies in Respect of Stock or Other Securities of Other Corporations. The Board of Directors or any committee thereof shall designate the officers of the Corporation who shall have authority from time to time to appoint an agent or agents of the Corporation to exercise in the name and on behalf of the Corporation the powers and rights that the Corporation may have as the holder of stock or other securities in any other corporation, and to vote or consent in respect of such stock or securities; such designated officers may instruct the person or persons so appointed as to the manner of exercising such powers and rights; and such designated officers may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, such written proxies, powers of attorney or other instruments as they may deem necessary or proper in order that the Corporation may exercise its said powers and rights. In the absence of such designation referred to in the first sentence of this Section 4, the officers of the Corporation shall have such power so referred to, to the extent incident to the normal performance of their duties.

EXHIBIT 10.1

Execution Form

==========

LENNOX INTERNATIONAL INC.

_____

AGREEMENT OF ASSUMPTION AND RESTATEMENT

Dated as of December 1, 1991

_____

9.55% Series B Senior Promissory Notes due 1996
11.05% Series C Senior Promissory Notes due 1997
9.60% Series D Senior Promissory Notes due 1998
10.15% Series E Senior Promissory Notes due 1998
9.53% Series F Senior Promissory Notes due 2001
9.50% Series G Senior Promissory Notes due 2001
9.69% Series H Senior Promissory Notes due 2003

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LENNOX INTERNATIONAL INC.
2100 Lake Park Boulevard
Richardson, Texas 75080

AGREEMENT OF ASSUMPTION AND RESTATEMENT

New York, New York
as of December 1, 1991

To the Noteholder Identified
on the Signature Page at
the End of this Agreement:

Ladies and Gentlemen:

LENNOX INTERNATIONAL INC., a Delaware corporation and successor by merger to Lennox International Inc., an Iowa corporation (together with any successor or transferee which becomes such in the manner specified in Section 7.10, the "Company"), hereby agrees with you as follows:

SECTION 1. ASSUMPTION OF NOTES.

1.1. Description of Transaction. Pursuant to the several separate Existing Note Purchase Agreements described below, Lennox Industries Inc., an Iowa corporation ("Industries"), Heatcraft, Inc., a Mississippi corporation ("Heatcraft"), and Armstrong Air Conditioning Inc., an Ohio corporation ("Armstrong" and, together with Heatcraft and Industries and any successor to any of them, the "Issuing Subsidiaries"), each a direct wholly-owned subsidiary of the Company, as applicable, issued and sold to one or more of the institutional purchasers named on Schedule I hereto the following promissory notes (collectively referred to herein as the "Existing Notes"):

(i) Heatcraft Inc.'s 9.55% Promissory Notes due December 1, 1996 originally issued in the aggregate principal amount of $14,000,000 (of which $10,000,000 is outstanding on the date hereof);

(ii) Lennox Industries Inc.'s 11.05% Promissory Notes due December 1, 1997 originally issued in the aggregate principal amount of $25,000,000 (all of which is outstanding on the date hereof);

(iii) Lennox Industries Inc.'s 9.60% Senior Promissory Notes due December 1, 1998 originally issued in the aggregate principal amount of $35,000,000 (all of which is outstanding on the date hereof);

(iv) Heatcraft Inc.'s 10.15% Promissory Notes due December 1, 1998 originally issued in the aggregate principal amount of $10,000,000 (all of which is outstanding on the date hereof);

(v) Lennox Industries Inc.'s 9.53% Senior Promissory Notes due December 1, 2001 originally issued in the aggregate principal amount of $21,000,000 (all of which is outstanding on the date hereof);

(vi) Armstrong Air Conditioning Inc.'s 9.50% Senior Promissory Notes due December 1, 2001 originally issued in the aggregate principal amount of $31,000,000 (all of which is outstanding on the date hereof); and

(vii) Heatcraft Inc.'s 9.69% Promissory Notes due December 1, 2003 originally issued in the aggregate principal amount of $54,000,000 (all of which is outstanding on the date hereof).

The Existing Notes held by each institutional purchaser named on Schedule I hereto remain outstanding on the date hereof in the principal amounts set forth opposite such purchaser's name in Column B of said Schedule I.

Each Existing Note was issued and sold pursuant to one of the following note purchase agreements or, in the case of the Existing Notes described in the foregoing clauses (iii), (v), (vi) and (vii), simultaneously executed note purchase agreements identical to all other note purchase agreements under which the Existing Notes bearing the same interest rate were issued, except for the signature of the purchaser at the end thereof (each separate note purchase agreement described below being referred to herein as an "Existing Note Purchase Agreement"):

(i) Note Purchase Agreement, dated as of November 1, 1985, between Industries and Teachers Insurance and Annuity Association of America;

(ii) Note Purchase Agreement, dated as of November 1, 1986, between Heatcraft and Teachers Insurance and Annuity Association of America;

(iii) Note Purchase Agreements, each dated as of December 1, 1988, between Industries and The Travelers Insurance Company, The Charter Oak Fire Insurance Company and Teachers Insurance and Annuity Association of America, respectively;

(iv) Note Purchase Agreement, dated as of September 29, 1988, between Heatcraft and Teachers Insurance and Annuity Association of America;

(v) Note Purchase Agreements, each dated as of February 28, 1990, between Heatcraft and Teachers Insurance and Annuity Association of America, Connecticut General Life Insurance Company and INA Life Insurance Company of New York, respectively;

(vi) Note Purchase Agreements, each dated as of October 19, 1989, between Armstrong and The Travelers Insurance Company, The Travelers Life Insurance Company, The Phoenix Insurance Company, The Travelers Indemnity Company, Teachers Insurance and Annuity Association of America and Tandem Insurance Group, Inc., respectively; and

(vii) Note Purchase Agreements, each dated as of February 28, 1990, between Industries and Teachers Insurance and Annuity Association of America, Connecticut General Life Insurance Company and INA Life Insurance Company of New York, respectively.

The Company wishes to (a) assume the outstanding indebtedness of the Issuing Subsidiaries evidenced by the Existing Notes and (b) consolidate the various covenants applicable to one or more members of the group comprised of the Company and its consolidated subsidiaries contained in the Existing Note Purchase Agreements into this Agreement and the Other Agreements, with such changes in and additions to such covenants as the Holders may agree to. To accomplish that end, the Company proposes, on the Effective Date referred to in Section 1.3 below, and subject to the terms and conditions hereof, to assume the obligations of the Issuing Subsidiaries evidenced by the Existing Notes and, as obligor under the Existing Notes, to amend and restate the Existing Note Purchase Agreements to be and to read in their entirety as set forth in this Agreement. The Holders, as holders of the Existing Notes, have, subject to the terms and conditions hereof, consented to such assumption of the Existing Notes and such amendment and restatement of the Existing Note Purchase Agreements.

Capitalized terms used and not otherwise defined herein shall have the respective meanings assigned thereto in Section 8. Unless otherwise specified, any reference in this Agreement to a particular section or other subdivision, or a particular schedule or exhibit, shall be considered a reference to that section or other subdivision of, or to that schedule or exhibit to, this Agreement.

1.2. Assumption of Notes and Amendment of Agreements. The Company hereby (i) assumes, effective as of the Effective Date, as its direct and primary obligation, the outstanding indebtedness of the Issuing Subsidiaries evidenced by the Existing Notes and all rights, obligations

and duties of the Issuing Subsidiaries thereunder and under the related Existing Note Purchase Agreements, and agrees, from and after the Effective Date, to duly and punctually perform and observe all of the obligations, undertakings, covenants and conditions to be kept, performed or observed by "the Company" under each Existing Note and each Existing Note Purchase Agreement, in each case to the same extent and with the same force and effect as if the Company had originally been named "the Company" under the Existing Notes and the Existing Note Purchase Agreements and (ii) amends and restates, effective from and after the Effective Date, each Existing Note Purchase Agreement to be and to read in its entirety as set forth in this Agreement, such that the covenants and obligations of "the Company" under the Existing Note Purchase Agreements shall thereafter be the covenants and obligations of the Company as set forth in this Agreement. You hereby consent, subject to the terms and conditions hereof, to the assumption of the Existing Notes described in the foregoing clause (i), the concurrent release of the Issuing Subsidiaries from their obligations to you under the applicable Existing Notes and Existing Note Purchase Agreements and the amendment and restatement of the Existing Note Purchase Agreements described in the foregoing clause (ii).

1.3. Effective Date. The closing of the effectiveness of the assumption by the Company of the Existing Notes and the Existing Note Purchase Agreements and the amendment and restatement of the Existing Note Purchase Agreements described in Section 1.2 shall be held commencing at 10:00 A.M., New York City time, on December __, 1991 (the "Effective Date"), at the offices of Breed, Abbott & Morgan, Citicorp Center, 153 East 53rd Street, New York, New York 10022. On the Effective Date (a) the assumption provided for in clause (i) of Section 1.2, the amendment and restatement of the Existing Note Purchase Agreements provided for in clause (ii) of Section 1.2 and the consent and release provided for in the last sentence of Section 1.2 shall become effective without further action on the part of the Company or the Holders, and (b) you shall make appropriate notations on each Existing Note held by you to reflect the assumption thereof by the Company, your release of the applicable Issuing Subsidiary and the amendment and restatement of the Existing Note Purchase Agreement under which such Existing Note was issued, provided that, upon your request, the Company will deliver to you, at the Company's expense, a new Note or Notes in the form of the Substitute Notes described in Section 1.4 below dated December 1, 1991 reflecting such assumption, against delivery by you to the Company of the corresponding Existing Note or Notes. Immediately upon receipt of an Existing Note, the Company shall cancel such Existing Note and will not thereafter under any circumstances reissue, transfer or

otherwise dispose of such Existing Note or permit any reissue, transfer or other disposition of such Existing Note, or any interest therein. If on the Effective Date the Company shall fail to tender to you upon your request, the Substitute Notes, as provided in this Section 1.3, or any of the conditions specified in Section 3 shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any other rights you may have by reason of such failure or nonfulfillment, and the Existing Note Purchase Agreements and the Existing Notes shall remain in full force and effect, with no assumption of the Existing Notes and no amendment of or modification to any of the terms of the Existing Note Purchase Agreements.

The Company represents and warrants that contemporaneously herewith it is entering into eight separate Agreements of Assumption and Restatement (the "Other Agreements") identical with this Agreement (except for the signature of the holder at the end thereof) with the other institutional holders (the "Other Holders") named in Schedule I, providing for the commitment by the Company to assume the Existing Notes held by the Other Holders as shown opposite their names in Column B of said Schedule I and to amend and restate the Existing Note Purchase Agreements to which the Other Holders are a party. This Agreement and the Other Agreements are to be separate agreements and the assumption of the Existing Notes held by you and the Other Holders are to be separate and several transactions. You and the Other Holders are herein sometimes collectively referred to as the "Holders," and this Agreement and the Other Agreements are herein sometimes collectively referred to as the "Agreements".

1.4. Authorization. Each Issuing Subsidiary duly authorized at the time of issuance thereof the issue and sale of the Existing Notes issued and sold by it pursuant to the Existing Note Purchase Agreement or Agreements to which it is a party. The Company has duly authorized (a) the assumption by the Company, as its direct and primary obligation, of the outstanding indebtedness of the Issuing Subsidiaries evidenced by the Existing Notes and all rights, obligations and duties of the Issuing Subsidiaries thereunder and under the Existing Note Purchase Agreements; (b) the amendment and restatement of each Existing Note Purchase Agreement, to be and read in its entirety as set forth in this Agreement; and (c) upon the assumption of the Existing Notes and the request of the applicable Holder or Holders thereof, the delivery by the Company to you of the Substitute Notes in substitution for the Existing Notes. Each Substitute Note shall be in the same aggregate principal amount and have the same interest rate and maturity date as the corresponding Existing Note, as set

forth below, provided that for convenience of reference, the Substitute Notes shall include a series designation as follows:

(a) the 9.55% Series B Senior Promissory Notes due December 1, 1996 in the aggregate principal amount of $10,000,000 (together with all notes issued in substitution or exchange therefor in accordance with the terms of this Agreement and the Other Agreements, the "Series B Notes") each of which shall (i) bear interest on the unpaid principal amount thereof at the rate of 9.55% per annum (computed on the basis of a 360-day year of twelve 30-day months) payable semiannually on June 1 and December 1 of each year, and with interest on any overdue principal (including any overdue prepayment of principal) and (to the extent permitted by applicable law) any overdue premium, if any, and interest at the rate of 10.55% per annum until paid, such overdue interest (if any) to be payable semiannually as aforesaid or, at the option of the registered holder of such Series B Note, on demand, and (ii) mature and be due and payable as to the entire remaining unpaid principal amount thereof on December 1, 1996;

(b) the 11.05% Series C Senior Promissory Notes due December 1, 1997 in the aggregate principal amount of $25,000,000 (together with all notes issued in substitution or exchange therefor in accordance with the terms of this Agreement and the Other Agreements, the "Series C Notes") each of which shall (i) bear interest on the unpaid principal amount thereof at the rate of 11.05% per annum (computed on the basis of a 360-day year of twelve 30-day months) payable semiannually on June 1 and December 1 of each year and with interest on any overdue principal (including any overdue prepayment of principal) and (to the extent permitted by applicable law) any overdue premium, if any, and interest at the rate of 12.05% per annum until paid, such overdue interest (if any) to be payable semiannually as aforesaid or, at the option of the registered holder of such Series C Note, on demand, and (ii) mature and be payable as to the entire remaining unpaid principal amount thereof on December 1, 1997;

(c) the 9.60% Series D Senior Promissory Notes due December 1, 1998 in the aggregate principal amount of $35,000,000 (together with all notes issued in substitution or exchange therefor in accordance with the terms of this Agreement and

the Other Agreements, the "Series D Notes") each of which shall (i) bear interest on the unpaid principal amount thereof at the rate of 9.60% per annum (computed on the basis of a 360-day year of twelve 30-day months) payable semiannually on June 1 and December 1 of each year and with interest on any overdue principal (including any overdue prepayment of principal) and (to the extent permitted by applicable law) any overdue premium, if any, and interest at the rate of 10.60% per annum until paid, such overdue interest (if any) to be payable semiannually as aforesaid or, at the option of the registered holder of such Series D Note, on demand, and (ii) mature and be payable as to the entire remaining unpaid principal amount thereof on December 1, 1998;

(d) the 10.15% Series E Senior Promissory Notes due December 1, 1998 in the aggregate principal amount of $10,000,000 (together with all notes issued in substitution or exchange therefor in accordance with the terms of this Agreement and the Other Agreements, the "Series E Notes") each of which shall (i) bear interest on the unpaid principal amount thereof at the rate of 10.15% per annum (computed on the basis of a 360-day year of twelve 30-day months) payable semiannually on June 1 and December 1 of each year, and with interest on any overdue principal (including any overdue prepayment of principal) and (to the extent permitted by applicable law) any overdue premium, if any, and interest at the rate of 11.15% per annum until paid, such overdue interest (if any) to be payable semiannually as aforesaid or, at the option of the registered holder of such Series E Note, on demand, and (ii) mature and be due and payable as to the entire remaining unpaid principal amount thereof on December 1, 1998;

(e) the 9.53% Series F Senior Promissory Notes due December 1, 2001 in the aggregate principal amount of $21,000,000 (together with all notes issued in substitution or exchange therefor in accordance with the terms of this Agreement and the Other Agreements, the "Series F Notes") each of which shall (i) bear interest on the unpaid principal amount thereof at the rate of 9.53% per annum (computed on the basis of a 360-day year of twelve 30-day months) payable semiannually on June 1 and December 1 of each year, and with interest on any overdue principal (including any overdue prepayment of principal) and (to the extent permitted by applicable law) any overdue premium,

if any, and interest at the rate of 10.53% per annum until paid, such overdue interest (if any) to be payable semiannually as aforesaid or, at the option of the registered holder of such Series F Note, on demand, and (ii) mature and be payable as to the entire remaining unpaid principal amount thereof on December 1, 2001;

(f) the 9.50% Series G Senior Promissory Notes due December 1, 2001 in the aggregate principal amount of $31,000,000 (together with all notes issued in substitution or exchange therefor in accordance with the terms of this Agreement and the Other Agreements, the "Series G Notes") each of which shall (i) bear interest on the unpaid principal amount thereof at the rate of 9.50% per annum (computed on the basis of a 360- day year of twelve 30-day months) payable semiannually on June 1 and December 1 of each year, and with interest on any overdue principal (including any overdue prepayment of principal) and (to the extent permitted by applicable law) any overdue premium, if any, and interest at the rate of 10.50% per annum until paid, such overdue interest (if any) to be payable semiannually as aforesaid or, at the option of the registered holder of such Series G Note, on demand, and (ii) mature and be payable as to the entire remaining unpaid principal amount thereof on December 1, 2001; and

(g) the 9.69% Series H Senior Promissory Notes due December 1, 2003 in the aggregate principal amount of $54,000,000 (together with all notes issued in substitution or exchange therefor in accordance with the terms of this Agreement and the Other Agreements, the "Series H Notes") each of which shall (i) bear interest on the unpaid principal amount thereof at the rate of 9.69% per annum (computed on the basis of a 360- day year of twelve 30-day months) payable semiannually on June 1 and December 1 of each year, and with interest on any overdue principal (including any overdue prepayment of principal) and (to the extent permitted by applicable law) any overdue premium, if any, and interest at the rate of 10.69% per annum until paid, such overdue interest (if any) to be payable semiannually as aforesaid or, at the option of the registered holder of such Series H Note, on demand, and (ii) mature and be payable as to the entire remaining unpaid principal amount thereof on December 1, 2003.

The Series B Notes, Series C Notes, Series D Notes, Series E Notes, Series F Notes, Series G Notes and Series H Notes shall be substantially in the forms of Exhibits A-1 through A-7, respectively, and are referred to

herein collectively together with, from and after the Effective Date, any Existing Notes not delivered for substitution pursuant to the proviso in Section 1.3, as the "Substitute Notes" and separately as a "Series" of Substitute Notes.

1.5. Investment Representation. You represent to the Company that on the Effective Date you will accept the Substitute Notes, if any, being delivered to you for your own account for investment and not with a view to the distribution or sale of the Substitute Notes, subject, however, to any requirement of law that the disposition of your property be at all times within your control and without prejudice to your right to sell or otherwise dispose of all or any part of the Substitute Notes held by you pursuant to an effective registration under the Securities Act or under an exemption from such registration available under the Securities Act.

SECTION 2. REPRESENTATIONS OF THE COMPANY. The Company represents and warrants to you that:

2.1. Organization and Authority of the Company. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all requisite power and authority to own or hold under lease the property it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver the Agreements and the Substitute Notes and to perform the provisions hereof and thereof. The Company has, by all necessary corporate action (no action of shareholders of the Company being required by law, by its charter or by-laws, or otherwise), duly authorized the execution and delivery of this Agreement, the Other Agreements and the Substitute Notes and the performance of its obligations under this Agreement (including, without limitation, the assumption of the Existing Notes, the amendment and restatement of the Existing Note Purchase Agreements and the delivery of the Substitute Notes) and the Substitute Notes. The merger of Lennox International Inc., an Iowa corporation, into the Company was completed in compliance with all applicable laws on October 11, 1991, such merger qualifies as a reorganization under Section 368(a)(1)(F) of the Code and the Company has succeeded to all the assets and liabilities of such Iowa corporation. The Company is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which the character of the properties owned or held under lease by it or the nature of the business transacted by it requires such qualification and in which the failure so to qualify would materially affect adversely the business, operations or properties of the Company, or of the Company and its Subsidiaries taken as a whole, or the ability of the Company to perform the Agreements and discharge its obligations on the Substitute Notes.

2.2. Disclosure. Neither this Agreement, the financial statements referred to in Section 2.4 nor any other document, instrument or certificate delivered to you by or on behalf of the Company in connection with the transactions contemplated by the Agreements contains any untrue statement of a material fact, or omits to state any fact necessary to make the statements contained herein or therein (taken as a whole) not misleading. The Company does not know of any fact (other than matters of a general economic nature) which materially affects adversely or, so far as the Company can reasonably now foresee, will materially affect adversely, the business, operations or properties of the Company, or of the Company and its Subsidiaries taken as a whole, or the ability of the Company to perform the Agreements and discharge its obligations on the Substitute Notes.

2.3. Incorporation, Good Standing and Ownership of Shares of Subsidiaries. Annexed hereto as Exhibit B is a complete and correct list of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its incorporation, the jurisdictions in which substantial operating assets are located and the percentage of shares of each class outstanding owned by the Company and each other Subsidiary and specifying whether such Subsidiary is designated a Restricted Subsidiary. All of the outstanding shares of each of said Subsidiaries shown in Exhibit B as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned beneficially and of record by the Company or another Subsidiary free and clear of any Lien. No Subsidiary owns any shares of the Company. Each Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which the character of the properties owned or held under lease by it or the nature of the business transacted by it requires such qualification and in which the failure so to qualify would materially affect adversely the business, operations or properties of the Company or of the Company and its Subsidiaries taken as a whole, or the ability of the Company to perform the Agreements and discharge its obligations on the Substitute Notes. Each Subsidiary has all requisite power and authority to own or hold under lease the property it purports to own or hold under lease and to transact the business it transacts and proposes to transact. There are no outstanding rights, options, warrants, conversion rights or agreements for the purchase or acquisition

from the Company or any Subsidiary of any shares of capital stock of any such Subsidiary.

2.4. Financial Statements. The Company has delivered to you copies of

(a) the audited balance sheets of each of the Company, Heatcraft and Industries as at December 31 in each of the years 1986, 1987, 1988, 1989 and 1990 and the related statements of income, stockholders' equity and changes in financial position for the annual periods ended December 31, 1986 and the related statements of income, stockholders' equity and cash flows for the annual periods ended December 31, 1987, 1988, 1989 and 1990, accompanied by the reports thereon by Coopers & Lybrand, independent certified public accountants of the Company, Heatcraft and Industries;

(b) the audited balance sheets of Armstrong as at December 31 in each of the years 1989 and 1990 and the related statements of income, stockholders' equity and cash flows for the annual periods then ended accompanied by the reports thereon by Coopers & Lybrand, independent certified public accountants of Armstrong;

(c) the unaudited balance sheets of each Issuing Subsidiary as at March 31 and June 30, 1991, and the related unaudited statements of income, retained earnings and cash flows for the quarterly periods ended on said dates;

(d) the unaudited consolidated and consolidating balance sheets of the Company and its Subsidiaries as at March 31, June 30 and September 30, 1991 and the related unaudited consolidated and consolidating statements of income for the quarters then ended;

(e) the Company's Long-Term Debt Repayment Schedule (Present Debt) as of December 31, 1990; and

(f) the management letter submitted to the Company by Cooper's & Lybrand in connection with the audit of the Company for the fiscal year ended December 31, 1990.

All the above-mentioned financial statements (including in each case the related schedules and notes) are correct and complete and fairly present the financial

position of the entities to which they relate as of the respective dates of said balance sheets and the results of their operations for the respective periods covered by said statements of income, stockholders' equity, cash flows and changes in financial position (subject, in the case of the unaudited financial statements, to year-end adjustments) and have been prepared in accordance with GAAP consistently applied throughout the periods involved, except as set forth in the notes thereto. There are no material liabilities, contingent or otherwise, of the Company or any Subsidiary (of any type required by GAAP to be reflected in a consolidated balance sheet of the Company and its Subsidiaries or the footnotes thereto) as of December 31, 1990 not reflected in the consolidated balance sheet of the Company and its Subsidiaries as of said date described in paragraph (a) of this Section 2.4 (or the footnotes thereto). Since December 31, 1990 there have been no changes in the assets, liabilities or financial position of the Company or any Issuing Subsidiary from that set forth in the audited balance sheets of the Company or such Issuing Subsidiary as of said date, other than (i) expenses of approximately $14,000,000 accrued in connection with the functional reorganization of Industries and the closing of the Fort Worth Plant, (ii) the purchase on July 2, 1991 by Lennox Industries Limited of Environheat Ltd. and (iii) changes in the ordinary course of business which have not, either individually or in the aggregate, been materially adverse to the Company or such Issuing Subsidiary.

2.5. Compliance with Other Instruments of the Company and Subsidiaries; No Dividend Restriction. The consummation of the transactions contemplated by this Agreement and the performance of the terms and provisions of the Agreements and the Substitute Notes will not result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, license, bank loan or credit agreement, lease, corporate charter, by-law, or other agreement or instrument to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or any of their respective properties is or may be bound or affected, or violate any existing law, governmental rule or regulation or any Order of any court, arbitrator or Governmental Body applicable to the Company or any Subsidiary. Neither the Company nor any Subsidiary is a party to or bound by any instrument or agreement which contains any restriction on the incurrence by the Company of any Debt other than (i) the Agreements, (ii) the Existing Note Purchase Agreements and (iii) the Revolving Credit Agreement dated as of December 4, 1991, among the Company, the banks named therein and The Northern Trust Company, as agent, under each of which the Company is permitted to maintain outstanding the Debt

evidenced by the Substitute Notes. No Restricted Subsidiary is bound by or subject to any contract (other than the Existing Note Purchase Agreements) or charter or by-law provision limiting the amount of, or otherwise imposing restrictions on the declaration, payment or setting aside of funds for the making of, dividends or other distributions in respect of the capital stock of such Restricted Subsidiary to the Company or another Restricted Subsidiary.

2.6. Governmental Authorizations, etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Body or any other Person (including any trustee or holder of any indebtedness, obligation or other securities of the Company or any of its Subsidiaries) is required for the validity of the execution and delivery or for the performance by the Company of the Agreements or the Substitute Notes or the assumption by the Company of the Existing Notes or the discharge by the Company of its obligations under the Agreements and the Substitute Notes.

2.7. Litigation; Observance of Statutes, Regulations and Orders. There are no actions, suits or proceedings (including, without limitation, actions, suits or proceedings under any statute or other law relating to environmental protection or occupational health and safety practices) pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Body (except actions, suits or proceedings of the character normally incident to the kind of business conducted by the Company or any Subsidiary which (a) do not question the validity or legality of this Agreement or the Substitute Notes or any action taken or to be taken pursuant hereto or thereto and (b) in the aggregate, if adversely determined, would not materially affect adversely the business, operations or properties of the Company, or of the Company and its Subsidiaries taken as a whole or the ability of the Company to perform the Agreements or discharge its obligations on the Substitute Notes). Neither the Company nor any Subsidiary is in default under any Order of any court, arbitrator or Governmental Body which default could have a materially adverse effect on the Company or on the Company and its Subsidiaries taken as a whole; and neither the Company nor any Subsidiary is subject to or a party to any Order of any court or Governmental Body arising out of any action, suit or proceeding under any statute or other law respecting antitrust, monopoly, restraint of trade or unfair competition, or environmental protection or occupational health and safety practices, or similar matters.

As used in this Agreement, the term "Governmental Body" includes any Federal, State, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign; and the term "Order" includes any order, writ, injunction, decree, judgment, award, determination, direction or demand.

2.8. Taxes. The Company and its Subsidiaries have filed all federal tax returns required to have been filed by them and all tax returns which are required to have been filed in each jurisdiction in which they are qualified to do business, as aforesaid, and have paid all taxes shown to be due and payable on such returns and all other material taxes and assessments payable by them, to the extent the same have become due and payable and before they have become delinquent, except for any taxes and assessments the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has set aside on its books reserves (segregated to the extent required by GAAP) deemed by it to be adequate. The Company does not know of any proposed material tax assessment against the Company or any Subsidiary, and in the opinion of the Company all tax liabilities are adequately provided for on the books of the Company and its Subsidiaries. The Federal income tax liabilities of the Company and its Subsidiaries have been determined by the Internal Revenue Service (or the applicable statute of limitations has run) and such liabilities have been paid for all fiscal years up to and including the fiscal year ended December 31, 1985. The federal income tax returns of the Company and its Subsidiaries for the years 1986 and 1987 are currently being audited by the Internal Revenue Service and certain adjustments may be proposed by the Internal Revenue Service which, if made, will not either in any one case or in the aggregate be in the opinion of the Company materially adverse to the assets, liabilities or financial condition of the Company and its Subsidiaries, taken as a whole.

2.9. Title to Property. The Company and its Restricted Subsidiaries have good title to their respective real properties and other properties as reflected in the most recent audited consolidated balance sheet of the Company and its Subsidiaries referred to in Section 2.4(a) or purported to have been acquired by the Company or such Restricted Subsidiary after said date, except as sold or otherwise disposed of in the ordinary course of business, subject to no title defects which would not be acceptable in accordance with good business practice to similar companies engaged in a similar business. Except as permitted by Section 7.5, all properties of the Company and each Restricted Subsidiary are free and clear of all Liens.

2.10. Licenses, Permits, etc. The Company and its Subsidiaries possess all licenses, permits, franchises, authorizations, patents, copyrights, trademarks and trade names, or rights thereto, required to conduct their respective businesses substantially as now conducted and as currently proposed to be conducted, without known conflict with the rights of others.

2.11. Compliance with ERISA. No employee benefit plan established or maintained by the Company or by any Commonly Controlled Entity or to which the Company or any Commonly Controlled Entity is required to make contributions, which is subject to Part 3 of Subtitle B of Title 1 of ERISA, or Section 412 of the Code, had, as of the last day of the most recent fiscal year of such plan heretofore ended, an accumulated funding deficiency (as such term is defined in Section 302 of ERISA or Section 412 of the Code). Except as set forth in the audited consolidated financial statements of the Company and its Subsidiaries for the fiscal year ended December 31, 1990 referred to in Section 2.4(a), the present value of all accrued benefits under each such employee benefit plan (based on those assumptions used to fund such plan, which assumptions are reasonable) did not, as of such date exceed the then current value of the assets of such plan allocable to such benefits. The amount by which the aggregate vested benefit obligations for the qualified pension plans of the Company and its Subsidiaries, determined as of the end of the fiscal year ended December 31, 1990, exceed the aggregate fair value of the assets of such plans determined as of the end of such fiscal year, is less than $3,000,000. No liability to the Pension Benefit Guaranty Corporation (other than required insurance premiums, all of which, to the extent due and payable, have been paid) has been incurred with respect to any such plan and there has not been any reportable event within the meaning of ERISA, or any other event or condition, which presents a material risk of termination of any such plan by the Pension Benefit Guaranty Corporation. To the knowledge of the Company after reasonable investigation, neither the Department of Labor, the Internal Revenue Service nor any other Governmental Body has determined that any such plan or any trust created thereunder, or any trustee or administrator thereof, has engaged in a "prohibited transaction" (as defined in Section 4975 of the Code) with respect to any such plan that could subject any such plan, trust, trustee, administrator, the Company or any Commonly Controlled Entity to any material tax or penalty on prohibited transactions imposed under said Section 4975 or Section 502(i) of ERISA, and the Company is not aware of any facts that would constitute such a prohibited transaction. Neither the execution, delivery or performance by the Company of the Agreements nor the delivery by the Company of the Substitute Notes nor the assumption by the Company of

the Existing Notes will involve any prohibited transaction (as so defined). The representation by the Company in the immediately preceding sentence is made in reliance upon and subject to the accuracy of your representation, if any, contained in Section 1.4 of each Existing Note Purchase Agreement to which you are a party and the representation by the Company in the immediately preceding sentence is expressly conditioned thereupon. Neither the Company nor any Commonly Controlled Entity is making or accruing, or has made or accrued, an obligation to make contributions to any Multiemployer Plan. For purposes hereof, (i) "Commonly Controlled Entity" shall mean any trade or business, whether or not incorporated, which is under common control with the Company (within the meaning of Section 414(b) or (c) of the Code); and (ii) "Multiemployer Plan" shall mean a "multiemployer plan," as defined in Section 4001(a)(3) of ERISA.

2.12. No Public Offering by the Company; No Fees Paid. Neither the Company nor Dillon, Read & Co. Inc. (the only Person authorized by the Company to act on its behalf in connection with the assumption by the Company of the Existing Notes and the amendment of the Existing Note Purchase Agreements) has offered the Substitute Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than you, the Other Holders and The Equitable Life Assurance Society of the United States, Equitable Variable Life Insurance Company and Equitable General Insurance Company. Neither the Company nor anyone acting on its behalf has taken, or will take, any action which would subject the assumption of the Existing Notes or the delivery of the Substitute Notes by the Company as contemplated by the Agreements, to Section 5 of the Securities Act. As used in this Section 2.12, the term "Substitute Notes" shall mean the Substitute Notes to be executed and delivered under the Agreements and any similar security or securities. The Company has not paid, nor agreed to pay, to Dillon, Read & Co. Inc. or to any other Person (including, without limitation, the Other Holders) any fee or other compensation (other than for reimbursement for out-of-pocket expenses, if any) in connection with the assumption by the Company of the Existing Notes, the amendment of the Existing Note Purchase Agreements or the restructuring of any other debt of the Company and its Subsidiaries.

2.13. Solvency. The Company is, and upon giving effect to the assumption of the Existing Notes will be, a "solvent institution," as said term is used in Section 1405(c) of the New York Insurance Law, whose "obligations are not in default as to principal or interest," as said terms are used in said Section 1405(c).

2.14. Use of Proceeds; Margin Regulations. No part of the proceeds from the sale of the Existing Notes was used, directly or indirectly, by the Company or any Subsidiary for the purpose of purchasing or carrying any margin stock within the meaning of Regulation G of the Board of Governors of the Federal Reserve System (12 CFR 207, as amended), or for the purpose of purchasing or carrying or trading in any securities under such circumstances as to involve the Company or any Subsidiary in a violation of Regulation X of said Board (12 CFR 224, as amended) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220, as amended). The assets of the Company and its Subsidiaries do not consist to the extent of 25% or more of margin stock, and the Company has no present intention of acquiring margin stock to the extent of 25% or more of its assets, and in no event under any circumstances during the term of the Agreements will 25% or more of the assets of the Company and its Subsidiaries consist of margin stock. As used in this Section, the term "margin stock" shall have the meaning assigned to it in the aforesaid Regulation G.

2.15. Existing Debt. Annexed hereto as Exhibit C is a complete and correct list of all secured and unsecured Debt of the Company and its Restricted Subsidiaries as of the date hereof, showing as to each item of such Debt the obligor, the aggregate principal amount outstanding on the date specified in Exhibit C, the final maturity date of such Debt, and a brief description of any security therefor. With respect to each item of Debt of the Company listed in Exhibit C, the Company has delivered to your special counsel named in Section 3.2 a true and complete copy of each instrument evidencing any such Debt in excess of $100,000 or pursuant to which any such Debt in excess of $100,000 was issued or secured (including each amendment, consent, waiver or similar instrument in respect thereof), as the same is in effect on the date hereof. Neither the Company nor any Subsidiary is in default in the performance or observance of any of the terms, covenants or conditions contained in any of said instruments and neither the Company nor any Restricted Subsidiary is in default with respect to any Debt listed in Exhibit C, and no event has occurred and is continuing which, with notice or the lapse of time or both, would become such a default.

2.16. Existing Investments. Annexed hereto as Exhibit D is a complete and correct list of Investments of the Company and its Restricted Subsidiaries as of the date specified in Exhibit D, other than Investments of the character specified in Subsection (a) of the definition of "Restricted Investment" set forth in Section 8.1.

2.17. Foreign Assets Control Regulations, etc. Neither the Company nor any of its Subsidiaries is a "national" of any foreign country designated in the Foreign Assets Control Regulations, the Transaction Control Regulations, the Foreign Funds Control Regulations, the Iranian Assets Control Regulations, the Cuban Assets Control Regulations, the Nicaraguan Trade Control Regulations or the Libyan Sanctions Regulations of the United States Treasury Department (31 CFR Subtitle B, Chapter V, as amended). None of the proceeds of the sale of the Existing Notes under the Existing Note Purchase Agreements has been or will be used, directly or indirectly, for the purpose of engaging in any transaction which violates any of said Regulations or which violates the Foreign Funds Control Regulations or the Transaction Control Regulations of the United States Treasury Department (31 CFR Subtitle B, Chapter V, as amended), or any regulation or ruling issued thereunder.

2.18. Status Under Certain Statutes. The Company is not an "investment company" or a Person directly or indirectly "controlled" by or "acting on behalf of" an investment company within the meaning of the Investment Company Act of 1940, as amended. The Company is not a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

2.19. Environmental Matters. (a) The Company and its Subsidiaries currently are in compliance with all applicable Environmental Laws except to the extent failure to comply has not had and will not have a material adverse effect on the Company or the Company and its Subsidiaries, taken as a whole.

(b) Neither the Company nor any Subsidiary has any knowledge of any events, conditions or circumstances that could reasonably be expected to give rise to any liability on the part of the Company or any Subsidiary based on or related to (i) a violation of any Environmental Law or (ii) the presence on, in, under or above the Company Premises of any Hazardous Substance, other than any such liabilities referred to in this Subdivision (b) that will not have, either in any one case or in the aggregate, a material adverse effect on the Company or the Company and its Subsidiaries, taken as a whole.

2.20. Representations in Existing Note Purchase Agreements. The representations and warranties of the Issuing Subsidiaries contained in the Existing Note Purchase Agreements or otherwise made in writing by or on behalf of the Issuing Subsidiaries pursuant to the Existing Note Purchase Agreements were true on and as of the date first made.

SECTION 3. CONDITIONS OF CLOSING. Your obligation to consent to the assumption of the Existing Notes, the release of the Issuing Subsidiaries and the amendment and restatement of the Existing Note Purchase Agreements as provided in Section 1.2 shall be subject to the conditions hereinafter set forth:

3.1. Proceedings Satisfactory. All proceedings taken in connection with the assumption by the Company of the Existing Notes, the amendment and restatement of the Existing Note Purchase Agreements, the delivery of the Substitute Notes and the consummation of the transactions contemplated hereby and all documents and papers relating thereto shall be satisfactory to you and your special counsel, and you and your special counsel shall have received copies of such documents and papers, all in form and substance satisfactory to you and your special counsel, as you or they may reasonably request in connection therewith.

3.2. Opinions of Counsel. You shall have received opinions, each dated the Effective Date, addressed to you and satisfactory in form, scope and substance to you from (a) Anne W. Wooten, Esq., Corporate Counsel of the Company, substantially in the form of Exhibit E and covering such other matters as you or your special counsel may reasonably request, and (b) Breed, Abbott & Morgan, your special counsel in connection with the transactions contemplated by this Agreement, covering such matters as you may reasonably request.

3.3. Representations True, etc.; Officers' Certificate. All representations and warranties of the Company contained in this Agreement or otherwise made in writing by or on behalf of the Company in connection with the transactions contemplated hereby shall (except as affected by the consummation of such transactions) be true on and as of the Effective Date with the same effect as though such representations and warranties had been made on and as of the Effective Date; the Company shall have performed all agreements on its part required to be performed under the Agreements on or prior to the Effective Date; no Default or Event of Default under this Agreement nor any Default or Event of Default (under and as defined in the Existing Note Purchase Agreements) shall have occurred and be continuing; since the date of the most recent audited balance sheets referred to in Section 2.4, neither the Company nor any Subsidiary shall have consolidated with, merged into, or sold, leased or otherwise disposed of its properties as an entirety or substantially as an entirety to

any Person (other than the merger of the Company and Lennox International Inc., an Iowa corporation, described in Section 2.1); and you shall have received a certificate signed by the Chief Executive Officer, a Vice President or the Treasurer of the Company and by the Secretary or an Assistant Secretary of the Company, dated the Effective Date, certifying to the effects specified in this Section.

3.4. Legality. On the Effective Date the Substitute Notes to be delivered to you hereunder shall be a legal investment for you under the laws of each jurisdiction to which you may be subject, without resort to any basket provision of said laws such as New York Insurance Law Section 1405(a)(8), and you shall have received such certificates or other evidence as you may reasonably request demonstrating the legality of such investment under such laws.

3.5. Absence of Certain Events. There shall not have occurred any material adverse change in the assets, liabilities, business, operations, properties or condition (financial or otherwise) of the Company or of the Company and its Subsidiaries, taken as a whole, from that reflected in the most recent audited financial statements referred to in Section 2.4, copies of which shall have been delivered to you.

3.6. Other Agreements, etc. The Other Agreements shall have been duly entered into and become effective.

3.7. Private Placement Number. Each Series of Substitute Notes shall have been assigned a private placement number by Standard and Poor's CUSIP Service Bureau.

3.8. Ratings. On or prior to the Effective Date, the Substitute Notes shall have been rated "2" or better by the National Association of Insurance Commissioners and satisfactory evidence of such rating shall have been delivered to you and your special counsel.

3.9. Prepayment of Industries 9.05% Promissory Notes. Industries shall have prepaid in full its 9.05% Promissory Notes due December 1, 1992, and you shall have received evidence satisfactory to you of such prepayment.

3.10. Bank Credit Agreement. On or prior to the Effective Date the Company shall have entered into an unsecured revolving credit facility with one or more commercial banks, in form and substance satisfactory to you and your special counsel, pursuant to which the Company shall be entitled to borrow not more than $80,000,000, a true and complete copy of which shall have been delivered to you and your special counsel.

3.11. Fees Payable at Closing. Your special counsel shall have received the legal fees and expenses required to be paid or reimbursed by the Company, as provided in Section 16.1, in connection with their preparation and review of the Agreements and documents and papers relating thereto and negotiations and other matters in connection therewith, and for which the Company shall have received invoices on or prior to the second Business Day preceding the Effective Date.

SECTION 4. PREPAYMENT, PAYMENT AND PURCHASE OF THE SUBSTITUTE NOTES.

4.1. Mandatory Prepayments of the Substitute Notes; Payment at Maturity. The provisions of the Substitute Notes with respect to mandatory prepayment shall be identical to the provisions with respect to mandatory prepayment of the Existing Notes, as follows:

(a) Series B Notes. On December 1, 1992 and on each December 1 thereafter to and including December 1, 1995 (so long as any of the Series B Notes shall be outstanding), the Company will prepay $2,000,000 in aggregate principal amount of the Series B Notes (or, if less, the unpaid balance thereof). On December 1, 1996, the Company will in any event pay the entire remaining unpaid principal amount of the Series B Notes together with all interest accrued thereon.

(b) Series C Notes. On December 1, 1993 and on each December 1 thereafter to and including December 1, 1996 (so long as any of the Series C Notes shall be outstanding), the Company will prepay $5,000,000 in aggregate principal amount of the Series C Notes (or, if less, the unpaid balance thereof). On December 1, 1997, the Company will in any event pay the entire remaining unpaid principal amount of the Series C Notes together with all interest accrued thereon.

(c) Series D Notes. On December 1, 1993 and on each December 1 thereafter to and including December 1, 1997 (so long as any of the Series D Notes shall be outstanding), the Company will prepay $5,000,000 in aggregate principal amount of the Series D Notes (or, if less, the unpaid balance thereof). On December 1, 1998, the Company will in any event pay the entire remaining unpaid principal amount of the Series D Notes together with all interest accrued thereon.

(d) Series E Notes. On December 1, 1992 and on each December 1 thereafter to and including December 1, 1997 (so long as any of the Series E Notes shall be outstanding), the Company will prepay $1,428,571 in aggregate principal amount of the Series E Notes (or, if less, the unpaid balance thereof). On December 1, 1998, the Company will in any event pay the entire remaining unpaid principal amount of the Series E Notes together with all interest accrued thereon.

(e) Series F Notes. The Company will, on December 1, 1999, prepay $10,000,000 in aggregate principal amount of the Series F Notes (or, if less, the unpaid balance thereof) and on December 1, 2000, prepay $8,000,000 in aggregate principal amount of the Series F Notes (or, if less, the unpaid balance thereof). On December 1, 2001, the Company will in any event pay the entire remaining unpaid principal amount of the Series F Notes together with all interest accrued thereon.

(f) Series G Notes. On December 1, 1994 and on each December 1 thereafter to and including December 1, 2000 (so long as any of the Series G Notes shall be outstanding), the Company will prepay $3,875,000 in aggregate principal amount of the Series G Notes (or, if less, the unpaid balance thereof). On December 1, 2001, the Company will in any event pay the entire remaining unpaid principal amount of the Series G Notes together with all interest accrued thereon.

(g) Series H Notes. On December 1, 1993 and on each December 1 thereafter to and including December 1, 2002 (so long as any of the Series H Notes shall be outstanding), the Company will prepay $4,900,000 aggregate principal amount of the Series H Notes (or, if less, the unpaid balance thereof. On December 1, 2003, the Company will in any event pay the entire remaining unpaid principal amount of the Series H Notes together with all interest accrued thereon.

(h) Adjustment of Mandatory Prepayments, etc. Notwithstanding paragraphs (a) through (g) to the contrary, if any Substitute Note or Notes (but less than all the Substitute Notes) of a Series shall be purchased pursuant to Section 7.12, then the aggregate principal amount of the Substitute Notes of such Series required to be prepaid on any December 1 thereafter pursuant to this Section 4.1 shall be reduced to that amount which bears the same relation to the amount of such prepayment specified to be made on such December 1 (or such lower amount to which such required prepayment shall have theretofore been reduced in accordance with this paragraph (h)) as the aggregate principal amount of the Substitute Notes of such Series outstanding immediately

following said purchase pursuant to Section 7.12 bears to the aggregate principal amount of the Substitute Notes of such Series outstanding immediately prior to said purchase pursuant to Section 7.12. The Company covenants and agrees that it will, in the event of any reduction pursuant to this paragraph (h), promptly after the purchase giving rise to such reduction give to each holder of a Substitute Note or Notes of the Series affected written notice thereof, specifying in each such case the amounts of the respective mandatory prepayments due thereafter in respect of each Substitute Note held by such holder (giving effect to such reduction) and containing calculations demonstrating the method by which such reduction was effected. Each prepayment pursuant to this Section 4.1 shall be at 100% of the principal amount so to be prepaid, together with accrued interest thereon to the date of such prepayment, without premium.

4.2. Optional Prepayment of the Substitute Notes. The provisions of the Substitute Notes with respect to optional prepayment shall be identical to the provisions with respect to optional prepayment of the Existing Notes, as follows:

(a) Series B Notes. Upon notice given as provided in Section 4.4, the Company, at its option, may

(i) on any December 1 fixed for a mandatory prepayment of Series B Notes pursuant to Section 4.1(a), prepay an aggregate principal amount of the Series B Notes equal to the amount of such mandatory principal prepayment, or any lesser aggregate principal amount constituting a multiple of $100,000, in each case at the principal amount so to be prepaid, together with interest accrued thereon to the date of such prepayment, without premium; provided, however, that (A) the aggregate principal amount of the Series B Notes which may be prepaid in all prepayments pursuant to this Subsection shall not exceed $2,800,000 and (B) the privilege of the Company to make prepayments pursuant to this Subsection shall be non-cumulative, so that failure to exercise the same in whole or in part on any such December 1 shall not entitle the Company to increase the amount which may be prepaid on any subsequent December 1 in accordance with this Subsection (i); and

(ii) on or after December 1, 1993, prepay the Series B Notes as a whole, or from time to time in part (in multiples of $100,000), in each case at the principal amount so to be prepaid, together with interest accrued thereon to the date fixed for such prepayment, plus a premium equal to the applicable percentage of the principal amount so to be prepaid, determined as follows:

If Prepaid During 12-Month Period Beginning December 1	Applicable Percentage
1993	2.1222%
1994	1.0611%
1995	0%

(b) Series C Notes. Upon notice given as provided in Section 4.4, the Company, at its option, may

(i) on any December 1 fixed for a mandatory prepayment of Series C Notes pursuant to Section 4.1(b), prepay an aggregate principal amount of the Series C Notes equal to the amount of such mandatory principal prepayment, or any lesser aggregate principal amount constituting a multiple of $100,000, in each case at the principal amount so to be prepaid, together with interest accrued thereon to the date of such prepayment and without premium, which privilege shall be non-cumulative; provided, however, that the aggregate principal amount of the Series C Notes which may be prepaid in all prepayments pursuant to this Subsection shall not exceed $6,250,000; and

(ii) on or after December 1, 1993, prepay the Series C Notes as a whole, or from time to time in part (in multiples of $100,000), in each case at the principal amount so to be prepaid, together with interest accrued thereon to the date fixed for such prepayment, plus a premium equal to the applicable percentage of the principal amount so to be prepaid, determined as follows:

If Prepaid During 12 Month Period Beginning December 1	Applicable Percentage
1993	3.0136%
1994	2.0091%
1995	1.0045%
1996	0%

(c) Series D Notes. Upon notice given as provided in Section 4.4, the Company, at its option, may

(i) on any December 1 fixed for a mandatory prepayment of Series D Notes pursuant to Section 4.1(c), prepay an aggregate principal amount of the Series D Notes equal to the amount of such mandatory

principal prepayment, or any lesser aggregate principal amount constituting a multiple of $100,000, in each case at the principal amount so to be prepaid, together with interest accrued thereon to the date of such prepayment and without premium; provided, however, that (A) the aggregate principal amount of the Series D Notes which may be prepaid in all prepayments pursuant to this Subsection shall not exceed $8,750,000 and (B) the privilege of the Company to make prepayments pursuant to this Subsection shall be non-cumulative so that failure to exercise the same in whole or in part on any such December 1 shall not increase the amount which may be prepaid on any subsequent December 1 in accordance with this Subsection; and

(ii) on or after December 2, 1996, prepay the Series D Notes as a whole, or from time to time in part (in multiples of $100,000), in each case at the principal amount so to be prepaid, together with interest accrued thereon to the date fixed for such prepayment, plus a prepayment premium equal to the applicable percentage of the principal amount so to be prepaid, determined as follows:

If Prepaid During 12-Month Period Beginning December 2	Applicable Percentage
1996	1.0667%
1997	0%

(d) Series E Notes. Upon notice given as provided in Section 4.4, the Company, at its option, may

(i) on any December 1 fixed for a mandatory prepayment of Series E Notes pursuant to Section 4.1(d), prepay an aggregate principal amount of the Series E Notes equal to the amount of such mandatory principal prepayment, or any lesser aggregate principal amount constituting a multiple of $100,000, in each case at the principal amount so to be prepaid, together with interest accrued thereon to the date of such prepayment, without premium; provided, however, that (A) the aggregate principal amount of the Series E Notes which may be prepaid in all prepayments pursuant to this Subsection shall not exceed $2,000,000 and (B) the privilege of the Company to make prepayments pursuant to this Subsection shall be non-cumulative so that failure to exercise the same in whole or in part on any such December 1, shall not entitle the Company to increase the amount which may be prepaid on any subsequent December 1 in accordance with this Subsection; and

(ii) on or after December 1, 1995, prepay the Series E Notes as a whole, or from time to time in part (in multiples of $100,000), in each case at the principal amount so to be prepaid, together with interest accrued thereon to the date fixed for such prepayment, plus a premium equal to the applicable percentage of the principal amount so to be prepaid, determined as follows:

If Prepaid During 12-Month Period Beginning December 1	Applicable Percentage
1995	2.2556%
1996	1.1278%
1997	0%

(e) Series F Notes. Upon notice given as provided in Section 4.4, the Company, at its option, may, on or after August 2, 2000, prepay the Series F Notes as a whole, or from time to time in part (in multiples of $100,000), in each case at the principal amount so to be prepaid, together with interest accrued thereon to the date fixed for such prepayment, plus, in the case of any such prepayment made on or after August 2, 2000 and prior to December 2, 2000, a prepayment premium equal to 0.866% of the principal amount so to be prepaid.

(f) Series G Notes. Upon notice given as provided in Section 4.4, the Company, at is option, may

(i) on any December 1 fixed for a mandatory prepayment of Series G Notes pursuant to Section 4.1(f), prepay an aggregate amount of Series G Notes equal to the amount of such mandatory prepayment or any lesser aggregate principal amount constituting an integral multiple of $100,000, in each case at the principal amount so to be prepaid, together with interest accrued thereon to the date of such prepayment and without premium; provided, however, that (A) the aggregate principal amount of the Series G Notes which may be prepaid in all prepayments pursuant to this Subsection shall not exceed $7,750,000 and (B) the privilege of the Company to make prepayments pursuant to this Subsection shall be non-cumulative so that failure to exercise the same in whole or in part on any such December 1 shall not increase the amount which may be prepaid on any subsequent December 1 in accordance with this Subsection; and

(ii) on or after December 2, 1996, prepay the Series G Notes as a whole, or from time to time in part (in integral multiples of $100,000), in each case at

the principal amount so to be prepaid, together with interest accrued thereon to the date fixed for such prepayment, plus a prepayment premium equal to the applicable percentage of the principal amount so to be prepaid, determined as follows:

If Prepaid During 12-Month Period Beginning December 2	Applicable Percentage
1996	3.4546%
1997	2.5909%
1998	1.7273%
1999	0.8636%
2000	0%

(g) Series H Notes. Upon notice given as provided in Section 4.4, the Company, at its option, may, on or after December 2, 1999, prepay the Series H Notes as a whole, or from time to time in part (in multiples of $100,000), in each case at the principal amount so to be prepaid, together with interest accrued thereon to the date fixed for such prepayment, plus a premium equal to the applicable percentage of the principal amount so to be prepaid, determined as follows:

If Prepaid During 12-Month Period Beginning December 2	Applicable Percentage
1999	2.235%
2000	1.490%
2001	0.745%
2002	0%

(h) Mandatory Prepayments Not Affected; etc. No prepayment of less than all the Substitute Notes of any Series pursuant to this Section 4.2 shall relieve the Company of its obligation to make (nor shall it reduce the amount of) the prepayments of principal on the Substitute Notes of such Series required by Section 4.1. Each partial prepayment made pursuant to this Section 4.2 shall be allocated as provided in Section 4.5.

4.3. Special Purchase of Substitute Notes. The Company shall be required to purchase Substitute Notes of each holder thereof which shall have replied affirmatively to an offer to purchase the same given as contemplated by Section 7.12, such purchase to be made at the price and on the date and otherwise as provided in Section 7.12.

4.4. Notice of Prepayment. The Company shall call the Substitute Notes of any Series for prepayment pursuant to Section 4.2 by giving written notice thereof to each holder of an outstanding Substitute Note of such Series, which notice shall be given not less than 30 nor more than 60 days prior to the date fixed for such prepayment in such notice and shall specify the amount so to be prepaid, together with the premium (if any) to be paid thereon and the date fixed for such prepayment. Each such notice of prepayment shall be accompanied by a certificate of an authorized financial officer of the Company stating the facts showing compliance with the provisions of Section 4.2. Upon the giving of notice of any prepayment as provided in this Section 4.4, the Company will prepay on the date therein fixed for prepayment the principal amount of the Substitute Notes of the Series so to be prepaid as specified in such notice, together with interest accrued thereon to such date fixed for prepayment, plus the applicable premium (if any).

4.5. Allocation of Prepayments. In the event of any prepayment pursuant to Section 4.1 or 4.2 of less than all of the outstanding Substitute Notes of any Series, the Company will allocate the principal amount so to be prepaid (but only in units of $1,000) among the Substitute Notes of such Series in proportion, as nearly as may be, to the respective principal amounts thereof not theretofore called for prepayment.

4.6. Surrender of Substitute Notes. Any Substitute Note paid or prepaid in full shall thereafter be surrendered to the Company upon its written request therefor and canceled and not reissued.

4.7. Purchase of Substitute Notes. The Company will not, and will not permit any Affiliate to, acquire directly or indirectly by purchase or prepayment or otherwise any of the outstanding Substitute Notes except by way of payment, prepayment or purchase in accordance with the provisions of the Substitute Notes and the Agreements.

4.8. Maturity. In the case of each prepayment of Substitute Notes, whether required or optional, the principal amount of each Substitute Note to be prepaid shall become due and payable on the date fixed for such prepayment together with interest accrued on such principal amount to such date and the applicable prepayment premium, if any.

SECTION 5. FINANCIAL STATEMENTS AND INFORMATION. The Company will furnish to you and to any of your Affiliates, so long as you or such Affiliate shall hold any of the Substitute Notes, and (upon request) to each other Qualified Institutional Holder of any Substitute Notes, in duplicate:

(a) as soon as available and in any event within 45 days after the end of the first, second and third quarterly accounting periods in each fiscal year of the Company,

(i) copies of a consolidated and consolidating balance sheet of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries as of the end of such accounting period and of the related consolidated and consolidating statements of income and stockholder's equity and cash flows of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries for the portion of the fiscal year ended with the last day of such quarterly accounting period, all in reasonable detail and stating, in the case of such consolidated statements, in comparative form the respective figures for the corresponding date and period in the previous fiscal year, and certified by the principal financial officer of the Company, in the case of such consolidated statements, as having been prepared in accordance with GAAP and as presenting fairly the information contained therein, subject to year-end and audit adjustments and, in the case of such consolidating statements, as being fairly stated in all material respects in relation to the consolidated financial statements for such period as a whole, subject to year-end and audit adjustments,

(ii) a written statement of such financial officer of the Company setting forth computations in reasonable detail showing, as of the date of such balance sheet, (A) the ratio of Current Assets to Current Liabilities, (B) the amount of Net Worth and Total Capitalization, (C) the maximum amount of additional Debt and Restricted Debt which the Company could have incurred under Section 7.4 and the outstanding amount of Debt and Restricted Debt of the Company and each Restricted Subsidiary and (D) the amount available for Restricted Payments and Restricted Investments in compliance with Section 7.6, and

(iii) a written discussion and analysis by management of the financial condition and results of operations of the line of business conducted by each Issuing Subsidiary and its Subsidiaries for such accounting period;

(b) as soon as available and in any event within 120 days after the end of each fiscal year of the Company,

(i) copies of a consolidated and consolidating balance sheet of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries as of the end of such fiscal year and of the related consolidated and consolidating statements of income and stockholder's equity and cash flows of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries for such fiscal year, all in reasonable detail and stating in comparative form the respective figures as of the end of and for the previous fiscal year, accompanied, in the case of such consolidated statements, by an unqualified report thereon of Coopers & Lybrand, or other independent certified public accountants of recognized national standing selected by the Company (which report shall contain a statement to the effect that such consolidated financial statements present fairly the financial position of the corporation or corporations being reported upon as at the dates indicated and the results of operations and cash flows of such corporation or corporations for the periods indicated and have been prepared in accordance with GAAP applied on a basis consistent with prior years (except for changes in application in which such accountants concur and which are noted in such financial statements) and that the audit by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards at the time in effect, and accordingly included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances) and, in the case of such consolidating statements, either certified by the principal financial officer of the Company as fairly stating, or accompanied by a report thereon by such accountants containing a statement to the effect that

such consolidating financial statements fairly state, the financial position of the corporations being reported on in all material respects in relation to the consolidated financial statements for the periods indicated as a whole,

(ii) a written statement of the accountants referred to in Clause (i) above

(A) setting forth computations in reasonable detail showing, as of the date of such balance sheet, (1) the ratio of Current Assets to Current Liabilities, (2) the amount of Net Worth and Total Capitalization, (3) the maximum amount of additional Debt and Restricted Debt which the Company could have incurred under Section 7.4 and the outstanding amount of Debt and Restricted Debt of the Company and each Restricted Subsidiary, and (4) the amount available for Restricted Payments and Restricted Investments in compliance with Section 7.6, and

(B) stating that in making the examination necessary for their report on such financial statements they obtained no knowledge of any default by the Company in the observance of any of the covenants contained in Section 7 or, if such accountants shall have obtained knowledge of any such default, specifying all such defaults and the nature and status, and

(iii) a written discussion and analysis by management of the financial condition and results of operations of the line of business conducted by each Issuing Subsidiary and its Subsidiaries for such accounting period;

(c) concurrently with the financial statements for each quarterly accounting period and for each fiscal year of the Company furnished pursuant to Subsections (a) and (b) of this Section,

(i) a certificate signed by the President or a Vice President and by the Treasurer of the Company stating that, based upon such examination or investigation and

review of the Agreements as in the opinion of the signers is necessary to enable the signers to express an informed opinion with respect thereto, to the best knowledge of said signers, the Company is not and has not during such period been in default in the performance or observance of any of the terms, covenants or conditions hereof, or, if the Company shall be or shall have been in default, specifying all such defaults, and the nature and period of existence thereof, and what action the Company has taken, is taking or proposes to take with respect thereto; provided that it shall not be necessary for any such certificate to be signed by more than one of the officers of the Company listed in this Subsection (c)(i) if the officer so signing shall have been approved for that purpose in writing by the holder or holders of not less than 66-2/3% in aggregate principal amount of all the Substitute Notes outstanding and Mr. Clyde Wyant, Executive Vice President, Chief Financial Officer and Treasurer of the Company is hereby approved by you for such purpose,

(ii) a written statement of the principal financial officer of the Company setting forth computations showing in reasonable detail (A) the aggregate book value of property of the Company and its Restricted Subsidiaries subject to sale-leaseback transactions permitted by Section 7.7, and (B) the book value of assets of the Company and its Restricted Subsidiaries sold since the Effective Date and since the first day of such fiscal year, and

(iii) a written statement of the principal financial officer of the Company that, to the best of his knowledge after due inquiry, except as otherwise disclosed in writing to you, there is no litigation (including derivative actions), arbitration proceeding or governmental proceeding pending to which the Company or any Subsidiary is a party, or with respect to the Company or any Subsidiary or their respective properties, which has a significant possibility of

materially and adversely affecting the business, operations, properties or condition of the Company or of the Company and its Subsidiaries taken as a whole;

(d) promptly after the same are available and in any event within 15 days thereafter (if the Company or any Subsidiary shall have become registered under Section 12 of the Exchange Act) copies of all such proxy statements, financial statements and reports as the Company or such Subsidiary shall send or make available generally to any of its security holders and copies of all regular and periodic reports and of all registration statements (other than on Form S-8 or a similar form) which the Company or such Subsidiary may file with the Commission or with any securities exchange;

(e) within 15 days after the end of each fiscal month, a complete copy of any written agreements entered into by the Company during such fiscal month amending, modifying, waiving or supplementing any financial covenant set forth in an agreement or instrument evidencing Debt of the Company in an aggregate unpaid principal amount of $10,000,000 or more (together with a copy of the agreement or instrument so amended, modified, waived or supplemented if not previously furnished by the Company), provided, that if the Company shall be a party to any agreement providing a holder of Debt of the Company with greater rights with respect to delivery of amendments, modifications, waivers or supplements to agreements or instruments of the Company evidencing Debt than are provided to you above in this paragraph (e), the Company shall give prompt written notice of such fact to each holder of a Substitute Note, each such holder shall be entitled to the benefit of such greater rights and this Agreement shall be deemed modified to the extent required to provide such greater rights;

(f) promptly upon any officer of the Company (i) obtaining knowledge of any condition or event which constitutes a Default or an Event of Default, or becoming aware that the holder of any Substitute Note has given any written notice expressly asserting the occurrence of a Default or Event of Default, a statement by the principal financial officer of the Company specifying in reasonable detail the nature and period of

existence thereof and what action the Company has taken or is taking or proposes to take with respect thereto, or (ii) becoming aware that the holder of any Substitute Note has taken any other action with respect to a claimed Default or Event of Default or that any holder of any Debt referred to in Section 9.1(d) has given any notice to the Company or any Restricted Subsidiary or taken any other action with respect to a claimed default under or in respect of any such Debt or with respect to the occurrence or existence of any event or condition of the type referred to in Section 9.1(e) or 9.1(f), a statement by the principal financial officer of the Company specifying in reasonable detail the nature and period of existence thereof and what action the Company has taken or is taking or proposes to take with respect thereto, provided, that if the Company shall be a party to any agreement providing a holder of Debt of the Company with greater rights with respect to notices of the events described above in this paragraph (f) than are provided to you above in this paragraph (f) or in Section 9.1(c) with respect to this paragraph (f), the Company shall give prompt written notice of such fact to each holder of a Substitute Note, each such holder shall be entitled to the benefit of such greater rights and this Agreement shall be deemed modified to the extent required to provide such greater rights;

(g) promptly upon receipt thereof (and in any event within five Business Days thereafter), copies of the management letter submitted to the Company by its independent public accountants in connection with the annual audit of the Company and its Subsidiaries made by such accountants for the fiscal year ended December 31, 1991;

(h) promptly upon entering into any agreement or instrument evidencing Debt of the Company or any Restricted Subsidiary (other than any agreement providing for automatic modification thereof in substantially the same form as Section 9.1(d) of this Agreement) which provides that the holder of any such Debt may declare such Debt to be due and payable prior to the scheduled maturity thereof as a result of the occurrence of any default in the performance of any term or condition contained in the agreement or instrument evidencing any other Debt of the Company or any Restricted Subsidiary (regardless of whether such other Debt shall have been declared due and

payable prior to the stated maturity thereof), written notice to such effect, making reference in such notice to Section 9.1(d) of this Agreement; and

(i) such other information, including financial statements and computations relating to the performance of the provisions of this Agreement and the affairs of the Company, as may from time to time be reasonably requested by you or your Affiliates or a Qualified Institutional Holder.

The Company will keep at its principal executive office true copies of the Agreements (as from time to time in effect), and cause the same to be available for inspection at said office during normal business hours by any holder of a Substitute Note or any prospective purchaser of a Substitute Note designated by a holder thereof.

SECTION 6. INSPECTION OF PROPERTIES AND BOOKS.

(a) So long as you or your nominee or any other Qualified Institutional Holder holds any of the Substitute Notes, your or such Qualified Institutional Holder's representatives shall have the right to visit and inspect any of the properties of the Company and its Restricted Subsidiaries in the presence of an officer of the Company, to examine the books of account and records of the Company and its Restricted Subsidiaries, to make copies and extracts therefrom, to discuss the affairs, finances and accounts of the Company and its Restricted Subsidiaries with, and to be advised as to the same by, its officers and (in the presence of an officer of the Company) key employees, and its independent public accountants, all at such times and intervals as you or such other Qualified Institutional Holder may reasonably desire. The Company will likewise afford your and such Qualified Institutional Holder's representatives the opportunity to obtain any information, to the extent the Company or any Restricted Subsidiary possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of any of the representations and warranties made by the Company hereunder.

(b) You agree, and (by its acceptance of any Substitute Note) each other holder of Substitute Notes shall be deemed to have agreed, to hold in confidence all information furnished pursuant to the Agreements and relating to the Company or any of its Subsidiaries which was designated in writing as "confidential" at the time the same was furnished, provided, however, that you or such other holder may disclose any information, irrespective of whether

or not such information shall have been designated as "confidential", (i) to actual or prospective purchasers of the Substitute Notes or any participations therein, (ii) to prospective assignees pursuant to Section 16.3, (iii) pursuant to or in connection with any action, suit or proceeding by, or any statute, rule or regulation of, any Governmental Body, (iv) pursuant to any Order of any court, arbitrator or Governmental Body or as otherwise required by law, (v) to your auditors, to the extent required in the course of their audit, to your counsel or to the National Association of Insurance Commissioners or similar associations or authorities, or (vi) to the extent necessary in the enforcement of your rights hereunder and under the Substitute Notes during the continuance of a Default or Event of Default; and the Company, for itself and on behalf of its Subsidiaries, expressly consents to the disclosure of any such information to any of such Persons (and under any such circumstances) contemplated in this Section; provided, further, however, that any Person to whom any such information shall be disclosed pursuant to Clause (i) or (ii) of this Subsection shall agree with you or such other holder of Substitute Notes to likewise be bound by and subject to the provisions of this Section.

(c) Anything herein to the contrary notwithstanding, neither the Company nor any of its Subsidiaries shall have any obligations to disclose pursuant hereto any engineering, scientific, or other technical data without significance to your analysis of the financial position of the Company and its Subsidiaries.

SECTION 7. COVENANTS. The Company covenants and agrees that from the date of the Agreements to the Effective Date and thereafter so long as any Substitute Note shall be outstanding:

7.1. Payment of Principal, Premium and Interest; Maintenance of Books and Reserves. The Company will duly and punctually pay the principal of, premium (if any) and interest on the Substitute Notes in accordance with the terms of the Substitute Notes and the Agreements. The Company will, and will cause each of its Restricted Subsidiaries to, keep proper books of record and account and set aside appropriate reserves, all in accordance with GAAP.

7.2. Payment of Taxes; Corporate Existence; Maintenance of Properties; Compliance with Laws. The Company will, and will cause each of its Subsidiaries to,

(a) subject to Section 7.10, do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its licenses, rights (charter and statutory)

and franchises to the extent the same are material and the termination thereof would be adverse to the Company, or to the Company and its Restricted Subsidiaries taken as a whole, or to the ability of the Company to perform the Agreements and discharge its obligations on the Substitute Notes; and the Company will maintain its principal office at a location in the United States of America where notices, presentations and demands in respect of this Agreement and the Substitute Notes may be made upon it and will notify, in writing, each holder of a Substitute Note of any change of location of such office and such office shall be maintained at 2100 Lake Park Boulevard, Richardson, Texas, 75080, until such time as the Company shall so notify the holders of the Substitute Notes of any such change;

(b) pay and discharge or cause to be paid and discharged all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or upon any of its property, real, personal or mixed, or upon any part thereof, when due, as well as all lawful claims for labor, materials and supplies which, if unpaid, might by law become a Lien upon its property; provided, however, that neither the Company nor any Subsidiary shall be required to pay any such tax, assessment, charge, levy or claim if the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings, and if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor;

(c) maintain and keep, or cause to be maintained and kept, all material properties used or useful in the business of the Company and its Subsidiaries in good repair, working order and condition, and from time to time make or cause to be made all repairs, renewals, replacements and improvements which are necessary in connection with the proper and advantageous conduct of such business; and

(d) use its best efforts to comply in all material respects with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, any governmental agency, in respect of the conduct of its business and the ownership of its properties (including, without limitation, applicable statutes, regulations and orders relating to equal employment opportunities), except such as are being contested in good faith by appropriate proceedings.

7.3. Insurance. The Company will insure and keep insured, and will cause each of its Subsidiaries to insure and keep insured, with financially sound and reputable insurers, so much of their respective properties, and such insurance shall be of such type and in such amounts (and with such deductibles), as similarly situated manufacturing companies in accordance with good business practice customarily insure properties of a similar character against loss by fire and from other causes. In addition, the Company will, and will cause each Subsidiary to, maintain public liability insurance with financially sound and reputable insurers or maintain a program of self-insurance covering claims for personal injury, death or property damage suffered by others upon or in or about any premises occupied by it or occurring as a result of its ownership, maintenance or operation of any automobiles, trucks or other vehicles, aircraft or other facilities or as a result of the use of products manufactured, constructed or sold by it or services rendered by it, in such amounts (and with such deductibles) as such insurance is usually maintained by companies engaged in a similar business and as is in accordance with good business practice, provided that the aggregate annual amount of such self-insurance maintained by the Company and its Subsidiaries shall not on any date exceed 5% of Net Worth as at the end of the most recently completed fiscal quarter.

7.4. Debt. The Company will not and will not permit any Restricted Subsidiary to, directly or indirectly, create, assume, incur, agree to purchase or repurchase or provide funds in respect of, or otherwise become or be directly or indirectly liable in respect of, by way of Guarantee or otherwise, any Debt, except that, subject in any event to the last paragraph of this Section 7.4:

(a) the Company may remain liable in respect of the Debt evidenced by the Substitute Notes;

(b) the applicable Restricted Subsidiaries may remain liable in respect of the Debt described as items C(4) and E(1) in Exhibit C, but may not extend, renew, refund or refinance any thereof except as otherwise permitted by another provision of this Section 7.4, provided that on the Effective Date the Debt evidenced by the Existing Notes shall be assumed by the Company as provided in Section 1.2;

(c) any Restricted Subsidiary may become and remain liable in respect of unsecured Debt of such Restricted Subsidiary owing to the Company or a Wholly-owned Restricted Subsidiary, and the Company may become and remain liable in respect of Subordinated Debt owing to a Wholly-owned Restricted Subsidiary; and

(d) the Company and any Restricted Subsidiary may become and remain liable in respect of additional Debt if on the date (the "Incurrence Date") on which the Company or such Restricted Subsidiary proposes to incur any such Debt, and after giving effect to such incurrence and the substantially concurrent incurrence of any other Debt and to the substantially concurrent retirement of any other Debt and to the application of the proceeds of all such Debt, Total Debt shall not exceed 55% of Total Capitalization; provided, however, that nothing in this Section 7.4(d) shall permit the Company or any Restricted Subsidiary to incur any Restricted Debt on any Incurrence Date unless, after giving effect to any such incurrence and to the substantially concurrent incurrence of any other Restricted Debt and to the substantially concurrent retirement of any Restricted Debt and to the application of the proceeds of all such Restricted Debt, the Restricted Debt Amount shall not exceed 10% of Total Capitalization.

For all purposes of this Section 7.4, (i) any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have incurred all of its then outstanding Debt at the time it becomes a Restricted Subsidiary and (ii) in the event the Company or any Restricted Subsidiary shall extend, renew, refund or refinance any Debt, the Company or such Restricted Subsidiary shall be deemed to have incurred such Debt at the time of such extension, renewal, refunding or refinancing. The Company will not in any event incur or permit to exist any Debt of the Company to a Restricted Subsidiary other than Subordinated Debt owing to a Wholly-owned Restricted Subsidiary.

7.5. Liens. The Company will not and will not permit any Restricted Subsidiary to, directly or indirectly, create, assume, incur or suffer to be created, assumed or incurred or to exist any Lien in respect of any property of any character owned by the Company or any Restricted Subsidiary (whether such property is held on the date hereof or hereafter acquired), except, subject in any event to the last paragraph of this Section 7.5 and to Subsection (d) of Section 7.4:

(a) Liens representing

(i) Liens for taxes or assessments or other governmental charges or levies, either not yet due and payable or to the extent that nonpayment thereof shall be permitted by the proviso to Section 7.2(b),

(ii) Liens created by or resulting from any litigation or legal proceeding which is currently being contested in good faith by appropriate proceedings diligently pursued, and

(iii) other Liens consisting of minor title defects affecting real property or which are otherwise incidental to the normal conduct of the business of the Company and its Restricted Subsidiaries or the ownership of their respective properties which do not secure Debt and which do not in the aggregate materially impair the use of such property in the operation of the business of the Company, or of the Company and its Restricted Subsidiaries taken as a whole, or materially impair the value of such property for the purposes of such business;

(b) Liens existing on the date of this Agreement specified in Exhibit C and securing the item or items of Debt indicated thereon; provided that the principal amount of the Debt secured by such Liens shall not be increased, or refinanced or refunded except as permitted under Section 7.4;

(c) Liens on assets of any Restricted Subsidiary securing Debt or other obligations of such Restricted Subsidiary owing to the Company or to a Wholly-owned Restricted Subsidiary; and

(d) Liens in addition to those permitted by the preceding clauses (a), (b) and (c) if, immediately after giving effect to the creation thereof, the Company shall be entitled to incur at least $1 of additional Debt constituting Restricted Debt under the proviso to Section 7.4(d).

For all purposes of this Section 7.5, any refunding or refinancing of any Lien by the Company or any Restricted Subsidiary shall be deemed to be an incurrence of such Lien at the time of such refunding or refinancing, and any Lien existing on any property or assets at the time it

or the Person owning it is acquired by the Company or any Restricted Subsidiary shall be deemed to have been created at the time of such acquisition. In the event that any property or assets of the Company or any Restricted Subsidiary shall become or be subject to a Lien not permitted by the foregoing clauses (a) through (d) of this Section 7.5, the Company shall make or cause to be made effective provision satisfactory to the holders of the outstanding Substitute Notes whereby the Substitute Notes will be secured equally and ratably with all other obligations secured thereby, and in any event, the Substitute Notes shall have the benefit, to the full extent that (and with such priority as) the holders thereof may be entitled under applicable law, of an equitable Lien on such property or asset; provided, however, that any Lien created, assumed, incurred or suffered to exist in violation of this Section 7.5 shall constitute an Event of Default whether or not the Company shall have made effective provision to secure the Substitute Notes equally and ratably with any such other obligations or the holders of Substitute Notes shall be entitled to such equal and ratable security or any such equitable Lien.

7.6. Dividends and Other Restricted Payments; Restricted Investments. The Company will not directly or indirectly (i) declare or pay any dividend, or make any distribution, on the Company's shares of any class, other than dividends or distributions payable in common shares of the Company, or (ii) make any other Restricted Payment, and the Company will not make and will not permit any Restricted Subsidiary to make any Restricted Investment, unless, on the date of declaration in the case of any proposed dividend and on the date of payment or distribution in the case of any proposed Restricted Payment (including any dividend) or Restricted Investment (the "Computation Date"), and after giving effect thereto,

(a) the aggregate amount of all Restricted Payments made during the period (taken as one accounting period) commencing on January 1, 1991 and ending on and including the Computation Date (the "Computation Period"), and of all Restricted Investments made during the Computation Period and outstanding on the Computation Date, shall not exceed an amount equal to the sum of

(i) $45,000,000, plus

(ii) 85% of the aggregate amount of Consolidated Net Income for each full fiscal year in the Computation Period for which Consolidated Net Income is positive, minus

(iii) 100% of the aggregate amount of Consolidated Net Income for each full fiscal year in the Computation Period for which there is a deficit,

plus 85% (or, in the case of a deficit, minus 100%) of Consolidated Net Income for any period in the Computation Period not included in Clause (ii) or (iii) above;

(b) no Event of Default or Default shall have occurred and be continuing; and

(c) the Company shall be entitled to incur at least $1 of additional Debt under Section 7.4(d).

The Company will not declare any dividend (other than dividends payable solely in shares of its common stock) on any shares of any class of its stock which is payable more than 90 days after the date of declaration thereof. For purposes of this Section 7.6, Investments owned by any Person or for which it is obligated at the time it becomes a Restricted Subsidiary shall be deemed to be made at the time such Person becomes a Restricted Subsidiary.

Notwithstanding any other provision of this Section 7.6 to the contrary, the Company may, at any time or from time to time, reacquire up to an aggregate amount of $15,000,000 of shares of its common stock in transactions qualifying as distributions under Section 303 of the Code if but only if (i) such acquisitions are at prices not exceeding the fair market value of the shares so acquired, in each case as determined in good faith by a resolution of the Board, and (ii) no Event of Default or Default shall have occurred and be continuing. The amount of said dividends shall not be subject to the limitations of this Section 7.6 or included in any future computations pursuant to this Section 7.6.

7.7. Sales and Leasebacks. The Company will not and will not permit any Restricted Subsidiary to, as part of the same transaction or series of related transactions, sell or otherwise transfer to any Person or Persons any item or items of property, whether now owned or hereafter acquired, having a book value in any one case or in the aggregate for all such property so transferred from and including the date hereof through the date of such transfer of $20,000,000 or more if the Company or such Restricted Subsidiary shall then or thereafter, as part of the same transaction or series of related transactions, rent or lease as lessee, or similarly acquire the right to possession or use of such property, or one or more properties which it intends to use for the same

purpose or purposes as such property, provided that the Company will not and will not permit any Restricted Subsidiary to enter into any transaction otherwise permitted by this Section 7.7 if the sale or other disposition of the property of the Company or a Restricted Subsidiary being transferred in such transaction would not at the time be permitted under Section 7.10.

7.8. Maintenance of Certain Financial Conditions. The Company will not permit:

(a) Current Assets as at the end of any fiscal quarter of the Company to be less than 150% of Current Liabilities as at end of such fiscal quarter;

(b) Net Worth as at the last day of any fiscal quarter of the Company to be less than the Minimum Amount for such fiscal quarter. For purposes of this Section 7.8(b), the "Minimum Amount" shall be (i) for the fiscal quarter ended December 31, 1991, $230,000,000, and (ii) for each fiscal quarter thereafter, the sum of the Minimum Amount for the immediately preceding fiscal quarter plus 15% (or 0% in the case of a deficit) of Consolidated Net Income for such immediately preceding fiscal quarter; or

(c) the aggregate vested benefit obligations for the qualified pension plans of the Company and its Subsidiaries, determined in each fiscal year by the Company's actuaries in the ordinary course of business, to exceed the aggregate fair value of the assets of such plans, also determined in each fiscal year by the Company's actuaries in the ordinary course of business, by more than $3,000,000.

For purposes of paragraph (c) of this Section 7.8, obligations and assets of pension plans of the Company and its Subsidiaries shall be determined as of the end of each fiscal year in accordance with Statement No. 87 of the Financial Accounting Standards Board.

7.9. Subsidiary Stock and Debt. The Company will not:

(a) directly or indirectly sell, assign, pledge or otherwise transfer or dispose of any Debt of, or claim against, or any shares of stock or similar interests or other securities of (or warrants, rights or options to acquire stock or

similar interests or other securities of), any Restricted Subsidiary, except to a Wholly-owned Restricted Subsidiary and except as directors' qualifying shares if required by applicable law;

(b) permit any Restricted Subsidiary directly or indirectly to sell, assign, pledge or otherwise transfer or dispose of any Debt of, or claim against, or any shares of stock or similar interests or other securities of (or warrants, rights or options to acquire stock or similar interests or other securities of), any other Restricted Subsidiary, except to the Company or a Wholly-owned Restricted Subsidiary and except as directors' qualifying shares if required by applicable law;

(c) permit any Restricted Subsidiary to have outstanding any shares of preferred stock other than shares of preferred stock which are owned by the Company or a Wholly-owned Restricted Subsidiary; or

(d) permit any Restricted Subsidiary directly or indirectly to issue or sell any shares of its stock or similar interests or other securities (or warrants, rights or options to acquire stock or similar interests or other securities) except to the Company or a Wholly-owned Restricted Subsidiary or as directors' qualifying shares if required by applicable law;

provided, however, that all stock or similar interests or other securities (or warrants, rights or options to acquire stock or similar interests or other securities) of any Restricted Subsidiary other than an Issuing Subsidiary may be simultaneously sold as an entirety for a cash consideration at least equal to the fair value thereof (as determined in good faith by a resolution of the Board) at the time of such sale, if (A) such Restricted Subsidiary being sold does not at the time own any Debt or stock or similar interests or other securities of (or warrants, rights or options to acquire stock or similar interests or other securities of) the Company or of any other Restricted Subsidiary which is not also being simultaneously sold as an entirety as permitted by this Section 7.9 or Section 7.10, (B) the assets of such Restricted Subsidiary being sold represented by the equity interests to be so transferred are such that the sale of such assets would be permitted by Section 7.10 (in which case such transaction shall be considered and deemed a disposition of assets for the purposes of Section 7.10), and (C) immediately after the consummation of such transaction, (x) the Company shall then be permitted to incur $1.00 of

additional Debt pursuant to Section 7.4(d), and (y) no condition or event shall exist which constitutes a Default or an Event of Default.

7.10. Consolidation, Merger or Disposition of Assets. The Company will not and will not permit any Restricted Subsidiary to, directly or indirectly, consolidate or merge with, or sell, lease or otherwise dispose of any of its assets to, any Person, except, subject (to the extent hereinafter provided) to the last paragraph of this Section 7.10:

(a) the Company may consolidate or merge with any other corporation, provided that the Company shall be the continuing or surviving corporation and, after giving effect to any such consolidation or merger, no Change of Control shall have occurred;

(b) any Restricted Subsidiary may consolidate or merge with, and any Restricted Subsidiary may sell, lease or otherwise dispose of its assets to, the Company or a Wholly-owned Restricted Subsidiary;

(c) the Company may consolidate with or merge into, or sell, lease or otherwise dispose of its assets as an entirety or substantially as an entirety to, any solvent corporation, but only if

(i) such corporation (A) is duly organized and validly existing in good standing under the laws of the United States of America or a state thereof and (B) expressly assumes, pursuant to a written agreement satisfactory in form, scope and substance to the holders of the Substitute Notes, the due and punctual payment of the principal of, premium (if any) and interest on the Substitute Notes according to their tenor, and the due and punctual performance and observance of the obligations of the Company under the Agreements and the Substitute Notes, an executed counterpart of which agreement shall have been furnished to each holder of a Substitute Note together with a favorable opinion of counsel satisfactory to each such holder covering such matters relating to such corporation, such assumption and such agreement as such holder may reasonably request, and

(ii) in the case of any such transaction which would involve or result in a Change of Control, the Company shall have offered to purchase all Substitute Notes held by each holder thereof pursuant to Section 7.12 and, not later than the time of consummation of such transaction, shall have purchased, in compliance with Section 7.12, the full amount of all Substitute Notes of each holder thereof which shall have accepted such offer;

(d) the Company and any Restricted Subsidiary may sell, lease or otherwise dispose of any of its assets in the ordinary course of business;

(e) Industries may sell the Fort Worth Plant and Heatcraft may sell the Wilmington Plant for a consideration at least equal to the fair market value thereof (as determined in good faith by the Board); and

(f) the Company and any Restricted Subsidiary may sell, lease or otherwise dispose of any of its assets (other than in the ordinary course of its business) for a consideration at least equal to the fair market value thereof (as determined in good faith by the Board) at the time of such sale or other disposition, provided that the assets so sold on any date, when taken together with all assets theretofore sold by the Company and its Restricted Subsidiaries (including all deemed dispositions of assets pursuant to Section 7.9 and all assets sold in connection with sale-leaseback transactions permitted under Section 7.7), (i) during the fiscal year in which such date occurs, (A) shall not have contributed more than 15% of Consolidated Operating Income for the immediately preceding fiscal year and (B) shall not have a book value exceeding 15% of the book value of consolidated total assets of the Company and its Restricted Subsidiaries as at the end of the immediately preceding fiscal year, and (ii) during the period from and including the date hereof through the date of such disposition, shall not have a book value exceeding 30% of the book value of consolidated total assets of the Company and its Restricted Subsidiaries as at the end of the immediately preceding fiscal year.

Immediately after any consolidation, merger or other disposition under Subsection (a), (b), (c), (e) or (f) of this Section 7.10, (1) no Event of Default or Default

shall have occurred and be continuing, and (2) the Company (which term, for the purpose of this sentence, shall not include the corporation that originally executed this Agreement if any other Person has become the Company pursuant to any assumption described in Subsection (c) of this Section 7.10) shall be entitled to incur at least $1 of additional Debt under Section 7.4(d). No disposition under Subsection (c) of this Section 7.10 shall release the corporation that originally executed this Agreement from its liability as obligor on the Substitute Notes.

7.11. Issuance of Stock. The Company will not (either directly or indirectly by the issuance of rights or options for, or securities convertible into, such shares) issue, sell or otherwise dispose of any shares of any class of its capital stock (other than directors' qualifying shares, if required by applicable law) if any Change of Control shall thereby occur, unless the Company shall have offered to purchase the Substitute Notes pursuant to Section 7.12.

7.12. Purchase of Substitute Notes Upon Change of Control. At least 15 Business Days (or, in the case of any transaction permitted by Section 7.10 or 7.11 resulting in a Change of Control, at least 45 days) and not more than 90 days prior to the occurrence of any Change of Control, the Company shall give written notice thereof to each holder of an outstanding Substitute Note in the manner and to the address specified for notices pursuant to this Section 7.12 for such holder in Schedule I or as otherwise specified by such holder in writing to the Company. Such notice shall contain (i) an offer by the Company to purchase, on the date of such Change of Control or, if such notice shall be delivered less than 35 days prior to the date of such Change of Control, on the date 35 days after the date of such notice (the "Purchase Date"), all Substitute Notes held by each such holder at a price equal to 100% of the principal amount thereof, together with interest accrued thereon to the Purchase Date, plus a premium equal to the Special Premium, (ii) the estimated respective amounts of accrued interest and the Special Premium payable to such holder in respect of such purchase, showing in each case in reasonable detail the calculation thereof and, with respect to the estimated Special Premium, the Reference Rate used in such calculation and (iii) the Company's estimate of the date on which such Change of Control shall occur. Said offer shall be deemed to lapse as to any such holder which has not replied affirmatively thereto in writing within 35 days of the giving of such notice. As soon as practicable (and in any event at least 24 hours) prior to such Change of Control, the Company shall give written confirmation of the date thereof to each such holder which has affirmatively replied to the notice given pursuant to the first sentence

of this Section 7.12. In the event that the Company shall purchase any Substitute Notes pursuant to this Section 7.12, the same shall thereafter be canceled and not reissued and shall not be deemed "outstanding" for any purpose of this Agreement.

For the purposes of this Section 7.12, a "Change of Control" shall be deemed to occur if any New Owner shall acquire beneficial ownership of shares in the Company having Voting Rights pertaining thereto which would allow such New Owner to elect more members of the Board than could be elected by the exercise of all Voting Rights pertaining to shares in the Company then owned beneficially by the Norris Family. As used in this Section 7.12:

(i) "Voting Rights" pertaining to shares of a corporation means the rights to cast votes for the election of directors of such corporation in ordinary circumstances (without consideration of voting rights which exist only in the event of contingencies).

(ii) "Norris Family" means all persons who are lineal descendants of D.W. Norris (by birth or adoption), all spouses of such descendants, all estates of such descendants or spouses which are in the course of administration, all trusts for the benefit of such descendants or spouses, and all corporations or other entities in which, directly or indirectly, such descendants or spouses (either alone or in conjunction with other such descendants or spouses) have the right, whether by ownership of stock or other equity interests or otherwise, to direct the management and policies of such corporations or other entities (each such person, spouse, estate, trust, corporation or entity being referred to herein as a "member" of the Norris Family). In addition, so long as any employee stock ownership plan exercises its Voting Rights in the same manner as members of the Norris Family (exclusive of employee stock ownership plans) who have a majority of the Voting Rights exercised by all such members of the Norris Family, such employee stock ownership plan shall be deemed a member of the Norris Family.

(iii) "New Owner" means any person (other than a member of the Norris Family), or any syndicate or group of persons (exclusive of all members of the Norris Family) which would be deemed a "person" for the purposes of Section 13(d) of the Exchange Act, who directly or indirectly acquires shares in the Company.

Notwithstanding anything in this Section 7.12 to the contrary, if an Event of Default exists following a Change of Control and the Substitute Notes are accelerated pursuant to the provisions of Section 9.1, the holders of the Substitute Notes shall be entitled to receive the Special Premium relating to such accelerated amount as provided in Section 9.1.

7.13. Transactions with Affiliates. The Company will not and will not permit any Restricted Subsidiary to engage in any material transaction with an Affiliate on terms less favorable to the Company or such Restricted Subsidiary than would have been obtainable at the time from any Person which is not an Affiliate in arm's-length dealing provided, that the foregoing restrictions shall not apply to any transaction between the Company and a Wholly-owned Restricted Subsidiary or between a Wholly-owned Restricted Subsidiary and another Wholly-owned Restricted Subsidiary.

7.14. Change in Business. The Company will not either directly or by or through a Subsidiary make or permit any substantial change in the nature of the business in which the Company and its Subsidiaries, taken as a whole, are engaged on the date of this Agreement except for such changes as are natural extensions of the heating, cooling, refrigeration, copper tube manufacturing and electronics businesses.

7.15. Environmental Matters. (a) The Company will and will cause each of its Subsidiaries to comply in all material respects with all applicable Environmental Laws if, individually or in the aggregate, failure to comply therewith could reasonably be expected to have a material adverse effect on the Company or the Company and its Subsidiaries, taken as a whole.

(b) The Company will not and will not permit any of its Subsidiaries to cause or allow any Hazardous Substance to be present at any time on, in, under or above any real property or any part thereof in which the Company or any Subsidiary has a direct interest (including without limitation ownership thereof or any arrangement for the lease, rental or other use thereof, or the retention of any mortgage or security interest therein or thereon), except in a manner and to an extent that is in compliance in all material respects with all applicable Environmental Laws and that will not have a material adverse effect on the Company or the Company and its Subsidiaries, taken as a whole.

7.16. Limitation on Dividend Restrictions, etc. The Company will not permit any Restricted Subsidiary to enter into, adopt, create or otherwise be or become bound by or subject to any contract or charter or by-law provision limiting the amount of, or otherwise imposing restrictions on the declaration, payment or setting aside of funds for the making of, dividends or other distributions in respect of the capital stock of such Restricted Subsidiary to the Company or another Restricted Subsidiary.

SECTION 8. DEFINITIONS.

8.1. Definitions. Except as otherwise specified or as the context may otherwise require, the following terms shall have the respective meanings set forth below whenever used in this Agreement and such terms shall include the singular as well as the plural:

"Affiliate" of any specified Person shall mean any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"After-Tax Basis" shall have the meaning specified in Section 15(c).

"Agreements" shall have the meaning specified in Section 1.3.

"Armstrong" shall have the meaning specified in Section 1.1.

"Board" shall mean (i) in the case of determinations of value under Section 7.10, the board of directors of the Restricted Subsidiary which owns the relevant assets and (ii) in all other cases, either the board of directors of the Company or any duly authorized committee of that board.

"Business Day" shall mean a day other than a Saturday or Sunday or a day on which banks are required or authorized to close in New York, New York, or Dallas, Texas.

"Capital Lease" shall mean any lease of property which in accordance with GAAP should be capitalized on the lessee's balance sheet; and "Capital Lease Obligation" shall mean the amount of the liability under a Capital Lease which is or should be so capitalized in accordance with GAAP.

"Change of Control" shall have the meaning specified in Section 7.12.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and any successor statute thereto, together with the rules and regulations issued thereunder, in each case as in effect from time to time.

"Commission" shall mean the Securities and Exchange Commission and any other similar or successor agency of the Federal Government administering the Securities Act.

"Commonly Controlled Entity" shall have the meaning specified in Section 2.11.

"Company" shall have the meaning specified in the introductory paragraph.

"Company Premises" shall mean real property in which the Company or any Person which has at any time been or hereafter becomes a Subsidiary of the Company at any time has or ever had any direct interest, including, without limitation, ownership thereof, or any arrangement for the lease, rental or other use thereof, or the retention or claim of any mortgage or security interest therein or thereon.

"Computation Date" shall have the meaning specified in Section 7.6.

"Computation Period" shall have the meaning specified in Section 7.6.

"Consolidated Net Income" for any period shall mean the Net Income of the Company and its Restricted Subsidiaries for such period consolidated in accordance with GAAP.

"Consolidated Operating Income" for any period shall mean Consolidated Net Income for such period plus the net amount deducted during such period in determining the amount thereof in respect of interest expense (including the interest equivalent in respect of Capital Lease Obligations) and taxes imposed on or measured by income or excess profits.

"Current Assets" shall mean the current assets of the Company and its Restricted Subsidiaries determined in accordance with GAAP on a consolidated basis after eliminating all intercompany items.

"Current Liabilities" shall mean the current liabilities of the Company and its Restricted Subsidiaries determined in accordance with GAAP on a consolidated basis after eliminating all intercompany items and after excluding current liabilities consisting of current maturities of long-term debt.

"Debt" as applied to any Person (without duplication) shall mean all obligations of such Person for borrowed money (whether short or long-term and whether or not represented by bonds, debentures, notes, drafts or other similar instruments) and any notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money, and in any event shall include (a) any obligation owed for all or any part of the purchase price of property or other assets or for the cost of the property or other assets constructed or of improvements, other than accounts payable included in current liabilities and incurred in respect of property purchased in the ordinary course of business, (b) any obligation of another Person of a type described in clause (a), (c) or (d) of this definition which is secured by any Lien on or payable out of the proceeds of production from property owned or held by such Person, even though such Person has not assumed or become liable for the payment of such obligation, (c) any Capital Lease Obligation of such Person, (d) any Guarantee by such Person of or with respect to Debt of another Person, and (e) all preferred stock issued by such Person which is redeemable, or for which mandatory sinking fund payments are due, at any time on or before December 1, 2003. The Debt of the Company shall in any event include (without duplication) all Debt of the Company to a Subsidiary. The amount of Debt and assets of any Person shall not be affected by deposits, trust arrangements or similar arrangements which, in accordance with GAAP, extinguish debt for which such Person remains legally liable.

"Default" shall mean any default or other event which, with notice or the lapse of time or both, would constitute an Event of Default.

"Effective Date" shall have the meaning specified in Section 1.3.

"Environmental Laws" shall mean any past, present or future Federal, state, local or foreign statutory or common law, or any regulation, code, plan, order, decree, judgment, permit, grant, franchise, concession, restriction, agreement or injunction issued, entered, promulgated or approved thereunder, relating to (a) the environment or human health or safety, including, without limitation, any law relating to emissions, discharges, releases or threatened

releases of Hazardous Substances into the environment (including, without limitation, air, surface water, groundwater or land), or (b) the manufacture, generation, refining, processing, distribution, use, sale, treatment, receipt, storage, disposal, transport, arranging for transport, or handling of Hazardous Substances.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"Events of Default" shall have the meaning specified in Section 9.1.

"Exchange Act" shall mean the Securities Exchange Act of 1934, and any similar or successor federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Existing Notes" shall have the meaning specified in Section 1.1.

"Existing Note Purchase Agreements" shall have the meaning specified in Section 1.1.

"Fort Worth Plant" shall mean the real and personal property of Industries located at the corner of Airport Freeway and Maxine, Fort Worth, Texas.

"GAAP" shall mean generally accepted accounting principles as in effect at the time of application to the provisions hereof, provided that for all purposes of this Agreement it is understood and agreed that the Company shall account for its Unrestricted Subsidiaries on the equity method.

"Governmental Body" shall have the meaning specified in Section 2.7.

"Guarantee" of or by any Person shall mean any guarantee or other contingent liability, direct or indirect, with respect to any Debt of another Person, through an agreement or otherwise, including, without limitation, (a) any endorsement (otherwise than for collection or deposit in the ordinary course of business) or discount with recourse or undertaking substantially equivalent to or having similar economic effect of a guarantee with respect to any such Debt, (b) any contingent obligations of such Person in respect of letters of credit, letter of credit facilities, bankers' acceptance facilities or similar credit facilities (excluding in any event obligations in respect of (1) trade or commercial letters of credit given in the ordinary course of business and (2) stand-by letters of credit given to support obligations other than Debt obligations) and (c) any

agreement (1) to purchase, or to advance or supply funds for the payment or purchase of, any such Debt, (2) to purchase, sell or lease property, products, materials or supplies, or transportation or services, primarily for the purpose of enabling such other Person to pay the Debt or to ensure the owner thereof against loss regardless of the delivery or non-delivery of the property, products, materials or supplies or transportation or services, or (3) to make any loan, advance, capital contribution or other investment in such other Person to assure a minimum equity, working capital or other balance sheet condition for any date, or to provide funds for the payment of any liability, dividend or stock liquidation payment, or otherwise to supply funds to or in any manner invest in such other Person. The amount of any Guarantee shall (subject to any limitation contained therein) be equal to the outstanding principal amount of the Debt guaranteed.

"Hazardous Substance" shall mean any contaminant, pollutant or toxic or hazardous substance, and any substance that is defined or listed as a hazardous, toxic or dangerous substance under any Environmental Law or that is otherwise regulated or prohibited under any Environmental Law as a hazardous, toxic or dangerous substance.

"Heatcraft" shall have the meaning specified in Section 1.1.

"Holders" shall have the meaning specified in Section 1.3.

"Industries" shall have the meaning specified in Section 1.1.

"Investment" shall mean any investment in any Person made by stock purchase, capital contribution, loan, advance or otherwise, provided that the amount of any such investment in any Person shall be computed in accordance with GAAP. Investments shall not on any date include notes receivable accepted by the Company or any Restricted Subsidiary in settlement of trade accounts receivable of non-Affiliates so long as the allowance for doubtful accounts of the Company and its Restricted Subsidiaries includes the excess, if any, of (a) the aggregate principal amount of all such notes on such date over (b) 5% of the sum of (i) the aggregate principal amount of all such notes plus (ii) all trade accounts receivable of the Company and its Restricted Subsidiaries on such date, before allowances for doubtful accounts.

"Issuing Subsidiary" shall have the meaning specified in Section 1.1.

"Lien" shall mean, as to any Person, any mortgage, lien, pledge, adverse claim, charge, other encumbrance in favor of any vendor, lessor, lender or other secured party in or on, or any interest or title of any such vendor, lessor, lender or other secured party under any conditional sale or other title retention agreement or Capital Lease with respect to, any property or asset of such Person, or the signing or filing of a financing statement with respect to property owned by such Person which names such Person as debtor, or the signing of any security agreement authorizing any other party as the secured party thereunder to file any such financing statement.

"Multiemployer Plan" shall have the meaning specified in Section 2.11.

"Net Income" of any Person for any period shall mean the net income (or net loss) of such Person for such period, determined in accordance with GAAP, excluding

(a) the proceeds of any life insurance policy;

(b) any gain arising from (1) the sale or other disposition of any assets (other than current assets) to the extent that the aggregate amount of gains exceeds the aggregate amount of losses from the sale, abandonment or other disposition of assets (other than current assets), (2) any write-up of assets, or (3) the acquisition by such Person of its outstanding Debt securities;

(c) any amount representing the interest of such Person in the undistributed earnings of any other Person;

(d) any earnings of any other Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or a Restricted Subsidiary and any earnings, prior to the date of acquisition, of any other Person acquired in any other manner; and

(e) any deferred credit (or amortization of a deferred credit) arising from the acquisition of any Person.

"Net Worth" shall mean, as of any date of determination thereof, the total stockholders' equity of the Company and its Subsidiaries determined in accordance with GAAP on a consolidated basis, provided that if the portion of total stockholders' equity attributable to Unrestricted Subsidiaries exceeds 15% of total stockholders' equity, Net Worth shall be reduced by the amount of such excess.

"New Owner" shall have the meaning specified in Section 7.12.

"Norris Family" shall have the meaning specified in Section 7.12.

"Note Register" shall have the meaning specified in Section 10.

"Order" shall have the meaning specified in Section 2.7.

"Other Agreements" shall have the meaning specified in Section 1.3.

"Other Holders" shall have the meaning specified in Section 1.3.

"outstanding" shall refer, when used with reference to the Substitute Notes of any Series as of a particular time, to all Substitute Notes of such Series theretofore issued or delivered as provided in the Agreements, except (i) Substitute Notes of such Series theretofore reported as lost, stolen, damaged or destroyed, or surrendered for transfer, exchange or replacement, in respect of which replacement Substitute Notes have been issued, (ii) Substitute Notes of such Series theretofore paid in full, and (iii) Substitute Notes of such Series theretofore canceled by the Company; and except that, for the purpose of determining whether holders of the requisite principal amount of Substitute Notes have made or concurred in any waiver, consent, approval, notice or other communication under the Agreements, Substitute Notes owned by the Company or any Affiliate thereof shall not be deemed to be outstanding.

"Person" shall include an individual, a corporation, an association, a partnership, a trust or estate, a government, foreign or domestic, and any agency or political subdivision thereof, or any other entity.

"Purchase Date" shall have the meaning specified in Section 7.12.

"Qualified Institutional Holder" shall mean any holder which is an institutional investor (a) which holds at the time in question at least $3,000,000 in aggregate principal amount of Substitute Notes or any lesser principal amount thereof constituting at least 20% of the aggregate principal amount of Substitute Notes then outstanding or (b)

which purchases from a Holder 100% of the Substitute Notes of a Series held by such Holder (after giving effect to any reduction in principal resulting from a prepayment of Substitute Notes).

"Restricted Debt" shall mean any of (i) Debt (including, without limitation, Capital Lease Obligations, purchase money obligations and industrial revenue bonds) of the Company or a Restricted Subsidiary which is secured by a Lien not otherwise permitted under clause (a), (b) or (c) of Section 7.5; or (ii) Debt of a Restricted Subsidiary owing to any Person other than the Company or a Wholly-owned Restricted Subsidiary.

"Restricted Debt Amount" shall mean as of any date of determination, the sum (without duplication) of the aggregate principal amount outstanding of all Restricted Debt.

"Restricted Investment" shall mean any Investment by the Company or any Restricted Subsidiary other than

(a) any Investment in (1) a marketable obligation, maturing within two years after acquisition thereof, issued or guaranteed by the United States of America or an instrumentality or agency thereof, and entitled to the full faith and credit of the United States of America, (2) a demand deposit account with, or a certificate of deposit or other obligation, maturing within one year after acquisition thereof, either fully insured by the Federal Deposit Insurance Corporation (or any successor Federal agency) or issued by a national or state bank or trust company having capital, surplus and undivided profits of at least $250,000,000, and having (or being the wholly-owned subsidiary of a holding company having) a credit rating in respect of its short-term obligations of A-2 or higher from Standard & Poor's Corporation or P-2 or higher from Moody's Investors Service, Inc., (3) open market commercial paper, maturing within 270 days after acquisition thereof, having a credit rating of A-2 or higher from Standard & Poor's Corporation or P-2 or higher from Moody's Investors Service, Inc. and (4) a demand deposit account either fully insured by the Federal Deposit Insurance Corporation (or any successor Federal Agency) or with a national or state bank or trust company having capital, surplus and undivided profits of at least $100,000,000, if such demand deposit account is required to conduct operations of the Company or any Restricted Subsidiary in the

same local area in which such bank or trust company is located and the aggregate amount of Investments in all such demand deposit accounts permitted by this clause (4) does not exceed 1% of Net Worth;

(b) any Investment existing on the date hereof, as set forth in Exhibit D hereto, including any extensions or renewals of any such Investment;

(c) any Investment hereafter acquired in exchange for, or out of the net cash proceeds from the substantially concurrent sale of, common shares of the Company;

(d) Investments in

(i) shares of adjustable rate or floating rate preferred stock, variable rate notes or other Debt or equity issues of business corporations, or

(ii) Debt issues of municipalities,

the Issuers of which Investments described in this subsection (d) shall in any case have a credit rating in respect of their long-term obligations of A- or higher from Standard & Poor's Corporation or A3 or higher from Moody's Investors Service, Inc., provided (i) that the aggregate outstanding amount of Investments which shall at any time not constitute Restricted Investments pursuant to this Subsection (d) of the definition of Restricted Investments shall not exceed one-third of the then aggregate outstanding amount of all Investments of the Company and its Restricted Subsidiaries at such time (disregarding for this purpose Investments in Restricted Subsidiaries or joint ventures), and (ii) the aggregate outstanding amount of Investments issued by a single issuer which shall at any time not constitute Restricted Investments pursuant to this Subsection (d) shall not exceed $5,000,000; and

(e) any Investment by the Company or any Restricted Subsidiary in any Restricted Subsidiary or any Person which simultaneously therewith becomes a Restricted Subsidiary.

For the purposes of this definition, the outstanding amount of any Investment shall be the amount originally actually invested, net of any return of capital, and disregarding any appreciation or decline in value, or write-up, write-down or write-off, of the Investment concerned.

"Restricted Payment," in respect of the Company, shall mean

(a) the declaration of any dividend on, or the incurrence of any liability to make any other payment or distribution in respect of, shares of the Company of any class (other than one payable solely in its common shares); and

(b) any payment or distribution on account of the purchase, redemption or other retirement of any shares of the Company of any class, or of any warrant, option or other right to acquire such shares, or any other payment or distribution (other than pursuant to a dividend theretofore declared or liability theretofore incurred as specified in the foregoing Subsection (a)), made in respect thereof, either directly or indirectly except a purchase, redemption or other retirement of shares of the Company out of the net cash proceeds from the substantially concurrent sale of common shares of the Company.

The amount of any Restricted Payment in property shall be deemed to be the greater of its fair value (as determined by the Board) or its net book value.

"Restricted Subsidiary" shall mean any Subsidiary of the Company which (a) is listed as a Restricted Subsidiary on Exhibit B or (b) is organized under the laws of, and conducts substantially all of its business and maintains substantially all of its property and assets within, the continental United States of America or any state thereof. Once a Subsidiary is or becomes a Restricted Subsidiary it may not thereafter become an Unrestricted Subsidiary.

"Securities Act" shall mean the Securities Act of 1933, and any similar or successor Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Series" shall have the meaning specified in Section 1.4.

"Series B Notes" shall have the meaning specified in Section 1.4.

"Series C Notes" shall have the meaning specified in Section 1.4.

"Series D Notes" shall have the meaning specified in Section 1.4.

"Series E Notes" shall have the meaning specified in Section 1.4.

"Series F Notes" shall have the meaning specified in Section 1.4.

"Series G Notes" shall have the meaning specified in Section 1.4.

"Series H Notes" shall have the meaning specified in Section 1.4.

"Special Premium" shall mean, with respect to any purchase of the principal amount of Notes of any Series pursuant to Section 7.12 or any acceleration of the principal amount of any Substitute Note of any Series pursuant to Section 9.1 (such purchased or accelerated principal amount being hereinafter referred to as the "Prepaid Principal"), as at any date of determination, an amount equal to the greater of (i) zero and (ii) the excess of:

A. the sum of the respective present values as of the date such Special Premium becomes due and payable of:

(1) each prepayment of principal (if any) required to be made with respect to such Prepaid Principal pursuant to Section 4.1 with respect to such Prepaid Principal during the Discount Period,

(2) the payment of principal balance required to be made at final maturity with respect to such Prepaid Principal, and

(3) each payment of interest which would be required to be paid during such Discount Period with respect to such Prepaid Principal from time to time outstanding,

determined, in the case of each such required prepayment, principal payment at final maturity and interest payment, by discounting the amount thereof (on a semiannual basis) from the date fixed therefor back to the date of payment of such Special Premium at the Reference Rate (assuming for such purpose that all such payments and prepayments of principal and payments of interest with respect to such Prepaid Principal were made

when due pursuant to the terms of the Agreements and the Substitute Notes of such Series, and that no other payment or prepayment with respect to such Prepaid Principal was made),

over

B. the amount of such Prepaid Principal.

For purposes of the foregoing definition of Special Premium, (1) "Discount Period" shall mean the period beginning on the date of such payment of Special Premium and ending on the stated final maturity of the Substitute Notes of the accelerated or purchased Series; and (2) "Reference Rate" shall mean a per annum rate determined by adding 0.50% to the annual yield for United States Treasury securities having a term to maturity equal to the Weighted Average Life to Maturity of the accelerated or purchased Series of Substitute Notes, as determined by reference to Federal Reserve Statistical Release H.15(519) ("Release H.15") published most recently prior to the third day preceding the date of such payment, or, if Release H.15 is no longer published, such annual yield as determined, at the Company's expense, by an independent investment banking firm acceptable to the Company and the holders of Substitute Notes of such Series; provided that, if there shall be no actual United States Treasury security having a term to maturity equal to such Weighted Average Life to Maturity of such Series of Substitute Notes, the annual yield for a United States Treasury security deemed to have such a term to maturity shall be interpolated on a basis consistent with the annual yields of other United States Treasury securities as determined by reference to Release H.15, or (if Release H.15 is no longer published) as determined at the Company's expense by such an independent investment banking firm.

"Subordinated Debt" of any Person shall mean Debt of such Person which is expressly made subordinate and junior in right of payment to the Substitute Notes pursuant to terms contained in the instrument or agreement evidencing such Debt substantially in the form of Exhibit F.

"Subsidiary" shall mean any corporation of which the Company and/or one or more of its Subsidiaries own more than 50% of the outstanding stock having by its terms ordinary voting power to elect a majority of the board of directors of such corporation, irrespective of whether at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency, and, except as otherwise expressly indicated herein, references to Subsidiaries shall refer to Subsidiaries of the Company.

"Substitute Notes" shall have the meaning specified in Section 1.4.

"Taxes" shall have the meaning specified in Section 15(d).

"this Agreement" shall mean this Agreement of Assumption and Restatement (together with the Schedules and Exhibits hereto), as from time to time amended, modified or supplemented in accordance with its terms.

"Total Capitalization" shall mean the sum of Net Worth and Total Debt.

"Total Debt" shall mean, as at any date of determination, the aggregate amount (without duplication) of Debt of the Company and its Restricted Subsidiaries outstanding on such date, consolidated in accordance with GAAP after eliminating all intercompany items. Total Debt of the Company shall not in any event include Subordinated Debt of the Company to a Wholly-owned Restricted Subsidiary or Debt of a Wholly-owned Restricted Subsidiary to the Company or to another Wholly-owned Restricted Subsidiary.

"Unrestricted Subsidiary" shall mean any Subsidiary other than a Restricted Subsidiary.

"Voting Rights" shall have the meaning specified in Section 7.12.

"Weighted Average Life to Maturity" as applied to any indebtedness at any date, shall mean the number of years (or portions of years) obtained by dividing (a) the then outstanding principal amount of such indebtedness into (b) the total of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the date on which such payment is to be made.

"Wholly-owned Restricted Subsidiary" shall mean any Restricted Subsidiary, all of the equity securities (or all of the equity securities other than directors' qualifying shares) of which are owned by the Company or another Wholly-owned Restricted Subsidiary.

"Wilmington Plant" shall mean the real and personal property of Heatcraft located at 602 Sunnyvale Drive, Wilmington, North Carolina.

8.2. Accounting Terms. (a) All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP, all computations made pursuant to this Agreement shall be made in accordance with GAAP, and all balance sheets and other financial statements shall be prepared in accordance with GAAP. Any reference herein, or in any document delivered in connection herewith, to financial statements of the Company at a date prior to the merger referred to in Section 2.1 shall be deemed references to the financial statements of Lennox International Inc., an Iowa corporation.

(b) If any changes in accounting principles from those used in the preparation of the most recent audited historical financial statements delivered to you prior to the Effective Date are hereafter required or permitted by the rules, regulations, pronouncements and opinions of the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions) and are adopted by the Company with the agreement of its independent certified public accountants and such changes result or could result (for any present or future period) in a change in the method of calculation of any of the financial covenants, standards or terms in or relating to such covenants, the parties hereto agree to enter into discussions with a view to amending such provisions so as to equitably reflect such changes with the desired result that the criteria for evaluating the financial condition of the Company and its Subsidiaries shall be the same after such changes as if such changes had not been made, provided, that no change in GAAP that would affect or could affect (for any present or future period) the method of calculation of any of said financial covenants, standards or terms shall be given effect in such calculations until such provisions are amended, in a manner satisfactory to the Company and the holders of the Substitute Notes, to so reflect such change to GAAP.

SECTION 9. EVENTS OF DEFAULT; REMEDIES.

9.1. Events of Default Defined; Acceleration of Maturity. If any of the following events (herein called "Events of Default") shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or by operation of law or otherwise), that is to say:

(a) default shall be made in the due and punctual payment of all or any part of the principal of, or premium (if any) on, any Substitute Note when and as the same shall become due and payable, whether at stated maturity, by acceleration, by notice of prepayment or otherwise;

(b) default shall be made in the due and punctual payment of any interest on any Substitute Note when and as such interest shall become due and payable, and such default shall have continued for a period of three Business Days;

(c) (i) default shall be made in the performance or observance of any covenant, agreement or condition contained in Section 5(f)(i), any of Sections 7.4 through (and including) Section 7.10, Section 7.12 or Section 7.15; or (ii) default shall be made in the performance or observance of any other covenant, agreement or condition contained in the Agreements or the Substitute Notes not specified in Section 9.1(a) or Section 9.1 (b) or in the immediately preceding clause (i) of this Section 9.1(c) and such default shall have continued for a period of 30 days;

(d) any event shall occur or any condition shall exist in respect of any Debt of the Company or any Restricted Subsidiary (other than the Substitute Notes) in an aggregate unpaid principal amount of $1,000,000 or more, or under any agreement securing or relating to any of such Debt, the effect of which is to cause or to permit the acceleration of the maturity of such Debt, or any such Debt shall not have been paid at the final maturity date thereof (as renewed or extended if such Debt shall have been renewed or extended) (provided that the words "or to permit" contained in the seventh line of this Section 9.1(d) shall be omitted from this Section 9.1(d) and of no effect at any time that and so long as neither the Company nor any Restricted Subsidiary shall any longer be a party to any agreement (other than this Agreement, the Other Agreements and any other agreement providing for automatic modification thereof in substantially the same form as this Section 9.1(d)) providing that the holder of any Debt of the Company or any Restricted Subsidiary may declare such Debt to be due and payable prior to the scheduled maturity thereof as a result of the occurrence of any default in the performance of any term or condition contained in the agreement or instrument evidencing any other Debt of the Company or any Restricted Subsidiary and further providing for such declaration regardless of whether such other Debt shall have been declared due and payable prior to the stated maturity thereof);

(e) the Company or any Restricted Subsidiary shall (1) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (2) be generally unable to pay its debts as such debts become due, (3) make a general assignment for the benefit of its creditors, (4) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (5) file a petition seeking to take advantage of any bankruptcy, insolvency, moratorium, reorganization or other similar law affecting the enforcement of creditors' rights generally, (6) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under such Bankruptcy Code, (7) take any action under the laws of its jurisdiction of incorporation analogous to any of the foregoing, or (8) take any corporate action for the purpose of effecting any of the foregoing;

(f) a proceeding or case shall be commenced, without the application or consent of the Company or any Restricted Subsidiary in any court of competent jurisdiction, seeking (1) the liquidation, reorganization, dissolution, winding up, or composition or readjustment of its debts, (2) the appointment of a trustee, receiver, custodian, liquidator or the like of it or of all or any substantial part of its assets, or (3) similar relief in respect of it, under any law providing for the relief of debtors, and such proceeding or case shall continue undismissed, or unstayed and in effect, for a period of 90 days; or an order for relief shall be entered in an involuntary case under such Bankruptcy Code, against the Company or any Restricted Subsidiary; or action under the laws of the jurisdiction of incorporation of the Company or any Restricted Subsidiary analogous to any of the foregoing shall be taken with respect to the Company or any Restricted Subsidiary and shall continue unstayed and in effect for any period of 90 consecutive days;

(g) final judgment for the payment of money shall be rendered by a court of competent jurisdiction against the Company or any Restricted Subsidiary and the Company or any Restricted Subsidiary shall not discharge the same or provide

for its discharge in accordance with its terms, or procure a stay of execution thereof within 60 days from the date of entry thereof and within said period of 60 days, or such longer period during which execution of such judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal, and such judgment together with all other such judgments shall exceed in the aggregate U.S. $1,000,000 (or the equivalent amount of any other currency); or

(h) any representation or warranty made by (i) the Company in this Agreement or in any certificate or other instrument delivered hereunder or pursuant hereto or in connection with any provision hereof or (ii) any Issuing Subsidiary in any Existing Note Purchase Agreement to which it is a party or in any certificate or other instrument delivered thereunder or pursuant thereto or in connection with any provision thereof shall prove to be false or incorrect or breached in any material respect on the date as of which made;

then (i) upon the occurrence of any Event of Default described in Subsection (e) or (f) with respect to the Company, the unpaid principal amount of all Substitute Notes, together with the interest accrued thereon which shall be deemed matured, shall automatically become immediately due and payable, without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by the Company, or (ii) during the continuance of any other Event of Default, the holder or holders of at least 66-2/3% of the unpaid principal amount of all of the Substitute Notes at the time outstanding may, by written notice to the Company, declare the unpaid principal amount of all Substitute Notes to be, and the same shall forthwith become due and payable, together with the interest accrued thereon which shall be deemed matured, plus (to the full extent permitted by applicable law) a premium equal to the Special Premium (determined with respect to such principal amount of Substitute Notes as of the date of such declaration, separately for each Series thereof), provided that, during the existence of an Event of Default described in Subsection (a) or (b) with respect to any Substitute Note, the holder of such Substitute Note may, by written notice to the Company, declare such Substitute Note to be, and the same shall forthwith become, due and payable, together with the interest accrued thereon which shall be deemed matured plus (to the full extent permitted by applicable law) a premium equal to the Special Premium determined as of the date of such declaration. If any holder of any Substitute Note shall exercise the option

specified in the proviso to the preceding sentence, the Company will forthwith give written notice thereof to the holders of all other outstanding Substitute Notes of each Series and each such holder may (whether or not such notice is given or received), by written notice to the Company, declare the principal of all Substitute Notes held by it to be, and the same shall forthwith become, due and payable, together with the interest accrued thereon which shall be deemed matured.

The provisions of this Section 9.1 are subject, however, to the condition that if, at any time after any Substitute Note shall have so become due and payable and prior to the entry of any final judgment for the payment of any monies due on the Substitute Notes or pursuant to the Agreements, the Company shall pay all arrears of interest on the Substitute Notes and all payments on account of the principal of and premium (if any) on the Substitute Notes which shall have become due otherwise than by acceleration (with interest on such principal, premium (if any) and, to the extent permitted by law, on overdue payments of interest, at the rate specified in the Substitute Notes) and all Events of Default (other than nonpayment of principal of and accrued interest on Substitute Notes due and payable solely by virtue of acceleration) shall be remedied or waived pursuant to Section 12, then, and in every such case, the holder or holders of at least 80% in unpaid principal amount of all of the Substitute Notes at the time outstanding, by written notice to the Company, may rescind and annul any such acceleration and its consequences; but no such action shall affect any subsequent Default or Event of Default or impair any right consequent thereon.

9.2. Suits for Enforcement. If any Event of Default shall have occurred and be continuing, the holder of any Substitute Note may proceed to protect and enforce its rights, either by suit in equity or by action at law, or both, whether for the specific performance of any covenant or agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement, or the holder of any Substitute Note may proceed to enforce the payment of all sums due upon such Substitute Note or to enforce any other legal or equitable right of the holder of such Substitute Note.

The Company covenants that, if it shall default in the making of any payment due under any Substitute Note or in the performance or observance of any agreement contained in this Agreement, it will pay to the holder thereof such further amounts, to the extent lawful, as shall be sufficient to pay the costs and expenses of collection or of otherwise enforcing such holder's rights, including reasonable counsel fees.

9.3. Remedies Cumulative. No remedy herein conferred upon you or the holder of any Substitute Note is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

9.4. Remedies Not Waived. No course of dealing between the Company and you or the holder of any Substitute Note and no delay or failure in exercising any rights hereunder or under any Substitute Note in respect thereof shall operate as a waiver of any of your rights or the rights of any holder of such Substitute Note.

SECTION 10. REGISTRATION, TRANSFER AND EXCHANGE OF SUBSTITUTE NOTES. The Company will keep at its address for notices under Section 16.4 a register (herein sometimes referred to as the "Note Register"), in which, subject to such reasonable regulations as it may prescribe, but at its expense (other than transfer taxes, if any), it will provide for the registration and registration of transfer of the Substitute Notes of each Series.

Whenever any Substitute Note or Notes shall be surrendered either at such address for notices of the Company or at the place of payment named in the Substitute Notes, for transfer or exchange, accompanied (if so required by the Company) by an appropriate written instrument of transfer duly executed by the registered holder of such Substitute Note or his attorney duly authorized in writing, the Company will execute and deliver in exchange therefor a Substitute Note or Notes, as may be requested by such holder, of the same Series and in the same aggregate unpaid principal amount as the aggregate unpaid principal amount of the Substitute Note or Notes so surrendered. Any Substitute Note issued in exchange for any other Substitute Note or upon transfer thereof shall carry the rights to unpaid interest and interest to accrue which were carried by the Substitute Note so exchanged or transferred, and neither gain nor loss of interest shall result from any such transfer or exchange. Any transfer tax relating to such transaction shall be paid by the holder requesting the exchange.

The Company and any agent of the Company may treat the Person in whose name any Substitute Note is registered as the owner of such Note for the purpose of receiving payment of the principal of and premium (if any) and interest on such Substitute Note and for all other purposes whatsoever, whether or not such Substitute Note be overdue.

SECTION 11. LOST, ETC. NOTES. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of any Substitute Note, and (in case of loss, theft or destruction) of indemnity satisfactory to it, and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of such Substitute Note, if mutilated, the Company will deliver in lieu of such Substitute Note a Substitute Note of the same Series in a like unpaid principal amount, dated as of the date to which interest has been paid thereon.

Notwithstanding the foregoing provisions of this Section, if any Substitute Note of which you or any other institutional holder having a net worth of at least $50,000,000 is the owner is lost, stolen or destroyed, then the affidavit of your or such holder's Treasurer or Assistant Treasurer (or other responsible officials), setting forth the circumstances with respect to such loss, theft or destruction, shall be accepted as satisfactory evidence thereof, and no indemnity shall be required as a condition to the execution and delivery by the Company of a Substitute Note in lieu of such Substitute Note (or as a condition to the payment thereof, if due and payable) other than your or such holder's unsecured written agreement to indemnify the Company.

SECTION 12. AMENDMENT AND WAIVER.

(a) Any term, covenant, agreement or condition of the Agreements or of the Substitute Notes may, with the consent of the Company, be amended, or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), by one or more substantially concurrent written instruments signed by the holder or holders of at least 66-2/3% in aggregate unpaid principal amount of all Substitute Notes at the time outstanding, provided, however, that

(i) no such amendment or waiver shall

(A) reduce the rate or extend the time of payment of interest on any of the Substitute Notes, without the consent of the holder of each Substitute Note so affected, or

(B) modify any of the provisions of the Agreements or of the Substitute Notes with respect to the payment or prepayment thereof (including without limitation Section 7.12, the definition of the term "Special Premium" and any other related definitions), or extend

the scheduled maturity of the Substitute Notes, or reduce the percentage of holders of Substitute Notes required to approve any such amendment or effectuate any such waiver, without the consent of the holders of all the Substitute Notes then outstanding, and

(ii) no such waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon.

(b) Any amendment or waiver pursuant to Subsection (a) of this Section 12 shall (except as provided in Clause (a)(i)(A)) apply equally to all the holders of the Substitute Notes amended or waived and shall be binding upon them, upon each future holder of any Substitute Note and upon the Company, in each case whether or not a notation thereof shall have been placed on any Substitute Note.

(c) The Company will not agree in writing to any amendment, modification or waiver of any of the provisions of the Agreements or the Substitute Notes unless each holder of Substitute Notes (irrespective of the amount of Substitute Notes then owned by it) shall be informed thereof by the Company and shall be afforded the opportunity of considering the same and shall be supplied by the Company with sufficient information to enable it to make an informed decision with respect thereto. The Company will not, and will not permit any of its Subsidiaries or Affiliates to, offer or pay any remuneration, whether by way of supplemental or additional interest, fee or otherwise, to any holder of Substitute Notes in order to obtain such holder's consent to any amendment, modification or waiver of any term or provision of the Agreements, or the Substitute Notes or any annulment or rescission of acceleration pursuant to Section 9.1, unless such remuneration or inducement is concurrently paid on the same terms proportionately to each holder of Substitute Notes then outstanding regardless of whether or not such holder consents to such waiver, amendment, annulment or rescission.

SECTION 13. HOME OFFICE PAYMENT. Notwithstanding anything to the contrary in this Agreement or the Substitute Notes, so long as you or any nominee designated by you shall be the holder of any Substitute Note, the Company shall punctually pay all amounts which become due and payable on such Substitute Note to you by 11:00 a.m., New York City time, at your address and in the manner set forth in Schedule I hereto, or at such other place within the United States and in such other manner as you may designate by notice to the Company, without presentation or surrender of such Substitute Note. You agree that prior to the sale,

transfer or other disposition of any such Substitute Note, you will make notation thereon of the portion of the principal amount paid or prepaid and the date to which interest has been paid thereon, or surrender the same in exchange for a Substitute Note or Notes aggregating the same principal amount as the unpaid principal amount of the Substitute Note so surrendered. The Company shall enter into an agreement similar to that contained in the first sentence of this Section 13 with any other institutional investor (or nominee thereof) who shall hold any of the Substitute Notes and who shall make with the Company an agreement similar to that contained in the second sentence of this Section.

SECTION 14. LIABILITIES OF THE HOLDERS. Neither this Agreement nor any disposition of any of the Substitute Notes shall be deemed to create any liability or obligation on your part or that of any other holder of any Substitute Note of any Series to enforce any provision hereof or of any of the Substitute Notes of any other Series for the benefit or on behalf of any other Person who may be the holder of any Substitute Note.

SECTION 15. TAXES. (a) The Company will pay all taxes (including interest and penalties) which may be payable in respect of the execution and delivery of this Agreement or of the execution and delivery (but not the transfer) of any of the Substitute Notes or of any amendment of, or waiver or consent under or with respect to, the Agreements or of any of the Substitute Notes and will save you and all subsequent holders of the Substitute Notes harmless against any loss or liability resulting from nonpayment or delay in payment of any such tax. The obligations of the Company under this Section 15 shall survive the payment of the Substitute Notes.

(b) In the event the assumption and amendment and restatement of the Existing Note Purchase Agreements or the delivery of the Substitute Notes to you as described herein are determined to result in any taxable income to you and such determination results in additional Taxes (as hereinafter defined) being due from you, the Company hereby agrees to indemnify you, and to hold you harmless, on an After-Tax Basis, from and against any and all such additional Taxes. You will pay to the Company an amount which, after deduction of all federal, state and local tax savings realized by you as a result of any payment made pursuant to this sentence, shall equal the federal, state and local tax savings realized by you as a result of the adjustments giving rise to such Taxes, promptly as and when the same are realized; provided, however, that such payment shall not exceed the sum of all prior payments made by the Company to you pursuant to this Section 15(b) reduced by all prior payments

made by you to the Company pursuant to this sentence; and provided, further, that no payment shall be made to the Company pursuant to this sentence if an Event of Default shall have occurred and be continuing or prior to such time as all amounts theretofore required and then due and payable to you hereunder or under the Substitute Notes shall have been paid in full. Any payment due to you from the Company under this Section 15 shall be payable within 5 days after receipt of written demand therefor or, in the case of Taxes being contested pursuant to Section 15(c), within 5 days after the final resolution of such contest. In the event you receive a refund of any Taxes previously paid to you by the Company, you shall promptly pay to the Company the amount of such refund, together with any interest received thereon; provided, however, that such payment shall not be made to the Company if an Event of Default shall have occurred and be continuing or prior to such time as all amounts theretofore required and then due and payable to you hereunder or under the Substitute Notes shall have been paid in full. For purposes of this Section 15(b), any tax savings in respect of which a payment is due to the Company shall be deemed to be realized upon the first to occur of (i) a reduction in your federal, state or local taxes resulting from the adjustments giving rise to Taxes as reflected in a final return filed for the applicable period, (ii) the receipt of an increased federal, state or local tax refund or credit resulting from the adjustments giving rise to Taxes or (iii) an increase in a net operating loss or capital loss or net operating loss or capital loss carryover for federal, state or local tax purposes resulting from the adjustments giving rise to Taxes. For purposes of determining the tax savings attributable to an increase in a net operating loss or capital loss or net operating loss or capital loss carryover, the amount of the increase shall be multiplied by the highest applicable marginal federal, state or local income tax rate in effect for the period of such reduction. The determination as to whether any tax savings with respect to which a payment may be due to the Company under this Section 15(b) are realized and the timing and amount thereof shall be made by you in your sole good faith discretion (it being understood that the Company shall have no right to inspect or examine any tax returns or other records or documents relating to your tax situation).

(c) If any written claim shall be made against you or if any proceeding shall be commenced against you (including a written notice of such proceeding) for any Taxes, or if you shall determine that any Taxes may be payable, you shall promptly notify the Company in writing and shall not take any action with respect to such claim, proceeding or Tax without the consent of the Company for 15 days after receipt of such notice by the Company; provided, however, that if you are required by law or regulation to

take action with respect to any such claim, proceeding or Tax prior to the end of such 15-day period, you shall, in such notice, so inform the Company, and shall not take any action with respect to such claim, proceeding or Tax without the consent of the Company before the date on which you are required to take action. If, within 30 days after receipt of such notice (or such shorter period referred to in the preceding sentence), the Company shall request in writing that you contest the imposition of such Taxes, you shall, at the Company's expense (including, without limitation, all costs, expenses and reasonable attorneys' and accountants' fees and disbursements) in good faith, contest (including, without limitation, by pursuit of appeals) the validity, applicability or amount of such Taxes by, in your sole discretion, (i) resisting payment thereof, (ii) not paying the same except under protest, if protest shall be necessary and proper, or (iii) if payment shall be made, using reasonable efforts to obtain a refund thereof or credit therefor in appropriate administrative and judicial proceedings; provided, however, that you shall not be required to contest the imposition of any Tax unless (x) the Company shall have agreed to pay all reasonable costs and expenses that you may incur in connection with contesting such claim (including, without limitation, all costs, expenses, reasonable legal and accounting fees and disbursements) and (y) if such contest shall involve payment of the claim, the Company shall advance to you the amount thereof, plus interest, penalties and additions to tax with respect thereto, on an interest-free basis and with no additional net after-tax cost to you. Notwithstanding the foregoing, in no event will you be required to contest the imposition of any Tax unless: (i) no Event of Default shall have occurred and be continuing; (ii) the Company shall have acknowledged in writing its obligation to indemnify you for such Taxes in the event the contest is unsuccessful; (iii) you shall have received an opinion of your independent tax counsel, at the Company's sole expense, to the effect that a meritorious basis exists for contesting such claim or, in the event of an appeal, it is more likely than not that such adverse determination would be reversed or substantially modified in a manner favorable to the taxpayer (and provided that no appeal shall be required to the United States Supreme Court); and (iv) the amount of such claim alone, or if the subject matter thereof shall be of a continuing or recurring nature, when aggregated with identical potential claims asserted against you shall be in excess of $125,000. You shall consult in good faith with the Company regarding the conduct of any contest by you. Notwithstanding anything contained in Section 15, you will not be required to contest the imposition of any Taxes if you shall waive your right to indemnity under this Section 15 with respect to such Taxes and shall pay to the Company any amount previously paid or advanced by the Company pursuant to this Section 15 (by way

of indemnification or advance for the payment of any Taxes) with respect to such Taxes. Notwithstanding anything contained in this Section 15 to the contrary, you shall not be required to contest any claim if the subject matter thereof shall be of a continuing nature and shall have previously been decided adversely pursuant to the contest provisions of this Section 15 unless there shall have been a change in law (including, without limitation, amendments to statutes or regulations, administrative rulings and court decisions) enacted, promulgated or decided after such claim shall have been so previously decided, and you shall have received an opinion of your independent tax counsel furnished at the Company's sole expense, to the effect that as a result of such change in the law it is more likely than not that you will prevail in the contest of such claim.

(d) For purposes of this Section 15: (i) "Taxes" shall mean the sum of, without duplication, (A) the amount of the federal, state and local taxes paid by you relating to the transactions contemplated by this Agreement; (B) the reduction of your net operating loss or capital loss or net operating or capital loss carryover for federal, state or local tax purposes relating to the transactions contemplated by this Agreement multiplied by the highest applicable marginal federal, state or local income tax rate in effect for the period of such reduction; (C) the amount of any federal, state or local tax refund or credit to which you would otherwise be entitled and which is offset or reduced as a result of the transactions contemplated by this Agreement; (D) the amount of any interest, penalties or other additions to tax paid by you as a result of the transactions contemplated by this Agreement; and (E) the amount of any interest to which you would have been entitled with respect to any refund described in clause (C) above had such amount not been offset as a result of the transactions contemplated by this Agreement. "After-Tax Basis", when referring to any indemnity payment due to you hereunder, shall mean that amount which, after reducing such amount by all federal, state and local taxes attributable to the inclusion by you of such amount in gross income, and after giving effect to any federal, state and local tax savings attributable to any deductions (including any increase in a net operating or capital loss carryover deduction) arising from your payment of any Taxes with respect to which such indemnity payment is being made (such taxes or tax savings, as the case may be, to be calculated at the highest applicable marginal income tax rate in effect for each applicable jurisdiction for the period in which such indemnity payment is made and after taking into account the deduction attributable to the imposition of state and local income taxes imposed on the inclusion of such amount in gross income) is equal to the Taxes with respect to which such indemnity payment is being made. Any factual assumptions, tax rate assumptions or

assumptions relating to the appropriate tax treatment of a particular item (including assumptions as to timing) will be made by you in your sole good faith discretion (it being understood that the Company shall have no right to inspect or examine any tax returns or other records or documents relating to your tax situation). At the request of the Company, the accuracy of the calculation of any amount or amounts payable by the Company or you under Section 15(b) shall be verified, at the Company's sole expense, by an independent "big six" public accounting firm selected by you and reasonably satisfactory to the Company, and such verification shall be binding on the Company and you. The Company agrees that it shall have no right to review or otherwise have access to any information or any tax or financial data used by such independent public accountants, all such information and data to be treated by such independent public accountants as confidential.

SECTION 16. MISCELLANEOUS.

16.1. Expenses. Whether or not the transactions contemplated hereby are consummated, the Company shall: (a) pay the reasonable fees and disbursements of your special counsel and of any local counsel for any services rendered in connection with such transactions or in connection with any actual or proposed amendment, waiver or consent (whether or not the same becomes effective) with respect to this Agreement or the Substitute Notes, and all other reasonable expenses in connection therewith (including, without limitation, document production expenses and expenses incurred in connection with obtaining a private placement number from Standard and Poor's CUSIP Service Bureau); (b) reimburse you for your reasonable out-of-pocket expenses in connection with such transactions, amendments, waivers or consents (whether or not the same becomes effective), and any items of the character referred to in clause (a) which shall have been paid by you, and pay the cost of transmitting Substitute Notes (insured to your satisfaction) to your principal office upon the issuance thereof; and (c) pay, and save you and each subsequent holder of any Substitute Note harmless from and against, any and all liability and loss with respect to or resulting from the non-payment or delayed payment of any and all placement fees and other liability which the Company may be or become obligated to pay any agent or finder in connection with such transactions. The obligations of the Company under this Section 16.1 shall survive payment of the Substitute Notes.

16.2. Reliance on and Survival of Representations. All agreements, representations and warranties of the Company herein and in any certificates or other instruments delivered pursuant to this Agreement shall (a) be deemed to be material and to have been relied upon by

you, notwithstanding any investigation heretofore or hereafter made by you or on your behalf, and (b) survive the execution and delivery of this Agreement and the delivery of the Substitute Notes to you, and shall continue in effect so long as any Substitute Note is outstanding and thereafter as provided in Sections 15 and 16.1.

16.3. Successors and Assigns. All covenants and agreements in this Agreement by or on behalf of the respective parties hereto shall bind and inure to the benefit of their respective successors and assigns, except that, in the case of a successor to the Company by consolidation or merger or a transferee of its assets, this Agreement shall inure to the benefit of such successor or transferee only if it becomes such in accordance with Section 7.10; provided, however, that you shall not be obligated to accept the assumption of the Existing Notes held by you on the Effective Date by any Person other than the existing Lennox International Inc., a Delaware corporation. The provisions of this Agreement are intended to be for the benefit of all holders, from time to time, of the Substitute Notes, and shall be enforceable by any such holder, whether or not an express assignment to such holder of rights under this Agreement has been made by you or your successor or assign, provided, however, that the benefit of Sections 5, 6, 11 (as to satisfactory indemnity) and 13 shall be limited as provided therein.

16.4. Notices. All notices, opinions and other communications provided for in this Agreement shall be in writing and delivered or mailed, first class postage prepaid, addressed (a) if to the Company, at the address set forth at the head of this Agreement (marked for the attention of the Executive Vice President, Chief Financial Officer and Treasurer), or at such other address as the Company may hereafter designate by notice to you and to each other holder of any Substitute Note at the time outstanding, or (b) if to you, at your address as set forth in Schedule I hereto or at such other address as you may hereafter designate by notice to the Company, or (c) if to any other holder of any Substitute Note, at the address of such holder as it appears on the Note Register.

16.5. Substitution of Your Wholly-Owned Subsidiary. You shall have the right to substitute one of your wholly-owned subsidiaries as the holder of any of the Substitute Notes to be delivered to you hereunder, by written notice delivered to the Company, which notice shall be signed by you and such subsidiary, shall contain such subsidiary's agreement to be bound by this Agreement and shall contain a confirmation by such subsidiary of the accuracy with respect to it of the representations contained in Section 1.5, provided that such confirmation may contain

a statement to the effect that such subsidiary shall at all times have the right to transfer the Substitute Notes being delivered to it to you. The Company agrees that, upon receipt of any such notice, whenever the word "you" is used in this Agreement (other than this Section) such word shall be deemed to refer to such subsidiary in lieu of you. In the event that such subsidiary is so substituted hereunder and thereafter transfers its Substitute Notes or any portion thereof to you, upon receipt by the Company of notice of such transfer, whenever the word "you" is used in this Agreement (other than in this Section) such word shall be deemed to refer to such subsidiary only to the extent it retains any portion of the Substitute Notes, and shall be deemed to refer to you to the extent you own all or any portion of the Substitute Notes, and you and such subsidiary to such extents shall each have all the rights of an original holder of Substitute Notes under this Agreement.

16.6. LAW GOVERNING. THIS AGREEMENT AND THE SUBSTITUTE NOTES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

16.7. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect any of the terms hereof.

16.8. Entire Agreement. This Agreement embodies the entire agreement and understanding between you and the Company and supersedes all prior agreements and understandings relating to the subject matter hereof.

16.9. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

16.10. Limitation on Interest. No provision of the Agreements or of any Substitute Note shall require the payment or permit the collection of interest in excess of the maximum which is permitted by applicable law. If any such excess interest is provided for herein or in the Other Agreements or shall be adjudicated to be so provided for, then the Company shall not be obligated to pay such interest in excess of the maximum permitted by applicable law, and the holders of the Substitute Notes shall have no right to demand or receive payment of any such excess interest, any other provisions in the Agreements or in any Substitute Note to the contrary notwithstanding. To the extent that the Company is permitted by law to waive any such applicable law limiting the payment or collection of interest, it hereby does so.

16.11. Interpretation of Disclosures. In connection with the representations, warranties and certifications made by the Company pursuant to this Agreement, the Company is required to make certain disclosures to you with respect to possible or contingent losses and liabilities. The Company shall be free to make disclosures to you in addition to those required under this Agreement, and the making of any disclosure by the Company pursuant to this Agreement shall not constitute an admission by the Company that any such possible or contingent loss or liability actually exists or is owed.

If you are in agreement with the foregoing, please sign the form of acceptance in the space provided below whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

LENNOX INTERNATIONAL INC.

By /s/ Clyde Wyant

Title: Executive Vice President, Chief Financial Officer and Treasurer

The foregoing Agreement is hereby accepted as of the date first above written:

[TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA*

By/s/ Roderic L. Eaton

Title:]Managing Director - Private Placements

[CONNECTICUT GENERAL LIFE INSURANCE COMPANY*
By CIGNA Investments, Inc.

By /s/ James G. Schelling

Title:]Managing Director

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* NOTE: Each purchaser will execute a separate agreement.

[INA LIFE INSURANCE COMPANY
OF NEW YORK*
By CIGNA Investments, Inc.

By /s/ James G. Schelling

Title:] Managing Director

[TANDEM INSURANCE GROUP, INC.*

By /s/ David M. Dunford

Title:] Senior Vice President

[THE TRAVELERS INSURANCE COMPANY*

By /s/ Jordan M. Stitzer

Title:] Second Vice President

[THE CHARTER OAK FIRE INSURANCE
COMPANY*

By /s/ Jordan M. Stitzer

Title:] Second Vice President

[THE TRAVELERS LIFE AND ANNUITY
COMPANY*

By /s/ Jordan M. Stitzer

Title:] Second Vice President

[THE PHOENIX INSURANCE COMPANY*

By /s/ Jordan M. Stitzer

Title:] Second Vice President

[THE TRAVELERS INDEMNITY COMPANY*

By /s/ Jordan M. Stitzer

Title:] Second Vice President

EXHIBIT A-1

LENNOX INTERNATIONAL INC.

9.55% SERIES B SENIOR PROMISSORY NOTE DUE DECEMBER 1, 1996

Note No. RB- New York, N.Y.
$, 1991
Private Placement No. 52610* AA 1

FOR VALUE RECEIVED, the undersigned, LENNOX INTERNATIONAL INC., a corporation organized and existing under the laws of the State of Delaware (herein called the "Company"), hereby promises to pay to

or registered assigns, the principal sum of
DOLLARS (or so much thereof as shall not have been prepaid) on December 1, 1996, with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal hereof at the rate of 9.55% per annum from the date hereof, payable semiannually on June 1 and December 1 in each year, commencing on June 1, 1992, until said principal shall have become due and payable, and to pay interest (so computed) at the rate of 10.55% per annum on any overdue principal and premium and, to the extent permitted by applicable law, on any overdue interest, until the same shall be paid. Payments of principal, premium, if any, and interest are to be made in lawful money of the United States of America at the office of Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, New York 10015, or at such other place as may be provided pursuant to the Agreements of Assumption and Restatement referred to below.

This Note is one of the 9.55% Series B Senior Promissory Notes due 1996 of the Company (the "Series B Notes") issued, together with the Company's 11.05% Series C Senior Promissory Notes due 1997, 9.60% Series D Senior Promissory Notes due 1998, 10.15% Series E Senior Promissory Notes due 1998, 9.53% Series F Senior Promissory Notes due 2001, 9.50% Series G Senior Promissory Notes due 2001 and 9.69% Series H Senior Promissory Notes due 2003 (collectively, together with the Series B Notes, the "Notes") pursuant to the nine separate Agreements of Assumption and Restatement, each dated as of December 1, 1991, between the Company and each of Teachers Insurance and Annuity Association of America, The Travelers Insurance Company, The Travelers Indemnity Company, The Travelers Life Insurance Company, The Charter Oak Fire Insurance Company, Connecticut General Life Insurance Company, INA Life

Insurance Company of New York, Tandem Insurance Group, Inc. and The Phoenix Insurance Company and is subject thereto and entitled to the benefits thereof. As provided in said Agreements, this Series B Note is subject to optional prepayments in whole or in part, in certain cases with a premium, and also to required prepayments, all as specified in said Agreements.

Upon surrender of this Series B Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series B Note for a like principal amount will be issued to, and, at the option of the holder, registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may deem and treat the Person in whose name this Series B Note is registered as the holder and owner hereof for the purpose of receiving payments and for all other purposes whatsoever, and the Company shall not be affected by any notice to the contrary.

Said Agreements provide that by acceptance of this Series B Note the holder hereof shall be deemed to have agreed to certain obligations of confidentiality in respect of certain information received by such holder pursuant to said Agreements.

In case an Event of Default (as defined in said Agreements) shall occur and be continuing, the principal of this Series B Note may become or be declared due and payable in the manner and with the effect provided in said Agreements.

LENNOX INTERNATIONAL INC.

By

Title:

EXHIBIT A-2

LENNOX INTERNATIONAL INC.

11.05% SERIES C SENIOR PROMISSORY NOTE DUE DECEMBER 1, 1997

Note No. RC- New York, N.Y.
$, 1991
Private Placement No. 52610* AB 9

FOR VALUE RECEIVED, the undersigned, LENNOX INTERNATIONAL INC., a corporation organized and existing under the laws of the State of Delaware (herein called the "Company"), hereby promises to pay to

or registered assigns, the principal sum of
DOLLARS (or so much thereof as shall not have been prepaid) on December 1, 1997, with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal hereof at the rate of 11.05% per annum from the date hereof, payable semiannually on June 1 and December 1 in each year, commencing on June 1, 1992, until said principal shall have become due and payable, and to pay interest (so computed) at the rate of 12.05% per annum on any overdue principal and premium and, to the extent permitted by applicable law, on any overdue interest, until the same shall be paid. Payments of principal, premium, if any, and interest are to be made in lawful money of the United States of America at the office of Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, New York 10015, or at such other place as may be provided pursuant to the Agreements of Assumption and Restatement referred to below.

This Note is one of the 11.05% Series C Senior Promissory Notes due 1997 of the Company (the "Series C Notes") issued, together with the Company's 9.55% Series B Senior Promissory Notes due 1996, 9.60% Series D Senior Promissory Notes due 1998, 10.15% Series E Senior Promissory Notes due 1998, 9.53% Series F Senior Promissory Notes due 2001, 9.50% Series G Senior Promissory Notes due 2001 and 9.69% Series H Senior Promissory Notes due 2003 (collectively, together with the Series C Notes, the "Notes") pursuant to the nine separate Agreements of Assumption and Restatement, each dated as of December 1, 1991, between the Company and each of Teachers Insurance and Annuity Association of America, The Travelers Insurance Company, The Travelers Indemnity Company, The Travelers Life Insurance Company, The Charter Oak Fire Insurance Company, Connecticut General Life Insurance Company, INA Life

Insurance Company of New York, Tandem Insurance Group, Inc. and The Phoenix Insurance Company and is subject thereto and entitled to the benefits thereof. As provided in said Agreements, this Series C Note is subject to optional prepayments in whole or in part, in certain cases with a premium, and also to required prepayments, all as specified in said Agreements.

Upon surrender of this Series C Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series C Note for a like principal amount will be issued to, and, at the option of the holder, registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may deem and treat the Person in whose name this Series C Note is registered as the holder and owner hereof for the purpose of receiving payments and for all other purposes whatsoever, and the Company shall not be affected by any notice to the contrary.

Said Agreements provide that by acceptance of this Series C Note the holder hereof shall be deemed to have agreed to certain obligations of confidentiality in respect of certain information received by such holder pursuant to said Agreements.

In case an Event of Default (as defined in said Agreements) shall occur and be continuing, the principal of this Series C Note may become or be declared due and payable in the manner and with the effect provided in said Agreements.

LENNOX INTERNATIONAL INC.

By

Title:

EXHIBIT A-3

LENNOX INTERNATIONAL INC.

9.60% SERIES D SENIOR PROMISSORY NOTE DUE DECEMBER 1, 1998

Note No. RD- New York, N.Y.
$, 1991
Private Placement No. 52610* AC 7

FOR VALUE RECEIVED, the undersigned, LENNOX INTERNATIONAL INC., a corporation organized and existing under the laws of the State of Delaware (herein called the "Company"), hereby promises to pay to

or registered assigns, the principal sum of
DOLLARS (or so much thereof as shall not have been prepaid) on December 1, 1998, with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal hereof at the rate of 9.60% per annum from the date hereof, payable semiannually on June 1 and December 1 in each year, commencing on June 1, 1992, until said principal shall have become due and payable, and to pay interest (so computed) at the rate of 10.60% per annum on any overdue principal and premium and, to the extent permitted by applicable law, on any overdue interest, until the same shall be paid. Payments of principal, premium, if any, and interest are to be made in lawful money of the United States of America at the office of Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, New York 10015, or at such other place as may be provided pursuant to the Agreements of Assumption and Restatement referred to below.

This Note is one of the 9.60% Series D Senior Promissory Notes due 1998 of the Company (the "Series D Notes") issued, together with the Company's 9.55% Series B Senior Promissory Notes due 1996, 11.05% Series C Senior Promissory Notes due 1997, 10.15% Series E Senior Promissory Notes due 1998, 9.53% Series F Senior Promissory Notes due 2001, 9.50% Series G Senior Promissory Notes due 2001 and 9.69% Series H Senior Promissory Notes due 2003 (collectively, together with the Series D Notes, the "Notes") pursuant to the nine separate Agreements of Assumption and Restatement, each dated as of December 1, 1991, between the Company and each of Teachers Insurance and Annuity Association of America, The Travelers Insurance Company, The Travelers Indemnity Company, The Travelers Life Insurance Company, The Charter Oak Fire Insurance Company, Connecticut General Life Insurance Company, INA Life

Insurance Company of New York, Tandem Insurance Group, Inc. and The Phoenix Insurance Company and is subject thereto and entitled to the benefits thereof. As provided in said Agreements, this Series D Note is subject to optional prepayments in whole or in part, in certain cases with a premium, and also to required prepayments, all as specified in said Agreements.

Upon surrender of this Series D Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series D Note for a like principal amount will be issued to, and, at the option of the holder, registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may deem and treat the Person in whose name this Series D Note is registered as the holder and owner hereof for the purpose of receiving payments and for all other purposes whatsoever, and the Company shall not be affected by any notice to the contrary.

Said Agreements provide that by acceptance of this Series D Note the holder hereof shall be deemed to have agreed to certain obligations of confidentiality in respect of certain information received by such holder pursuant to said Agreements.

In case an Event of Default (as defined in said Agreements) shall occur and be continuing, the principal of this Series D Note may become or be declared due and payable in the manner and with the effect provided in said Agreements.

LENNOX INTERNATIONAL INC.

By

Title:

EXHIBIT A-4

LENNOX INTERNATIONAL INC.

10.15% SERIES E PROMISSORY NOTE DUE DECEMBER 1, 1998

Note No. RE- New York, N.Y.
$, 1991
Private Placement No. 52610* AD 5

FOR VALUE RECEIVED, the undersigned, LENNOX INTERNATIONAL INC., a corporation organized and existing under the laws of the State of Delaware (herein called the "Company"), hereby promises to

pay to or registered assigns, the principal sum of
DOLLARS (or so much thereof as shall not have been prepaid) on December 1, 1998, with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal hereof at the rate of 10.15% per annum from the date hereof, payable semiannually on June 1 and December 1 in each year, commencing on June 1, 1992, until said principal shall have become due and payable, and to pay interest (so computed) at the rate of 11.15% per annum on any overdue principal and premium and, to the extent permitted by applicable law, on any overdue interest, until the same shall be paid. Payments of principal, premium, if any, and interest are to be made in lawful money of the United States of America at the office of Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, New York 10015, or at such other place as may be provided pursuant to the Agreements of Assumption and Restatement referred to below.

This Note is one of the 10.15% Series E Senior Promissory Notes due 1998 of the Company (the "Series E Notes") issued, together with the Company's 9.55% Series B Senior Promissory Notes due 1996, 11.05% Series C Senior Promissory Notes due 1997, 9.60% Series D Senior Promissory Notes due 1998, 9.53% Series F Senior Promissory Notes due 2001, 9.50% Series G Senior Promissory Notes due 2001 and 9.69% Series H Senior Promissory Notes due 2003 (collectively, together with the Series E Notes, the "Notes") pursuant to the nine separate Agreements of Assumption and Restatement, each dated as of December 1, 1991, between the Company and each of Teachers Insurance and Annuity Association of America, The Travelers Insurance Company, The Travelers Indemnity Company, The Travelers Life Insurance Company, The Charter Oak Fire Insurance Company, Connecticut General Life Insurance Company, INA Life

Insurance Company of New York, Tandem Insurance Group, Inc. and The Phoenix Insurance Company and is subject thereto and entitled to the benefits thereof. As provided in said Agreements, this Series E Note is subject to optional prepayments in whole or in part, in certain cases with a premium, and also to required prepayments, all as specified in said Agreements.

Upon surrender of this Series E Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series E Note for a like principal amount will be issued to, and, at the option of the holder, registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may deem and treat the Person in whose name this Series E Note is registered as the holder and owner hereof for the purpose of receiving payments and for all other purposes whatsoever, and the Company shall not be affected by any notice to the contrary.

Said Agreements provide that by acceptance of this Series E Note the holder hereof shall be deemed to have agreed to certain obligations of confidentiality in respect of certain information received by such holder pursuant to said Agreements.

In case an Event of Default (as defined in said Agreements) shall occur and be continuing, the principal of this Series E Note may become or be declared due and payable in the manner and with the effect provided in said Agreements.

LENNOX INTERNATIONAL INC.

By

Title:

EXHIBIT A-5

LENNOX INTERNATIONAL INC.

9.53% SERIES F SENIOR PROMISSORY NOTE DUE DECEMBER 1, 2001

Note No. RF- New York, N.Y.
$, 1991
Private Placement No. 52610* AE 3

FOR VALUE RECEIVED, the undersigned, LENNOX INTERNATIONAL INC., a corporation organized and existing under the laws of the State of Delaware (herein called the "Company"), hereby promises to pay to

or registered assigns, the principal sum of
DOLLARS (or so much thereof as shall not have been prepaid) on December 1, 2001, with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal hereof at the rate of 9.53% per annum from the date hereof, payable semiannually on June 1 and December 1 in each year, commencing on June 1, 1992, until said principal shall have become due and payable, and to pay interest (so computed) at the rate of 10.53% per annum on any overdue principal and premium and, to the extent permitted by applicable law, on any overdue interest, until the same shall be paid. Payments of principal, premium, if any, and interest are to be made in lawful money of the United States of America at the office of Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, New York 10015, or at such other place as may be provided pursuant to the Agreements of Assumption and Restatement referred to below.

This Note is one of the 9.53% Series F Senior Promissory Notes due 2001 of the Company (the "Series F Notes") issued, together with the Company's 9.55% Series B Senior Promissory Notes due 1996, 11.05% Series C Senior Promissory Notes due 1997, 9.60% Series D Senior Promissory Notes due 1998, 10.15% Series E Senior Promissory Notes due 1998, 9.50% Series G Senior Promissory Notes due 2001 and 9.69% Series H Senior Promissory Notes due 2003 (collectively, together with the Series F Notes, the "Notes") pursuant to the nine separate Agreements of Assumption and Restatement, each dated as of December 1, 1991, between the Company and each of Teachers Insurance and Annuity Association of America, The Travelers Insurance Company, The Travelers Indemnity Company, The Travelers Life Insurance Company, The Charter Oak Fire Insurance Company, Connecticut General Life Insurance Company, INA Life

Insurance Company of New York, Tandem Insurance Group, Inc. and The Phoenix Insurance Company and is subject thereto and entitled to the benefits thereof. As provided in said Agreements, this Series F Note is subject to optional prepayments in whole or in part, in certain cases with a premium, and also to required prepayments, all as specified in said Agreements.

Upon surrender of this Series F Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series F Note for a like principal amount will be issued to, and, at the option of the holder, registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may deem and treat the Person in whose name this Series F Note is registered as the holder and owner hereof for the purpose of receiving payments and for all other purposes whatsoever, and the Company shall not be affected by any notice to the contrary.

Said Agreements provide that by acceptance of this Series F Note the holder hereof shall be deemed to have agreed to certain obligations of confidentiality in respect of certain information received by such holder pursuant to said Agreements.

In case an Event of Default (as defined in said Agreements) shall occur and be continuing, the principal of this Series F Note may become or be declared due and payable in the manner and with the effect provided in said Agreements.

LENNOX INTERNATIONAL INC.

By

Title:

EXHIBIT A-6

LENNOX INTERNATIONAL INC.

9.50% SERIES G SENIOR PROMISSORY NOTE DUE DECEMBER 1, 2001

Note No. RG- New York, N.Y.
$, 1991
Private Placement No. 52610* AF 0

FOR VALUE RECEIVED, the undersigned, LENNOX INTERNATIONAL INC., a corporation organized and existing under the laws of the State of Delaware (herein called the "Company"), hereby promises to

pay to or registered assigns, the principal sum of
DOLLARS (or so much thereof as shall not have been prepaid) on December 1, 2001, with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal hereof at the rate of 9.50% per annum from the date hereof, payable semiannually on June 1 and December 1 in each year, commencing on June 1, 1992, until said principal shall have become due and payable, and to pay interest (so computed) at the rate of 10.50% per annum on any overdue principal and premium and, to the extent permitted by applicable law, on any overdue interest, until the same shall be paid. Payments of principal, premium, if any, and interest are to be made in lawful money of the United States of America at the office of Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, New York 10015, or at such other place as may be provided pursuant to the Agreements of Assumption and Restatement referred to below.

This Note is one of the 9.50% Series G Senior Promissory Notes due 2001 of the Company (the "Series G Notes") issued, together with the Company's 9.55% Series B Senior Promissory Notes due 1996, 11.05% Series C Promissory Notes due 1997, 9.60% Series D Senior Promissory Notes due 1998, 10.15% Series E Senior Promissory Notes due 1998, 9.53% Series F Senior Promissory Notes due 2001 and 9.69% Series H Senior Promissory Notes due 2003 (collectively, together with the Series G Notes, the "Notes") pursuant to the nine separate Agreements of Assumption and Restatement, each dated as of December 1, 1991, between the Company and each of Teachers Insurance and Annuity Association of America, The Travelers Insurance Company, The Travelers Indemnity Company, The Travelers Life Insurance Company, The Charter Oak Fire Insurance Company, Connecticut General Life Insurance Company, INA Life Insurance Company of New York,

Tandem Insurance Group, Inc. and The Phoenix Insurance Company and is subject thereto and entitled to the benefits thereof. As provided in said Agreements, this Series G Note is subject to optional prepayments in whole or in part, in certain cases with a premium, and also to required prepayments, all as specified in said Agreements.

Upon surrender of this Series G Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series G Note for a like principal amount will be issued to, and, at the option of the holder, registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may deem and treat the Person in whose name this Series G Note is registered as the holder and owner hereof for the purpose of receiving payments and for all other purposes whatsoever, and the Company shall not be affected by any notice to the contrary.

Said Agreements provide that by acceptance of this Series G Note the holder hereof shall be deemed to have agreed to certain obligations of confidentiality in respect of certain information received by such holder pursuant to said Agreements.

In case an Event of Default (as defined in said Agreements) shall occur and be continuing, the principal of this Series G Note may become or be declared due and payable in the manner and with the effect provided in said Agreements.

LENNOX INTERNATIONAL INC.

By

Title:

EXHIBIT A-7

LENNOX INTERNATIONAL INC.

9.69% SERIES H SENIOR PROMISSORY NOTE DUE DECEMBER 1, 2003

Note No. RH- New York, N.Y.
$, 1991
Private Placement No. 52610* AG 8

FOR VALUE RECEIVED, the undersigned, LENNOX INTERNATIONAL INC., a corporation organized and existing under the laws of the State of Delaware (herein called the "Company"), hereby promises to pay to

or registered assigns, the principal sum of
DOLLARS (or so much thereof as shall not have been prepaid) on December 1, 2003, with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal hereof at the rate of 9.69% per annum from the date hereof, payable semiannually on June 1 and December 1 in each year, commencing on June 1, 1992, until said principal shall have become due and payable, and to pay interest (so computed) at the rate of 10.69% per annum on any overdue principal and premium and, to the extent permitted by applicable law, on any overdue interest, until the same shall be paid. Payments of principal, premium, if any, and interest are to be made in lawful money of the United States of America at the office of Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, New York 10015, or at such other place as may be provided pursuant to the Agreements of Assumption and Restatement referred to below.

This Note is one of the 9.69% Series H Senior Promissory Notes due 2003 of the Company (the "Series H Notes") issued, together with the Company's 9.55% Series B Senior Promissory Notes due 1996, 11.05% Series C Senior Promissory Notes due 1997, 9.60% Series D Senior Promissory Notes due 1998, 10.15% Series E Senior Promissory Notes due 1998, 9.53% Series F Senior Promissory Notes due 2001 and 9.50% Series G Senior Promissory Notes due 2001 (collectively, together with the Series H Notes, the "Notes") pursuant to the nine separate Agreements of Assumption and Restatement, each dated as of December 1, 1991, between the Company and each of Teachers Insurance and Annuity Association of America, The Travelers Insurance Company, The Travelers Indemnity Company, The Travelers Life Insurance Company, The Charter Oak Fire Insurance Company, Connecticut General Life Insurance Company, INA Life

Insurance Company of New York, Tandem Insurance Group, Inc. and The Phoenix Insurance Company and is subject thereto and entitled to the benefits thereof. As provided in said Agreements, this Series H Note is subject to optional prepayments in whole or in part, in certain cases with a premium, and also to required prepayments, all as specified in said Agreements.

Upon surrender of this Series H Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series H Note for a like principal amount will be issued to, and, at the option of the holder, registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may deem and treat the Person in whose name this Series H Note is registered as the holder and owner hereof for the purpose of receiving payments and for all other purposes whatsoever, and the Company shall not be affected by any notice to the contrary.

Said Agreements provide that by acceptance of this Series H Note the holder hereof shall be deemed to have agreed to certain obligations of confidentiality in respect of certain information received by such holder pursuant to said Agreements.

In case an Event of Default (as defined in said Agreements) shall occur and be continuing, the principal of this Series H Note may become or be declared due and payable in the manner and with the effect provided in said Agreements.

LENNOX INTERNATIONAL INC.

By

Title:

EXHIBIT 10.2

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LENNOX INTERNATIONAL INC.

NOTE PURCHASE AGREEMENT

Dated as of December 1, 1993

6.73% Senior Promissory Notes due 2008

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LENNOX INTERNATIONAL INC.
2100 Lake Park Boulevard
Richardson, Texas 75080

NOTE PURCHASE AGREEMENT

as of December 1, 1993

To the Noteholder Identified
on the Signature Page at
the End of this Agreement:

Ladies and Gentlemen:

LENNOX INTERNATIONAL INC., a Delaware corporation (together with any successor or transferee which becomes such in the manner specified in Section 7.10, the "Company"), hereby agrees with you as follows:

SECTION 1. PURCHASE OF NOTES.

1.1. Authorization. The Company has duly authorized an issue of its 6.73% promissory notes due December 1, 2008 in the aggregate principal amount of $100,000,000, each such Note to be substantially in the form of Exhibit A. As used herein, the term "Notes" shall include all notes originally issued pursuant to this Agreement and all Other Agreements referred to below and all notes delivered in substitution or exchange for any of said notes and, where applicable, shall include the singular number as well as the plural. The term "Note" shall mean one of the Notes. Each Note is to (a) bear interest from the date thereof on the unpaid principal amount thereof at the rate of 6.73% per annum (computed on the basis of a 360-day year of twelve 30-day months) payable semiannually on June 1 and December 1 of each year, commencing June 1, 1994, and with interest (so computed) on any overdue principal (including any overdue prepayment of principal) and the Special Premium and (to the extent permitted by applicable law) on any overdue interest at the rate of 8.73% per annum until paid, payable semiannually as aforesaid or, at the option of the registered holder thereof, on demand and (b) mature and be due and payable as to the entire remaining unpaid principal amount thereof on December 1, 2008.

Capitalized terms used and not otherwise defined herein shall have the respective meanings assigned thereto in Section 8. Unless otherwise specified, any reference in this Agreement to a particular section or other subdivision, or a particular schedule or exhibit, shall be considered a reference to that section or other subdivision of, or to that schedule or exhibit to, this Agreement.

1.2. Purchase and Sale of Notes; the Closing. The Company shall issue and sell to you and, subject to the terms and conditions hereof, you shall purchase from the Company, Notes in the aggregate principal amount set forth opposite your name on Schedule I hereto, at a price equal to 100% of the principal amount thereof. The closing of the purchase of the Notes shall be held commencing at 9:00 A.M., Dallas time, on December 1, 1993 (the "Closing Date"), at the offices of Baker & Botts, L.L.P., located at 2001 Ross Avenue, Dallas, Texas. On the Closing Date the Company will deliver to you the Notes to be purchased by you in the form of a single Note in the principal amount shown opposite your name on Schedule I (or such greater number of Notes aggregating such principal amount as you may request), dated the Closing Date and registered in your name (or the name of your nominee) against delivery by you to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer to the Company's account number 849820 at The Northern Trust Company (ABA #071000152). If on the Closing Date the Company shall fail to tender such Notes to you as provided in this Section 1.2, or any of the conditions specified in Section 3 shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any other rights you may have by reason of such failure or nonfulfillment.

The Company represents and warrants that contemporaneously herewith it is entering into eight separate Note Purchase Agreements (the "Other Agreements") identical with this Agreement (except for the signature of the holder at the end thereof) with the other institutional purchasers (the "Other Purchasers") named in Schedule I, providing for the issue and sale to the Other Purchasers of the aggregate principal amount of Notes shown opposite their names on said Schedule I. This Agreement and the Other Agreements are to be separate agreements and the purchase of the Notes by you and the Other Purchasers are to be separate and several purchases. This Agreement and the Other Agreements are herein sometimes collectively referred to as the "Agreements".

1.3. Investment Representation. You represent to the Company that on the Closing Date you will acquire the Notes being purchased by you for your own account, or for a separate account managed by you, for investment and not with a view to the distribution or sale of the Notes, subject, however, to any requirement of law that the disposition of your property be at all times within your control and without prejudice to your right to sell or otherwise dispose of all or any part of the Notes held by you pursuant to an effective registration under the Securities Act or under an exemption from such registration available under the Securities Act.

1.4. Source of Funds. You represent to the Company that no part of the funds to be used by you to pay the purchase price of the Notes to be purchased by you hereunder constitutes assets allocated to any separate account maintained by you in which any employee benefit plan (or its related trust), other than employee benefit plans identified on a letter, if any, that has been furnished by you to the Company, has any interest and that all such funds constitute funds allocated to general accounts maintained by you. As used in this Section

1.4, the terms "employee benefit plan" and "separate account" shall have the respective meanings assigned to them in Section 3 of ERISA.

SECTION 2. REPRESENTATIONS OF THE COMPANY. The Company represents and warrants to you that:

2.1. Organization and Authority of the Company. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all requisite power and authority to own or hold under lease the property it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver the Agreements and the Notes and to perform the provisions hereof and thereof. The Company has, by all necessary corporate action (no action of shareholders of the Company being required by law, by its charter or by-laws, or otherwise), duly authorized the execution and delivery of this Agreement, the Other Agreements and the Notes and the performance of its obligations under this Agreement and the Notes. The Company is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which the character of the properties owned or held under lease by it or the nature of the business transacted by it requires such qualification and in which the failure so to qualify would materially affect adversely the business, operations or properties of the Company, or of the Company and its Subsidiaries taken as a whole, or the ability of the Company to perform the Agreements and discharge its obligations on the Notes.

2.2. Disclosure. The Company has caused to be delivered to you an Offering Memorandum with respect to the Notes, dated October, 1993, prepared on behalf of the Company by Dillon, Read & Co. Inc. (the "Memorandum"). The Memorandum contains a complete summary description of the business and properties of the Company and the conduct of its operations. Neither this Agreement, the Memorandum, the financial statements referred to in Section 2.4 nor any other document, instrument or certificate delivered to you by or on behalf of the Company in connection with the transactions contemplated by the Agreements contains any untrue statement of a material fact, or omits to state any fact necessary to make the statements contained herein or therein (taken as a whole) not misleading. The Company does not know of any fact (other than matters of a general economic nature) which materially affects adversely or, so far as the Company can reasonably now foresee, will materially affect adversely, the business, operations or properties of the Company, or of the Company and its Subsidiaries taken as a whole, or the ability of the Company to perform the Agreements and discharge its obligations on the Notes.

2.3. Incorporation, Good Standing and Ownership of Shares of Subsidiaries. Annexed hereto as Exhibit B is a complete and correct list of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its incorporation, the jurisdictions in which substantial operating assets are located and the percentage of shares of each class outstanding owned by the Company and each other Subsidiary and specifying whether such Subsidiary is designated a Restricted Subsidiary. All of the outstanding shares of

each of said Subsidiaries shown in Exhibit B as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned beneficially and of record by the Company or another Subsidiary free and clear of any Lien. No Subsidiary owns any shares of the Company. Each Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which the character of the properties owned or held under lease by it or the nature of the business transacted by it requires such qualification and in which the failure so to qualify would materially affect adversely the business, operations or properties of the Company or of the Company and its Subsidiaries taken as a whole, or the ability of the Company to perform the Agreements and discharge its obligations on the Notes. Each Subsidiary has all requisite power and authority to own or hold under lease the property it purports to own or hold under lease and to transact the business it transacts and proposes to transact. There are no outstanding rights, options, warrants, conversion rights or agreements for the purchase or acquisition from the Company or any Subsidiary of any shares of capital stock of any such Subsidiary.

2.4. Financial Statements. The Company has delivered to you copies of

(a) the audited balance sheets of the Company and its Subsidiaries as at December 31 in each of the years 1988, 1989, 1990, 1991 and 1992 and the related statements of income, stockholders' equity and cash flows for the annual periods ended December 31, 1989, 1990, 1991 and 1992, accompanied by the reports thereon by Coopers & Lybrand, independent certified public accountants of the Company;

(b) the unaudited consolidated and consolidating balance sheets of the Company and its Subsidiaries as at March 31, June 30 and September 30, 1993 and the related unaudited consolidated and consolidating statements of income, stockholders' equity and cash flows for the quarters then ended; and

(c) the Company's Long-Term Debt Repayment Schedule (Present Debt) as of December 1, 1993.

All the above-mentioned financial statements (including in each case the related schedules and notes) are correct and complete and fairly present the financial position of the Company as of the respective dates of said balance sheets and the results of its operations for the respective periods covered by said statements of income, stockholders' equity and cash flows (subject, in the case of the unaudited financial statements, to year-end adjustments) and have been prepared in accordance with GAAP consistently applied throughout the periods involved, except as set forth in the notes thereto. There are no material liabilities, contingent or otherwise, of the Company or any Subsidiary (of any type required by GAAP to be reflected in a consolidated balance sheet of the Company and its Subsidiaries or the footnotes thereto) as

of December 31, 1992 not reflected in the consolidated balance sheet of the Company and its Subsidiaries as of said date described in paragraph (a) of this Section 2.4 (or the footnotes thereto). Since December 31, 1992 there have been no changes in the assets, liabilities or financial position of the Company from that set forth in the audited balance sheets of the Company as of said date, other than (i) expenses of approximately $9,200,000 after taxes accrued in connection with the consolidation of the Columbus Plant into the Marshalltown Plant, (ii) approximately $12,001,000 accrued as a result of the after-tax charge in fiscal year 1993 to net income of the Company and its Restricted Subsidiaries on a consolidated basis upon adoption of Financial Accounting Standards Board Statement No. 106 and (iii) changes in the ordinary course of business which have not, either individually or in the aggregate, been materially adverse to the Company.

2.5. Compliance with Other Instruments of the Company; No Dividend Restriction. The consummation of the transactions contemplated by this Agreement and the performance of the terms and provisions of the Agreements and the Notes will not result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company under any indenture, mortgage, deed of trust, license, bank loan or credit agreement, lease, corporate charter, by-law, or other agreement or instrument to which the Company is a party or by which the Company or any of its properties is or may be bound or affected, or violate any existing law, governmental rule or regulation or any Order of any court, arbitrator or Governmental Body applicable to the Company. Neither the Company nor any Subsidiary is a party to or bound by any instrument or agreement which contains any restriction on the incurrence by the Company of any Debt other than (i) the Agreements, (ii) the Agreements of Assumption and Restatement dated as of December 1, 1991 shown on Exhibit C and (iii) the Revolving Credit Agreement dated as of December 4, 1991, among the Company, the banks named therein and The Northern Trust Company, as agent, under each of which the Company is permitted to maintain outstanding the Debt evidenced by the Notes. No Restricted Subsidiary is bound by or subject to any contract or charter or by-law provision limiting the amount of, or otherwise imposing restrictions on the declaration, payment or setting aside of funds for the making of, dividends or other distributions in respect of the capital stock of such Restricted Subsidiary to the Company or another Restricted Subsidiary.

2.6. Governmental Authorizations, etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Body or any other Person (including any trustee or holder of any indebtedness, obligation or other securities of the Company or any of its Subsidiaries) is required for the validity of the execution and delivery or for the performance by the Company of the Agreements or the Notes or the discharge by the Company of its obligations under the Agreements and the Notes.

2.7. Litigation; Observance of Statutes, Regulations and Orders. There are no actions, suits or proceedings (including, without limitation, actions, suits or proceedings under any statute or other law relating to environmental protection or occupational health and safety practices) pending or, to the knowledge of the Company, threatened against or affecting

the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Body (except actions, suits or proceedings of the character normally incident to the kind of business conducted by the Company or any Subsidiary which (a) do not question the validity or legality of this Agreement or the Notes or any action taken or to be taken pursuant hereto or thereto and (b) in the aggregate, if adversely determined, would not materially affect adversely the business, operations or properties of the Company, or of the Company and its Subsidiaries taken as a whole or the ability of the Company to perform the Agreements or discharge its obligations on the Notes). Neither the Company nor any Subsidiary is in default under any Order of any court, arbitrator or Governmental Body which default could have a materially adverse effect on the Company or on the Company and its Subsidiaries taken as a whole; and neither the Company nor any Subsidiary is subject to or a party to any Order of any court or Governmental Body arising out of any action, suit or proceeding under any statute or other law respecting antitrust, monopoly, restraint of trade or unfair competition, or environmental protection or occupational health and safety practices, or similar matters.

As used in this Agreement, the term "Governmental Body" includes any Federal, State, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign; and the term "Order" includes any order, writ, injunction, decree, judgment, award, determination, direction or demand.

2.8. Taxes. The Company and its Subsidiaries have filed all Federal tax returns required to have been filed by them and all tax returns which are required to have been filed in each jurisdiction in which they are qualified to do business, as aforesaid, and have paid all taxes shown to be due and payable on such returns and all other material taxes and assessments payable by them, to the extent the same have become due and payable and before they have become delinquent, except for any taxes and assessments the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has set aside on its books reserves (segregated to the extent required by GAAP) deemed by it to be adequate. The Company does not know of any proposed material tax assessment against the Company or any Subsidiary, and in the opinion of the Company all tax liabilities are adequately provided for on the books of the Company and its Subsidiaries. The Federal income tax liabilities of the Company and its Subsidiaries have been determined by the Internal Revenue Service (or the applicable statute of limitations has run) and such liabilities have been paid for all fiscal years up to and including the fiscal year ended December 31, 1987.

2.9. Title to Property. The Company and its Restricted Subsidiaries have good title to their respective real properties and other properties as reflected in the most recent audited consolidated balance sheet of the Company and its Subsidiaries referred to in Section 2.4(a) or purported to have been acquired by the Company or such Restricted Subsidiary after said date, except as sold or otherwise disposed of in the ordinary course of business, subject to no title defects which would not be acceptable in accordance with good business practice to

similar companies engaged in a similar business. Except as permitted by Section 7.5, all properties of the Company and each Restricted Subsidiary are free and clear of all Liens.

2.10. Licenses, Permits, etc. The Company and its Subsidiaries possess all licenses, permits, franchises, authorizations, patents, copyrights, trademarks and trade names, or rights thereto, required to conduct their respective businesses substantially as now conducted and as currently proposed to be conducted, without known conflict with the rights of others.

2.11. Compliance with ERISA. No employee benefit plan established or maintained by the Company or by any Commonly Controlled Entity or to which the Company or any Commonly Controlled Entity is required to make contributions, which is subject to Part 3 of Subtitle B of Title 1 of ERISA, or Section 412 of the Code, had, as of the last day of the most recent fiscal year of such plan heretofore ended, an accumulated funding deficiency (as such term is defined in Section 302 of ERISA or Section 412 of the Code). Except as set forth in the audited consolidated financial statements of the Company and its Subsidiaries for the fiscal year ended December 31, 1992 referred to in Section 2.4(a), the present value of all accrued benefits under each such employee benefit plan (based on those assumptions used to fund such plan, which assumptions are reasonable) did not, as of such date exceed the then current value of the assets of such plan allocable to such benefits. The amount by which the aggregate vested benefit obligations for the qualified pension plans of the Company and its Subsidiaries, determined as of the end of the fiscal year ended December 31, 1992, exceed the aggregate fair value of the assets of such plans determined as of the end of such fiscal year, is less than $3,000,000. No liability to the Pension Benefit Guaranty Corporation (other than required insurance premiums, all of which, to the extent due and payable, have been paid) has been incurred with respect to any such plan and there has not been any reportable event within the meaning of ERISA, or any other event or condition, which presents a material risk of termination of any such plan by the Pension Benefit Guaranty Corporation. To the knowledge of the Company after reasonable investigation, neither the Department of Labor, the Internal Revenue Service nor any other Governmental Body has determined that any such plan or any trust created thereunder, or any trustee or administrator thereof, has engaged in a "prohibited transaction" (as defined in Section 4975 of the Code) with respect to any such plan that could subject any such plan, trust, trustee, administrator, the Company or any Commonly Controlled Entity to any material tax or penalty on prohibited transactions imposed under said Section 4975 or Section 502(i) of ERISA, and the Company is not aware of any facts that would constitute such a prohibited transaction. Neither the execution, delivery or performance by the Company of the Agreements nor the issuance and sale by the Company of the Notes will involve any prohibited transaction (as so defined). The representation by the Company in the immediately preceding sentence is made in reliance upon and subject to the accuracy of your representation contained in Section 1.4 and the representation by the Company in the immediately preceding sentence is expressly conditioned thereupon. Neither the Company nor any Commonly Controlled Entity is making or accruing, or has made or accrued, an obligation to make contributions to any Multiemployer Plan. For purposes hereof, (i) "Commonly Con-

trolled Entity" shall mean any trade or business, whether or not incorporated, which is under common control with the Company (within the meaning of Section 414(b) or (c) of the Code); and (ii) "Multiemployer Plan" shall mean a "multiemployer plan," as defined in Section 4001(a)(3) of ERISA.

2.12. Private Offering by the Company. Neither the Company nor Dillon, Read & Co. Inc. (the only Person authorized by the Company to act on its behalf in connection with the offer and sale of the Notes) has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than you, the Other Purchasers and no more than fifty other institutional investors. Neither the Company nor anyone acting on its behalf has taken, or will take, any action which would subject the issuance or sale of the Notes to Section 5 of the Securities Act. As used in this Section 2.12, the term "Notes" shall mean the Notes to be executed and delivered under the Agreements and any similar security or securities.

2.13. Solvency. The Company is, and upon giving effect to the issuance of the Notes will be, a "solvent institution," as said term is used in Section 1405(c) of the New York Insurance Law, whose "obligations are not in default as to principal or interest," as said terms are used in said Section 1405(c).

2.14. Use of Proceeds; Margin Regulations. The Company will apply a portion of the proceeds of the sale of the Notes under the Agreements to the repayment of $47,900,000 of the principal amount of existing notes listed on Exhibit C as item one and will apply the remainder of the proceeds to general corporate purposes. No part of the proceeds from the sale of the Notes will be used, directly or indirectly, by the Company or any Subsidiary for the purpose of purchasing or carrying any margin stock within the meaning of Regulation G of the Board of Governors of the Federal Reserve System (12 CFR 207, as amended), or for the purpose of purchasing or carrying or trading in any securities under such circumstances as to involve the Company or any Subsidiary in a violation of Regulation X of said Board (12 CFR 224, as amended) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220, as amended). The assets of the Company and its Subsidiaries do not consist to the extent of 25% or more of margin stock, and the Company has no present intention of acquiring margin stock to the extent of 25% or more of its assets, and in no event under any circumstances during the term of the Agreements will 25% or more of the assets of the Company and its Subsidiaries consist of margin stock. As used in this Section, the term "margin stock" shall have the meaning assigned to it in the aforesaid Regulation G.

2.15. Existing Debt. Annexed hereto as Exhibit C is a complete and correct list of all secured and unsecured Debt of the Company and its Restricted Subsidiaries (other than Debt of Restricted Subsidiaries to the Company) as of the date hereof, showing as to each item of such Debt the obligor, the aggregate principal amount outstanding on the date specified in Exhibit C, the final maturity date of such Debt, and a brief description of any security

therefor. With respect to each item of Debt of the Company listed in Exhibit C, the Company has delivered to your special counsel named in Section 3.2 a true and complete copy of each instrument evidencing any such Debt in excess of $100,000 or pursuant to which any such Debt in excess of $100,000 was issued or secured (including each amendment, consent, waiver or similar instrument in respect thereof), as the same is in effect on the date hereof. Neither the Company nor any Subsidiary is in default in the performance or observance of any of the terms, covenants or conditions contained in any of said instruments and neither the Company nor any Restricted Subsidiary is in default with respect to any Debt listed in Exhibit C, and no event has occurred and is continuing which, with notice or the lapse of time or both, would become such a default.

2.16. Existing Investments. Annexed hereto as Exhibit D is a complete and correct list of Investments of the Company and its Restricted Subsidiaries as of the date specified in Exhibit D, other than Investments of the character specified in Subsection (a) of the definition of "Restricted Investment" set forth in Section 8.1.

2.17. Foreign Assets Control Regulations, etc. Neither the Company nor any of its Subsidiaries is a "national" of any foreign country designated in the Foreign Assets Control Regulations, the Transaction Control Regulations, the Foreign Funds Control Regulations, the Iranian Assets Control Regulations, the Cuban Assets Control Regulations, the Nicaraguan Trade Control Regulations or the Libyan Sanctions Regulations of the United States Treasury Department (31 CFR Subtitle B, Chapter V, as amended). None of the proceeds of the sale of the Notes under the Agreements will be used, directly or indirectly, for the purpose of engaging in any transaction which violates any of said Regulations or which violates the Foreign Funds Control Regulations or the Transaction Control Regulations of the United States Treasury Department (31 CFR Subtitle B, Chapter V, as amended), or any regulation or ruling issued thereunder.

2.18. Status Under Certain Statutes. The Company is not an "investment company" or a Person directly or indirectly "controlled" by or "acting on behalf of" an investment company within the meaning of the Investment Company Act of 1940, as amended. The Company is not a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

2.19. Environmental Matters. (a) The Company and its Subsidiaries currently are in compliance with all applicable Environmental Laws except to the extent failure to comply has not had and will not have a material adverse effect on the Company or the Company and its Subsidiaries, taken as a whole.

(b) Neither the Company nor any Subsidiary has any knowledge of any events, conditions or circumstances that could reasonably be expected to give rise to any

liability on the part of the Company or any Subsidiary based on or related to (i) a violation of any Environmental Law or (ii) the presence on, in, under or above the Company Premises of any Hazardous Substance, other than any such liabilities referred to in this Subdivision (b) that will not have, either in any one case or in the aggregate, a material adverse effect on the Company or the Company and its Subsidiaries, taken as a whole.

SECTION 3. CONDITIONS OF CLOSING. Your obligation to purchase and pay for the Notes to be purchased by you hereunder shall be subject to the conditions hereinafter set forth:

3.1. Proceedings Satisfactory. All proceedings taken in connection with the issuance of the Notes and the consummation of the transactions contemplated hereby and all documents and papers relating thereto shall be satisfactory to you and your special counsel, and you and your special counsel shall have received copies of such documents and papers, all in form and substance satisfactory to you and your special counsel, as you or they may reasonably request in connection therewith.

3.2. Opinions of Counsel. You shall have received opinions, each dated the Closing Date, addressed to you and satisfactory in form, scope and substance to you from (a) Anne W. Teeling, Esq., Assistant General Counsel for the Company, substantially in the form of Exhibit E and covering such other matters as you or your special counsel may reasonably request, and (b) Baker & Botts, L.L.P., your special counsel in connection with the transactions contemplated by this Agreement, covering such matters as you may reasonably request.

3.3. Representations True, etc.; Officers' Certificate. All representations and warranties of the Company contained in this Agreement or otherwise made in writing by or on behalf of the Company in connection with the transactions contemplated hereby shall (except as affected by the consummation of such transactions) be true on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date; the Company shall have performed all agreements on its part required to be performed under the Agreements on or prior to the Closing Date; no Default or Event of Default shall have occurred and be continuing; since the date of the most recent audited balance sheets referred to in Section 2.4, neither the Company nor any Subsidiary shall have consolidated with, merged into, or sold, leased or otherwise disposed of its properties as an entirety or substantially as an entirety to any Person; and you shall have received a certificate signed by the Chief Executive Officer, a Vice President or the Treasurer of the Company and by the Secretary or an Assistant Secretary of the Company, dated the Closing Date, certifying to the effects specified in this Section.

3.4. Legality. On the Closing Date the Notes to be purchased by you hereunder shall be a legal investment for you under the laws of each jurisdiction to which you may be subject, without resort to any basket provision of said laws such as New York

Insurance Law Section 1405(a)(8), and you shall have received such certificates or other evidence as you may reasonably request demonstrating the legality of such investment under such laws.

3.5. Absence of Certain Events. There shall not have occurred any material adverse change in the assets, liabilities, business, operations, properties or condition (financial or otherwise) of the Company or of the Company and its Subsidiaries, taken as a whole, from that reflected in the most recent audited financial statements referred to in Section 2.4, copies of which shall have been delivered to you.

3.6. Other Agreements, etc. The Other Agreements shall have been duly entered into and, contemporaneously with the purchase of the Notes to be purchased by you at the Closing, the Other Purchasers shall have purchased the Notes to be purchased by them pursuant to the Other Agreements and the Company shall have received payment in full of the purchase price thereof.

3.7. Private Placement Number. The Notes shall have been assigned a private placement number by Standard and Poor's CUSIP Service Bureau.

3.8. Fees Payable at Closing. Your special counsel shall have received the legal fees and expenses required to be paid or reimbursed by the Company, as provided in Section 16.1, in connection with their preparation and review of the Agreements and documents and papers relating thereto and negotiations and other matters in connection therewith, and for which the Company shall have received invoices on or prior to the second Business Day preceding the Closing Date.

3.9. Delivery of Letter Agreement. You shall have received a copy of the Letter Agreement, as such term is defined in Section 8 of this Agreement, substantially in the form of Exhibit G hereto, executed by the Company and each Other Purchaser.

SECTION 4. PREPAYMENT, PAYMENT AND PURCHASE OF THE NOTES.

4.1. Mandatory Prepayments of the Notes; Payment at Maturity. On December 1, 2000 and on each December 1 thereafter to and including December 1, 2007 (so long as any of the Notes shall be outstanding), the Company will prepay $11,111,000.00 in aggregate principal amount of the Notes (or, if less, the unpaid balance thereof). On December 1, 2008, the Company will in any event pay the entire remaining unpaid principal amount of the Notes together with all interest accrued thereon; provided, however, that if any Note or Notes (but less than all the Notes) shall be purchased pursuant to Section 7.12, then the aggregate principal amount of the Notes required to be prepaid on any December 1 thereafter pursuant to this Section 4.1 shall be reduced to that amount which bears the same relation to the amount of such prepayment specified to be made on such December 1 (or such lower amount to which such required prepayment shall have theretofore been reduced in

accordance with this proviso) as the aggregate principal amount of the Notes outstanding immediately following said purchase pursuant to Section 7.12 bears to the aggregate principal amount of the Notes outstanding immediately prior to said purchase pursuant to Section 7.12. The Company covenants and agrees that it will, in the event of any reduction pursuant to the immediately preceding proviso, promptly after the purchase giving rise to such reduction, give to each holder of a Note or Notes written notice thereof, specifying in each such case the amounts of the respective mandatory prepayments due thereafter in respect of each Note held by such holder (giving effect to such reduction) and containing calculations demonstrating the method by which such reduction was effected. Each prepayment pursuant to this Section 4.1 shall be at 100% of the principal amount so to be prepaid, together with accrued interest thereon to the date of such prepayment, without the Special Premium.

4.2. Optional Prepayment of the Notes. Upon notice given as provided in Section 4.4, the Company, at its option, may at any time or from time to time prepay the Notes in whole or in part in multiples of $100,000, in each case at the principal amount so to be prepaid, together with interest accrued thereon to the date of such prepayment, plus a premium equal to the Special Premium. No prepayment of less than all the Notes pursuant to this Section 4.2 shall relieve the Company of its obligation to make (nor shall it reduce the amount of) the prepayments of principal on the Notes required by Section 4.1. Each partial prepayment made pursuant to this Section 4.2 shall be allocated as provided in Section 4.5.

4.3. Special Purchase of Notes. The Company shall be required to purchase Notes of each holder thereof which shall have replied affirmatively to an offer to purchase the same given as contemplated by Section 7.12, such purchase to be made at the price and on the date and otherwise as provided in Section 7.12.

4.4. Notice of Prepayment. The Company shall call the Notes for prepayment pursuant to Section 4.2 by giving written notice thereof to each holder of an outstanding Note, which notice shall be given not less than 30 nor more than 60 days prior to the date fixed for such prepayment in such notice and shall specify the amount so to be prepaid and the date fixed for such prepayment. Each such notice of prepayment shall be accompanied by a certificate of an authorized financial officer of the Company stating the facts showing compliance with the provisions of Section 4.2. Upon the giving of notice of any prepayment as provided in this Section 4.4, the Company will prepay on the date therein fixed for prepayment the principal amount of the Notes so to be prepaid as specified in such notice, together with interest and the Special Premium, if any, as specified in Section 4.2.

4.5. Allocation of Prepayments. In the event of any prepayment pursuant to Section 4.1 or 4.2 of less than all of the outstanding Notes, the Company will allocate the principal amount so to be prepaid (but only in units of $1,000) among the Notes in proportion, as nearly as may be, to the respective principal amounts thereof not theretofore called for prepayment.

4.6. Surrender of Notes. Any Note paid or prepaid in full shall thereafter be surrendered to the Company upon its written request therefor and canceled and not reissued.

4.7. Purchase of Notes. The Company will not, and will not permit any Affiliate to, acquire directly or indirectly by purchase or prepayment or otherwise any of the outstanding Notes except by way of payment, prepayment or purchase in accordance with the provisions of the Notes and the Agreements.

4.8. Maturity. In the case of each prepayment of Notes, whether required or optional, the principal amount of each Note to be prepaid shall become due and payable on the date fixed for such prepayment together with interest as specified in Section 4.1 or 4.2, as the case may be.

SECTION 5. FINANCIAL STATEMENTS AND INFORMATION. The Company will furnish to you and to any of your Affiliates, so long as you or such Affiliate shall hold any of the Notes, and (upon request) to each other Qualified Institutional Holder of any Notes, in duplicate:

(a) as soon as available and in any event within 45 days after the end of the first, second and third quarterly accounting periods in each fiscal year of the Company,

(i) copies of a consolidated and consolidating balance sheet of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries as of the end of such accounting period and of the related consolidated and consolidating statements of income and stockholder's equity and cash flows of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries for the portion of the fiscal year ended with the last day of such quarterly accounting period, all in reasonable detail and stating, in the case of such consolidated statements, in comparative form the respective figures for the corresponding date and period in the previous fiscal year, and certified by the principal financial officer of the Company, in the case of such consolidated statements, as having been prepared in accordance with GAAP and as presenting fairly the information contained therein, subject to year-end and audit adjustments and, in the case of such consolidating statements, as being fairly stated in all material respects in relation to the consolidated financial statements for such period as a whole, subject to year-end and audit adjustments,

(ii) a written statement of such financial officer of the Company setting forth computations in reasonable detail showing, as of the date of such balance sheet, (A) the ratio of Current Assets to Current Liabilities, (B) the amount of Net Worth and Total Capitalization, (C) the maximum amount of additional Debt and Restricted Debt which the Company could have incurred

under Section 7.4 and the outstanding amount of Debt and Restricted Debt of the Company and each Restricted Subsidiary and (D) the amount available for Restricted Payments and Restricted Investments in compliance with Section 7.6, and

(iii) a written discussion and analysis by management of the financial condition and results of operations of the line of business conducted by each material Restricted Subsidiary for such accounting period;

(b) as soon as available and in any event within 120 days after the end of each fiscal year of the Company,

(i) copies of a consolidated and consolidating balance sheet of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries as of the end of such fiscal year and of the related consolidated and consolidating statements of income and stockholder's equity and cash flows of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries for such fiscal year, all in reasonable detail and stating in comparative form the respective figures as of the end of and for the previous fiscal year, accompanied, in the case of such consolidated statements, by an unqualified report thereon of independent certified public accountants of recognized national standing selected by the Company (which report shall contain a statement to the effect that such consolidated financial statements present fairly the financial position of the corporation or corporations being reported upon as at the dates indicated and the results of operations and cash flows of such corporation or corporations for the periods indicated and have been prepared in accordance with GAAP applied on a basis consistent with prior years (except for changes in application in which such accountants concur and which are noted in such financial statements) and that the audit by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards at the time in effect, and accordingly included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances) and, in the case of such consolidating statements, either certified by the principal financial officer of the Company as fairly stating, or accompanied by a report thereon by such accountants containing a statement to the effect that such consolidating financial statements fairly state, the financial position and the results of operations and cash flows of the corporations being reported on in all material respects in relation to the consolidated financial statements for the periods indicated as a whole,

(ii) a written statement of the principal financial officer of the Company, setting forth computations in reasonable detail showing, as of the date

of such balance sheet, (A) the ratio of Current Assets to Current Liabilities, (B) the amount of Net Worth and Total Capitalization, (C) the maximum amount of additional Debt and Restricted Debt which the Company could have incurred under Section 7.4 and the outstanding amount of Debt and Restricted Debt of the Company and each Restricted Subsidiary, and (D) the amount available for Restricted Payments and Restricted Investments in compliance with Section 7.6, and

(iii) a written discussion and analysis by management of the financial condition and results of operations of the line of business conducted by each material Restricted Subsidiary for such accounting period, and

(iv) a certificate of such accountants as shall furnish a report pursuant to clause (i) of this Subsection (b) of this Section 5 stating that in making the audit necessary for such report, they have obtained no knowledge of any Event of Default or Default, or, if they have obtained knowledge of any Event of Default or Default, specifying the nature and period of existence thereof and the action the Company has taken or proposes to take with respect thereto;

(c) concurrently with the financial statements for each quarterly accounting period and for each fiscal year of the Company furnished pursuant to Subsections (a) and (b) of this Section,

(i) a certificate signed by the President or a Vice President and by the Treasurer of the Company stating that, based upon such examination or investigation and review of the Agreements as in the opinion of the signers is necessary to enable the signers to express an informed opinion with respect thereto, to the best knowledge of said signers, the Company is not and has not during such period been in default in the performance or observance of any of the terms, covenants or conditions hereof, or, if the Company shall be or shall have been in default, specifying all such defaults, and the nature and period of existence thereof, and what action the Company has taken, is taking or proposes to take with respect thereto; provided that it shall not be necessary for any such certificate to be signed by more than one of the officers of the Company listed in this Subsection (c)(i) if the officer so signing shall have been approved for that purpose in writing by the holder or holders of not less than 66-2/3% in aggregate principal amount of all the Notes outstanding and Mr. Clyde Wyant, Executive Vice President, Chief Financial Officer and Treasurer of the Company is hereby approved by you for such purpose,

(ii) a written statement of the principal financial officer of the Company setting forth computations showing in reasonable detail (A) the aggregate book value of property of the Company and its Restricted Subsidiaries

subject to sale-leaseback transactions permitted by Section 7.7, and (B) the book value of assets of the Company and its Restricted Subsidiaries sold since the Closing Date and since the first day of such fiscal year, and

(iii) a written statement of the principal financial officer of the Company that, to the best of his knowledge after due inquiry, except as otherwise disclosed in writing to you, there is no litigation (including derivative actions), arbitration proceeding or governmental proceeding pending to which the Company or any Subsidiary is a party, or with respect to the Company or any Subsidiary or their respective properties, which has a significant possibility of materially and adversely affecting the business, operations, properties or condition of the Company or of the Company and its Subsidiaries taken as a whole;

(d) promptly after the same are available and in any event within 15 days thereafter (if the Company or any Subsidiary shall have become registered under Section 12 of the Exchange Act) copies of all such proxy statements, financial statements and reports as the Company or such Subsidiary shall send or make available generally to any of its security holders and copies of all regular and periodic reports and of all registration statements (other than on Form S-8 or a similar form) which the Company or such Subsidiary may file with the Commission or with any securities exchange;

(e) within 15 days after the end of each fiscal month, a complete copy of any written agreement entered into by the Company during such fiscal month amending, modifying, waiving or supplementing any financial covenant set forth in an agreement or instrument evidencing Debt of the Company in an aggregate unpaid principal amount of $10,000,000 or more (together with a copy of the agreement or instrument so amended, modified, waived or supplemented if not previously furnished by the Company), provided, that if the Company shall be a party to any agreement providing a holder of Debt of the Company with greater rights with respect to delivery of amendments, modifications, waivers or supplements to agreements or instruments of the Company evidencing Debt than are provided to you above in this paragraph (e), the Company shall give prompt written notice of such fact to each holder of a Note, each such holder shall be entitled to the benefit of such greater rights and this Agreement shall be deemed modified to the extent required to provide such greater rights;

(f) promptly upon any officer of the Company (i) obtaining knowledge of any condition or event which constitutes a Default or an Event of Default, or becoming aware that the holder of any Note has given any written notice expressly asserting the occurrence of a Default or Event of Default, a statement by the principal financial officer of the Company specifying in reasonable detail the nature and period of existence thereof and what action the Company has taken or is taking or proposes to

take with respect thereto, or (ii) becoming aware that the holder of any Note has taken any other action with respect to a claimed Default or Event of Default or that any holder of any Debt referred to in Section 9.1(d) has given any notice to the Company or any Restricted Subsidiary or taken any other action with respect to a claimed default under or in respect of any such Debt or with respect to the occurrence or existence of any event or condition of the type referred to in Section 9.1(e) or 9.1(f), a statement by the principal financial officer of the Company specifying in reasonable detail the nature and period of existence thereof and what action the Company has taken or is taking or proposes to take with respect thereto, provided, that if the Company shall be a party to any agreement providing a holder of Debt of the Company with greater rights with respect to notices of the events described above in this paragraph (f) than are provided to you above in this paragraph (f) or in Section 9.1(c) with respect to this paragraph (f), the Company shall give prompt written notice of such fact to each holder of a Note, each such holder shall be entitled to the benefit of such greater rights and this Agreement shall be deemed modified to the extent required to provide such greater rights;

(g) promptly upon entering into, assuming or otherwise becoming bound by or obligated under any agreement or instrument evidencing Debt of the Company or any Restricted Subsidiary (other than any agreement providing for automatic modification thereof in substantially the same form as Section 9.1(d) of this Agreement) which (i) provides that the holder of any such Debt may declare such Debt to be due and payable prior to the scheduled maturity thereof as a result of the occurrence of any default in the performance of any term or condition contained in the agreement or instrument evidencing any other Debt of the Company or any Restricted Subsidiary (regardless of whether such other Debt shall have been declared due and payable prior to the stated maturity thereof) or (ii) contains any Additional Covenants or Additional Defaults (as defined in Section 7.17), written notice to such effect, making reference in such notice to Section 9.1(d) or Section 7.17 of this Agreement, as the case may be; and

(h) such other information, including financial statements and computations relating to the performance of the provisions of this Agreement and the affairs of the Company, as may from time to time be reasonably requested by you or your Affiliates or a Qualified Institutional Holder.

The Company will keep at its principal executive office true copies of the Agreements (as from time to time in effect), and cause the same to be available for inspection at said office during normal business hours by any holder of a Note or any prospective purchaser of a Note designated by a holder thereof.

SECTION 6. INSPECTION OF PROPERTIES AND BOOKS.

(a) So long as you or your nominee or any other Qualified Institutional Holder holds any of the Notes, your or such Qualified Institutional Holder's representatives shall have the right to visit and inspect any of the properties of the Company and its Restricted Subsidiaries in the presence of an officer of the Company, to examine the books of account and records of the Company and its Restricted Subsidiaries, to make copies and extracts therefrom, to discuss the affairs, finances and accounts of the Company and its Restricted Subsidiaries with, and to be advised as to the same by, its officers and (in the presence of an officer of the Company) key employees, and its independent public accountants, all at such times and intervals as you or such other Qualified Institutional Holder may reasonably desire. The Company will likewise afford your and such Qualified Institutional Holder's representatives the opportunity to obtain any information, to the extent the Company or any Restricted Subsidiary possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of any of the representations and warranties made by the Company hereunder.

(b) You agree, and (by its acceptance of any Note) each other holder of Notes shall be deemed to have agreed, to use your best efforts to hold in confidence all information furnished pursuant to the Agreements and relating to the Company or any of its Subsidiaries which was designated in writing as "confidential" at the time the same was furnished, provided, however, that you or such other holder may disclose any information, irrespective of whether or not such information shall have been designated as "confidential", (i) to actual or prospective purchasers of the Notes or any participations therein, (ii) to prospective assignees pursuant to Section 16.3, (iii) pursuant to or in connection with any action, suit or proceeding by, or any statute, rule or regulation of, any Governmental Body, (iv) pursuant to any Order of any court, arbitrator or Governmental Body or as otherwise required by law, (v) to your auditors, to the extent required in the course of their audit, to your counsel or to the National Association of Insurance Commissioners or similar associations or authorities, or (vi) to the extent necessary in the enforcement of your rights hereunder and under the Notes during the continuance of a Default or Event of Default; and the Company, for itself and on behalf of its Subsidiaries, expressly consents to the disclosure of any such information to any of such Persons (and under any such circumstances) contemplated in this Section; provided, further, however, that any Person to whom any such information shall be disclosed pursuant to Clause (i) or (ii) of this Subsection shall agree with you or such other holder of Notes to likewise be bound by and subject to the provisions of this Section.

(c) Anything herein to the contrary notwithstanding, neither the Company nor any of its Subsidiaries shall have any obligations to disclose pursuant hereto any engineering, scientific, or other technical data without significance to your analysis of the financial position of the Company and its Subsidiaries.

SECTION 7. COVENANTS. The Company covenants and agrees that from the date of the Agreements to the Closing Date and thereafter so long as any Note shall be outstanding:

7.1. Payment of Principal, Special Premium and Interest; Maintenance of Books and Reserves. The Company will duly and punctually pay the principal of, the Special Premium (if any) and interest on the Notes in accordance with the terms of the Notes and the Agreements. The Company will, and will cause each of its Restricted Subsidiaries to, keep proper books of record and account and set aside appropriate reserves, all in accordance with GAAP.

7.2. Payment of Taxes; Corporate Existence; Maintenance of Properties; Compliance with Laws. The Company will, and will cause each of its Subsidiaries to,

(a) subject to Section 7.10, do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its licenses, rights (charter and statutory) and franchises to the extent the same are material and the termination thereof would be adverse to the Company, or to the Company and its Restricted Subsidiaries taken as a whole, or to the ability of the Company to perform the Agreements and discharge its obligations on the Notes; and the Company will maintain its principal office at a location in the United States of America where notices, presentations and demands in respect of this Agreement and the Notes may be made upon it and will notify, in writing, each holder of a Note of any change of location of such office and such office shall be maintained at 2100 Lake Park Boulevard, Richardson, Texas, 75080, until such time as the Company shall so notify the holders of the Notes of any such change;

(b) pay and discharge or cause to be paid and discharged all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or upon any of its property, real, personal or mixed, or upon any part thereof, when due, as well as all lawful claims for labor, materials and supplies which, if unpaid, might by law become a Lien upon its property; provided, however, that neither the Company nor any Subsidiary shall be required to pay any such tax, assessment, charge, levy or claim if the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings, and if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor;

(c) maintain and keep, or cause to be maintained and kept, all material properties used or useful in the business of the Company and its Subsidiaries in good repair, working order and condition, and from time to time make or cause to be made all repairs, renewals, replacements and improvements which are necessary in connection with the proper and advantageous conduct of such business; and

(d) use its best efforts to comply in all material respects with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, any Governmental Body, in respect of the conduct of its business and the ownership of its

properties (including, without limitation, applicable statutes, regulations and orders relating to equal employment opportunities), except such as are being contested in good faith by appropriate proceedings.

7.3. Insurance. The Company will insure and keep insured, and will cause each of its Subsidiaries to insure and keep insured, with financially sound and reputable insurers, so much of their respective properties, and such insurance shall be of such type and in such amounts (and with such deductibles), as similarly situated manufacturing companies in accordance with good business practice customarily insure properties of a similar character against loss by fire and from other causes. In addition, the Company will, and will cause each Subsidiary to, maintain public liability insurance with financially sound and reputable insurers or maintain a program of self-insurance covering claims for personal injury, death or property damage suffered by others upon or in or about any premises occupied by it or occurring as a result of its ownership, maintenance or operation of any automobiles, trucks or other vehicles, aircraft or other facilities or as a result of the use of products manufactured, constructed or sold by it or services rendered by it, in such amounts (and with such deductibles) as such insurance is usually maintained by companies engaged in a similar business and as is in accordance with good business practice, provided that the aggregate annual amount of such self-insurance maintained by the Company and its Subsidiaries shall not on any date exceed 5% of Net Worth as at the end of the most recently completed fiscal quarter.

7.4. Debt. The Company will not and will not permit any Restricted Subsidiary to, directly or indirectly, create, assume, incur, agree to purchase or repurchase or provide funds in respect of, or otherwise become or be directly or indirectly liable in respect of, by way of Guarantee or otherwise, any Debt, except that, subject in any event to the last paragraph of this Section 7.4:

(a) the Company may remain liable in respect of the Debt evidenced by the Notes;

(b) the Company and its Restricted Subsidiaries may remain liable in respect of the Debt described in Exhibit C, but may not extend, renew, refund or refinance any thereof except as otherwise permitted by another provision of this Section 7.4, provided that on the Closing Date $47,900,000 of the Debt described in item one of Exhibit C shall be repaid out of the proceeds of the Notes;

(c) any Restricted Subsidiary may become and remain liable in respect of unsecured Debt of such Restricted Subsidiary owing to the Company or a Wholly- owned Restricted Subsidiary, and the Company may become and remain liable in respect of Subordinated Debt owing to a Wholly-owned Restricted Subsidiary; and

(d) the Company and any Restricted Subsidiary may become and remain liable in respect of additional Debt if on the date (the "Incurrence Date") on which the

Company or such Restricted Subsidiary proposes to incur any such Debt, and after giving effect to such incurrence and the substantially concurrent incurrence of any other Debt and to the substantially concurrent retirement of any other Debt and to the application of the proceeds of all such Debt, Total Debt shall not exceed 55% of Total Capitalization; provided, however, that nothing in this Section 7.4(d) shall permit the Company or any Restricted Subsidiary to incur any Restricted Debt on any Incurrence Date unless, after giving effect to any such incurrence and to the substantially concurrent incurrence of any other Restricted Debt and to the substantially concurrent retirement of any Restricted Debt and to the application of the proceeds of all such Restricted Debt, the Restricted Debt Amount shall not exceed 10% of Total Capitalization.

For all purposes of this Section 7.4, (i) any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have incurred all of its then outstanding Debt at the time it becomes a Restricted Subsidiary and (ii) in the event the Company or any Restricted Subsidiary shall extend, renew, refund or refinance any Debt, the Company or such Restricted Subsidiary shall be deemed to have incurred such Debt at the time of such extension, renewal, refunding or refinancing. The Company will not in any event incur or permit to exist any Debt of the Company to a Restricted Subsidiary other than Subordinated Debt owing to a Wholly-owned Restricted Subsidiary.

7.5. Liens. The Company will not and will not permit any Restricted Subsidiary to, directly or indirectly, create, assume, incur or suffer to be created, assumed or incurred or to exist any Lien in respect of any property of any character owned by the Company or any Restricted Subsidiary (whether such property is held on the date hereof or hereafter acquired), except, subject in any event to the last paragraph of this Section 7.5 and to Subsection (d) of Section 7.4:

(a) Liens representing

(i) Liens for taxes or assessments or other governmental charges or levies, either not yet due and payable or to the extent that nonpayment thereof shall be permitted by the proviso to Section 7.2(b),

(ii) Liens created by or resulting from any litigation or legal proceeding which is currently being contested in good faith by appropriate proceedings diligently pursued, and

(iii) other Liens consisting of minor title defects affecting real property or which are otherwise incidental to the normal conduct of the business of the Company and its Restricted Subsidiaries or the ownership of their respective properties which do not secure Debt and which do not in the aggregate materially impair the use of such property in the operation of the

business of the Company, or of the Company and its Restricted Subsidiaries taken as a whole, or materially impair the value of such property for the purposes of such business;

(b) Liens existing on the date of this Agreement specified in Exhibit C and securing the item or items of Debt indicated thereon; provided that the principal amount of the Debt secured by such Liens shall not be increased, or refinanced or refunded except as permitted under Section 7.4;

(c) Liens on assets of any Restricted Subsidiary securing Debt or other obligations of such Restricted Subsidiary owing to the Company or to a Wholly-owned Restricted Subsidiary; and

(d) Liens in addition to those permitted by the preceding clauses (a), (b) and (c) if, immediately after giving effect to the creation thereof, the Company shall be entitled to incur at least $1 of additional Debt constituting Restricted Debt under the proviso to Section 7.4(d).

For all purposes of this Section 7.5, any refunding or refinancing of any Lien by the Company or any Restricted Subsidiary shall be deemed to be an incurrence of such Lien at the time of such refunding or refinancing, and any Lien existing on any property or assets at the time it or the Person owning it is acquired by the Company or any Restricted Subsidiary shall be deemed to have been created at the time of such acquisition. In the event that any property or assets of the Company or any Restricted Subsidiary shall become or be subject to a Lien not permitted by the foregoing clauses (a) through (d) of this Section 7.5, the Company shall make or cause to be made effective provision satisfactory to the holders of the outstanding Notes whereby the Notes will be secured equally and ratably with all other obligations secured thereby, and in any event, the Notes shall have the benefit, to the full extent that (and with such priority as) the holders thereof may be entitled under applicable law, of an equitable Lien on such property or asset; provided, however, that any Lien created, assumed, incurred or suffered to exist in violation of this Section 7.5 shall constitute an Event of Default whether or not the Company shall have made effective provision to secure the Notes equally and ratably with any such other obligations or the holders of Notes shall be entitled to such equal and ratable security or any such equitable Lien.

7.6. Dividends and Other Restricted Payments; Restricted Investments. The Company will not directly or indirectly (i) declare or pay any dividend, or make any distribution, on the Company's shares of any class, other than dividends or distributions payable in common shares of the Company, or (ii) make any other Restricted Payment, and the Company will not make and will not permit any Restricted Subsidiary to make any Restricted Investment, unless, on the date of declaration in the case of any proposed dividend and on the date of payment or distribution in the case of any proposed Restricted Payment (including any dividend) or Restricted Investment (the "Computation Date"), and after giving effect thereto,

(a) the aggregate amount of all Restricted Payments made during the period (taken as one accounting period) commencing on January 1, 1991 and ending on and including the Computation Date (the "Computation Period"), and of all Restricted Investments made during the Computation Period and outstanding on the Computation Date, shall not exceed an amount equal to the sum of

(i) $45,000,000, plus

(ii) 85% of the aggregate amount of Consolidated Net Income for each full fiscal year in the Computation Period for which Consolidated Net Income is positive, minus

(iii) 100% of the aggregate amount of Consolidated Net Income for each full fiscal year in the Computation Period for which there is a deficit,

plus 85% (or, in the case of a deficit, minus 100%) of Consolidated Net Income for any period in the Computation Period not included in Clause (ii) or (iii) above;

(b) no Event of Default or Default shall have occurred and be continuing; and

(c) the Company shall be entitled to incur at least $1 of additional Debt under Section 7.4(d).

The Company will not declare any dividend (other than dividends payable solely in shares of its common stock) on any shares of any class of its stock which is payable more than 90 days after the date of declaration thereof. For purposes of this Section 7.6, Investments owned by any Person or for which it is obligated at the time it becomes a Restricted Subsidiary shall be deemed to be made at the time such Person becomes a Restricted Subsidiary.

Notwithstanding any other provision of this Section 7.6 to the contrary, the Company may, at any time or from time to time, reacquire up to an aggregate amount of $15,000,000 of shares of its common stock in transactions qualifying as distributions under Section 303 of the Code if but only if (i) such acquisitions are at prices not exceeding the fair market value of the shares so acquired, in each case as determined in good faith by a resolution of the Board, and (ii) no Event of Default or Default shall have occurred and be continuing. The amount of said dividends shall not be subject to the limitations of this Section 7.6 or included in any future computations pursuant to this Section 7.6.

7.7. Sales and Leasebacks. The Company will not and will not permit any Restricted Subsidiary to, as part of the same transaction or series of related transactions, sell or otherwise transfer to any Person or Persons any item or items of property, whether now owned or hereafter acquired, having a book value in any one case or in the aggregate for all such

property so transferred from and including the date hereof through the date of such transfer of $20,000,000 or more if the Company or such Restricted Subsidiary shall then or thereafter, as part of the same transaction or series of related transactions, rent or lease as lessee, or similarly acquire the right to possession or use of such property, or one or more properties which it intends to use for the same purpose or purposes as such property.

7.8. Maintenance of Certain Financial Conditions. The Company will not permit:

(a) Current Assets as at the end of any fiscal quarter of the Company to be less than 150% of Current Liabilities as at the end of such fiscal quarter;

(b) Net Worth as at the last day of any fiscal quarter of the Company to be less than the Minimum Amount for such fiscal quarter. For purposes of this Section 7.8(b), the "Minimum Amount" shall be (i) for the fiscal quarter ending December 31, 1991, $230,000,000, and (ii) for each fiscal quarter thereafter, the sum of the Minimum Amount for the immediately preceding fiscal quarter plus 15% (or 0% in the case of a deficit) of Consolidated Net Income for such immediately preceding fiscal quarter; or

(c) the aggregate vested benefit obligations for the qualified pension plans of the Company and its Subsidiaries, determined in each fiscal year by the Company's actuaries in the ordinary course of business, to exceed the aggregate fair value of the assets of such plans, also determined in each fiscal year by the Company's actuaries in the ordinary course of business, by more than $3,000,000.

For purposes of paragraph (c) of this Section 7.8, obligations and assets of pension plans of the Company and its Subsidiaries shall be determined as of the end of each fiscal year in accordance with Statement No. 87 of the Financial Accounting Standards Board.

7.9. Subsidiary Stock and Debt. The Company will not:

(a) directly or indirectly sell, assign, pledge or otherwise transfer or dispose of any Debt of, or claim against, or any shares of stock or similar interests or other securities of (or warrants, rights or options to acquire stock or similar interests or other securities of), any Restricted Subsidiary, except to a Wholly-owned Restricted Subsidiary and except as directors' qualifying shares if required by applicable law;

(b) permit any Restricted Subsidiary directly or indirectly to sell, assign, pledge or otherwise transfer or dispose of any Debt of, or claim against, or any shares of stock or similar interests or other securities of (or warrants, rights or options to acquire stock or similar interests or other securities of), any other Restricted Subsidiary, except to the Company or a Wholly-owned Restricted Subsidiary and

except as directors' qualifying shares if required by applicable law;

(c) permit any Restricted Subsidiary to have outstanding any shares of preferred stock other than shares of preferred stock which are owned by the Company or a Wholly-owned Restricted Subsidiary; or

(d) permit any Restricted Subsidiary directly or indirectly to issue or sell any shares of its stock or similar interests or other securities (or warrants, rights or options to acquire stock or similar interests or other securities) except to the Company or a Wholly-owned Restricted Subsidiary or as directors' qualifying shares if required by applicable law;

provided, however, that all stock or similar interests or other securities (or warrants, rights or options to acquire stock or similar interests or other securities) of any Restricted Subsidiary with annual sales for the immediately preceding fiscal year less than $50,000,000 may be simultaneously sold as an entirety for a cash consideration at least equal to the fair value thereof (as determined in good faith by a resolution of the Board) at the time of such sale, if (A) such Restricted Subsidiary being sold does not at the time own any Debt or stock or similar interests or other securities of (or warrants, rights or options to acquire stock or similar interests or other securities of) the Company or of any other Restricted Subsidiary which is not also being simultaneously sold as an entirety as permitted by this Section 7.9 or Section 7.10, (B) the assets of such Restricted Subsidiary being sold represented by the equity interests to be so transferred are such that the sale of such assets would be permitted by Section 7.10 (in which case such transaction shall be considered and deemed a disposition of assets for the purposes of Section 7.10), and (C) immediately after the consummation of such transaction, (x) the Company shall then be permitted to incur $1.00 of additional Debt pursuant to Section 7.4(d), and (y) both prior to and immediately following such sale, no condition or event shall exist which constitutes a Default or an Event of Default.

7.10. Consolidation, Merger or Disposition of Assets. The Company will not and will not permit any Restricted Subsidiary to, directly or indirectly, consolidate or merge with, or sell, lease or otherwise dispose of any of its assets to, any Person, except, subject (to the extent hereinafter provided) to the last paragraph of this Section 7.10:

(a) the Company may consolidate or merge with any other corporation, provided that the Company shall be the continuing or surviving corporation and, after giving effect to any such consolidation or merger, no Change of Control shall have occurred;

(b) any Restricted Subsidiary may consolidate or merge with, and any Restricted Subsidiary may sell, lease or otherwise dispose of its assets to, the Company or a Wholly-owned Restricted Subsidiary;

(c) the Company may consolidate with or merge into, or sell, lease or otherwise dispose of its assets as an entirety or substantially as an entirety to, any solvent corporation, but only if

(i) such corporation (A) is duly organized and validly existing in good standing under the laws of the United States of America or a State thereof and (B) expressly assumes, pursuant to a written agreement satisfactory in form, scope and substance to the holders of the Notes, the due and punctual payment of the principal of, the Special Premium (if any) and interest on the Notes according to their tenor, and the due and punctual performance and observance of the obligations of the Company under the Agreements and the Notes, an executed counterpart of which agreement shall have been furnished to each holder of a Note together with a favorable opinion of counsel satisfactory to each such holder covering such matters relating to such corporation, such assumption and such agreement as such holder may reasonably request, and

(ii) in the case of any such transaction which would involve or result in a Change of Control, the Company shall have offered to purchase all Notes held by each holder thereof pursuant to Section 7.12 and, not later than the time of consummation of such transaction, shall have purchased, in compliance with Section 7.12, the full amount of all Notes of each holder thereof which shall have accepted such offer;

(d) the Company and any Restricted Subsidiary may sell, lease or otherwise dispose of any of its assets in the ordinary course of business;

(e) Industries may sell the Columbus Plant and the Fort Worth Plant, and Heatcraft may sell the Wilmington Plant, for a consideration at least equal to the fair market value thereof (as determined in good faith by the Board); and

(f) the Company and any Restricted Subsidiary may sell, lease or otherwise dispose of any of its assets (other than in the ordinary course of its business) for a consideration at least equal to the fair market value thereof (as determined in good faith by the Board) at the time of such sale, lease or other disposition, provided that the assets so sold, leased, or otherwise disposed of on any date, when taken together with all assets theretofore sold, leased, or otherwise disposed of by the Company and its Restricted Subsidiaries (including all deemed dispositions of assets pursuant to Section 7.9 and all assets sold in connection with sale-leaseback transactions permitted under Section 7.7), (i) during the fiscal year in which such date occurs, (A) shall not have contributed more than 15% of Consolidated Operating Income for the immediately preceding fiscal year and (B) shall not have a book value exceeding 15% of the book value of consolidated total assets of the Company and its Restricted Subsidiaries as at the end of the immediately preceding fiscal year, and (ii) during the period from and

including the date hereof through the date of such disposition, shall not have a book value exceeding 30% of the book value of consolidated total assets of the Company and its Restricted Subsidiaries as at the end of the immediately preceding fiscal year.

Immediately after any consolidation, merger or other disposition under Subsection (a), (b), (c), (e) or (f) of this Section 7.10, (1) no Event of Default or Default shall have occurred and be continuing, and (2) the Company (which term, for the purpose of this sentence, shall not include the corporation that originally executed this Agreement if any other Person has become the Company pursuant to any assumption described in Subsection (c) of this Section 7.10) shall be entitled to incur at least $1 of additional Debt under Section 7.4(d). No disposition under Subsection (c) of this Section 7.10 shall release the corporation that originally executed this Agreement from its liability as obligor on the Notes.

7.11. Issuance of Stock. The Company will not (either directly or indirectly by the issuance of rights or options for, or securities convertible into, such shares) issue, sell or otherwise dispose of any shares of any class of its capital stock (other than directors' qualifying shares, if required by applicable law) if any Change of Control shall thereby occur, unless the Company shall have offered to purchase the Notes pursuant to Section 7.12.

7.12. Purchase of Notes Upon Change of Control. At least 15 Business Days (or, in the case of any transaction permitted by Section 7.10 or 7.11 resulting in a Change of Control, at least 45 days) and not more than 90 days prior to the occurrence of any Change of Control, the Company shall give written notice thereof to each holder of an outstanding Note in the manner and to the address specified for notices pursuant to this Section 7.12 for such holder in Schedule I or as otherwise specified by such holder in writing to the Company. Such notice shall contain (i) an offer by the Company to purchase, on the date of such Change of Control or, if such notice shall be delivered less than 35 days prior to the date of such Change of Control, on the date 35 days after the date of such notice (the "Purchase Date"), all Notes held by each such holder at a price equal to 100% of the principal amount thereof, together with interest accrued thereon to the Purchase Date, plus a premium equal to the Special Premium, (ii) the estimated respective amounts of accrued interest and the Special Premium payable to such holder in respect of such purchase, showing in each case in reasonable detail the calculation thereof and, with respect to the estimated Special Premium, the Reference Rate used in such calculation and (iii) the Company's estimate of the date on which such Change of Control shall occur. Said offer shall be deemed to lapse as to any such holder which has not replied affirmatively thereto in writing within 35 days of the giving of such notice. As soon as practicable (and in any event at least 24 hours) prior to such Change of Control, the Company shall give written confirmation of the date thereof to each such holder which has affirmatively replied to the notice given pursuant to the first sentence of this Section 7.12. In the event that the Company shall purchase any Notes pursuant to this Section 7.12, the same shall thereafter be canceled and not reissued and shall not be deemed "outstanding" for any purpose of this Agreement.

For the purposes of this Section 7.12, a "Change of Control" shall be deemed to occur if any New Owner shall acquire beneficial ownership of shares in the Company having Voting Rights pertaining thereto which would allow such New Owner to elect more members of the Board than could be elected by the exercise of all Voting Rights pertaining to shares in the Company then owned beneficially by the Norris Family. As used in this Section 7.12:

(i) "Voting Rights" pertaining to shares of a corporation means the rights to cast votes for the election of directors of such corporation in ordinary circumstances (without consideration of voting rights which exist only in the event of contingencies).

(ii) "Norris Family" means all persons who are lineal descendants of D.W. Norris (by birth or adoption), all spouses of such descendants, all estates of such descendants or spouses which are in the course of administration, all trusts for the benefit of such descendants or spouses, and all corporations or other entities in which, directly or indirectly, such descendants or spouses (either alone or in conjunction with other such descendants or spouses) have the right, whether by ownership of stock or other equity interests or otherwise, to direct the management and policies of such corporations or other entities (each such person, spouse, estate, trust, corporation or entity being referred to herein as a "member" of the Norris Family). In addition, so long as any employee stock ownership plan exercises its Voting Rights in the same manner as members of the Norris Family (exclusive of employee stock ownership plans) who have a majority of the Voting Rights exercised by all such members of the Norris Family, such employee stock ownership plan shall be deemed a member of the Norris Family.

(iii) "New Owner" means any person (other than a member of the Norris Family), or any syndicate or group of persons (exclusive of all members of the Norris Family) which would be deemed a "person" for the purposes of Section 13(d) of the Exchange Act, who directly or indirectly acquires shares in the Company.

Notwithstanding anything in this Section 7.12 to the contrary, if an Event of Default exists following a Change of Control and the Notes are accelerated pursuant to the provisions of Section 9.1, the holders of the Notes shall be entitled to receive the Special Premium relating to such accelerated amount as provided in Section 9.1.

7.13. Transactions with Affiliates. The Company will not and will not permit any Restricted Subsidiary to engage in any material transaction with an Affiliate on terms less favorable to the Company or such Restricted Subsidiary than would have been obtainable at the time from any Person which is not an Affiliate in arm's-length dealing provided, that the foregoing restrictions shall not apply to any transaction between the Company and a Wholly- owned Restricted Subsidiary or between a Wholly-owned Restricted Subsidiary and another Wholly-owned Restricted Subsidiary.

7.14. Change in Business. The Company will not either directly or by or through a Subsidiary make or permit any substantial change in the nature of the business in which the Company and its Subsidiaries, taken as a whole, are engaged on the date of this Agreement except for such changes as are natural extensions of the heating, cooling, refrigeration, copper tube manufacturing and electronics businesses.

7.15. Environmental Matters. (a) The Company will and will cause each of its Subsidiaries to comply in all material respects with all applicable Environmental Laws if, individually or in the aggregate, failure to comply therewith could reasonably be expected to have a material adverse effect on the financial condition or results of operations of the Company or the Company and its Subsidiaries, taken as a whole.

(b) The Company will not and will not permit any of its Subsidiaries to cause or allow any Hazardous Substance to be present at any time on, in, under or above any real property or any part thereof in which the Company or any Subsidiary has a direct interest (including without limitation ownership thereof or any arrangement for the lease, rental or other use thereof, or the retention of any mortgage or security interest therein or thereon), except in a manner and to an extent that is in compliance in all material respects with all applicable Environmental Laws or that will not have a material adverse effect on the financial condition or results of operations of the Company or the Company and its Subsidiaries, taken as a whole.

7.16. Limitation on Dividend Restrictions, etc. The Company will not permit any Restricted Subsidiary to enter into, adopt, create or otherwise be or become bound by or subject to any contract or charter or by-law provision limiting the amount of, or otherwise imposing restrictions on the declaration, payment or setting aside of funds for the making of, dividends or other distributions in respect of the capital stock of such Restricted Subsidiary to the Company or another Restricted Subsidiary.

7.17. Most Favored Lender's Status. The Company will not and will not permit any Restricted Subsidiary to enter into, assume or otherwise be bound or obligated under any agreement creating or evidencing Debt or any agreement executed and delivered in connection with any Debt containing one or more Additional Covenants or Additional Defaults (as defined below), unless prior written consent to such agreement shall have been obtained pursuant to Section 12; provided, however, in the event the Company or any Restricted Subsidiary shall enter into, assume or otherwise become bound by or obligated under any such agreement without the prior written consent of the holders of the Notes, the terms of this Agreement shall, without any further action on the part of the Company or any of the holders of the Notes, be deemed to be amended automatically to include each Additional Covenant and each Additional Default contained in such agreement. The Company further covenants to promptly execute and deliver at its expense an amendment to this Agreement in form and substance satisfactory to the holders of at least 66-2/3% in aggregate unpaid principal amount of all Notes at the time outstanding evidencing the amendment of this Agreement to include

such Additional Covenants and Additional Defaults, provided that the execution and delivery of such amendment shall not be a precondition to the effectiveness of such amendment as provided for in this Section 7.17, but shall merely be for the convenience of the parties hereto.

For purposes of this Agreement, (i) the term "Additional Covenant" shall mean any affirmative or negative covenant or similar restriction applicable to the Company or any Restricted Subsidiary (regardless of whether such provision is labeled or otherwise characterized as a covenant) the subject matter of which either (A) is similar to that of the covenants in Section 7 of this Agreement, or related definitions in Section 8 of this Agreement, but contains one or more percentages, amounts or formulas that is more restrictive than those set forth herein or more beneficial to the holder or holders of such other Debt (and such covenant or similar restriction shall be deemed an "Additional Covenant" only to the extent that it is more restrictive or more beneficial) or (B) is different from the subject matter of the covenants in Section 7 of this Agreement, or related definitions in Section 8 of this Agreement; and (ii) the term "Additional Default" shall mean any provision which permits the holder of such Debt to accelerate (with the passage of time or giving of notice or both) the maturity thereof or otherwise require the Company or any Restricted Subsidiary to purchase such Debt prior to the stated maturity of such Debt and which either (A) is similar to the Defaults and Events of Default contained in Section 9.1 of this Agreement, or related definitions in Section 8 of this Agreement, but contains one or more percentages, amounts or formulas that is more restrictive or has a shorter grace period than those set forth herein or is more beneficial to the holder or holders of such other Debt (and such provision shall be deemed an "Additional Default" only to the extent that it is more restrictive, has a shorter grace period or is more beneficial) or (B) is different from the subject matter of the Defaults and Events of Default contained in Section 9.1 of this Agreement, or related definitions in Section 8 of this Agreement.

SECTION 8. DEFINITIONS.

8.1. Definitions. Except as otherwise specified or as the context may otherwise require, the following terms shall have the respective meanings set forth below whenever used in this Agreement and such terms shall include the singular as well as the plural:

"Affiliate" of any specified Person shall mean any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreements" shall have the meaning specified in Section 1.2.

"Board" shall mean (i) in the case of determinations of value under Section 7.10, the board of directors of the Restricted Subsidiary which owns the relevant assets and (ii) in all other cases, either the board of directors of the Company or any duly authorized committee of that board.

"Business Day" shall mean a day other than a Saturday or Sunday or a day on which banks are required or authorized to close in New York, New York, or Dallas, Texas.

"Capital Lease" shall mean any lease of property which in accordance with GAAP should be capitalized on the lessee's balance sheet; and "Capital Lease Obligation" shall mean the amount of the liability under a Capital Lease which is or should be so capitalized in accordance with GAAP.

"Change of Control" shall have the meaning specified in Section 7.12.

"Closing Date" shall have the meaning specified in Section 1.2.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and any successor statute thereto, together with the rules and regulations issued thereunder, in each case as in effect from time to time.

"Columbus Plant" shall mean the real and personal property of Industries located on Olentangy River Road in Columbus, Ohio.

"Commission" shall mean the Securities and Exchange Commission and any other similar or successor agency of the Federal Government administering the Securities Act.

"Commonly Controlled Entity" shall have the meaning specified in Section 2.11.

"Company" shall have the meaning specified in the introductory paragraph.

"Company Premises" shall mean real property in which the Company or any Person which has at any time been or hereafter becomes a Subsidiary of the Company at any time has or ever had any direct interest, including, without limitation, ownership thereof, or any arrangement for the lease, rental or other use thereof, or the retention or claim of any mortgage or security interest therein or thereon.

"Computation Date" shall have the meaning specified in Section 7.6.

"Computation Period" shall have the meaning specified in Section 7.6.

"Consolidated Net Income" for any period shall mean the Net Income of the Company and its Restricted Subsidiaries for such period consolidated in accordance with GAAP.

"Consolidated Operating Income" for any period shall mean Consolidated Net Income for such period plus the net amount deducted during such period in determining the amount thereof in respect of interest expense (including the interest equivalent in respect of Capital Lease Obligations) and taxes imposed on or measured by income or excess profits.

"Current Assets" shall mean the current assets of the Company and its Restricted Subsidiaries determined in accordance with GAAP on a consolidated basis after eliminating all intercompany items.

"Current Liabilities" shall mean the current liabilities of the Company and its Restricted Subsidiaries determined in accordance with GAAP on a consolidated basis after eliminating all intercompany items and after excluding current liabilities consisting of current maturities of long-term debt.

"Debt" as applied to any Person (without duplication) shall mean all obligations of such Person for borrowed money (whether short or long-term and whether or not represented by bonds, debentures, notes, drafts or other similar instruments) and any notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money, and in any event shall include (a) any obligation owed for all or any part of the purchase price of property or other assets or for the cost of the property or other assets constructed or of improvements, other than accounts payable included in current liabilities and incurred in respect of property purchased in the ordinary course of business, (b) any obligation of another Person of a type described in clause (a), (c) or (d) of this definition which is secured by any Lien on or payable out of the proceeds of production from property owned or held by such Person, even though such Person has not assumed or become liable for the payment of such obligation, (c) any Capital Lease Obligation of such Person, (d) any Guarantee by such Person of or with respect to Debt of another Person, and (e) all preferred stock issued by such Person which is redeemable, or for which mandatory sinking fund payments are due, at any time on or before December 1, 2008. The Debt of the Company shall in any event include (without duplication) all Debt of the Company to a Subsidiary. The amount of Debt and assets of any Person shall not be affected by deposits, trust arrangements or similar arrangements which, in accordance with GAAP, extinguish debt for which such Person remains legally liable.

"Default" shall mean any default or other event which, with notice or the lapse of time or both, would constitute an Event of Default.

"Environmental Laws" shall mean any past, present or future Federal, state, local or foreign statutory or common law, or any regulation, code, plan, order, decree,

judgment, permit, grant, franchise, concession, restriction, agreement or injunction issued, entered, promulgated or approved thereunder, relating to (a) the environment or human health or safety, including, without limitation, any law relating to emissions, discharges, releases or threatened releases of Hazardous Substances into the environment (including, without limitation, air, surface water, groundwater or land), or (b) the manufacture, generation, refining, processing, distribution, use, sale, treatment, receipt, storage, disposal, transport, arranging for transport, or handling of Hazardous Substances.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"Events of Default" shall have the meaning specified in Section 9.1.

"Exchange Act" shall mean the Securities Exchange Act of 1934, and any similar or successor Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Fort Worth Plant" shall mean the real and personal property of Industries located at the corner of Airport Freeway and Maxine, Fort Worth, Texas.

"GAAP" shall mean generally accepted accounting principles as in effect at the time of application to the provisions hereof, provided that for all purposes of this Agreement it is understood and agreed that the Company shall account for its Unrestricted Subsidiaries on the equity method.

"Governmental Body" shall have the meaning specified in Section 2.7.

"Guarantee" of or by any Person shall mean any guarantee or other contingent liability, direct or indirect, with respect to any Debt of another Person, through an agreement or otherwise, including, without limitation, (a) any endorsement (otherwise than for collection or deposit in the ordinary course of business) or discount with recourse or undertaking substantially equivalent to or having similar economic effect of a guarantee with respect to any such Debt, (b) any contingent obligations of such Person in respect of letters of credit, letter of credit facilities, bankers' acceptance facilities or similar credit facilities (excluding in any event obligations in respect of (1) trade or commercial letters of credit given in the ordinary course of business and (2) stand-by letters of credit given to support obligations other than Debt obligations) and (c) any agreement (1) to purchase, or to advance or supply funds for the payment or purchase of, any such Debt, (2) to purchase, sell or lease property, products, materials or supplies, or transportation or services, primarily for the purpose of enabling such other Person to pay the Debt or to ensure the owner thereof against loss regardless of the delivery or non-delivery of the property, products, materials or supplies or transportation or services, or (3) to make any loan, advance, capital contribution or other investment in such other Person to assure a minimum equity, working capital or other balance sheet condition for

any date, or to provide funds for the payment of any liability, dividend or stock liquidation payment, or otherwise to supply funds to or in any manner invest in such other Person. The amount of any Guarantee shall (subject to any limitation contained therein) be equal to the outstanding principal amount of the Debt guaranteed.

"Hazardous Substance" shall mean any contaminant, pollutant or toxic or hazardous substance, and any substance that is defined or listed as a hazardous, toxic or dangerous substance under any Environmental Law or that is otherwise regulated or prohibited under any Environmental Law as a hazardous, toxic or dangerous substance.

"Heatcraft" shall mean Heatcraft Inc., a Mississippi corporation.

"Industries" shall mean Lennox Industries Inc., an Iowa corporation.

"Investment" shall mean any investment in any Person made by stock purchase, capital contribution, loan, advance or otherwise, provided that the amount of any such investment in any Person shall be computed in accordance with GAAP. Investments shall not on any date include notes receivable accepted by the Company or any Restricted Subsidiary in settlement of trade accounts receivable of non-Affiliates so long as the allowance for doubtful accounts of the Company and its Restricted Subsidiaries includes the excess, if any, of (a) the aggregate principal amount of all such notes on such date over (b) 5% of the sum of (i) the aggregate principal amount of all such notes plus (ii) all trade accounts receivable of the Company and its Restricted Subsidiaries on such date, before allowances for doubtful accounts.

"Letter Agreement" shall mean that certain letter agreement, dated as of December 1, 1993, among the Company, you and the Other Purchasers, substantially in the form of Exhibit G hereto.

"Lien" shall mean, as to any Person, any mortgage, lien, pledge, adverse claim, charge, other encumbrance in favor of any vendor, lessor, lender or other secured party in or on, or any interest or title of any such vendor, lessor, lender or other secured party under any conditional sale or other title retention agreement or Capital Lease with respect to, any property or asset of such Person, or the signing or filing of a financing statement with respect to property owned by such Person which names such Person as debtor, or the signing of any security agreement authorizing any other party as the secured party thereunder to file any such financing statement.

"Marshalltown Plant" shall mean the real and personal property of Industries located on South 12th Avenue in Marshalltown,Iowa.

"Multiemployer Plan" shall have the meaning specified in Section 2.11.

"Net Income" of any Person for any period shall mean the net income (or net loss) of such Person for such period, determined in accordance with GAAP, excluding

(a) the proceeds of any life insurance policy;

(b) any gain arising from (1) the sale or other disposition of any assets (other than current assets) to the extent that the aggregate amount of gains exceeds the aggregate amount of losses from the sale, abandonment or other disposition of assets (other than current assets), (2) any write-up of assets, or (3) the acquisition by such Person of its outstanding Debt securities;

(c) any amount representing the interest of such Person in the undistributed earnings of any other Person;

(d) any earnings of any other Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or a Restricted Subsidiary and any earnings, prior to the date of acquisition, of any other Person acquired in any other manner; and

(e) any deferred credit (or amortization of a deferred credit) arising from the acquisition of any Person.

"Net Worth" shall mean, as of any date of determination thereof, the total stockholders' equity of the Company and its Subsidiaries determined in accordance with GAAP on a consolidated basis, provided that if the portion of total stockholders' equity attributable to Unrestricted Subsidiaries exceeds 15% of total stockholders' equity, Net Worth shall be reduced by the amount of such excess.

"New Owner" shall have the meaning specified in Section 7.12.

"Norris Family" shall have the meaning specified in Section 7.12.

"Note" or "Notes" shall have the meaning specified in Section 1.1.

"Note Register" shall have the meaning specified in Section 10.

"Order" shall have the meaning specified in Section 2.7.

"Other Agreements" shall have the meaning specified in Section 1.2.

"Other Purchasers" shall have the meaning specified in Section 1.2.

"outstanding" shall refer, when used with reference to the Notes as of a particular time, to all Notes theretofore issued as provided in the Agreements, except (i) Notes theretofore reported as lost, stolen, damaged or destroyed, or surrendered for transfer, exchange or replacement, in respect of which replacement Notes have been issued, (ii) Notes theretofore paid in full, and (iii) Notes theretofore canceled by the Company; and except that, for the purpose of determining whether holders of the requisite principal amount of Notes have made or concurred in any waiver, consent, approval, notice or other communication under the Agreements, Notes owned by the Company or any Affiliate thereof shall not be deemed to be outstanding.

"Person" shall include an individual, a corporation, an association, a partnership, a trust or estate, a government, foreign or domestic, and any agency or political subdivision thereof, or any other entity.

"Purchase Date" shall have the meaning specified in Section 7.12.

"Qualified Institutional Holder" shall mean any holder which is an institutional investor (a) which holds at the time in question at least $3,000,000 in aggregate principal amount of Notes or any lesser principal amount thereof constituting at least 20% of the aggregate principal amount of Notes then outstanding or (b) which purchases from a holder 100% of the Notes held by such holder (after giving effect to any reduction in principal resulting from a prepayment of Notes).

"Restricted Debt" shall mean any of (i) Debt (including, without limitation, Capital Lease Obligations, purchase money obligations and industrial revenue bonds) of the Company or a Restricted Subsidiary which is secured by a Lien not otherwise permitted under clause (a), (b) or (c) of Section 7.5; or (ii) Debt of a Restricted Subsidiary owing to any Person other than the Company or a Wholly-owned Restricted Subsidiary.

"Restricted Debt Amount" shall mean as of any date of determination, the sum (without duplication) of the aggregate principal amount outstanding of all Restricted Debt.

"Restricted Investment" shall mean any Investment by the Company or any Restricted Subsidiary other than

(a) any Investment in (1) a marketable obligation, maturing within two years after acquisition thereof, issued or guaranteed by the United States of America or an instrumentality or agency thereof, and entitled to the full faith and credit of the United States of America, (2) a demand deposit account with, or a certificate of deposit or other obligation, maturing within one year after acquisition thereof, either fully insured by the Federal Deposit Insurance Corporation (or any successor Federal agency) or issued by a national or State bank or trust company having capital, surplus and undivided profits of at least $250,000,000, and having (or being the wholly-owned

subsidiary of a holding company having) a credit rating in respect of its short-term obligations of A-2 or higher from Standard & Poor's Corporation or P-2 or higher from Moody's Investors Service, Inc., (3) open market commercial paper, maturing within 270 days after acquisition thereof, having a credit rating of A-2 or higher from Standard & Poor's Corporation or P-2 or higher from Moody's Investors Service, Inc. and (4) a demand deposit account either fully insured by the Federal Deposit Insurance Corporation (or any successor Federal Agency) or with a national or State bank or trust company having capital, surplus and undivided profits of at least $100,000,000, if such demand deposit account is required to conduct operations of the Company or any Restricted Subsidiary in the same local area in which such bank or trust company is located and the aggregate amount of Investments in all such demand deposit accounts permitted by this clause (4) does not exceed 1% of Net Worth;

(b) any Investment existing on the date hereof, as set forth in Exhibit D hereto, including any extensions or renewals of any such Investment;

(c) any Investment hereafter acquired in exchange for, or out of the net cash proceeds from the substantially concurrent sale of, common shares of the Company;

(d) Investments in

(i) shares of adjustable rate or floating rate preferred stock, variable rate notes or other Debt or equity issues of business corporations, or

(ii) Debt issues of municipalities,

the issuers of which Investments described in this subsection (d) shall in any case have a credit rating in respect of their long-term obligations of A- or higher from Standard & Poor's Corporation or A3 or higher from Moody's Investors Service, Inc., provided (i) that the aggregate outstanding amount of Investments which shall at any time not constitute Restricted Investments pursuant to this Subsection (d) of the definition of Restricted Investments shall not exceed one-third of the then aggregate outstanding amount of all Investments of the Company and its Restricted Subsidiaries at such time (disregarding for this purpose Investments in Restricted Subsidiaries or joint ventures), and (ii) the aggregate outstanding amount of Investments issued by a single issuer which shall at any time not constitute Restricted Investments pursuant to this Subsection (d) shall not exceed $5,000,000; and

(e) any Investment by the Company or any Restricted Subsidiary in any Restricted Subsidiary or any Person which simultaneously therewith becomes a Restricted Subsidiary.

For the purposes of this definition, the outstanding amount of any Investment shall be the amount originally actually invested, net of any return of capital, and disregarding any appreciation or decline in value, or write-up, write-down or write-off, of the Investment concerned.

"Restricted Payment," in respect of the Company, shall mean

(a) the declaration of any dividend on, or the incurrence of any liability to make any other payment or distribution in respect of, shares of the Company of any class (other than one payable solely in its common shares); and

(b) any payment or distribution on account of the purchase, redemption or other retirement of any shares of the Company of any class, or of any warrant, option or other right to acquire such shares, or any other payment or distribution (other than pursuant to a dividend theretofore declared or liability theretofore incurred as specified in the foregoing Subsection (a)), made in respect thereof, either directly or indirectly except a purchase, redemption or other retirement of shares of the Company out of the net cash proceeds from the substantially concurrent sale of common shares of the Company.

The amount of any Restricted Payment in property shall be deemed to be the greater of its fair value (as determined by the Board) or its net book value.

"Restricted Subsidiary" shall mean any Subsidiary of the Company which (a) is listed as a Restricted Subsidiary on Exhibit B or (b) is organized under the laws of, and conducts substantially all of its business and maintains substantially all of its property and assets within, the continental United States of America or any State thereof. Once a Subsidiary is or becomes a Restricted Subsidiary it may not thereafter become an Unrestricted Subsidiary.

"Securities Act" shall mean the Securities Act of 1933, and any similar or successor Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Special Premium" shall mean, with respect to any principal amount of Notes being prepaid pursuant to Section 4.2, any purchase of the principal amount of Notes pursuant to Section 7.12 or any acceleration of the principal amount of any Note pursuant to Section 9.1 (such prepaid, purchased or accelerated principal amount being hereinafter referred to as the "Prepaid Principal"), as at any date of determination, an amount equal to the greater of (i) zero and (ii) the excess of:

(A) the sum of the respective present values as of the date such Special Premium becomes due and payable of:

(1) each prepayment of principal (if any) required to be made with respect to such Prepaid Principal pursuant to Section 4.1 with respect to such Prepaid Principal during the Discount Period,

(2) the payment of principal balance required to be made at final maturity with respect to such Prepaid Principal, and

(3) each payment of interest which would be required to be paid during such Discount Period with respect to such Prepaid Principal from time to time outstanding,

determined, in the case of each such required prepayment, principal payment at final maturity and interest payment, by discounting the amount thereof (on a semiannual basis) from the date fixed therefor back to the date of payment of such Special Premium at the Reference Rate (assuming for such purpose that all such payments and prepayments of principal and payments of interest with respect to such Prepaid Principal were made when due pursuant to the terms of the Agreements and the Notes, and that no other payment or prepayment with respect to such Prepaid Principal was made),

over

(B) the amount of such Prepaid Principal.

For purposes of the foregoing definition of Special Premium, (1) "Discount Period" shall mean the period beginning on the date of such payment of Special Premium and ending on the stated final maturity of the Notes; and (2) "Reference Rate" shall mean a per annum rate determined by adding 0.50% to the annual yield implied for actively traded United States Treasury securities having a term to maturity equal to the Weighted Average Life to Maturity of the portion of the Notes being prepaid, purchased or accelerated as determined by reference to (i) the yields reported, as of 10:00 a.m. (New York City time) on the Business Day next preceding the date of such payment, on the display designated as "Page 678" on the Telerate Service (or such other display as may replace "Page 678" on the Telerate Service), or if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable, (ii) the Federal Reserve Statistical Release H.15(519) ("Release H.15") published most recently prior to the third day preceding the date of such payment, or, if Release H.15 is no longer published, such annual yield as determined, at the Company's expense, by an independent investment banking firm acceptable to the Company and the holders of Notes; provided that, if there shall be no actual United States Treasury security having a term to maturity equal to such Weighted Average Life to Maturity of the Notes, the annual yield for a United States Treasury security deemed to have such a term to maturity shall be interpolated on a basis consistent with the annual yields of other United States Treasury securities as determined by reference to Release H.15, or (if Release H.15 is no longer

published) as determined at the Company's expense by such an independent investment banking firm.

"Subordinated Debt" of any Person shall mean Debt of such Person which is expressly made subordinate and junior in right of payment to the Notes pursuant to terms contained in the instrument or agreement evidencing such Debt substantially in the form of Exhibit F.

"Subsidiary" shall mean any corporation of which the Company and/or one or more of its Subsidiaries own more than 50% of the outstanding stock having by its terms ordinary voting power to elect a majority of the board of directors of such corporation, irrespective of whether at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency, and, except as otherwise expressly indicated herein, references to Subsidiaries shall refer to Subsidiaries of the Company.

"this Agreement" shall mean this Note Purchase Agreement (together with the Schedules and Exhibits hereto), as from time to time amended, modified or supplemented in accordance with its terms.

"Total Capitalization" shall mean the sum of Net Worth and Total Debt.

"Total Debt" shall mean, as at any date of determination, the aggregate amount (without duplication) of Debt of the Company and its Restricted Subsidiaries outstanding on such date, consolidated in accordance with GAAP after eliminating all intercompany items. Total Debt of the Company shall not in any event include Subordinated Debt of the Company to a Wholly-owned Restricted Subsidiary or Debt of a Wholly-owned Restricted Subsidiary to the Company or to another Wholly-owned Restricted Subsidiary.

"Unrestricted Subsidiary" shall mean any Subsidiary other than a Restricted Subsidiary.

"Voting Rights" shall have the meaning specified in Section 7.12.

"Weighted Average Life to Maturity" as applied to any indebtedness at any date, shall mean the number of years (or portions of years) obtained by dividing (a) the then outstanding principal amount of such indebtedness into (b) the total of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the date on which such payment is to be made.

"Wholly-owned Restricted Subsidiary" shall mean any Restricted Subsidiary, all of the equity securities (or all of the equity securities other than directors' qualifying shares) of which are owned by the Company or another Wholly-owned Restricted Subsidiary.

"Wilmington Plant" shall mean the real and personal property of Heatcraft located at 602 Sunnyvale Drive, Wilmington, North Carolina.

8.2. Accounting Terms. (a) All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP, all computations made pursuant to this Agreement shall be made in accordance with GAAP, and all balance sheets and other financial statements shall be prepared in accordance with GAAP. Any reference herein, or in any document delivered in connection herewith, to financial statements of the Company at a date prior to October 11, 1991 shall be deemed references to the financial statements of Lennox International Inc., an Iowa corporation.

(b) If any changes in accounting principles from those used in the preparation of the most recent audited historical financial statements delivered to you prior to the Closing Date are hereafter required or permitted by the rules, regulations, pronouncements and opinions of the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions) and are adopted by the Company with the agreement of its independent certified public accountants and such changes result or could result (for any present or future period) in a change in the method of calculation of any of the financial covenants, standards or terms in or relating to such covenants, the parties hereto agree to enter into discussions with a view to amending such provisions so as to equitably reflect such changes with the desired result that the criteria for evaluating the financial condition of the Company and its Subsidiaries shall be the same after such changes as if such changes had not been made, provided, that no change in GAAP that would affect or could affect (for any present or future period) the method of calculation of any of said financial covenants, standards or terms shall be given effect in such calculations until such provisions are amended, in a manner satisfactory to the Company and the holders of the Notes, to so reflect such change to GAAP.

SECTION 9. EVENTS OF DEFAULT; REMEDIES.

9.1. Events of Default Defined; Acceleration of Maturity. If any of the following events (herein called "Events of Default") shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or by operation of law or otherwise), that is to say:

(a) default shall be made in the due and punctual payment of all or any part of the principal of, or the Special Premium (if any) on, any Note when and as the same

shall become due and payable, whether at stated maturity, by acceleration, by notice of prepayment or otherwise;

(b) default shall be made in the due and punctual payment of any interest on any Note when and as such interest shall become due and payable, and such default shall have continued for a period of three Business Days;

(c) (i) default shall be made in the performance or observance of any covenant, agreement or condition contained in Section 5(f)(i), any of Sections 7.4 through (and including) Section 7.10, Section 7.12, or Section 7.16; or (ii) default shall be made in the performance or observance of any other covenant, agreement or condition contained in the Agreements or the Notes not specified in Section 9.1(a) or Section 9.1(b) or in the immediately preceding clause (i) of this Section 9.1(c) and such default shall have continued for a period of 30 days;

(d) any event shall occur or any condition shall exist in respect of any Debt of the Company or any Restricted Subsidiary (other than the Notes) in an aggregate unpaid principal amount of $1,000,000 or more, or under any agreement securing or relating to any of such Debt, the effect of which is to cause or to permit the acceleration of the maturity of such Debt, or any such Debt shall not have been paid at the final maturity date thereof (as renewed or extended if such Debt shall have been renewed or extended) (provided that the words "or to permit" contained in the foregoing wording of this Section 9.1(d) shall be omitted from this Section 9.1(d) and of no effect at any time that and so long as neither the Company nor any Restricted Subsidiary shall any longer be a party to any agreement (other than this Agreement, the Other Agreements and any other agreement providing for automatic modification thereof in substantially the same form as this Section 9.1(d)) providing that the holder of any Debt of the Company or any Restricted Subsidiary may declare such Debt to be due and payable prior to the scheduled maturity thereof as a result of the occurrence of any default in the performance of any term or condition contained in the agreement or instrument evidencing any other Debt of the Company or any Restricted Subsidiary and further providing for such declaration regardless of whether such other Debt shall have been declared due and payable prior to the stated maturity thereof);

(e) the Company or any Restricted Subsidiary shall (1) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (2) be generally unable to pay its debts as such debts become due, (3) make a general assignment for the benefit of its creditors, (4) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (5) file a petition seeking to take advantage of any bankruptcy, insolvency, moratorium, reorganization or other similar law affecting the enforcement of creditors' rights generally, (6) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against it in an

involuntary case under such Bankruptcy Code, (7) take any action under the laws of its jurisdiction of incorporation analogous to any of the foregoing, or (8) take any corporate action for the purpose of effecting any of the foregoing;

(f) a proceeding or case shall be commenced, without the application or consent of the Company or any Restricted Subsidiary in any court of competent jurisdiction, seeking (1) the liquidation, reorganization, dissolution, winding up, or composition or readjustment of its debts, (2) the appointment of a trustee, receiver, custodian, liquidator or the like of it or of all or any substantial part of its assets, or (3) similar relief in respect of it, under any law providing for the relief of debtors, and such proceeding or case shall continue undismissed, or unstayed and in effect, for a period of 90 days; or an order for relief shall be entered in an involuntary case under such Bankruptcy Code, against the Company or any Restricted Subsidiary; or action under the laws of the jurisdiction of incorporation of the Company or any Restricted Subsidiary analogous to any of the foregoing shall be taken with respect to the Company or any Restricted Subsidiary and shall continue unstayed and in effect for any period of 90 consecutive days;

(g) final judgment for the payment of money shall be rendered by a court of competent jurisdiction against the Company or any Restricted Subsidiary and the Company or any Restricted Subsidiary shall not discharge the same or provide for its discharge in accordance with its terms, or procure a stay of execution thereof within 60 days from the date of entry thereof and within said period of 60 days, or such longer period during which execution of such judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal, and such judgment together with all other such judgments shall exceed in the aggregate U.S. $1,000,000 (or the equivalent amount of any other currency); or

(h) any representation or warranty made by the Company in this Agreement or in any certificate or other instrument delivered hereunder or pursuant hereto or in connection with any provision hereof shall prove to be false or incorrect or breached in any material respect on the date as of which made;

then (i) upon the occurrence of any Event of Default described in Subsection (e) or (f) with respect to the Company, the unpaid principal amount of all Notes, together with the interest accrued thereon which shall be deemed matured, shall automatically become immediately due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of actual acceleration or other requirements of any kind, all of which are hereby expressly waived by the Company, or (ii) during the continuance of any other Event of Default, the holder or holders of at least 66-2/3% of the unpaid principal amount of all of the Notes at the time outstanding may, by written notice to the Company, declare the unpaid principal amount of all Notes to be, and the same shall forthwith become due and payable, without further presentment, demand, protest, notice of intent to accelerate, or notice of actual acceleration,

together with the interest accrued thereon which shall be deemed matured, plus (to the full extent permitted by applicable law) a premium equal to the Special Premium (determined with respect to such principal amount of Notes as of the date of such declaration), provided that, during the existence of an Event of Default described in Subsection (a) or (b) with respect to any Note, the holder of such Note may, by written notice to the Company, declare such Note to be, and the same shall forthwith become, due and payable, without further presentment, demand, protest, notice of intent to accelerate, or notice of actual acceleration, together with the interest accrued thereon which shall be deemed matured plus (to the full extent permitted by applicable law) a premium equal to the Special Premium determined as of the date of such declaration. If any holder of any Note shall exercise the option specified in the proviso to the preceding sentence, the Company will forthwith give written notice thereof to the holders of all other outstanding Notes and each such holder may (whether or not such notice is given or received), by written notice to the Company, declare the principal of all Notes held by it to be, and the same shall forthwith become, due and payable, without further presentment, demand, protest, notice of intent to accelerate, or notice of actual acceleration, together with the interest accrued thereon which shall be deemed matured.

The provisions of this Section 9.1 are subject, however, to the condition that if, at any time after any Note shall have so become due and payable and prior to the entry of any final judgment for the payment of any monies due on the Notes or pursuant to the Agreements, the Company shall pay all arrears of interest on the Notes and all payments on account of the principal of and the Special Premium (if any) on the Notes which shall have become due otherwise than by acceleration (with interest on such principal, the Special Premium (if any) and, to the extent permitted by law, on overdue payments of interest, at the rate specified in the Notes) and all Events of Default (other than nonpayment of principal of and accrued interest on Notes due and payable solely by virtue of acceleration) shall be remedied or waived pursuant to Section 12, then, and in every such case, the holder or holders of at least 80% in unpaid principal amount of all of the Notes at the time outstanding, by written notice to the Company, may rescind and annul any such acceleration and its consequences; but no such action shall affect any subsequent Default or Event of Default or impair any right consequent thereon.

9.2. Suits for Enforcement. If any Event of Default shall have occurred and be continuing, the holder of any Note may proceed to protect and enforce its rights, either by suit in equity or by action at law, or both, whether for the specific performance of any covenant or agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement, or the holder of any Note may proceed to enforce the payment of all sums due upon such Note or to enforce any other legal or equitable right of the holder of such Note.

The Company covenants that, if it shall default in the making of any payment due under any Note or in the performance or observance of any agreement contained in this Agreement, it will pay to the holder thereof such further amounts, to the extent lawful, as shall

be sufficient to pay the costs and expenses of collection or of otherwise enforcing such holder's rights, including reasonable counsel fees.

9.3. Remedies Cumulative. No remedy herein conferred upon you or the holder of any Note is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

9.4. Remedies Not Waived. No course of dealing between the Company and you or the holder of any Note and no delay or failure in exercising any rights hereunder or under any Note in respect thereof shall operate as a waiver of any of your rights or the rights of any holder of such Note.

SECTION 10. REGISTRATION, TRANSFER AND EXCHANGE OF NOTES. The Company will keep at its address for notices under Section 16.4 a register (herein sometimes referred to as the "Note Register"), in which, subject to such reasonable regulations as it may prescribe, but at its expense (other than transfer taxes, if any), it will provide for the registration and registration of transfer of the Notes.

Whenever any Note or Notes shall be surrendered either at such address for notices of the Company or at the place of payment named in the Notes, for transfer or exchange, accompanied (if so required by the Company) by an appropriate written instrument of transfer duly executed by the registered holder of such Note or his attorney duly authorized in writing, the Company will execute and deliver in exchange therefor a Note or Notes, as may be requested by such holder, in the same aggregate unpaid principal amount as the aggregate unpaid principal amount of the Note or Notes so surrendered. Any Note issued in exchange for any other Note or upon transfer thereof shall carry the rights to unpaid interest and interest to accrue which were carried by the Note so exchanged or transferred, and neither gain nor loss of interest shall result from any such transfer or exchange. Any transfer tax relating to such transaction shall be paid by the holder requesting the exchange.

The Company and any agent of the Company may treat the Person in whose name any Note is registered as the owner of such Note for the purpose of receiving payment of the principal of and the Special Premium (if any) and interest on such Note and for all other purposes whatsoever, whether or not such Note be overdue.

SECTION 11. LOST, ETC. NOTES. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of any Note, and (in case of loss, theft or destruction) of indemnity satisfactory to it, and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of such Note, if mutilated, the Company will deliver in lieu of such Note a Note in a like unpaid principal amount, dated as of the date to which interest has been paid thereon.

Notwithstanding the foregoing provisions of this Section, if any Note of which you or any other institutional holder having a net worth of at least $50,000,000 is the owner is lost, stolen or destroyed, then the affidavit of your or such holder's Treasurer or Assistant Treasurer (or other responsible officials), setting forth the circumstances with respect to such loss, theft or destruction, shall be accepted as satisfactory evidence thereof, and no indemnity shall be required as a condition to the execution and delivery by the Company of a Note in lieu of such Note (or as a condition to the payment thereof, if due and payable) other than your or such holder's unsecured written agreement to indemnify the Company.

SECTION 12. AMENDMENT AND WAIVER.

(a) Any term, covenant, agreement or condition of the Agreements or of the Notes may, with the consent of the Company, be amended, or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), by one or more substantially concurrent written instruments signed by the holder or holders of at least 66-2/3% in aggregate unpaid principal amount of all Notes at the time outstanding, provided, however, that

(i) no such amendment or waiver shall

(A) reduce the rate or extend the time of payment of interest on any of the Notes, without the consent of the holder of each Note so affected, or

(B) modify any of the provisions of the Agreements or of the Notes with respect to the payment or prepayment thereof (including without limitation the definition of the term "Special Premium" and any other related definitions), or extend the scheduled maturity of the Notes, or reduce the percentage of holders of Notes required to approve any such amendment or effectuate any such waiver, without the consent of the holders of all the Notes then outstanding, and

(ii) no such waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon.

(b) Any amendment or waiver pursuant to Subsection (a) of this Section 12 shall (except as provided in Clause (a)(i)(A)) apply equally to all the holders of the Notes amended or waived and shall be binding upon them, upon each future holder of any Note and upon the Company, in each case whether or not a notation thereof shall have been placed on any Note.

(c) The Company will not agree in writing to any amendment, modification or waiver of any of the provisions of the Agreements or the Notes unless each holder of Notes (irrespective of the amount of Notes then owned by it) shall be informed thereof by the

Company and shall be afforded the opportunity of considering the same and shall be supplied by the Company with sufficient information to enable it to make an informed decision with respect thereto. The Company will not, and will not permit any of its Subsidiaries or Affiliates to, offer or pay any remuneration, whether by way of supplemental or additional interest, fee or otherwise, to any holder of Notes in order to obtain such holder's consent to any amendment, modification or waiver of any term or provision of the Agreements, or the Notes or any annulment or rescission of acceleration pursuant to Section 9.1, unless such remuneration or inducement is concurrently paid on the same terms proportionately to each holder of Notes then outstanding regardless of whether or not such holder consents to such waiver, amendment, annulment or rescission.

SECTION 13. HOME OFFICE PAYMENT. Notwithstanding anything to the contrary in this Agreement or the Notes, so long as you or any nominee designated by you shall be the holder of any Note, the Company shall punctually pay all amounts which become due and payable on such Note to you by 11:00 a.m., New York City time, at your address and in the manner set forth in Schedule I hereto, or at such other place within the United States and in such other manner as you may designate by notice to the Company, without presentation or surrender of such Note. You agree that prior to the sale, transfer or other disposition of any such Note, you will make notation thereon of the portion of the principal amount paid or prepaid and the date to which interest has been paid thereon, or surrender the same in exchange for a Note or Notes aggregating the same principal amount as the unpaid principal amount of the Note so surrendered. The Company shall enter into an agreement similar to that contained in the first sentence of this Section 13 with any other institutional investor (or nominee thereof) who shall hold any of the Notes and who shall make with the Company an agreement similar to that contained in the second sentence of this Section.

SECTION 14. LIABILITIES OF THE HOLDERS. Neither this Agreement nor any disposition of any of the Notes shall be deemed to create any liability or obligation on your part or that of any other holder of any Note to enforce any provision hereof or of any of the Notes for the benefit or on behalf of any other Person who may be the holder of any Note.

SECTION 15. TAXES. The Company will pay all taxes (including interest and penalties) which may be payable in respect of the execution and delivery of this Agreement or the execution and delivery (but not the transfer) of any of the Notes or of any amendment of, or waiver or consent under or with respect to, the Agreements or of any of the Notes and will save you and all subsequent holders of the Notes harmless against any loss or liability resulting from nonpayment or delay in payment of any such tax. The obligations of the Company under this Section 15 shall survive the payment of the Notes.

SECTION 16. MISCELLANEOUS.

16.1. Expenses. Whether or not the transactions contemplated hereby are consummated, the Company shall: (a) pay the reasonable fees and disbursements of your

special counsel and of any local counsel for any services rendered in connection with such transactions or in connection with any actual or proposed amendment, waiver or consent (whether or not the same becomes effective) with respect to this Agreement or the Notes, and all other reasonable expenses in connection therewith (including, without limitation, document production expenses and expenses incurred in connection with obtaining a private placement number from Standard and Poor's CUSIP Service Bureau); (b) reimburse you for your reasonable out-of-pocket expenses in connection with such transactions, amendments, waivers or consents (whether or not the same becomes effective), and any items of the character referred to in clause (a) which shall have been paid by you, and pay the cost of transmitting Notes (insured to your satisfaction) to your principal office upon the issuance thereof; (c) pay, and save you and each subsequent holder of any Note harmless from and against, any and all liability and loss with respect to or resulting from the non-payment or delayed payment of any and all placement fees and other liability which the Company may be or become obligated to pay any agent or finder in connection with such transactions; (d) pay the expenses described in Section 9.2 of this Agreement; and (e) pay, and save you and each subsequent holder of any Note harmless from and against liability for the payment of, all out-of-pocket expenses, including without limitation reasonable attorneys' fees, incurred in connection with responding to any subpoena or other legal process or informal investigative demand involving the Company or any of its Affiliates. The obligations of the Company under this Section 16.1 shall survive payment of the Notes.

16.2. Reliance on and Survival of Representations. All agreements, representations and warranties of the Company herein and in any certificates or other instruments delivered pursuant to this Agreement shall (a) be deemed to be material and to have been relied upon by you, notwithstanding any investigation heretofore or hereafter made by you or on your behalf, and (b) survive the execution and delivery of this Agreement and the delivery of the Notes to you, and shall continue in effect so long as any Note is outstanding and thereafter as provided in Sections 15 and 16.1.

16.3. Successors and Assigns. All covenants and agreements in this Agreement by or on behalf of the respective parties hereto shall bind and inure to the benefit of their respective successors and assigns, except that, in the case of a successor to the Company by consolidation or merger or a transferee of its assets, this Agreement shall inure to the benefit of such successor or transferee only if it becomes such in accordance with Section 7.10; provided, however, that you shall not be obligated to purchase any Notes on the Closing Date from any Person other than the existing Lennox International Inc., a Delaware corporation. The provisions of this Agreement are intended to be for the benefit of all holders, from time to time, of the Notes, and shall be enforceable by any such holder, whether or not an express assignment to such holder of rights under this Agreement has been made by you or your successor or assign, provided, however, that the benefit of Sections 5, 6, 11 (as to satisfactory indemnity) and 13 shall be limited as provided therein.

16.4. Notices. All notices, opinions and other communications provided for in this Agreement shall be in writing and delivered or mailed, first class postage prepaid, addressed (a) if to the Company, at the address set forth at the head of this Agreement (marked for the attention of the Executive Vice President, Chief Financial Officer and Treasurer), or at such other address as the Company may hereafter designate by notice to you and to each other holder of any Note at the time outstanding, or (b) if to you, at your address as set forth in Schedule I hereto or at such other address as you may hereafter designate by notice to the Company, or (c) if to any other holder of any Note, at the address of such holder as it appears on the Note Register.

16.5. Substitution of Your Wholly-Owned Subsidiary. You shall have the right to substitute one of your wholly-owned subsidiaries as the holder of any of the Notes to be delivered to you hereunder, by written notice delivered to the Company, which notice shall be signed by you and such subsidiary, shall contain such subsidiary's agreement to be bound by this Agreement and shall contain a confirmation by such subsidiary of the accuracy with respect to it of the representations contained in Sections 1.3 and 1.4, provided that such confirmation may contain a statement to the effect that such subsidiary shall at all times have the right to transfer the Notes being delivered to it to you. The Company agrees that, upon receipt of any such notice, whenever the word "you" is used in this Agreement (other than this Section) such word shall be deemed to refer to such subsidiary in lieu of you. In the event that such subsidiary is so substituted hereunder and thereafter transfers its Notes or any portion thereof to you, upon receipt by the Company of notice of such transfer, whenever the word "you" is used in this Agreement (other than in this Section) such word shall be deemed to refer to such subsidiary only to the extent it retains any portion of the Notes, and shall be deemed to refer to you to the extent you own all or any portion of the Notes, and you and such subsidiary to such extent shall each have all the rights of an original holder of Notes under this Agreement.

16.6. LAW GOVERNING. THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

16.7. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect any of the terms hereof.

16.8. Entire Agreement. This Agreement embodies the entire agreement and understanding between you and the Company and supersedes all prior agreements and understandings relating to the subject matter hereof.

16.9. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

16.10. Maximum Interest Payable. The Company, you, and any other holders of any of the Notes, specifically intend and agree to limit contractually the amount of interest payable under this Agreement, the Notes, the Letter Agreement, and all other instruments and agreements executed in connection with the foregoing to the maximum amount of interest lawfully permitted to be charged under applicable law. Therefore, none of the terms of this Agreement, the Notes, the Letter Agreement, or any instrument pertaining to or relating to or executed in connection with such documents shall ever be construed to create a contract to pay interest (or amounts deemed to be interest under applicable law) at a rate in excess of the maximum rate permitted to be charged under applicable law, and none of the Company or any other party liable or to become liable hereunder, under the Notes, under the Letter Agreement, or under any other instruments and agreements related hereto and thereto shall ever be liable for interest in excess of the amount determined at such maximum rate, and the provisions of this Section 16.10 shall control over all other provisions of this Agreement, the Notes, the Letter Agreement, or any other instrument pertaining to or relating to the transactions herein or therein contemplated. If any amount of interest taken or received by you or any holder of a Note shall be in excess of said maximum amount of interest that, under applicable law, could lawfully have been collected incident to such transactions, then such excess shall be deemed to have been the result of a mathematical error by all parties hereto and shall be automatically applied to the reduction of the principal amount owing under the Notes or if such excessive interest exceeds the unpaid principal balance of the Notes, such excess shall be refunded promptly by the Person receiving such amount to the party paying such amount. All amounts paid or agreed to be paid in connection with such transactions that would under applicable law be deemed "interest" shall, to the extent permitted by such applicable law, be amortized, prorated, allocated and spread throughout the stated term of the Notes. "Applicable law" as used in this paragraph means that law in effect from time to time that permits the charging and collection of the highest permissible lawful, nonusurious rate of interest on the transaction herein contemplated including, without limitation, the laws of each State which may be held to be applicable, and of the United States of America, if applicable, and "maximum rate" as used in this paragraph means, with respect to each of the Notes, the maximum lawful, nonusurious rates of interest (if any) that under such applicable law may be charged to the Company from time to time with respect thereto.

16.11. Interpretation of Disclosures. In connection with the representations, warranties and certifications made by the Company pursuant to this Agreement, the Company is required to make certain disclosures to you with respect to possible or contingent losses and liabilities. The Company shall be free to make disclosures to you in addition to those required under this Agreement, and the making of any disclosure by the Company pursuant to this Agreement shall not constitute an admission by the Company that any such possible or contingent loss or liability actually exists or is owed.

16.12. Notice to Transferees. You agree that on or prior to any transfer by you of any Note, you will provide each transferee thereof a copy of the Letter Agreement.

16.13. Consent to Jurisdiction; Service of Process.

(a) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT, THE NOTES, THE LETTER AGREEMENT, OR ANY OTHER DOCUMENTS OR TRANSACTIONS IN CONNECTION WITH OR RELATING HERETO OR THERETO, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS OR ACTIONS OF YOU, ANY OTHER PURCHASER, ANY SUBSEQUENT HOLDER OF A NOTE, OR THE COMPANY MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND THE COMPANY HEREBY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. THE COMPANY HEREBY IRREVOCABLY WAIVES ANY OBJECTIONS, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS.

(b) In the case of the courts of the State of New York or of the United States sitting in the City of New York, State of New York, the Company hereby irrevocably designates, appoints, and empowers CT Corporation System (the "Process Agent") (which has consented thereto) with offices on the date hereof at 1633 Broadway, New York, New York 10019, as agent to receive for and on behalf of the Company service of process in the State of New York. The Company further agrees that such service of process may be made on the Process Agent by personal service of a copy of the summons and complaint or other legal process in any such legal suit, action or proceeding on the Process Agent, or by any other method of service provided for under the applicable laws in effect in the County of New York, State of New York, and the Process Agent hereby is authorized and directed to accept such service for and on behalf of the Company, and to admit service with respect thereto.

(c) Upon service of process being made on the Process Agent as aforesaid, a copy of the summons and complaint or other legal process served shall be mailed by the Process Agent to the Company by air courier, at its address set forth at the top of page 1 of this Agreement, or to such other address as the Company may notify the Process Agent in writing. Service upon the Process Agent as aforesaid shall be deemed to be personal service on the Company and shall be legal and binding upon the Company for all purposes, notwithstanding any failure of the Process Agent to mail copies of such legal process thereto, or any failure on the part of the Company to receive the same.

(d) The Company agrees that it will at all times continuously maintain an agent to receive service of process in the County of New York on its behalf. In the event that for any reason the Process Agent or any successor thereto shall no longer serve as agent for the Company to receive service of process in the County of New York on its behalf or the

Company shall have changed its address without notification thereof to the Process Agent, the Company, immediately after having knowledge thereof, will irrevocably designate and appoint a substitute agent in the City of New York, New York and advise you, or any subsequent holder of a Note, thereof, or shall notify the Process Agent of its then current correct address.

(e) Nothing contained in this section shall preclude you, or any subsequent holder of a Note, from bringing any legal suit, action or proceeding against the Company in the courts of any jurisdiction where the Company or any of its property or assets may be found or located.

If you are in agreement with the foregoing, please sign the form of acceptance in the space provided below whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

LENNOX INTERNATIONAL INC.

By: /s/ CLYDE WYANT

Clyde Wyant
Executive Vice President,
Chief Financial Officer
and Treasurer

The foregoing Agreement is
hereby accepted as of the
date first above written:

THE PRUDENTIAL INSURANCE COMPANY
OF AMERICA

By: /s/ CRAIG S. WILSON

Name: Craig S. Wilson
Title: Vice President

CONNECTICUT GENERAL LIFE INSURANCE COMPANY
By CIGNA Investments, Inc.

By: /s/ EDWARD LEWIS

Name: Edward Lewis
Title: Managing Director

CONNECTICUT GENERAL LIFE INSURANCE COMPANY,
ON BEHALF OF ONE OR MORE SEPARATE ACCOUNTS
By CIGNA Investments, Inc.

By: /s/ EDWARD LEWIS

Name: Edward Lewis
Title: Managing Director

LIFE INSURANCE COMPANY OF NORTH AMERICA
By CIGNA Investments, Inc.

By: /s/ EDWARD LEWIS

Name: Edward Lewis
Title: Managing Director

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: /s/ RODNEY P. WALKER

Name: Rodney P. Walker
Title: Vice President Investments

MUTUAL OF OMAHA INSURANCE COMPANY

By: /s/ RODNEY P. WALKER

Name: Rodney P. Walker
Title: Vice President Investments

COMPANION LIFE INSURANCE COMPANY

By: /s/ JOHN L. MAGINN

Name: John L. Maginn
Title: Vice President and Assistant Treasurer

By: /s/ RICHARD A. WITT

Name: Richard A. Witt
Title: Second Vice President and
Assistant Treasurer

UNITED WORLD LIFE INSURANCE COMPANY

By: /s/ RODNEY P. WALKER

Name: Rodney P. Walker
Title: Authorized Signer

FIRST COLONY LIFE INSURANCE COMPANY

By: /s/ J. ALDEN BUTLER

Name: J. Alden Butler
Title: Senior Vice President

SCHEDULE I

Name of Purchasers	Principal Amount of Notes to be Purchased
A. THE PRUDENTIAL INSURANCE COMPANY OF AMERICA	$50,000,000

Note Denomination(s): $50,000,000

1. All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

Account No. 050-54-526

Morgan Guaranty Trust Company of New York
23 Wall Street
New York, New York 10015
(ABA No.: 021-000-238)

Each such wire transfer shall set forth the name of the Company, a reference to "6.73% Senior Notes due December 1, 2008, Security No. !INV4622!", and the due date and application (as among principal, interest and the Special Premium, if any) of the payment being made.

2. Address for all notices relating to payments:

The Prudential Insurance Company of America
c/o The Prudential Capital Group
Gateway Center Three
100 Mulberry Street
Newark, New Jersey 07102-4077

Attention: Manager, Private Placement Accounting

3. Address for all other communications and notices:

The Prudential Insurance Company of America
c/o The Prudential Capital Group
1201 Elm Street, Suite 4900
Dallas, Texas 75270

Attention: Managing Director

4. Recipient of telephonic prepayment notices:

Manager, Private Placement Accounting
(201) 802-6429

5. Tax Identification Number: 22-1211670

B. CONNECTICUT GENERAL LIFE INSURANCE COMPANY $16,000,000
(Note(s) to be registered in the name of CIG & CO.)

Note Denomination(s): $7,800,000
$5,200,000
$3,000,000

1. All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

FED ABA #021000021 CHASE
NYC/CTR/BNF = CIGNA PRIVATE
PLACEMENTS/AC = 9009001802

OBI = [ISSUE NAME, PRIVATE PLACEMENT NUMBER, DESCRIPTION OF SECURITY WITH RATE AND MATURITY, THE AMOUNT OF INTEREST AND/OR PRINCIPAL, THE AMOUNT OF ANY PREPAYMENT, THE PAYABLE DATE, THE ORIGINATOR'S CONTACT NAME AND TELEPHONE NUMBER]

Together with a notice of each payment to:

Chase Manhattan Bank, N.A.
Private Placement Servicing
P.O. Box 1508, Bowling Green Station
New York, New York 10081

Attention: CIGNA Private Placements
Fax: 212-552-3107/1005

2. Address for all notices relating to payments:

CIG & CO.
c/o CIGNA Investments, Inc.
Hartford, CT 06152*

Attention: Securities Accounting Department (S-206)

CIG & CO.
c/o CIGNA Investments, Inc.
Hartford, CT 06152*

Attention: Private Securities Division (S-307)

* For notices sent by overnight courier, express mail or messenger, substitute "900 Cottage Grove Road, Bloomfield, CT 06002" in place of "Hartford, CT 06152."

3. Address for all other communications and notices:

CIG & CO.
c/o CIGNA Investments, Inc.
Hartford, CT 06152*

Attention: Private Securities Division (S-307)

* For notices sent by overnight courier, express mail or messenger, substitute "900 Cottage Grove Road, Bloomfield, CT 06002" in place of "Hartford, CT 06152."

4. Recipient of telephonic prepayment notices:

None

5. Tax Identification Number: 13-3574027

C. CONNECTICUT GENERAL LIFE INSURANCE COMPANY
ON BEHALF OF ONE OR MORE SEPARATE ACCOUNTS $ 1,000,000
(Note(s) to be registered in the name of CIG & CO.)

Note Denomination(s): $1,000,000

1. All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

FED ABA #021000021 CHASE
NYC/CTR/BNF = CIGNA PRIVATE
PLACEMENTS/AC = 9009001802

OBI = [ISSUE NAME, PRIVATE PLACEMENT NUMBER, DESCRIPTION OF SECURITY WITH RATE AND MATURITY, THE AMOUNT OF INTEREST AND/OR PRINCIPAL, THE AMOUNT OF ANY PREPAYMENT, THE PAYABLE DATE, THE ORIGINATOR'S CONTACT NAME AND TELEPHONE NUMBER]

Together with a notice of each payment to:

Chase Manhattan Bank, N.A.
Private Placement Servicing
P.O. Box 1508, Bowling Green Station
New York, New York 10081

Attention: CIGNA Private Placements
Fax: 212-552-3107/1005

2. Address for all notices relating to payments:

CIG & CO.
c/o CIGNA Investments, Inc.
Hartford, CT 06152*

Attention: Securities Accounting Department (S-206)

CIG & CO.
c/o CIGNA Investments, Inc.
Hartford, CT 06152*

Attention: Private Securities Division (S-307)

* For notices sent by overnight courier, express mail or messenger, substitute "900 Cottage Grove Road, Bloomfield, CT 06002" in place of "Hartford, CT 06152."

3. Address for all other communications and notices:

CIG & CO.
c/o CIGNA Investments, Inc.
Hartford, CT 06152*

Attention: Private Securities Division (S-307)

* For notices sent by overnight courier, express mail or messenger, substitute "900 Cottage Grove Road, Bloomfield, CT 06002" in place of "Hartford, CT 06152."

4. Recipient of telephonic prepayment notices:

None

5. Tax Identification Number: 13-3574027

D. LIFE INSURANCE COMPANY OF NORTH AMERICA $ 3,000,000
(Note(s) to be registered in the name of ZANDE & CO.)

Note Denomination(s): $3,000,000

1. All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

Morgan Guaranty Trust Company of New York
ABA #0210-0023-8
BTR/BNF = CUSTZ/AC-99999024/Z
ATTN: CUST. SVC. Life Insurance
Company of North America

a/c 35001

Providing sufficient information to identify the source of the transfer and the amount of interest or principal.

2. Address for all notices relating to payments:

ZANDE & CO.
c/o CIGNA Investments, Inc.
Hartford, CT 06152*

Attention: Securities Accounting Department (S-206)

ZANDE & CO.
c/o CIGNA Investments, Inc.
Hartford, CT 06152*

Attention: Private Securities Division (S-307)

* For notices sent by overnight courier, express mail or messenger, substitute "900 Cottage Grove Road, Bloomfield, CT 06002" in place of "Hartford, CT 06152."

3. Address for all other communications and notices:

ZANDE & CO.
c/o CIGNA Investments, Inc.
Hartford, CT 06152*

Attention: Private Securities Division (S-307)

* For notices sent by overnight courier, express mail or messenger, substitute "900 Cottage Grove Road, Bloomfield, CT 06002" in place of "Hartford, CT 06152."

4. Recipient of telephonic prepayment notices:

None

5. Tax Identification Number: 13-6020804

E. UNITED OF OMAHA LIFE INSURANCE COMPANY $ 8,500,000

Note Denomination(s): $8,500,000

1. All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

FirsTier Bank - Omaha
ABA No.: 1040-0002-9
17th & Farnam Streets
Omaha, Nebraska 68102

For credit to:

United of Omaha Life Insurance Company
Account #144-7-076

For payment on:
Interest Amount:
Principal Amount:

2. Address for all notices relating to payments:

United of Omaha Life Insurance Company
Mutual of Omaha Plaza
Omaha, Nebraska 68175

Attention: Investment/Securities Accounting

3. Address for all other communications and notices:

United of Omaha Life Insurance Company
Mutual of Omaha Plaza
Omaha, Nebraska 68175

Attention: Investment Division

4. Recipient of telephonic prepayment notices:

None

5. Tax Identification Number: 47-0322111

F. MUTUAL OF OMAHA INSURANCE COMPANY $ 5,000,000

Note Denomination(s): $5,000,000

1. All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

First National Bank Omaha
ABA No.: 1040-00016
16th & Dodge Street
Omaha, Nebraska 68102

For credit to:

Mutual of Omaha Insurance Company
Account #26-743587

For payment on:
Interest Amount:
Principal Amount:

2. Address for all notices relating to payments:

Mutual of Omaha Insurance Company
Mutual of Omaha Plaza
Omaha, Nebraska 68175

Attention: Investments/Securities Accounting

3. Address for all other communications and notices:

Mutual of Omaha Insurance Company
Mutual of Omaha Plaza
Omaha, Nebraska 68175

Attention: Investment Division

4. Recipient of telephonic prepayment notices:

None

5. Tax Identification Number: 47-0246511

G. COMPANION LIFE INSURANCE COMPANY $ 1,000,000
(Note(s) to be registered in the name of HARE & CO.)

Note Denomination(s): $1,000,000

1. All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

Companion Life Insurance Company
c/o The Bank of New York
ABA #02100018
Account #111566 Income Collection

Attention: P&I Department

For payment on:

Interest Amount:

Principal Amount:

Payable Date:

CLICO

2. Address for all notices relating to payments:

Companion Life Insurance Company
Mutual of Omaha Plaza
Omaha, Nebraska 68175

Attention: Investment Securities Accounting

With duplicate notice to:

Companion Life Insurance Company
401 Theodore Fremd Avenue
Rye, New York 10580-1493

Attention: Financial Division

3. Address for all other communications and notices:

Companion Life Insurance Company
Mutual of Omaha Plaza
Omaha, Nebraska 68175

Attention: Investment Division

With duplicate notice to:

Companion Life Insurance Company
401 Theodore Fremd Avenue
Rye, New York 10580-1493

Attention: Financial Division

4. Recipient of telephonic prepayment notices:

None

5. Tax Identification Number: 13-6062916

H. UNITED WORLD LIFE INSURANCE COMPANY $ 500,000

Note Denomination(s): $500,000

1. All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

FirsTier Bank - Omaha
ABA No.: 1040-0002-9
17th & Farnam Streets
Omaha, Nebraska 68102

For credit to:

United World Life Insurance Company
Account #016-7-039

For payment on:

Interest Amount:

Principal Amount:
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2. Address for all notices relating to payments:

United World Life Insurance Company
c/o Mutual of Omaha Insurance Company
Mutual of Omaha Plaza
Omaha, Nebraska 68175

Attention: Investment/Securities Accounting

3. Address for all other communications and notices:

United World Life Insurance Company
c/o Mutual of Omaha Insurance Company
Mutual of Omaha Plaza
Omaha, Nebraska 68175

Attention: Investment Division

4. Recipient of telephonic prepayment notices:

None

5. Tax Identification Number: 75-6010770

I. FIRST COLONY LIFE INSURANCE COMPANY $15,000,000

Note Denomination(s): $15,000,000

1. All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

Account No. 10765400

Crestar Bank
Richmond, Virginia
ABA No.: 0510-0002-0
Credit - 2111

Attention: Income Processing Unit Number 27955

Each such wire transfer shall identify each payment as "Lennox International, Inc., Series 6.73% Senior Promissory Notes, due December 1, 2008, PPN 52610*AH 6, principal or interest".

2. Address for all notices relating to payments:

First Colony Life Insurance Company
700 Main Street
Lynchburg, Virginia 24504

Attention: Mr. J. Alden Butler

3. Address for all other communications and notices:

First Colony Life Insurance Company
700 Main Street
Lynchburg, Virginia 24504

Attention: Mr. J. Alden Butler

4. Recipient of telephonic prepayment notices:

None

5. Tax Identification Number: 540 596 414

EXHIBIT A

LENNOX INTERNATIONAL INC.

6.73% SENIOR PROMISSORY NOTE DUE 2008

Note No. R-
$ December 1, 1993
Private Placement No. 52610* AH 6

FOR VALUE RECEIVED, the undersigned, LENNOX INTERNATIONAL INC., a corporation organized and existing under the laws of the State of Delaware (herein called the "Company"), hereby promises to pay to

or registered assigns, the principal sum of

DOLLARS (or so much thereof as shall not have been prepaid) on December 1, 2008, with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal hereof at the rate of 6.73% per annum from the date hereof, payable semiannually on June 1 and December 1 in each year, commencing on June 1, 1994, until said principal shall have become due and payable, and to pay interest (so computed) at the rate of 8.73% per annum on any overdue principal and premium and, to the extent permitted by applicable law, on any overdue interest, until the same shall be paid. Payments of principal, premium, if any, and interest are to be made in lawful money of the United States of America at the office of Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, New York 10015, or at such other place as may be provided pursuant to the Note Purchase Agreements referred to below.

This Note is one of the 6.73% Senior Promissory Notes due 2008 of the Company (the "Notes") issued pursuant to the nine separate Note Purchase Agreements, each dated as of December 1, 1993, between the Company and each of The Prudential Insurance Company of America, Connecticut General Life Insurance Company, Connecticut General Life Insurance Company, on behalf of one or more separate accounts, Life Insurance Company of North America, United of Omaha Life Insurance Company, Mutual of Omaha Insurance Company, Companion Life Insurance Company, United World Life Insurance Company, and First Colony Life Insurance Company and is subject thereto and entitled to the benefits thereof. As provided in said Agreements, this Note is subject to optional prepayments in whole or in part, in certain cases with a premium, and also to required prepayments, all as specified in said Agreements.

Upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and, at the option of the holder, registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may deem and treat the Person in whose name this Note is registered as the holder and owner hereof for the purpose of receiving payments and for all other purposes whatsoever, and the Company shall not be affected by any notice to the contrary.

Said Agreements provide that by acceptance of this Note the holder hereof shall be deemed to have agreed to certain obligations of confidentiality in respect of certain information received by such holder pursuant to said Agreements.

In case an Event of Default (as defined in said Agreements) shall occur and be continuing, the principal of this Note may become or be declared due and payable in the manner and with the effect provided in said Agreements.

LENNOX INTERNATIONAL INC.

By:

Clyde Wyant
Executive Vice President,
Chief Financial Officer
and Treasurer

EXHIBIT B

LENNOX INTERNATIONAL INC. SUBSIDIARIES
SEPTEMBER 30, 1993

Name	Ownership	Jurisdiction of Incorporation	No. of Shares Outstanding	Location of Substantial Operating Assets	Restricted or Unrestricted
(1) Lennox Industries Inc.	Wholly-owned	Iowa	994,394 Common	United States	Restricted
(a) Products Acceptance Corp.	Wholly-owned	Iowa	3,500 Common	N/A	Restricted
(b) Lennox Industries (Canada) Ltd.	Wholly-owned	Canada	5,250 Pref. 36,210 Common	Ontario	Unrestricted
(c) Lennox Industries Ltd.	Wholly-owned	United Kingdom	300,000 Pref. 13,900 Ordinary	United Kingdom	Unrestricted
(i) Environheat Limited	Wholly-owned	United Kingdom	32,765 Ordinary	N/A	Unrestricted
(d) Lennox Southwest Leasing, Inc.	Wholly-owned	Iowa	1,000 Common	N/A	Restricted
(e) Lennox Australia Pty. Ltd.	Wholly-owned	Australia	500,000 Common	Australia	Unrestricted
(2) Heatcraft, Inc.	Wholly-owned	Mississippi	20 Common	United States	Restricted
(3) Armstrong Air Conditioning Inc.	Wholly-owned	Ohio	1,030 Common	United States	Restricted
(4) Lennox Foreign Sales Corp.	Wholly-owned	U.S. Virgin Islands	10 Common	N/A	Unrestricted
(5) Lennox Commercial Realty Inc.	Wholly-owned	Iowa	10 Common	United States	Restricted

EXHIBIT C

LENNOX INTERNATIONAL INC.
DEBT
BEFORE AND AFTER PAYMENTS DUE DECEMBER 1, 1993

		Before Payments Due 12/01/93	After Payments Due 12/01/93
A.	LENNOX INTERNATIONAL INC.		
(1)	Agreement of Assumption and Restatement dated as of December 1, 1991 between Lennox International Inc. and the Noteholders identified at the end thereof, pursuant to which Lennox International delivered its:		
	9.55% Series B Promissory Notes due 1996	$ 6,000,000	$ -0-
	11.05% Series C Promissory Notes due 1997	25,000,000	-0-
	9.60% Series D Promissory Notes due 1998	35,000,000	25,000,000
	10.15% Series E Promissory Notes due 1998	7,142,858	5,142,858
	9.53% Series F Promissory Notes due 2001	21,000,000	21,000,000
	9.50% Series G Promissory Notes due 2001	31,000,000	31,000,000
	9.69% Series H Promissory Notes due 2003	54,000,000	49,100,000
		$179,142,858	$131,242,858
(2)	Revolving Credit Agreement dated as of December 1, 1991 among Lennox International Inc. and the Banks named on the signature pages thereof and The Northern Trust Company, as Agent		
	Total Outstanding	$ -0-	$ -0-
(3)	Note Purchase Agreement dated as of December 1, 1993 among Lennox International Inc. and the Noteholders identified at the end thereof, pursuant to which Lennox International delivered its 6.73% Senior Promissory Notes due 2008	$ -0-	$100,000,000

B.	LENNOX INDUSTRIES INC.		
(1)	Promissory Note dated December 22, 1992 issued to Texas Housing Opportunity Fund, Ltd.	$ 539,811	$ 539,811
C.	LENNOX COMMERCIAL REALTY, INC. ("LCRI")		
(1)	11.1% Mortgage Note Agreement with Texas Commerce Bank, N.A. due January 1, 2000, secured by mortgage on headquarters building and an assignment of the Lease between LCRI and Lennox Industries	$ 10,640,266	$ 10,640,266
	TOTAL OUTSTANDING DEBT	$190,322,935	$242,422,935

EXHIBIT D

LENNOX INTERNATIONAL INC.
INVESTMENTS
DECEMBER 1, 1993

A.	Investments in Wholly-Owned Subsidiaries:	
	See Exhibit B	
B.	Investments in Joint Venture:	
	Friga-Bohn S.A. (France) - stock, at cost (20% of outstanding stock held by Heatcraft Inc.)	$4,000,000
C.	Investments in Adjustable Rate Preferred Stock:	
	Sara Lee Auction Preferred Stock, Series C*	$5,000,000

- ---------------
* The Company expects to sell this preferred stock on December 1, 1993.

EXHIBIT E

FORM OF OPINION OF COMPANY'S COUNSEL

December 1, 1993

To Each Note Holder
Named on the Attached Schedule I

Lennox International Inc.
6.73% Senior Promissory Notes due 2008

Ladies and Gentlemen:

I am an Assistant General Counsel for Lennox International Inc., a Delaware corporation (the "Company"), and as such have acted as counsel to the Company in connection with (i) the issuance and sale by the Company of $100,000,000 in aggregate principal amount of its 6.73% Senior Promissory Notes due 2008 (the "Notes"), pursuant to the nine separate Note Purchase Agreements, each dated as of December 1, 1993 (the "Agreements"), between the Company and each of you, respectively, and (ii) the purchase by each of you today of the aggregate principal amount of Notes set forth opposite your name in Schedule I to the Agreements. This opinion is being furnished to you pursuant to Section 3.2 of the Agreements with the understanding that it will be relied upon by you in connection with the consummation of the transactions contemplated by the Agreements. Capitalized terms used herein without definition have the respective meanings attributed thereto in the Agreements.

In so acting, I have participated in the preparation of the Agreements and the Notes being delivered to you today. As to various factual matters relevant to this opinion, I have made such inquiries as I have deemed appropriate of other employees of the Company and its Subsidiaries and I have relied upon the information given to me by such employees. I have also examined and relied upon the representations and warranties as to factual matters contained in or made pursuant to the Agreements and have examined and relied upon the originals, or copies certified or otherwise identified to my satisfaction, of such records, documents, certificates and other instruments as in my judgment are necessary or appropriate to enable me to render the opinion expressed below. In such examination, I have assumed the genuineness of all signatures (other than signatures of officers of the Company), the due authorization, execution and delivery of the Agreements by parties thereto other than the Company, the authenticity of all documents submitted to me as originals (other than the Agreements and the Notes), the conformity to original documents of all documents submitted to me as photostatic or certified copies and the authenticity of the originals of such latter documents.

Based upon the foregoing, I am of the opinion that:

1. Each of the Company and Lennox Industries Inc., Heatcraft Inc., and Armstrong Air Conditioning Inc. (the latter three together, the "Primary Operating Subsidiaries") is a corporation duly incorporated, validly existing and in good standing under the laws of the state of its incorporation and has the corporate power and authority to own or hold under lease the property it purports to own or hold under lease, and to transact the business it transacts and proposes to transact, and, in the case of the Company, to execute and deliver the Agreements and the Notes and to perform the provisions of the Agreements and the Notes.

2. Each of the Company and the Primary Operating Subsidiaries is duly qualified as a foreign corporation and in good standing in each jurisdiction (other than the jurisdiction of its incorporation) in which the character of the properties owned or held under lease by it or the nature of the business transacted by it requires such qualification and in which the failure to so qualify would materially affect adversely the business, operations or properties of the Company and its Subsidiaries taken as a whole, or the ability of the Company to perform the Agreements and discharge its obligations on the Notes.

3. The execution, delivery and performance by the Company of the Agreements and the Notes have been duly authorized by all necessary corporate action on the part of the Company (no action of shareholders being required therefor) and the Agreements and the Notes purchased by and delivered to you today have been duly executed and delivered by the Company.

4. The Agreements and the Notes constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except that such enforceability may be limited by (a) general principles of equity (regardless of whether relief is sought in an action at law or in equity) and (b) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws from time to time in effect affecting enforcement of creditors' rights generally.

5. There are no actions, suits or proceedings pending or, to the best of my knowledge, threatened against or affecting the Company or any Subsidiary or any of their respective properties in any court or before any arbitrator of any kind or before or by any Governmental Body (except actions, suits or proceedings of the character normally incident to the kind of business conducted by the Company and its Subsidiaries which in the aggregate, if adversely determined, would not materially affect adversely the business, operations or properties of the Company and its Subsidiaries taken as a whole, or the ability of the Company to perform the Agreements or discharge its obligations on the Notes).

6. The execution and delivery by the Company of the Agreements and the Notes, the consummation of the transactions contemplated by the Agreements and the performance of the terms and provisions of the Agreements and the Notes will not result in any breach of, or

constitute a default under, or result in the creation of any Lien in respect of any property of the Company under its certificate of incorporation or by-laws or any indenture, mortgage, deed of trust, bank loan or credit agreement, or other material agreement or instrument to which the Company is a party or by which the Company or any of its properties may be bound or affected, or violate any existing law, governmental rule or regulation or any Order of any court, arbitrator or Governmental Body applicable to the Company.

7. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Body is required for the valid execution and delivery or for the performance by the Company of the Agreements or the Notes.

8. The offer, issue, sale and delivery of the Notes purchased by and delivered to you today, under the circumstances contemplated by the Agreements, constitute exempted transactions under the Securities Act, and neither the registration of such Notes thereunder nor the qualification of an indenture under the Trust Indenture Act of 1939, as amended, is required in connection with such offer, issue, sale and delivery of the Notes.

9. The issuance and sale of the Notes as contemplated by the Agreements will not involve any violations of Regulation G, T or X or any other rule or regulation of the Board of Governors of the Federal Reserve System pursuant to Section 7 of the Exchange Act.

10. The Company is not an investment company, or a person directly or indirectly controlled by or acting on behalf of an investment company, within the meaning of the Investment Company Act of 1940, as amended.

11. The Company is not a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

I express no opinion as to any laws other than the Federal laws of the United States of America, the General Corporation Law of the State of Delaware and the laws of the State of New York.

Very truly yours,

Anne W. Teeling

SCHEDULE I TO EXHIBIT E

Name and Address of Purchasers
- ------------------------------

The Prudential Insurance Company
of America
1201 Elm Street, Suite 4900
Dallas, TX 75270

Connecticut General Life Insurance Company
c/o CIGNA Investments, Inc.
Hartford, CT 06152
Attention: Private Securities Division (S-307)

Connecticut General Life Insurance Company,
on behalf of one or more separate accounts
c/o CIGNA Investments, Inc.
Hartford, CT 06152
Attention: Private Securities Division (S-307)

Life Insurance Company of North America
c/o CIGNA Investments, Inc.
Hartford, CT 06152
Attention: Private Securities Division (S-307)

United of Omaha Life Insurance Company
Attention: Investment Division
Mutual of Omaha Plaza
Omaha, Nebraska 68175

Mutual of Omaha Insurance Company
Attention: Investment Division
Mutual of Omaha Plaza
Omaha, Nebraska 68175

Companion Life Insurance Company
Attention: Investment Division
Mutual of Omaha Plaza
Omaha, Nebraska 68175

United World Life Insurance Company
c/o Mutual of Omaha Insurance Company
Attention: Investment Division
Mutual of Omaha Plaza
Omaha, Nebraska 68175

First Colony Life Insurance Company
700 Main Street
Lynchburg, VA 24504

EXHIBIT F

FORM OF SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT, dated as of __, (this "Agreement"), is entered into by Lennox International Inc., a Delaware corporation (the "Company"), and [_____, a _____ corporation] (the "Subsidiary").

W I T N E S S E T H

WHEREAS, the Company has entered into the nine separate Agreements of Assumption and Restatement, each dated as of December 1, 1991 (the "Assumption Agreements"), between the Company and each of Teachers Insurance and Annuity Association of America, The Travelers Insurance Company, The Travelers Indemnity Company, The Travelers Life and Annuity Company, The Charter Oak Fire Insurance Company, Connecticut General Life Insurance Company, INA Life Insurance Company of New York, Tandem Insurance Group, Inc. and The Phoenix Insurance Company (the "Holders") pursuant to which the Company's Series B-H Senior Promissory Notes due 1996-2003 (the "Notes") were delivered;

WHEREAS, the Subsidiary is a subsidiary of the Company; and

WHEREAS, the Company and the Subsidiary desire to provide for the subordination described herein, for the benefit of the Holders and each holder from time to time of Senior Debt;

NOW THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree for the benefit of the Holders and each holder from time to time of Senior Debt:

1. Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

Debt: shall have the meaning given such term in the Assumption Agreements.

Senior Debt: shall mean

(i) all principal of, premium (if any) and interest on the following Senior Promissory Notes outstanding pursuant to the Assumption Agreements:

9.55% Series B Senior Promissory Notes due 1996,
11.05% Series C Senior Promissory Notes due 1997,
9.60% Series D Senior Promissory Notes due 1998,
10.15% Series E Senior Promissory Notes due 1998,
9.53% Series F Senior Promissory Notes due 2001,
9.50% Series G Senior Promissory Notes due 2001, and
9.69% Series H Senior Promissory Notes due 2003,

as the same may be from time to time amended, and any modification, extension, renewal, refunding or refinancing of any of the foregoing, and all other amounts payable under the Assumption Agreements;

(ii) all principal of, premium (if any) and interest on the Commitment Notes and the Offered Rate Notes outstanding from time to time pursuant to the Revolving Credit Agreement, dated as of December 4, 1991, among the Company, the banks named therein and The Northern Trust Company, as agent as the same may be from time to time amended, and any modification, extension, renewal, refunding or refinancing of any of the foregoing, and all other amounts payable under such Revolving Credit Agreement;

(iii) all principal of, premium (if any) and interest on the 6.73% Senior Promissory Notes outstanding pursuant to the nine separate Note Purchase Agreements dated December 1, 1993 between the Company and each of The Prudential Insurance Company of America, Connecticut General Life Insurance Company, Connecticut General Life Insurance Company, on behalf of one or more separate accounts, Life Insurance Company of North America, United of Omaha Life Insurance Company, Mutual of Omaha Insurance Company, Companion Life Insurance Company, United World Life Insurance Company and First Colony Life Insurance Company, as the same may be from time to time amended, and any modification, extension, renewal, refunding or refinancing of any of the foregoing, and all other amounts payable under such Note Purchase Agreements; and

(iv) for the purposes of Sections 4 and 5 hereof, any other indebtedness, not prohibited by Section 7.4 of the Assumption Agreements, designated by the Company or the Subsidiary as "Senior Debt" in any other subordination agreement.

Subordinated Debt: shall mean all Debt at any time owing by the Company to the Subsidiary.

2. Subordination. Payment of principal, premium, if any, and interest in respect of the Subordinated Debt shall be junior and subordinate and subject in right of payment to all Senior Debt as provided in this Agreement. The Company and the Subsidiary will mark their respective books of account to show that the Subordinated Debt is subordinated to Senior Debt in the manner and to the extent set forth in this Agreement.

3. Payments on Account of Subordinated Debt. Unless and until all Senior Debt shall have been paid in full, the Company will not make, and the Subsidiary will not demand, accept or receive, any direct or indirect payment (in cash, property, by set-off or otherwise) of or on account of any Subordinated Debt and no such payment shall be due, provided that if and so long as no Default or Event of Default (as defined in the Assumption Agreements) shall exist or would exist after giving effect to such payment, nothing contained in this Section 3 shall prevent the Company from making, or the Subsidiary from accepting and receiving, any payment of interest or of principal on the Subordinated Debt. Unless and until all Senior Debt shall have been paid in full, the Subsidiary will not declare any part of the Subordinated Debt to be due before its stated maturity, or commence any proceeding against the Company, or join with any creditor in any such proceeding, under any bankruptcy, reorganization, readjustment of debt, arrangement of debt, receivership, liquidation or insolvency law or statute of the Federal or any state government, unless the holders of Senior Debt shall also join in bringing such proceeding.

4. Insolvency, etc. In the event of (i) any insolvency or bankruptcy proceeding, or any receivership, liquidation, reorganization or other similar proceeding in connection therewith, relative to the Company or its creditors or property, or (ii) any proceeding for voluntary liquidation, dissolution or other winding up of the Company, whether or not involving insolvency or bankruptcy, or (iii) any assignment for the benefit of creditors of the Company, or (iv) any distribution, division, marshalling or application of any of the properties or assets of the Company or the proceeds thereof, to creditors, voluntary or involuntary, and whether or not involving legal proceedings, then and in any such event:

4.1. all Senior Debt (including any interest thereon accruing after the commencement of such proceedings) shall first be paid in full before any payment or distribution of any character, whether in cash, securities or other property, shall be made by the Company in respect of any Subordinated Debt;

4.2. all principal of, premium (if any) and interest on Subordinated Debt shall forthwith (notwithstanding the terms of Section 3) become due and payable, and any payment or distribution of any character, whether in cash, securities or other property, which would otherwise (but for the terms hereof) be payable or deliverable by the Company in respect of any Subordinated Debt (including any payment or distribution in respect of any Subordinated Debt by reason of any other indebtedness of the Company being subordinated to the Subordinated Debt) and any distribution of cash, property, stock or obligations which are issued pursuant to any order or decree of any court, or pursuant to reorganization, dissolution or liquidation proceedings (whether or not purporting to give effect to the subordination of the Subordinated Debt to the Senior Debt), shall be paid or delivered directly to the holders of Senior Debt at the time outstanding (or their respective representatives), ratably according to the respective aggregate amounts remaining unpaid thereon, until all Senior Debt shall have been paid in full, and the Subsidiary irrevocably authorizes, empowers and directs all receivers, trustees, liquidators, conservators and others having authority in the premises to effect all such payments and deliveries;

4.3. the Subsidiary irrevocably authorizes and empowers (without imposing any obligation on) each holder of Senior Debt at the time outstanding and such holder's representatives to demand, sue for, collect and receive such holder's ratable share of all such payments and distributions and to receipt therefor, and to file and prove all claims therefor and take all such other action (including the right to vote such Senior Debt holder's ratable share of the Subordinated Debt) in the name of the Subsidiary or otherwise, as such Senior Debt holder or such holder's representatives may determine to be necessary or appropriate for the enforcement of this Section 4; and

4.4. the Subsidiary shall execute and deliver to each holder of Senior Debt and such holder's representatives all such further instruments confirming the above authorization, and all such powers of attorney, proofs of claim, assignments of claim and other instruments, and shall take all such other action, as may be reasonably requested by such holder or such holder's representatives in order to enable such holder to enforce all claims upon or in respect of such holder's ratable share of the Subordinated Debt.

5. Payments and Distributions Received. If the Subsidiary shall at any time receive any payment or distribution of any character on any Subordinated Debt (whether in cash, securities or other property) or any security for any Subordinated Debt in contravention of any of the terms hereof and before all Senior Debt shall have been paid in full, such payment or distribution or security shall be held in trust for the benefit of, and shall be paid over or delivered and transferred to, the holders of the Senior Debt at the time outstanding (or their respective representatives) for application to the payment of all Senior Debt remaining unpaid, ratably according to the respective aggregate amounts remaining unpaid thereon, to the extent necessary to pay all such Senior Debt in full. In the event of the failure of the Subsidiary to endorse or assign any such payment or distribution or security, each holder of Senior Debt and each such holder's representative are hereby irrevocably authorized to endorse or assign the same.

6. Excess Senior Debt Payment, Subrogation, etc. If cash, securities or other property otherwise payable or deliverable to the Subsidiary shall have been applied, pursuant to Section 4 or 5, to the payment of Senior Debt and all Senior Debt shall have been paid in full, then and in such case, the Subsidiary (i) shall be entitled to receive from the holders of the Senior Debt at the time outstanding any payments or distributions received by such Senior Debt holders in excess of the amount sufficient to pay all Senior Debt in full, and (ii) shall be subrogated to any rights of the holders of Senior Debt to receive all further payments or distributions applicable to the Senior Debt, until all principal of, premium (if any) and interest on the Subordinated Debt shall have been paid in full. No payments or distributions received by the Subsidiary of cash, securities or other property, which otherwise would be paid or distributed to the holders of Senior Debt, shall, as between the Company and its creditors (other than the holders of the Senior Debt), on the one hand, and the Subsidiary, on the other hand, be deemed to be a payment by the Company on account of the Subordinated Debt.

7. No Security. So long as any of the Senior Debt shall not have been paid in full, the Company shall not, nor shall it permit any of its other subsidiaries to, give, and the Subsidiary shall not demand, accept or receive, any security, direct or indirect, for any Subordinated Debt.

8. Obligations Not Impaired. Nothing contained in this Agreement shall impair, as between the Company and the Subsidiary, the obligation of the Company, which is absolute and unconditional, to pay to the Subsidiary the principal thereof and the premium, if any, and interest on Subordinated Debt, all subject to the rights of the holders of Senior Debt under this Agreement.

9. Subordination Not Affected, etc. The terms of this Agreement, the subordination effected thereby and the rights of the holders of Senior Debt, shall not be affected by (i) any sale, assignment or other transfer of, or any amendment of or addition or supplement to any Senior Debt or any instrument or agreement relating thereto; (ii) any exercise or non-exercise of any right, power or remedy under or in respect of any Senior Debt or any instrument or agreement relating thereto; (iii) any sale, exchange, release or other transaction affecting all or any part of any property at any time pledged or mortgaged to secure, or however securing, Senior Debt; (iv) any waiver, consent, release, indulgence, extension, renewal, modification, delay or other action, inaction or omission, in respect of any Senior Debt or any instrument or agreement relating thereto; or (v) any application by any holder or holders of Senior Debt thereof of any amount or sum (by whomsoever paid or however realized) to Senior Debt, whether or not the Subsidiary shall have had notice or knowledge of any of the foregoing.

10. Payment in Full. For all purposes of this Agreement, Senior Debt shall not be deemed to have been paid in full unless the holders thereof (or their duly authorized representatives) shall have received cash or readily marketable securities, taken at their then market value, equal to the amount of Senior Debt at the time outstanding. This Agreement shall continue to be effective, or be reinstated, as the case may be, to the extent that payment of any of the Senior Debt is at any time rescinded or must otherwise be restored or returned by any holder of Senior Debt upon the occurrence of any event described in Section 4, or otherwise, all as though such payment had not been made.

11. Subordination a Condition to Consent to Holders of Senior Debt to Debt. The Subsidiary, by its acceptance hereof, agrees that the consent of each of the holders of the Senior Debt to the incurrence and/or maintenance outstanding by the Company of such indebtedness has been given in reliance upon the subordination of such indebtedness to the Senior Debt. The provisions of this Agreement are intended for the benefit of, and shall be directly enforceable by, the holders of Senior Debt.

12. Amendments, Waivers, etc. This Agreement may not be changed or waived except with the prior written consent of the holders of 66-2/3% in aggregate principal amount of the Notes at the time outstanding.

13. Law Governing. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New York without reference to the conflicts of law rules thereof.

14. Headings, etc. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect any of the terms hereof. Unless otherwise specified, any reference in this Agreement to a particular section or other subdivision shall be considered a reference to that section or other subdivision of this Agreement.

15. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

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

LENNOX INTERNATIONAL INC.

By:

Name:

Title:

[SUBSIDIARY]

By:

Name:

Title:

EXHIBIT G

[LETTERHEAD OF LENNOX INTERNATIONAL INC.]

December 1, 1993

The Prudential Insurance Company of America
Prudential Capital Group
1201 Elm Street, Suite 4900
Dallas, TX 75270

Connecticut General Life Insurance Company
c/o CIGNA Investments, Inc.
Hartford, CT 06152
Attention: Private Securities Division (S-307)

Connecticut General Life Insurance Company,
on behalf of one or more separate accounts
c/o CIGNA Investments, Inc.
Hartford, CT 06152
Attention: Private Securities Division (S-307)

Life Insurance Company of North America
c/o CIGNA Investments, Inc.
Hartford, CT 06152
Attention: Private Securities Division (S-307)

United of Omaha Life Insurance Company
Mutual of Omaha Plaza
Omaha, NE 68175

Mutual of Omaha Insurance Company
Mutual of Omaha Plaza
Omaha, NE 68175

Companion Life Insurance Company
Mutual of Omaha Plaza
Omaha, NE 68175

United World Life Insurance Company
c/o Mutual of Omaha Insurance Company
Mutual of Omaha Plaza
Omaha, NE 68175

First Colony Life Insurance Company
700 Main Street
Lynchburg, VA 24504

6.73% Senior Promissory Notes of Lennox International Inc. due 2008

Ladies and Gentlemen:

Reference is made to the nine separate Note Purchase Agreements, dated as of December 1, 1993 (the "Note Agreements"), between Lennox International Inc. (the "Company") and each of The Prudential Insurance Company of America, Connecticut General Life Insurance Company, Connecticut General Life Insurance Company, on behalf of one or more separate accounts, Life Insurance Company of North America, United of Omaha Life Insurance Company, Mutual of Omaha Insurance Company, Companion Life Insurance Company, United World Life Insurance Company, and First Colony Life Insurance Company (collectively, and together with their respective successors and assigns, the "Holders"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Note Agreements.

To induce the Holders and the Company to enter into the Note Agreements and in consideration thereof, the Holders and the Company hereby agree as follows:

(a) Amendment to Section 7.6 of the Note Agreements. Each of the Holders agrees that, in the event (a) an amendment of (i) Section 7.6 of all of the nine separate Agreements of Assumption and Restatement, dated as of December 1, 1991, among the Company and each of the Noteholders named therein (the "Assumption Agreements") and (ii) any correlative terms in the Revolving Credit Agreement, dated as of December 4, 1991, among the Company, the Banks named therein, and The Northern Trust Company, as Agent (the "Revolving Credit Agreement"), whether by incorporation therein of Section 7.6 of the Assumption Agreements or otherwise, is effected so that the text thereof conforms to the text set forth in Annex 1 hereto, or (b) such provisions of the Assumption Agreements and the Revolving Credit Agreement cease to remain in effect, then upon receipt by the holders of two-thirds of the aggregate principal amount of the Notes outstanding at such time (the "Requisite Holders") of evidence satisfactory to such holders of execution and delivery of such amendment or of such cessation of effect of said provisions, as the case may be, the terms of the Note Agreements shall, without any further action on the part

of the Company or any of the Holders, be deemed to be amended automatically so that the text set forth in Annex 1 hereto is substituted for Section 7.6 of each of the Note Agreements.

(b) Amendment to Section 7.7 of the Note Agreements. Each of the Holders agrees that, in the event (a) an amendment of (i) Section 7.7 of all of the Assumption Agreements and (ii) any correlative terms in the Revolving Credit Agreement, whether by incorporation therein of Section 7.7 of the Assumption Agreements or otherwise, is effected so that the text thereof conforms to the text set forth in Annex 2 hereto, or (b) such provisions of the Assumption Agreements and the Revolving Credit Agreement cease to remain in effect, then upon receipt by the Requisite Holders of evidence satisfactory to such holders of execution and delivery of such amendment of or such cessation of effect of said provisions, as the case may be, the terms of the Note Agreements shall, without any further action on the part of the Company or any of the Holders, be deemed to be amended automatically so that the text set forth in Annex 2 hereto is substituted for Section 7.7 of each of the Note Agreements.

(c) Amendment to Section 7.12 of the Note Agreements. Each of the Holders agrees that, in the event (a) an amendment of (i) Section 7.12 of all of the Assumption Agreements and (ii) any correlative terms in the Revolving Credit Agreement, whether by incorporation therein of Section 7.12 of the Assumption Agreements or otherwise, is effected so that the text thereof conforms to the text set forth in Annex 3 hereto, or (b) such provisions of the Assumption Agreements and the Revolving Credit Agreement cease to remain in effect, then upon receipt by the Requisite Holders of evidence satisfactory to such holders of execution and delivery of such amendment or of such cessation of effect of said provisions, as the case may be, the terms of the Note Agreements shall, without any further action on the part of the Company or any of the Holders, be deemed to be amended automatically so that the text set forth in Annex 3 hereto is substituted for Section 7.12 of each of the Note Agreements.

(d) Amendment to Definition of "Net Worth" in Section 8.1 of the Note Agreements. Each of the Holders agrees that, in the event (a) an amendment of (i) the paragraph defining "Net Worth" within Section 8.1 of all of the Assumption Agreements and (ii) any correlative terms in the Revolving Credit Agreement, whether by incorporation therein of the paragraph defining Net Worth within Section 8.1 of the Assumption Agreement or otherwise, is effected so that the text thereof conforms to the text set forth in Annex 4 hereto, or (b) such provisions of the Assumption Agreements and the Revolving Credit Agreement cease to remain in effect, then upon receipt by the Requisite Holders of evidence satisfactory to such holders of execution and delivery of such amendment or of such cessation of effect of said provisions, as the case may be, the terms of the Note Agreements shall, without any further action on the part of the Company or any of the Holders, be deemed to be amended automatically so that the text set forth in Annex 4 hereto is substituted for the paragraph defining "Net Worth" within Section 8.1 of each of the Note Agreements.

(e) Amendment to Provide Definition of "FASB 106 Adjustment" in Section 8.1 of the Note Agreements. Each of the Holders agrees that, in the event (a) an amendment of

(i) Section 8.1 of all of the Assumption Agreements and (ii) any correlative terms in the Revolving Credit Agreement, whether by incorporation therein of Section 8.1 of the Assumption Agreement or otherwise, is effected so that the text thereof includes text conforming to the text set forth in Annex 5 hereto, or (b) such provisions of the Assumption Agreements and the Revolving Credit Agreement cease to remain in effect, then upon receipt by the Requisite Holders of evidence satisfactory to such holders of execution and delivery of such amendment or of such cessation of effect of said provisions, as the case may be, the terms of the Note Agreements shall, without any further action on the part of the Company or any of the Holders, be deemed to be amended automatically so that the text set forth in Annex 5 hereto is inserted into Section 8.1 of each of the Note Agreements.

THIS LETTER AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.
This Letter Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Letter Agreement may be signed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument.

Nothing in this Letter Agreement shall be construed to contravene any of the rights of any of the Holders under Section 7.17 of each of the Note Agreements.

If the foregoing correctly describes our understanding with respect to the subject matter of this Letter Agreement, please execute this letter in the place indicated below.

Very truly yours,

LENNOX INTERNATIONAL INC.

By:

Clyde Wyant
Executive Vice President,
Chief Financial Officer
and Treasurer

ACCEPTED AND AGREED:

THE PRUDENTIAL INSURANCE COMPANY
OF AMERICA

By:

Name:

Title:

CONNECTICUT GENERAL LIFE INSURANCE COMPANY
By CIGNA Investments, Inc.

By:

Name:

Title:

CONNECTICUT GENERAL LIFE INSURANCE COMPANY,
ON BEHALF OF ONE OR MORE SEPARATE ACCOUNTS
By CIGNA Investments, Inc.

By:

Name:

Title:

LIFE INSURANCE COMPANY OF NORTH AMERICA
By CIGNA Investments, Inc.

By:

Name:

Title:

UNITED OF OMAHA LIFE INSURANCE COMPANY

By:

Name:

Title:

MUTUAL OF OMAHA INSURANCE COMPANY

By:

Name:

Title:

COMPANION LIFE INSURANCE COMPANY

By:

Name:

Title:

UNITED WORLD LIFE INSURANCE COMPANY

By:

Name:

Title:

FIRST COLONY LIFE INSURANCE COMPANY

By:

Name:

Title:

ANNEX 1

7.6 Dividends and Other Restricted Payments; Restricted Investments. The Company will not directly or indirectly (i) declare or pay any dividend, or make any distribution, on the Company's shares of any class, other than dividends or distributions payable in common shares of the Company, or (ii) make any other Restricted Payment, and the Company will not make and will not permit any Restricted Subsidiary to make any Restricted Investment, unless, on the date of declaration in the case of any proposed dividend and on the date of payment or distribution in the case of any proposed Restricted Payment (including any dividend) or Restricted Investment (the "Computation Date"), and after giving effect thereto,

(a) the aggregate amount of all Restricted Payments made during the period (taken as one accounting period) commencing on January 1, 1991 and ending on and including the Computation Date (the "Computation Period"), and of all Restricted Investments made during the Computation Period and outstanding on the Computation Date, shall not exceed an amount equal to the sum of

(i) $45,000,000 plus 85% of the amount of the FASB 106 Adjustment, plus

(ii) 85% of the aggregate amount of Consolidated Net Income for each full fiscal year in the Computation Period for which Consolidated Net Income is positive, minus

(iii) 100% of the aggregate amount of Consolidated Net Income for each full fiscal year in the Computation Period for which there is a deficit,

plus 85% (or, in the case of a deficit, minus 100%) of Consolidated Net Income for any period in the Computation Period not included in Clause (ii) or (iii) above;

(b) no Event of Default or Default shall have occurred and be continuing; and

(c) the Company shall be entitled to incur at least $1 of additional Debt under Section 7.4(d).

The Company will not declare any dividend (other than dividends payable solely in shares of its common stock) on any shares of any class of its stock which is payable more than 90 days after the date of declaration thereof. For purposes of this Section 7.6, Investments owned by any Person or for which it is obligated at the time it becomes a Restricted Subsidiary shall be deemed to be made at the time such Person becomes a Restricted Subsidiary.

Notwithstanding any other provision of this Section 7.6 to the contrary, the Company may, at any time or from time to time, reacquire up to an aggregate amount of $15,000,000 of shares of its common stock in transactions qualifying as distributions under Section 303 of the Code if but only if (i) such acquisitions are at prices not exceeding the fair market value of the shares so acquired, in each case as determined in good faith by a resolution of the Board, and (ii) no Event of Default or Default shall have occurred and be continuing. The amount of said dividends shall not be subject to the limitations of this Section 7.6 or included in any future computations pursuant to this Section 7.6.

ANNEX 2

7.7. Sales and Leasebacks. The Company will not and will not permit any Restricted Subsidiary to, as part of the same transaction or series of related transactions, sell or otherwise transfer to any Person or Persons any item or items of property, whether now owned or hereafter acquired, having a book value in any one case or in the aggregate for all such property so transferred from and including the date hereof through the date of such transfer of more than fifteen percent (15%) of Net Worth if the Company or such Restricted Subsidiary shall then or thereafter, as part of the same transaction or series of related transactions, rent or lease as lessee, or similarly acquire the right to possession or use of such property, or one or more properties which it intends to use for the same purpose or purposes as such property.

ANNEX 3

7.12. Purchase of Notes Upon Change of Control. At least 15 Business Days (or, in the case of any transaction permitted by Section 7.10 or 7.11 resulting in a Change of Control, at least 45 days) and not more than 90 days prior to the occurrence of any Change of Control, the Company shall give written notice thereof to each holder of an outstanding Note in the manner and to the address specified for notices pursuant to this Section 7.12 for such holder in Schedule I or as otherwise specified by such holder in writing to the Company. Such notice shall contain (i) an offer by the Company to purchase, on the date of such Change of Control or, if such notice shall be delivered less than 35 days prior to the date of such Change of Control, on the date 35 days after the date of such notice (the "Purchase Date"), all Notes held by each such holder at a price equal to 100% of the principal amount thereof, together with interest accrued thereon to the Purchase Date, (ii) the estimated respective amounts of accrued interest payable to such holder in respect of such purchase, showing in each case in reasonable detail the calculation thereof and (iii) the Company's estimate of the date on which such Change of Control shall occur. Said offer shall be deemed to lapse as to any such holder which has not replied affirmatively thereto in writing within 35 days of the giving of such notice. As soon as practicable (and in any event at least 24 hours) prior to such Change of Control, the Company shall give written confirmation of the date thereof to each such holder which has affirmatively replied to the notice given pursuant to the first sentence of this Section 7.12. In the event that the Company shall purchase any Notes pursuant to this Section 7.12, the same shall thereafter be canceled and not reissued and shall not be deemed "outstanding" for any purpose of this Agreement.

For the purposes of this Section 7.12, a "Change of Control" shall be deemed to occur if any New Owner shall acquire beneficial ownership of shares in the Company having Voting Rights pertaining thereto which would allow such New Owner to elect more members of the Board than could be elected by the exercise of all Voting Rights pertaining to shares in the Company then owned beneficially by the Norris Family. As used in this Section 7.12:

(i) "Voting Rights" pertaining to shares of a corporation means the rights to cast votes for the election of directors of such corporation in ordinary circumstances (without consideration of voting rights which exist only in the event of contingencies).

(ii) "Norris Family" means all persons who are lineal descendants of D.W. Norris (by birth or adoption), all spouses of such descendants, all estates of such descendants or spouses which are in the course of administration, all trusts for the benefit of such descendants or spouses, and all corporations or other entities in which, directly or indirectly, such descendants or spouses (either alone or in conjunction with other such descendants or spouses) have the right, whether by ownership of stock or other equity interests or otherwise, to direct the management and policies of such corporations or other entities (each such person, spouse, estate, trust, corporation or entity being referred to herein as a "member" of the Norris Family). In addition, so long as any employee stock

ownership plan exercises its Voting Rights in the same manner as members of the Norris Family (exclusive of employee stock ownership plans) who have a majority of the Voting Rights exercised by all such members of the Norris Family, such employee stock ownership plan shall be deemed a member of the Norris Family.

(iii) "New Owner" means any person (other than a member of the Norris Family), or any syndicate or group of persons (exclusive of all members of the Norris Family) which would be deemed a "person" for the purposes of Section 13(d) of the Exchange Act, who directly or indirectly acquires shares in the Company.

Notwithstanding anything in this Section 7.12 to the contrary, if an Event of Default exists following a Change of Control and the Notes are accelerated pursuant to the provisions of Section 9.1, the holders of the Notes shall be entitled to receive the Special Premium relating to such accelerated amount as provided in Section 9.1.

Annex 3-2

ANNEX 4

"Net Worth" shall mean, as of any date of determination thereof, the total stockholders' equity of the Company and its Subsidiaries determined in accordance with GAAP on a consolidated basis, provided that (i) Net Worth shall be increased by the amount of the FASB 106 Adjustment and (ii) if the portion of total stockholders' equity attributable to Unrestricted Subsidiaries exceeds 15% of total stockholders' equity, Net Worth shall be reduced by the amount of such excess.

ANNEX 5

"FASB 106 Adjustment" shall mean the after-tax charge in fiscal year 1993 to net income of the Company and its Restricted Subsidiaries on a consolidated basis upon adoption of Financial Accounting Standards Board Statement No. 106.

EXHIBIT 10.3

LENNOX INTERNATIONAL INC.

NOTE PURCHASE AGREEMENT

Dated as of July 6, 1995

7.06% Senior Promissory Notes due 2005

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LENNOX INTERNATIONAL INC.
2100 Lake Park Boulevard
Richardson, Texas 75080

NOTE PURCHASE AGREEMENT

as of July 6, 1995

To the Noteholder Identified
on the Signature Page at
the End of this Agreement:

Ladies and Gentlemen:

LENNOX INTERNATIONAL INC., a Delaware corporation (together with any successor or transferee which becomes such in the manner specified in Section 7.10, the "Company"), hereby agrees with you as follows:

SECTION 1. PURCHASE OF NOTES.

1.1. Authorization. The Company has duly authorized an issue of its 7.06% promissory notes due July 6, 2005 in the aggregate principal amount of $20,000,000, each such Note to be substantially in the form of Exhibit A. As used herein, the term "Notes" shall include all notes originally issued pursuant to this Agreement and all notes delivered in substitution or exchange for any of said notes and, where applicable, shall include the singular number as well as the plural. The term "Note" shall mean one of the Notes. Each Note is to (a) bear interest from the date thereof on the unpaid principal amount thereof at the rate of 7.06% per annum (computed on the basis of a 360-day year of twelve 30-day months) payable semiannually on June 1 and December 1 of each year, commencing December 1, 1995, and with interest (so computed) on any overdue principal (including any overdue prepayment of principal) and the Special Premium and (to the extent permitted by applicable law) on any overdue interest at the rate of 9.06% per annum until paid, payable semiannually as aforesaid or, at the option of the registered holder thereof, on demand and (b) mature and be due and payable as to the entire remaining unpaid principal amount thereof on July 6, 2005.

Capitalized terms used and not otherwise defined herein shall have the respective meanings assigned thereto in Section 8. Unless otherwise specified, any reference in this Agreement to a particular section or other subdivision, or a particular schedule or exhibit, shall be considered a reference to that section or other subdivision of, or to that schedule or exhibit to, this Agreement.

1.2. Purchase and Sale of Notes; the Closing. The Company shall issue and sell to you and, subject to the terms and conditions hereof, you shall purchase from the Company, Notes

in the aggregate principal amount set forth opposite your name on Schedule I hereto, at a price equal to 100% of the principal amount thereof. The closing of the purchase of the Notes shall be held commencing at 9:00 A.M., Dallas time, on July 6, 1995 (the "Closing Date"), at the offices of Baker & Botts, L.L.P., located at 2001 Ross Avenue, Dallas, Texas. On the Closing Date the Company will deliver to you the Notes to be purchased by you in the form of a single Note in the principal amount shown opposite your name on Schedule I (or such greater number of Notes aggregating such principal amount as you may request), dated the Closing Date and registered in your name (or the name of your nominee) against delivery by you to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer to the Company's account number 849820 at The Northern Trust Company (ABA #071000152). If on the Closing Date the Company shall fail to tender such Notes to you as provided in this Section 1.2, or any of the conditions specified in Section 3 shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any other rights you may have by reason of such failure or nonfulfillment.

1.3. Investment Representation. You represent to the Company that on the Closing Date you will acquire the Notes being purchased by you for your own account, or for a separate account managed by you, for investment and not with a view to the distribution or sale of the Notes, subject, however, to any requirement of law that the disposition of your property be at all times within your control and without prejudice to your right to sell or otherwise dispose of all or any part of the Notes held by you pursuant to an effective registration under the Securities Act or under an exemption from such registration available under the Securities Act.

1.4. Source of Funds. You represent to the Company that no part of the funds to be used by you to pay the purchase price of the Notes to be purchased by you hereunder constitutes assets allocated to any separate account maintained by you in which any employee benefit plan (or its related trust), other than employee benefit plans identified on a letter, if any, that has been furnished by you to the Company, has any interest and that all such funds constitute funds allocated to general accounts maintained by you. As used in this Section 1.4, the terms "employee benefit plan" and "separate account" shall have the respective meanings assigned to them in Section 3 of ERISA.

SECTION 2. REPRESENTATIONS OF THE COMPANY. The Company represents and warrants to you that:

2.1. Organization and Authority of the Company. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all requisite power and authority to own or hold under lease the property it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Notes and to perform the provisions hereof and thereof. The Company has, by all necessary corporate action (no action of shareholders of the Company being required by law, by its charter or by-laws, or otherwise), duly authorized the execution and delivery of this Agreement and the Notes and the performance of its obligations under this Agreement and the Notes. The

Company is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which the character of the properties owned or held under lease by it or the nature of the business transacted by it requires such qualification and in which the failure so to qualify would materially affect adversely the business, operations or properties of the Company, or of the Company and its Subsidiaries taken as a whole, or the ability of the Company to perform this Agreement and discharge its obligations on the Notes.

2.2. Disclosure. Neither this Agreement, the financial statements referred to in Section 2.4 nor any other document, instrument or certificate delivered to you by or on behalf of the Company in connection with the transactions contemplated by this Agreement contains any untrue statement of a material fact, or omits to state any fact necessary to make the statements contained herein or therein (taken as a whole) not misleading. The Company does not know of any fact (other than matters of a general economic nature) which materially affects adversely or, so far as the Company can reasonably now foresee, will materially affect adversely, the business, operations or properties of the Company, or of the Company and its Subsidiaries taken as a whole, or the ability of the Company to perform this Agreement and discharge its obligations on the Notes.

2.3. Incorporation, Good Standing and Ownership of Shares of Subsidiaries. Annexed hereto as Exhibit B is a complete and correct list of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its incorporation, the jurisdictions in which substantial operating assets are located and the percentage of shares of each class outstanding owned by the Company and each other Subsidiary and specifying whether such Subsidiary is designated a Restricted Subsidiary. All of the outstanding shares of each of said Subsidiaries shown in Exhibit B as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned beneficially and of record by the Company or another Subsidiary free and clear of any Lien. No Subsidiary owns any shares of the Company. Each Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which the character of the properties owned or held under lease by it or the nature of the business transacted by it requires such qualification and in which the failure so to qualify would materially affect adversely the business, operations or properties of the Company or of the Company and its Subsidiaries taken as a whole, or the ability of the Company to perform this Agreement and discharge its obligations on the Notes. Each Subsidiary has all requisite power and authority to own or hold under lease the property it purports to own or hold under lease and to transact the business it transacts and proposes to transact. There are no outstanding rights, options, warrants, conversion rights or agreements for the purchase or acquisition from the Company or any Subsidiary of any shares of capital stock of any such Subsidiary.

2.4. Financial Statements. The Company has delivered to you copies of

(a) the audited balance sheets of the Company and its Subsidiaries as at December 31 in each of the years 1990, 1991, 1992, 1993 and 1994 and the related

statements of income, stockholders' equity and cash flows for the annual periods ended December 31, 1991, 1992, 1993 and 1994, accompanied by the reports thereon by Coopers & Lybrand or Arthur Andersen & Co., independent certified public accountants of the Company;

(b) the unaudited consolidated and consolidating balance sheets of the Company and its Subsidiaries as at March 31, 1995 and the related unaudited consolidated and consolidating statements of income, stockholders' equity and cash flows for the quarters then ended; and

(c) the Company's Long-Term Debt Repayment Schedule (Present Debt) as of June 1, 1995.

All the above-mentioned financial statements (including in each case the related schedules and notes) are correct and complete and fairly present the financial position of the Company as of the respective dates of said balance sheets and the results of its operations for the respective periods covered by said statements of income, stockholders' equity and cash flows (subject, in the case of the unaudited financial statements, to year-end adjustments) and have been prepared in accordance with GAAP consistently applied throughout the periods involved, except as set forth in the notes thereto. There are no material liabilities, contingent or otherwise, of the Company or any Subsidiary (of any type required by GAAP to be reflected in a consolidated balance sheet of the Company and its Subsidiaries or the footnotes thereto) as of December 31, 1994 not reflected in the consolidated balance sheet of the Company and its Subsidiaries as of said date described in paragraph (a) of this Section 2.4 (or the footnotes thereto). Since December 31, 1994 there have been no changes in the assets, liabilities or financial position of the Company from that set forth in the audited balance sheets of the Company as of said date, other than (i) the sale of the Fort Worth Plant at a purchase price of $3,200,000 for a pre-tax gain of approximately $882,000 and (ii) changes in the ordinary course of business which have not, either individually or in the aggregate, been materially adverse to the Company.

2.5. Compliance with Other Instruments of the Company; No Dividend Restriction. The consummation of the transactions contemplated by this Agreement and the performance of the terms and provisions of this Agreement and the Notes will not result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company under any indenture, mortgage, deed of trust, license, bank loan or credit agreement, lease, corporate charter, by-law, or other agreement or instrument to which the Company is a party or by which the Company or any of its properties is or may be bound or affected, or violate any existing law, governmental rule or regulation or any Order of any court, arbitrator or Governmental Body applicable to the Company. Neither the Company nor any Subsidiary is a party to or bound by any instrument or agreement which contains any restriction on the incurrence by the Company of any Debt other than (i) this Agreement, (ii) the Agreements of Assumption and Restatement dated as of December 1, 1991 shown on Exhibit C, (iii) the Revolving Credit Agreement dated as of December 4, 1991, among the Company, the banks named therein and The Northern Trust Company,

as agent, and (iv) the Note Purchase Agreements dated as of December 1, 1993 shown on Exhibit C, under each of which the Company is permitted to maintain outstanding the Debt evidenced by the Notes. No Restricted Subsidiary is bound by or subject to any contract or charter or by-law provision limiting the amount of, or otherwise imposing restrictions on the declaration, payment or setting aside of funds for the making of, dividends or other distributions in respect of the capital stock of such Restricted Subsidiary to the Company or another Restricted Subsidiary.

2.6. Governmental Authorizations, etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Body or any other Person (including any trustee or holder of any indebtedness, obligation or other securities of the Company or any of its Subsidiaries) is required for the validity of the execution and delivery or for the performance by the Company of this Agreement or the Notes or the discharge by the Company of its obligations under this Agreement and the Notes.

2.7. Litigation; Observance of Statutes, Regulations and Orders. There are no actions, suits or proceedings (including, without limitation, actions, suits or proceedings under any statute or other law relating to environmental protection or occupational health and safety practices) pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Body (except actions, suits or proceedings of the character normally incident to the kind of business conducted by the Company or any Subsidiary which (a) do not question the validity or legality of this Agreement or the Notes or any action taken or to be taken pursuant hereto or thereto and (b) in the aggregate, if adversely determined, would not materially affect adversely the business, operations or properties of the Company, or of the Company and its Subsidiaries taken as a whole or the ability of the Company to perform this Agreement or discharge its obligations on the Notes). Neither the Company nor any Subsidiary is in default under any Order of any court, arbitrator or Governmental Body which default could have a materially adverse effect on the Company or on the Company and its Subsidiaries taken as a whole; and neither the Company nor any Subsidiary is subject to or a party to any Order of any court or Governmental Body arising out of any action, suit or proceeding under any statute or other law respecting antitrust, monopoly, restraint of trade or unfair competition, or environmental protection or occupational health and safety practices, or similar matters.

As used in this Agreement, the term "Governmental Body" includes any Federal, State, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign; and the term "Order" includes any order, writ, injunction, decree, judgment, award, determination, direction or demand.

2.8. Taxes. The Company and its Subsidiaries have filed all Federal tax returns required to have been filed by them and all tax returns which are required to have been filed in each jurisdiction in which they are qualified to do business, as aforesaid, and have paid all taxes shown to be due and payable on such returns and all other material taxes and assessments payable by them, to the extent the same have become due and payable and before they have become delinquent, except

for any taxes and assessments the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has set aside on its books reserves (segregated to the extent required by GAAP) deemed by it to be adequate. The Company does not know of any proposed material tax assessment against the Company or any Subsidiary, and in the opinion of the Company all tax liabilities are adequately provided for on the books of the Company and its Subsidiaries. The Federal income tax liabilities of the Company and its Subsidiaries have been determined by the Internal Revenue Service (or the applicable statute of limitations has run) and such liabilities have been paid for all fiscal years up to and including the fiscal year ended December 31, 1990.

2.9. Title to Property. The Company and its Restricted Subsidiaries have good title to their respective real properties and other properties as reflected in the most recent audited consolidated balance sheet of the Company and its Subsidiaries referred to in Section 2.4(a) or purported to have been acquired by the Company or such Restricted Subsidiary after said date, except for the Fort Worth Plant, which was sold as described in Section 2.4, and as sold or otherwise disposed of in the ordinary course of business, subject to no title defects which would not be acceptable in accordance with good business practice to similar companies engaged in a similar business. Except as permitted by Section 7.5, all properties of the Company and each Restricted Subsidiary are free and clear of all Liens.

2.10. Licenses, Permits, etc. The Company and its Subsidiaries possess all licenses, permits, franchises, authorizations, patents, copyrights, trademarks and trade names, or rights thereto, required to conduct their respective businesses substantially as now conducted and as currently proposed to be conducted, without known conflict with the rights of others.

2.11. Compliance with ERISA. No employee benefit plan established or maintained by the Company or by any Commonly Controlled Entity or to which the Company or any Commonly Controlled Entity is required to make contributions, which is subject to Part 3 of Subtitle B of Title 1 of ERISA, or Section 412 of the Code, had, as of the last day of the most recent fiscal year of such plan heretofore ended, an accumulated funding deficiency (as such term is defined in Section 302 of ERISA or Section 412 of the Code). Except as set forth in the audited consolidated financial statements of the Company and its Subsidiaries for the fiscal year ended December 31, 1994 referred to in Section 2.4(a), the present value of all accrued benefits under each such employee benefit plan (based on those assumptions used to fund such plan, which assumptions are reasonable) did not, as of such date exceed the then current value of the assets of such plan allocable to such benefits. The amount by which the aggregate vested benefit obligations for the qualified pension plans of the Company and its Subsidiaries, determined as of the end of the fiscal year ended December 31, 1994, exceed the aggregate fair value of the assets of such plans determined as of the end of such fiscal year, is less than $3,000,000. No liability to the Pension Benefit Guaranty Corporation (other than required insurance premiums, all of which, to the extent due and payable, have been paid) has been incurred with respect to any such plan and there has not been any reportable event within the meaning of ERISA, or any other event or condition, which presents a material risk of termination of any such plan by the Pension Benefit Guaranty Corporation. To the knowledge of the Company

after reasonable investigation, neither the Department of Labor, the Internal Revenue Service nor any other Governmental Body has determined that any such plan or any trust created thereunder, or any trustee or administrator thereof, has engaged in a "prohibited transaction" (as defined in Section 4975 of the Code) with respect to any such plan that could subject any such plan, trust, trustee, administrator, the Company or any Commonly Controlled Entity to any material tax or penalty on prohibited transactions imposed under said Section 4975 or Section 502(i) of ERISA, and the Company is not aware of any facts that would constitute such a prohibited transaction. Neither the execution, delivery or performance by the Company of this Agreement nor the issuance and sale by the Company of the Notes will involve any prohibited transaction (as so defined). The representation by the Company in the immediately preceding sentence is made in reliance upon and subject to the accuracy of your representation contained in Section 1.4 and the representation by the Company in the immediately preceding sentence is expressly conditioned thereupon. Neither the Company nor any Commonly Controlled Entity is making or accruing, or has made or accrued, an obligation to make contributions to any Multiemployer Plan. For purposes hereof, (i) "Commonly Controlled Entity" shall mean any trade or business, whether or not incorporated, which is under common control with the Company (within the meaning of Section 414(b) or (c) of the Code); and (ii) "Multiemployer Plan" shall mean a "multiemployer plan," as defined in Section 4001(a)(3) of ERISA.

2.12. Private Offering by the Company. Neither the Company, nor any Person authorized by the Company to act on its behalf in connection with the offer and sale of the Notes, has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than you. Neither the Company nor anyone acting on its behalf has taken, or will take, any action which would subject the issuance or sale of the Notes to Section 5 of the Securities Act. As used in this Section 2.12, the term "Notes" shall mean the Notes to be executed and delivered under this Agreement and any similar security or securities.

2.13. Solvency. The Company is, and upon giving effect to the issuance of the Notes will be, a "solvent institution," as said term is used in Section 1405(c) of the New York Insurance Law, whose "obligations are not in default as to principal or interest," as said terms are used in said Section 1405(c).

2.14. Use of Proceeds; Margin Regulations. The Company will apply a portion of the proceeds of the sale of the Notes under this Agreement to the repayment of $3,714,287 of the principal amount of the 10.15% Series E Promissory Notes due 1998 listed on Exhibit C as item one and will apply the remainder of the proceeds to general corporate purposes. No part of the proceeds from the sale of the Notes will be used, directly or indirectly, by the Company or any Subsidiary for the purpose of purchasing or carrying any margin stock within the meaning of Regulation G of the Board of Governors of the Federal Reserve System (12 CFR 207, as amended), or for the purpose of purchasing or carrying or trading in any securities under such circumstances as to involve the Company or any Subsidiary in a violation of Regulation X of said Board (12 CFR 224, as amended) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220, as

amended). The assets of the Company and its Subsidiaries do not consist to the extent of 25% or more of margin stock, and the Company has no present intention of acquiring margin stock to the extent of 25% or more of its assets, and in no event under any circumstances during the term of this Agreement will 25% or more of the assets of the Company and its Subsidiaries consist of margin stock. As used in this Section, the term "margin stock" shall have the meaning assigned to it in the aforesaid Regulation G.

2.15. Existing Debt. Annexed hereto as Exhibit C is a complete and correct list of all secured and unsecured Debt of the Company and its Restricted Subsidiaries (other than Debt of Restricted Subsidiaries to the Company) as of the date hereof, showing as to each item of such Debt the obligor, the aggregate principal amount outstanding on the date specified in Exhibit C, the final maturity date of such Debt, and a brief description of any security therefor. With respect to each item of Debt of the Company listed in Exhibit C, the Company has delivered to your special counsel named in Section 3.2 a true and complete copy of each instrument evidencing any such Debt in excess of $500,000 or pursuant to which any such Debt in excess of $500,000 was issued or secured (including each amendment, consent, waiver or similar instrument in respect thereof), as the same is in effect on the date hereof. Neither the Company nor any Subsidiary is in default in the performance or observance of any of the terms, covenants or conditions contained in any of said instruments and neither the Company nor any Restricted Subsidiary is in default with respect to any Debt listed in Exhibit C, and no event has occurred and is continuing which, with notice or the lapse of time or both, would become such a default.

2.16. Existing Investments. Annexed hereto as Exhibit D is a complete and correct list of Investments of the Company and its Restricted Subsidiaries as of the date specified in Exhibit D, other than Investments of the character specified in Subsection (a) of the definition of "Restricted Investment" set forth in Section 8.1.

2.17. Foreign Assets Control Regulations, etc. Neither the Company nor any of its Subsidiaries is a "national" of any foreign country designated in the Foreign Assets Control Regulations, the Transaction Control Regulations, the Foreign Funds Control Regulations, the Iranian Assets Control Regulations, the Cuban Assets Control Regulations, the Nicaraguan Trade Control Regulations or the Libyan Sanctions Regulations of the United States Treasury Department (31 CFR Subtitle B, Chapter V, as amended). None of the proceeds of the sale of the Notes under this Agreement will be used, directly or indirectly, for the purpose of engaging in any transaction which violates any of said Regulations or which violates the Foreign Funds Control Regulations or the Transaction Control Regulations of the United States Treasury Department (31 CFR Subtitle B, Chapter V, as amended), or any regulation or ruling issued thereunder.

2.18. Status Under Certain Statutes. The Company is not an "investment company" or a Person directly or indirectly "controlled" by or "acting on behalf of" an investment company within the meaning of the Investment Company Act of 1940, as amended. The Company is not a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of a "holding

company" or of a "subsidiary company" of a "holding company," as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

2.19. Environmental Matters. (a) The Company and its Subsidiaries currently are in compliance with all applicable Environmental Laws except to the extent failure to comply has not had and will not have a material adverse effect on the Company or the Company and its Subsidiaries, taken as a whole.

(b) Neither the Company nor any Subsidiary has any knowledge of any events, conditions or circumstances that could reasonably be expected to give rise to any liability on the part of the Company or any Subsidiary based on or related to (i) a violation of any Environmental Law or (ii) the presence on, in, under or above the Company Premises of any Hazardous Substance, other than any such liabilities referred to in this Subdivision (b) that will not have, either in any one case or in the aggregate, a material adverse effect on the Company or the Company and its Subsidiaries, taken as a whole.

SECTION 3. CONDITIONS OF CLOSING. Your obligation to purchase and pay for the Notes to be purchased by you hereunder shall be subject to the conditions hereinafter set forth:

3.1. Proceedings Satisfactory. All proceedings taken in connection with the issuance of the Notes and the consummation of the transactions contemplated hereby and all documents and papers relating thereto shall be satisfactory to you and your special counsel, and you and your special counsel shall have received copies of such documents and papers, all in form and substance satisfactory to you and your special counsel, as you or they may reasonably request in connection therewith.

3.2. Opinions of Counsel. You shall have received opinions, each dated the Closing Date, addressed to you and satisfactory in form, scope and substance to you from (a) Anne W. Teeling, Esq., Assistant General Counsel for the Company, substantially in the form of Exhibit E and covering such other matters as you or your special counsel may reasonably request, and (b) Baker & Botts, L.L.P., your special counsel in connection with the transactions contemplated by this Agreement, covering such matters as you may reasonably request.

3.3. Representations True, etc.; Officers' Certificate. All representations and warranties of the Company contained in this Agreement or otherwise made in writing by or on behalf of the Company in connection with the transactions contemplated hereby shall (except as affected by the consummation of such transactions) be true on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date; the Company shall have performed all agreements on its part required to be performed under this Agreement on or prior to the Closing Date; no Default or Event of Default shall have occurred and be continuing; since the date of the most recent audited balance sheets referred to in Section 2.4, neither the Company nor any Subsidiary shall have consolidated with, merged into, or sold, leased or otherwise disposed of its properties as an entirety or substantially as an entirety to any Person; and

you shall have received a certificate signed by the Chief Executive Officer, a Vice President or the Treasurer of the Company and by the Secretary or an Assistant Secretary of the Company, dated the Closing Date, certifying to the effects specified in this Section.

3.4 Legality. On the Closing Date the Notes to be purchased by you hereunder shall be a legal investment for you under the laws of each jurisdiction to which you may be subject, without resort to any basket provision of said laws such as New York Insurance Law Section 1405(a)(8), and you shall have received such certificates or other evidence as you may reasonably request demonstrating the legality of such investment under such laws.

3.5 Absence of Certain Events. There shall not have occurred any material adverse change in the assets, liabilities, business, operations, properties or condition (financial or otherwise) of the Company or of the Company and its Subsidiaries, taken as a whole, from that reflected in the most recent audited financial statements referred to in Section 2.4, copies of which shall have been delivered to you.

3.6 Private Placement Number. The Notes shall have been assigned a private placement number by Standard and Poor's CUSIP Service Bureau.

3.7 Fees Payable at Closing. Your special counsel shall have received the legal fees and expenses required to be paid or reimbursed by the Company, as provided in Section 16.1, in connection with their preparation and review of this Agreement and documents and papers relating thereto and negotiations and other matters in connection therewith, and for which the Company shall have received invoices on or prior to the second Business Day preceding the Closing Date.

3.8 Delivery of Letter Agreement. You shall have received a copy of the Letter Agreement, as such term is defined in Section 8 of this Agreement, substantially in the form of Exhibit G hereto, executed by the Company and you.

SECTION 4. PREPAYMENT, PAYMENT AND PURCHASE OF THE NOTES.

4.1. Mandatory Prepayments of the Notes; Payment at Maturity. On July 6, 2004 the Company will prepay $10,000,000.00 in aggregate principal amount of the Notes (or, if less, the unpaid balance thereof). On July 6, 2005, the Company will in any event pay the entire remaining unpaid principal amount of the Notes together with all interest accrued thereon; provided, however, that if any Note or Notes (but less than all the Notes) shall be purchased pursuant to Section 7.12, then the aggregate principal amount of the Notes required to be prepaid on any July 6 thereafter pursuant to this Section 4.1 shall be reduced to that amount which bears the same relation to the amount of such prepayment specified to be made on such July 6 (or such lower amount to which such required prepayment shall have theretofore been reduced in accordance with this proviso) as the aggregate principal amount of the Notes outstanding immediately following said purchase pursuant to Section 7.12 bears to the aggregate principal amount of the Notes outstanding immediately prior to said purchase pursuant to Section 7.12. The Company covenants and agrees

that it will, in the event of any reduction pursuant to the immediately preceding proviso, promptly after the purchase giving rise to such reduction, give to each holder of a Note or Notes written notice thereof, specifying in each such case the amounts of the respective mandatory prepayments due thereafter in respect of each Note held by such holder (giving effect to such reduction) and containing calculations demonstrating the method by which such reduction was effected. Each prepayment pursuant to this Section 4.1 shall be at 100% of the principal amount so to be prepaid, together with accrued interest thereon to the date of such prepayment, without the Special Premium.

4.2. Optional Prepayment of the Notes. Upon notice given as provided in Section 4.4, the Company, at its option, may at any time or from time to time prepay the Notes in whole or in part in multiples of $100,000, in each case at the principal amount so to be prepaid, together with interest accrued thereon to the date of such prepayment, plus a premium equal to the Special Premium. No prepayment of less than all the Notes pursuant to this Section 4.2 shall relieve the Company of its obligation to make (nor shall it reduce the amount of) the prepayments of principal on the Notes required by Section 4.1. Each partial prepayment made pursuant to this Section 4.2 shall be allocated as provided in Section 4.5.

4.3. Special Purchase of Notes. The Company shall be required to purchase Notes of each holder thereof which shall have replied affirmatively to an offer to purchase the same given as contemplated by Section 7.12, such purchase to be made at the price and on the date and otherwise as provided in Section 7.12.

4.4. Notice of Prepayment. The Company shall call the Notes for prepayment pursuant to Section 4.2 by giving written notice thereof to each holder of an outstanding Note, which notice shall be given not less than 30 nor more than 60 days prior to the date fixed for such prepayment in such notice and shall specify the amount so to be prepaid and the date fixed for such prepayment. Each such notice of prepayment shall be accompanied by a certificate of an authorized financial officer of the Company stating the facts showing compliance with the provisions of Section 4.2. Upon the giving of notice of any prepayment as provided in this Section 4.4, the Company will prepay on the date therein fixed for prepayment the principal amount of the Notes so to be prepaid as specified in such notice, together with interest and the Special Premium, if any, as specified in Section 4.2.

4.5. Allocation of Prepayments. In the event of any prepayment pursuant to Section 4.1 or 4.2 of less than all of the outstanding Notes, the Company will allocate the principal amount so to be prepaid (but only in units of $1,000) among the Notes in proportion, as nearly as may be, to the respective principal amounts thereof not theretofore called for prepayment.

4.6. Surrender of Notes. Any Note paid or prepaid in full shall thereafter be surrendered to the Company upon its written request therefor and canceled and not reissued.

4.7. Purchase of Notes. The Company will not, and will not permit any Affiliate to, acquire directly or indirectly by purchase or prepayment or otherwise any of the outstanding

Notes except by way of payment, prepayment or purchase in accordance with the provisions of the Notes and this Agreement.

4.8. Maturity. In the case of each prepayment of Notes, whether required or optional, the principal amount of each Note to be prepaid shall become due and payable on the date fixed for such prepayment together with interest as specified in Section 4.1 or 4.2, as the case may be.

SECTION 5. FINANCIAL STATEMENTS AND INFORMATION. The Company will furnish to you and to any of your Affiliates, so long as you or such Affiliate shall hold any of the Notes, and (upon request) to each other Qualified Institutional Holder of any Notes, in duplicate:

(a) as soon as available and in any event within 45 days after the end of the first, second and third quarterly accounting periods in each fiscal year of the Company,

(i) copies of a consolidated and consolidating balance sheet of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries as of the end of such accounting period and of the related consolidated and consolidating statements of income and stockholder's equity and cash flows of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries for the portion of the fiscal year ended with the last day of such quarterly accounting period, all in reasonable detail and stating, in the case of such consolidated statements, in comparative form the respective figures for the corresponding date and period in the previous fiscal year, and certified by the principal financial officer of the Company, in the case of such consolidated statements, as having been prepared in accordance with GAAP and as presenting fairly the information contained therein, subject to year-end and audit adjustments and, in the case of such consolidating statements, as being fairly stated in all material respects in relation to the consolidated financial statements for such period as a whole, subject to year-end and audit adjustments,

(ii) a written statement of such financial officer of the Company setting forth computations in reasonable detail showing, as of the date of such balance sheet, (A) the ratio of Current Assets to Current Liabilities, (B) the amount of Net Worth and Total Capitalization, (C) the maximum amount of additional Debt and Restricted Debt which the Company could have incurred under Section 7.4 and the outstanding amount of Debt and Restricted Debt of the Company and each Restricted Subsidiary and (D) the amount available for Restricted Payments and Restricted Investments in compliance with Section 7.6, and

(iii) a written discussion and analysis by management of the financial condition and results of operations of the line of business conducted by each material Restricted Subsidiary for such accounting period;

(b) as soon as available and in any event within 120 days after the end of each fiscal year of the Company,

(i) copies of a consolidated and consolidating balance sheet of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries as of the end of such fiscal year and of the related consolidated and consolidating statements of income and stockholder's equity and cash flows of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries for such fiscal year, all in reasonable detail and stating in comparative form the respective figures as of the end of and for the previous fiscal year, accompanied, in the case of such consolidated statements, by an unqualified report thereon of independent certified public accountants of recognized national standing selected by the Company (which report shall contain a statement to the effect that such consolidated financial statements present fairly the financial position of the corporation or corporations being reported upon as at the dates indicated and the results of operations and cash flows of such corporation or corporations for the periods indicated and have been prepared in accordance with GAAP applied on a basis consistent with prior years (except for changes in application in which such accountants concur and which are noted in such financial statements) and that the audit by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards at the time in effect, and accordingly included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances) and, in the case of such consolidating statements, either certified by the principal financial officer of the Company as fairly stating, or accompanied by a report thereon by such accountants containing a statement to the effect that such consolidating financial statements fairly state, the financial position and the results of operations and cash flows of the corporations being reported on in all material respects in relation to the consolidated financial statements for the periods indicated as a whole,

(ii) a written statement of the principal financial officer of the Company, setting forth computations in reasonable detail showing, as of the date of such balance sheet, (A) the ratio of Current Assets to Current Liabilities, (B) the amount of Net Worth and Total Capitalization, (C) the maximum amount of additional Debt and Restricted Debt which the Company could have incurred under Section 7.4 and the outstanding amount of Debt and Restricted Debt of the Company and each Restricted Subsidiary, and (D) the amount available for Restricted Payments and Restricted Investments in compliance with Section 7.6, and

(iii) a written discussion and analysis by management of the financial condition and results of operations of the line of business conducted by each material Restricted Subsidiary for such accounting period, and

(iv) a certificate of such accountants as shall furnish a report pursuant to clause (i) of this Subsection (b) of this Section 5 stating that in making the audit necessary for such report, they have obtained no knowledge of any Event of Default or Default, or, if they have obtained knowledge of any Event of Default or Default, specifying the nature and period of existence thereof and the action the Company has taken or proposes to take with respect thereto;

(c) concurrently with the financial statements for each quarterly accounting period and for each fiscal year of the Company furnished pursuant to Subsections (a) and (b) of this Section,

(i) a certificate signed by the President or a Vice President and by the Treasurer of the Company stating that, based upon such examination or investigation and review of this Agreement as in the opinion of the signers is necessary to enable the signers to express an informed opinion with respect thereto, to the best knowledge of said signers, the Company is not and has not during such period been in default in the performance or observance of any of the terms, covenants or conditions hereof, or, if the Company shall be or shall have been in default, specifying all such defaults, and the nature and period of existence thereof, and what action the Company has taken, is taking or proposes to take with respect thereto; provided that it shall not be necessary for any such certificate to be signed by more than one of the officers of the Company listed in this Subsection (c)(i) if the officer so signing shall have been approved for that purpose in writing by the holder or holders of not less than 66-2/3% in aggregate principal amount of all the Notes outstanding and Mr. Clyde Wyant, Executive Vice President, Chief Financial Officer and Treasurer of the Company is hereby approved by you for such purpose,

(ii) a written statement of the principal financial officer of the Company setting forth computations showing in reasonable detail (A) the aggregate book value of property of the Company and its Restricted Subsidiaries subject to sale-leaseback transactions permitted by Section 7.7, and (B) the book value of assets of the Company and its Restricted Subsidiaries sold since the Closing Date and since the first day of such fiscal year, and

(iii) a written statement of the principal financial officer of the Company that, to the best of his knowledge after due inquiry, except as otherwise disclosed in writing to you, there is no litigation (including derivative actions), arbitration proceeding or governmental proceeding pending to which the Company or any Subsidiary is a party, or with respect to the Company or any Subsidiary or their respective properties, which has a significant possibility of materially and adversely affecting the business, operations, properties or condition of the Company or of the Company and its Subsidiaries taken as a whole;

(d) promptly after the same are available and in any event within 15 days thereafter (if the Company or any Subsidiary shall have become registered under Section 12 of the Exchange Act) copies of all such proxy statements, financial statements and reports as the Company or such Subsidiary shall send or make available generally to any of its security holders and copies of all regular and periodic reports and of all registration statements (other than on Form S-8 or a similar form) which the Company or such Subsidiary may file with the Commission or with any securities exchange;

(e) within 15 days after the end of each fiscal month, a complete copy of any written agreement entered into by the Company during such fiscal month amending, modifying, waiving or supplementing any financial covenant set forth in an agreement or instrument evidencing Debt of the Company in an aggregate unpaid principal amount of $10,000,000 or more (together with a copy of the agreement or instrument so amended, modified, waived or supplemented if not previously furnished by the Company), provided, that if the Company shall be a party to any agreement providing a holder of Debt of the Company with greater rights with respect to delivery of amendments, modifications, waivers or supplements to agreements or instruments of the Company evidencing Debt than are provided to you above in this paragraph (e), the Company shall give prompt written notice of such fact to each holder of a Note, each such holder shall be entitled to the benefit of such greater rights and this Agreement shall be deemed modified to the extent required to provide such greater rights;

(f) promptly upon any officer of the Company (i) obtaining knowledge of any condition or event which constitutes a Default or an Event of Default, or becoming aware that the holder of any Note has given any written notice expressly asserting the occurrence of a Default or Event of Default, a statement by the principal financial officer of the Company specifying in reasonable detail the nature and period of existence thereof and what action the Company has taken or is taking or proposes to take with respect thereto, or (ii) becoming aware that the holder of any Note has taken any other action with respect to a claimed Default or Event of Default or that any holder of any Debt referred to in Section 9.1(d) has given any notice to the Company or any Restricted Subsidiary or taken any other action with respect to a claimed default under or in respect of any such Debt or with respect to the occurrence or existence of any event or condition of the type referred to in Section 9.1(e) or 9.1(f), a statement by the principal financial officer of the Company specifying in reasonable detail the nature and period of existence thereof and what action the Company has taken or is taking or proposes to take with respect thereto, provided, that if the Company shall be a party to any agreement providing a holder of Debt of the Company with greater rights with respect to notices of the events described above in this paragraph (f) than are provided to you above in this paragraph (f) or in Section 9.1(c) with respect to this paragraph (f), the Company shall give prompt written notice of such fact to each holder of a Note, each such holder shall be entitled to the benefit of such greater rights and this Agreement shall be deemed modified to the extent required to provide such greater rights;

(g) promptly upon entering into, assuming or otherwise becoming bound by or obligated under any agreement or instrument evidencing Debt of the Company or any Restricted Subsidiary (other than any agreement providing for automatic modification thereof in substantially the same form as Section 9.1(d) of this Agreement) which (i) provides that the holder of any such Debt may declare such Debt to be due and payable prior to the scheduled maturity thereof as a result of the occurrence of any default in the performance of any term or condition contained in the agreement or instrument evidencing any other Debt of the Company or any Restricted Subsidiary (regardless of whether such other Debt shall have been declared due and payable prior to the stated maturity thereof) or (ii) contains any Additional Covenants or Additional Defaults (as defined in Section 7.17), written notice to such effect, making reference in such notice to Section 9.1(d) or Section 7.17 of this Agreement, as the case may be; and

(h) such other information, including financial statements and computations relating to the performance of the provisions of this Agreement and the affairs of the Company, as may from time to time be reasonably requested by you or your Affiliates or a Qualified Institutional Holder.

The Company will keep at its principal executive office true copies of this Agreement (as from time to time in effect), and cause the same to be available for inspection at said office during normal business hours by any holder of a Note or any prospective purchaser of a Note designated by a holder thereof.

SECTION 6. INSPECTION OF PROPERTIES AND BOOKS.

(a) So long as you or your nominee or any other Qualified Institutional Holder holds any of the Notes, your or such Qualified Institutional Holder's representatives shall have the right to visit and inspect any of the properties of the Company and its Restricted Subsidiaries in the presence of an officer of the Company, to examine the books of account and records of the Company and its Restricted Subsidiaries, to make copies and extracts therefrom, to discuss the affairs, finances and accounts of the Company and its Restricted Subsidiaries with, and to be advised as to the same by, its officers and (in the presence of an officer of the Company) key employees, and its independent public accountants, all at such times and intervals as you or such other Qualified Institutional Holder may reasonably desire. The Company will likewise afford your and such Qualified Institutional Holder's representatives the opportunity to obtain any information, to the extent the Company or any Restricted Subsidiary possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of any of the representations and warranties made by the Company hereunder.

(b) You agree, and (by its acceptance of any Note) each other holder of Notes shall be deemed to have agreed, to use your best efforts to hold in confidence all information furnished pursuant to this Agreement and relating to the Company or any of its Subsidiaries which was designated in writing as "confidential" at the time the same was furnished, provided, however,

that you or such other holder may disclose any information, irrespective of whether or not such information shall have been designated as "confidential", (i) to actual or prospective purchasers of the Notes or any participations therein, (ii) to prospective assignees pursuant to Section 16.3, (iii) pursuant to or in connection with any action, suit or proceeding by, or any statute, rule or regulation of, any Governmental Body, (iv) pursuant to any Order of any court, arbitrator or Governmental Body or as otherwise required by law, (v) to your auditors, to the extent required in the course of their audit, to your counsel or to the National Association of Insurance Commissioners or similar associations or authorities, or (vi) to the extent necessary in the enforcement of your rights hereunder and under the Notes during the continuance of a Default or Event of Default; and the Company, for itself and on behalf of its Subsidiaries, expressly consents to the disclosure of any such information to any of such Persons (and under any such circumstances) contemplated in this Section; provided, further, however, that any Person to whom any such information shall be disclosed pursuant to Clause (i) or (ii) of this Subsection shall agree with you or such other holder of Notes to likewise be bound by and subject to the provisions of this Section.

(c) Anything herein to the contrary notwithstanding, neither the Company nor any of its Subsidiaries shall have any obligations to disclose pursuant hereto any engineering, scientific, or other technical data without significance to your analysis of the financial position of the Company and its Subsidiaries.

SECTION 7. COVENANTS. The Company covenants and agrees that from the date of this Agreement to the Closing Date and thereafter so long as any Note shall be outstanding:

7.1. Payment of Principal, Special Premium and Interest; Maintenance of Books and Reserves. The Company will duly and punctually pay the principal of, the Special Premium (if any) and interest on the Notes in accordance with the terms of the Notes and this Agreement. The Company will, and will cause each of its Restricted Subsidiaries to, keep proper books of record and account and set aside appropriate reserves, all in accordance with GAAP.

7.2. Payment of Taxes; Corporate Existence; Maintenance of Properties; Compliance with Laws. The Company will, and will cause each of its Subsidiaries to,

(a) subject to Section 7.10, do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its licenses, rights (charter and statutory) and franchises to the extent the same are material and the termination thereof would be adverse to the Company, or to the Company and its Restricted Subsidiaries taken as a whole, or to the ability of the Company to perform this Agreement and discharge its obligations on the Notes; and the Company will maintain its principal office at a location in the United States of America where notices, presentations and demands in respect of this Agreement and the Notes may be made upon it and will notify, in writing, each holder of a Note of any change of location of such office and such office shall be maintained at 2100 Lake Park Boulevard, Richardson, Texas, 75080, until such time as the Company shall so notify the holders of the Notes of any such change;

(b) pay and discharge or cause to be paid and discharged all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or upon any of its property, real, personal or mixed, or upon any part thereof, when due, as well as all lawful claims for labor, materials and supplies which, if unpaid, might by law become a Lien upon its property; provided, however, that neither the Company nor any Subsidiary shall be required to pay any such tax, assessment, charge, levy or claim if the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings, and if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor;

(c) maintain and keep, or cause to be maintained and kept, all material properties used or useful in the business of the Company and its Subsidiaries in good repair, working order and condition, and from time to time make or cause to be made all repairs, renewals, replacements and improvements which are necessary in connection with the proper and advantageous conduct of such business; and

(d) use its best efforts to comply in all material respects with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, any Governmental Body, in respect of the conduct of its business and the ownership of its properties (including, without limitation, applicable statutes, regulations and orders relating to equal employment opportunities), except such as are being contested in good faith by appropriate proceedings.

7.3. Insurance. The Company will insure and keep insured, and will cause each of its Subsidiaries to insure and keep insured, with financially sound and reputable insurers, so much of their respective properties, and such insurance shall be of such type and in such amounts (and with such deductibles), as similarly situated manufacturing companies in accordance with good business practice customarily insure properties of a similar character against loss by fire and from other causes. In addition, the Company will, and will cause each Subsidiary to, maintain public liability insurance with financially sound and reputable insurers or maintain a program of self-insurance covering claims for personal injury, death or property damage suffered by others upon or in or about any premises occupied by it or occurring as a result of its ownership, maintenance or operation of any automobiles, trucks or other vehicles, aircraft or other facilities or as a result of the use of products manufactured, constructed or sold by it or services rendered by it, in such amounts (and with such deductibles) as such insurance is usually maintained by companies engaged in a similar business and as is in accordance with good business practice, provided that the aggregate annual amount of such self-insurance maintained by the Company and its Subsidiaries shall not on any date exceed 5% of Net Worth as at the end of the most recently completed fiscal quarter.

7.4. Debt. The Company will not and will not permit any Restricted Subsidiary to, directly or indirectly, create, assume, incur, agree to purchase or repurchase or provide funds in respect of, or otherwise become or be directly or indirectly liable in respect of, by way of Guarantee or otherwise, any Debt, except that, subject in any event to the last paragraph of this Section 7.4:

(a) the Company may remain liable in respect of the Debt evidenced by the Notes;

(b) the Company and its Restricted Subsidiaries may remain liable in respect of the Debt described in Exhibit C, but may not extend, renew, refund or refinance any thereof except as otherwise permitted by another provision of this Section 7.4, provided that on the Closing Date $3,714,287 of the Debt described in item one of Exhibit C as the 10.15% Series E Promissory Notes due 1998 shall be repaid out of the proceeds of the Notes;

(c) any Restricted Subsidiary may become and remain liable in respect of unsecured Debt of such Restricted Subsidiary owing to the Company or a Wholly-owned Restricted Subsidiary, and the Company may become and remain liable in respect of Subordinated Debt owing to a Wholly-owned Restricted Subsidiary; and

(d) the Company and any Restricted Subsidiary may become and remain liable in respect of additional Debt if on the date (the "Incurrence Date") on which the Company or such Restricted Subsidiary proposes to incur any such Debt, and after giving effect to such incurrence and the substantially concurrent incurrence of any other Debt and to the substantially concurrent retirement of any other Debt and to the application of the proceeds of all such Debt, Total Debt shall not exceed 55% of Total Capitalization; provided, however, that nothing in this Section 7.4(d) shall permit the Company or any Restricted Subsidiary to incur any Restricted Debt on any Incurrence Date unless, after giving effect to any such incurrence and to the substantially concurrent incurrence of any other Restricted Debt and to the substantially concurrent retirement of any Restricted Debt and to the application of the proceeds of all such Restricted Debt, the Restricted Debt Amount shall not exceed 10% of Total Capitalization.

For all purposes of this Section 7.4, (i) any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have incurred all of its then outstanding Debt at the time it becomes a Restricted Subsidiary and (ii) in the event the Company or any Restricted Subsidiary shall extend, renew, refund or refinance any Debt, the Company or such Restricted Subsidiary shall be deemed to have incurred such Debt at the time of such extension, renewal, refunding or refinancing. The Company will not in any event incur or permit to exist any Debt of the Company to a Restricted Subsidiary other than Subordinated Debt owing to a Wholly-owned Restricted Subsidiary.

7.5. Liens. The Company will not and will not permit any Restricted Subsidiary to, directly or indirectly, create, assume, incur or suffer to be created, assumed or incurred or to exist any Lien in respect of any property of any character owned by the Company or any Restricted Subsidiary (whether such property is held on the date hereof or hereafter acquired), except, subject in any event to the last paragraph of this Section 7.5 and to Subsection (d) of Section 7.4:

(a) Liens representing

(i) Liens for taxes or assessments or other governmental charges or levies, either not yet due and payable or to the extent that nonpayment thereof shall be permitted by the proviso to Section 7.2(b),

(ii) Liens created by or resulting from any litigation or legal proceeding which is currently being contested in good faith by appropriate proceedings diligently pursued, and

(iii) other Liens consisting of minor title defects affecting real property or which are otherwise incidental to the normal conduct of the business of the Company and its Restricted Subsidiaries or the ownership of their respective properties which do not secure Debt and which do not in the aggregate materially impair the use of such property in the operation of the business of the Company, or of the Company and its Restricted Subsidiaries taken as a whole, or materially impair the value of such property for the purposes of such business;

(b) Liens existing on the date of this Agreement specified in Exhibit C and securing the item or items of Debt indicated thereon; provided that the principal amount of the Debt secured by such Liens shall not be increased, or refinanced or refunded except as permitted under Section 7.4;

(c) Liens on assets of any Restricted Subsidiary securing Debt or other obligations of such Restricted Subsidiary owing to the Company or to a Wholly-owned Restricted Subsidiary; and

(d) Liens in addition to those permitted by the preceding clauses (a), (b) and (c) if, immediately after giving effect to the creation thereof, the Company shall be entitled to incur at least $1 of additional Debt constituting Restricted Debt under the proviso to Section 7.4(d).

For all purposes of this Section 7.5, any refunding or refinancing of any Lien by the Company or any Restricted Subsidiary shall be deemed to be an incurrence of such Lien at the time of such refunding or refinancing, and any Lien existing on any property or assets at the time it or the Person owning it is acquired by the Company or any Restricted Subsidiary shall be deemed to have been created at the time of such acquisition. In the event that any property or assets of the Company or any Restricted Subsidiary shall become or be subject to a Lien not permitted by the foregoing clauses (a) through (d) of this Section 7.5, the Company shall make or cause to be made effective provision satisfactory to the holders of the outstanding Notes whereby the Notes will be secured equally and ratably with all other obligations secured thereby, and in any event, the Notes shall have the benefit, to the full extent that (and with such priority as) the holders thereof may be entitled under applicable law, of an equitable Lien on such property or asset; provided, however, that any Lien

created, assumed, incurred or suffered to exist in violation of this Section 7.5 shall constitute an Event of Default whether or not the Company shall have made effective provision to secure the Notes equally and ratably with any such other obligations or the holders of Notes shall be entitled to such equal and ratable security or any such equitable Lien.

7.6. Dividends and Other Restricted Payments; Restricted Investments. The Company will not directly or indirectly (i) declare or pay any dividend, or make any distribution, on the Company's shares of any class, other than dividends or distributions payable in common shares of the Company, or (ii) make any other Restricted Payment, and the Company will not make and will not permit any Restricted Subsidiary to make any Restricted Investment, unless, on the date of declaration in the case of any proposed dividend and on the date of payment or distribution in the case of any proposed Restricted Payment (including any dividend) or Restricted Investment (the "Computation Date"), and after giving effect thereto,

(a) the aggregate amount of all Restricted Payments made during the period (taken as one accounting period) commencing on January 1, 1991 and ending on and including the Computation Date (the "Computation Period"), and of all Restricted Investments made during the Computation Period and outstanding on the Computation Date, shall not exceed an amount equal to the sum of

(i) $45,000,000 plus 85% of the amount of the FASB 106 Adjustment, plus

(ii) 85% of the aggregate amount of Consolidated Net Income for each full fiscal year in the Computation Period for which Consolidated Net Income is positive, minus

(iii) 100% of the aggregate amount of Consolidated Net Income for each full fiscal year in the Computation Period for which there is a deficit,

plus 85% (or, in the case of a deficit, minus 100%) of Consolidated Net Income for any period in the Computation Period not included in Clause (ii) or (iii) above;

(b) no Event of Default or Default shall have occurred and be continuing; and

(c) the Company shall be entitled to incur at least $1 of additional Debt under Section 7.4(d).

The Company will not declare any dividend (other than dividends payable solely in shares of its common stock) on any shares of any class of its stock which is payable more than 90 days after the date of declaration thereof. For purposes of this Section 7.6, Investments owned by any Person or for which it is obligated at the time it becomes a Restricted Subsidiary shall be deemed to be made at the time such Person becomes a Restricted Subsidiary.

Notwithstanding any other provision of this Section 7.6 to the contrary, the Company may, at any time or from time to time, reacquire up to an aggregate amount of $15,000,000 of shares of its common stock in transactions qualifying as distributions under Section 303 of the Code if but only if (i) such acquisitions are at prices not exceeding the fair market value of the shares so acquired, in each case as determined in good faith by a resolution of the Board, and (ii) no Event of Default or Default shall have occurred and be continuing. The amount of said dividends shall not be subject to the limitations of this Section 7.6 or included in any future computations pursuant to this Section 7.6.

7.7. Sales and Leasebacks. The Company will not and will not permit any Restricted Subsidiary to, as part of the same transaction or series of related transactions, sell or otherwise transfer to any Person or Persons any item or items of property, whether now owned or hereafter acquired, having a book value in any one case or in the aggregate for all such property so transferred from and including the date hereof through the date of such transfer of $20,000,000 or more if the Company or such Restricted Subsidiary shall then or thereafter, as part of the same transaction or series of related transactions, rent or lease as lessee, or similarly acquire the right to possession or use of such property, or one or more properties which it intends to use for the same purpose or purposes as such property.

7.8. Maintenance of Certain Financial Conditions. The Company will not permit:

(a) Current Assets as at the end of any fiscal quarter of the Company to be less than 150% of Current Liabilities as at the end of such fiscal quarter;

(b) Net Worth as at the last day of any fiscal quarter of the Company to be less than the Minimum Amount for such fiscal quarter. For purposes of this Section 7.8(b), the "Minimum Amount" shall be (i) for the fiscal quarter ending December 31, 1991, $230,000,000, and (ii) for each fiscal quarter thereafter, the sum of the Minimum Amount for the immediately preceding fiscal quarter plus 15% (or 0% in the case of a deficit) of Consolidated Net Income for such immediately preceding fiscal quarter; or

(c) the aggregate vested benefit obligations for the qualified pension plans of the Company and its Subsidiaries, determined in each fiscal year by the Company's actuaries in the ordinary course of business, to exceed the aggregate fair value of the assets of such plans, also determined in each fiscal year by the Company's actuaries in the ordinary course of business, by more than $3,000,000.

For purposes of paragraph (c) of this Section 7.8, obligations and assets of pension plans of the Company and its Subsidiaries shall be determined as of the end of each fiscal year in accordance with Statement No. 87 of the Financial Accounting Standards Board.

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7.9. Subsidiary Stock and Debt. The Company will not:

(a) directly or indirectly sell, assign, pledge or otherwise transfer or dispose of any Debt of, or claim against, or any shares of stock or similar interests or other securities of (or warrants, rights or options to acquire stock or similar interests or other securities of), any Restricted Subsidiary, except to a Wholly-owned Restricted Subsidiary and except as directors' qualifying shares if required by applicable law;

(b) permit any Restricted Subsidiary directly or indirectly to sell, assign, pledge or otherwise transfer or dispose of any Debt of, or claim against, or any shares of stock or similar interests or other securities of (or warrants, rights or options to acquire stock or similar interests or other securities of), any other Restricted Subsidiary, except to the Company or a Wholly-owned Restricted Subsidiary and except as directors' qualifying shares if required by applicable law;

(c) permit any Restricted Subsidiary to have outstanding any shares of preferred stock other than shares of preferred stock which are owned by the Company or a Wholly-owned Restricted Subsidiary; or

(d) permit any Restricted Subsidiary directly or indirectly to issue or sell any shares of its stock or similar interests or other securities (or warrants, rights or options to acquire stock or similar interests or other securities) except to the Company or a Wholly-owned Restricted Subsidiary or as directors' qualifying shares if required by applicable law;

provided, however, that all stock or similar interests or other securities (or warrants, rights or options to acquire stock or similar interests or other securities) of any Restricted Subsidiary with annual sales for the immediately preceding fiscal year less than $50,000,000 may be simultaneously sold as an entirety for a cash consideration at least equal to the fair value thereof (as determined in good faith by a resolution of the Board) at the time of such sale, if (A) such Restricted Subsidiary being sold does not at the time own any Debt or stock or similar interests or other securities of (or warrants, rights or options to acquire stock or similar interests or other securities of) the Company or of any other Restricted Subsidiary which is not also being simultaneously sold as an entirety as permitted by this Section 7.9 or Section 7.10, (B) the assets of such Restricted Subsidiary being sold represented by the equity interests to be so transferred are such that the sale of such assets would be permitted by Section 7.10 (in which case such transaction shall be considered and deemed a disposition of assets for the purposes of Section 7.10), and (C) immediately after the consummation of such transaction, (x) the Company shall then be permitted to incur $1.00 of additional Debt pursuant to Section 7.4(d), and (y) both prior to and immediately following such sale, no condition or event shall exist which constitutes a Default or an Event of Default.

7.10. Consolidation, Merger or Disposition of Assets. The Company will not and will not permit any Restricted Subsidiary to, directly or indirectly, consolidate or merge with, or sell,

lease or otherwise dispose of any of its assets to, any Person, except, subject (to the extent hereinafter provided) to the last paragraph of this Section 7.10:

(a) the Company may consolidate or merge with any other corporation, provided that the Company shall be the continuing or surviving corporation and, after giving effect to any such consolidation or merger, no Change of Control shall have occurred;

(b) any Restricted Subsidiary may consolidate or merge with, and any Restricted Subsidiary may sell, lease or otherwise dispose of its assets to, the Company or a Wholly-owned Restricted Subsidiary;

(c) the Company may consolidate with or merge into, or sell, lease or otherwise dispose of its assets as an entirety or substantially as an entirety to, any solvent corporation, but only if

(i) such corporation (A) is duly organized and validly existing in good standing under the laws of the United States of America or a State thereof and (B) expressly assumes, pursuant to a written agreement satisfactory in form, scope and substance to the holders of the Notes, the due and punctual payment of the principal of, the Special Premium (if any) and interest on the Notes according to their tenor, and the due and punctual performance and observance of the obligations of the Company under this Agreement and the Notes, an executed counterpart of which agreement shall have been furnished to each holder of a Note together with a favorable opinion of counsel satisfactory to each such holder covering such matters relating to such corporation, such assumption and such agreement as such holder may reasonably request, and

(ii) in the case of any such transaction which would involve or result in a Change of Control, the Company shall have offered to purchase all Notes held by each holder thereof pursuant to Section 7.12 and, not later than the time of consummation of such transaction, shall have purchased, in compliance with Section 7.12, the full amount of all Notes of each holder thereof which shall have accepted such offer;

(d) the Company and any Restricted Subsidiary may sell, lease or otherwise dispose of any of its assets in the ordinary course of business;

(e) Industries may sell the Columbus Plant and the Atlanta Warehouse, and Heatcraft may sell the Wilmington Plant, the Bossier City Plant and its line-set business (that is, its business of manufacturing links of insulated copper tubing with fittings on the ends thereof), for a consideration at least equal to the fair market value thereof (as determined in good faith by the Board); and

(f) the Company and any Restricted Subsidiary may sell, lease or otherwise dispose of any of its assets (other than in the ordinary course of its business) for a consideration at least equal to the fair market value thereof (as determined in good faith by the Board) at the time of such sale, lease or other disposition, provided that the assets so sold, leased, or otherwise disposed of on any date, when taken together with all assets theretofore sold, leased, or otherwise disposed of by the Company and its Restricted Subsidiaries (including all deemed dispositions of assets pursuant to Section 7.9 and all assets sold in connection with sale-leaseback transactions permitted under Section 7.7), (i) during the fiscal year in which such date occurs, (A) shall not have contributed more than 15% of Consolidated Operating Income for the immediately preceding fiscal year and (B) shall not have a book value exceeding 15% of the book value of consolidated total assets of the Company and its Restricted Subsidiaries as at the end of the immediately preceding fiscal year, and (ii) during the period from and including the date hereof through the date of such disposition, shall not have a book value exceeding 30% of the book value of consolidated total assets of the Company and its Restricted Subsidiaries as at the end of the immediately preceding fiscal year.

Immediately after any consolidation, merger or other disposition under Subsection (a), (b), (c), (e) or (f) of this Section 7.10, (1) no Event of Default or Default shall have occurred and be continuing, and (2) the Company (which term, for the purpose of this sentence, shall not include the corporation that originally executed this Agreement if any other Person has become the Company pursuant to any assumption described in Subsection (c) of this Section 7.10) shall be entitled to incur at least $1 of additional Debt under Section 7.4(d). No disposition under Subsection (c) of this Section 7.10 shall release the corporation that originally executed this Agreement from its liability as obligor on the Notes.

7.11. Issuance of Stock. The Company will not (either directly or indirectly by the issuance of rights or options for, or securities convertible into, such shares) issue, sell or otherwise dispose of any shares of any class of its capital stock (other than directors' qualifying shares, if required by applicable law) if any Change of Control shall thereby occur, unless the Company shall have offered to purchase the Notes pursuant to Section 7.12.

7.12. Purchase of Notes Upon Change of Control. At least 15 Business Days (or, in the case of any transaction permitted by Section 7.10 or 7.11 resulting in a Change of Control, at least 45 days) and not more than 90 days prior to the occurrence of any Change of Control, the Company shall give written notice thereof to each holder of an outstanding Note in the manner and to the address specified for notices pursuant to this Section 7.12 for such holder in Schedule I or as otherwise specified by such holder in writing to the Company. Such notice shall contain (i) an offer by the Company to purchase, on the date of such Change of Control or, if such notice shall be delivered less than 35 days prior to the date of such Change of Control, on the date 35 days after the date of such notice (the "Purchase Date"), all Notes held by each such holder at a price equal to 100% of the principal amount thereof, together with interest accrued thereon to the Purchase Date, plus a premium equal to the Special Premium, (ii) the estimated respective amounts of accrued

interest and the Special Premium payable to such holder in respect of such purchase, showing in each case in reasonable detail the calculation thereof and, with respect to the estimated Special Premium, the Reference Rate used in such calculation and (iii) the Company's estimate of the date on which such Change of Control shall occur. Said offer shall be deemed to lapse as to any such holder which has not replied affirmatively thereto in writing within 35 days of the giving of such notice. As soon as practicable (and in any event at least 24 hours) prior to such Change of Control, the Company shall give written confirmation of the date thereof to each such holder which has affirmatively replied to the notice given pursuant to the first sentence of this Section 7.12. In the event that the Company shall purchase any Notes pursuant to this Section 7.12, the same shall thereafter be canceled and not reissued and shall not be deemed "outstanding" for any purpose of this Agreement.

For the purposes of this Section 7.12, a "Change of Control" shall be deemed to occur if any New Owner shall acquire beneficial ownership of shares in the Company having Voting Rights pertaining thereto which would allow such New Owner to elect more members of the Board than could be elected by the exercise of all Voting Rights pertaining to shares in the Company then owned beneficially by the Norris Family. As used in this Section 7.12:

(i) "Voting Rights" pertaining to shares of a corporation means the rights to cast votes for the election of directors of such corporation in ordinary circumstances (without consideration of voting rights which exist only in the event of contingencies).

(ii) "Norris Family" means all persons who are lineal descendants of D.W. Norris (by birth or adoption), all spouses of such descendants, all estates of such descendants or spouses which are in the course of administration, all trusts for the benefit of such descendants or spouses, and all corporations or other entities in which, directly or indirectly, such descendants or spouses (either alone or in conjunction with other such descendants or spouses) have the right, whether by ownership of stock or other equity interests or otherwise, to direct the management and policies of such corporations or other entities (each such person, spouse, estate, trust, corporation or entity being referred to herein as a "member" of the Norris Family). In addition, so long as any employee stock ownership plan exercises its Voting Rights in the same manner as members of the Norris Family (exclusive of employee stock ownership plans) who have a majority of the Voting Rights exercised by all such members of the Norris Family, such employee stock ownership plan shall be deemed a member of the Norris Family.

(iii) "New Owner" means any person (other than a member of the Norris Family), or any syndicate or group of persons (exclusive of all members of the Norris Family) which would be deemed a "person" for the purposes of Section 13(d) of the Exchange Act, who directly or indirectly acquires shares in the Company.

Notwithstanding anything in this Section 7.12 to the contrary, if an Event of Default exists following a Change of Control and the Notes are accelerated pursuant to the provisions of Section 9.1, the

holders of the Notes shall be entitled to receive the Special Premium relating to such accelerated amount as provided in Section 9.1.

7.13. Transactions with Affiliates. The Company will not and will not permit any Restricted Subsidiary to engage in any material transaction with an Affiliate on terms less favorable to the Company or such Restricted Subsidiary than would have been obtainable at the time from any Person which is not an Affiliate in arm's-length dealing provided, that the foregoing restrictions shall not apply to any transaction between the Company and a Wholly-owned Restricted Subsidiary or between a Wholly-owned Restricted Subsidiary and another Wholly-owned Restricted Subsidiary.

7.14. Change in Business. The Company will not either directly or by or through a Subsidiary make or permit any substantial change in the nature of the business in which the Company and its Subsidiaries, taken as a whole, are engaged on the date of this Agreement except for such changes as are natural extensions of the heating, cooling, refrigeration, copper tube manufacturing and electronics businesses.

7.15. Environmental Matters. (a) The Company will and will cause each of its Subsidiaries to comply in all material respects with all applicable Environmental Laws if, individually or in the aggregate, failure to comply therewith could reasonably be expected to have a material adverse effect on the financial condition or results of operations of the Company or the Company and its Subsidiaries, taken as a whole.

(b) The Company will not and will not permit any of its Subsidiaries to cause or allow any Hazardous Substance to be present at any time on, in, under or above any real property or any part thereof in which the Company or any Subsidiary has a direct interest (including without limitation ownership thereof or any arrangement for the lease, rental or other use thereof, or the retention of any mortgage or security interest therein or thereon), except in a manner and to an extent that is in compliance in all material respects with all applicable Environmental Laws or that will not have a material adverse effect on the financial condition or results of operations of the Company or the Company and its Subsidiaries, taken as a whole.

7.16. Limitation on Dividend Restrictions, etc. The Company will not permit any Restricted Subsidiary to enter into, adopt, create or otherwise be or become bound by or subject to any contract or charter or by-law provision limiting the amount of, or otherwise imposing restrictions on the declaration, payment or setting aside of funds for the making of, dividends or other distributions in respect of the capital stock of such Restricted Subsidiary to the Company or another Restricted Subsidiary.

7.17. Most Favored Lender's Status. The Company will not and will not permit any Restricted Subsidiary to enter into, assume or otherwise be bound or obligated under any agreement creating or evidencing Debt or any agreement executed and delivered in connection with any Debt containing one or more Additional Covenants or Additional Defaults (as defined below), unless prior written consent to such agreement shall have been obtained pursuant to Section 12; provided,

however, in the event the Company or any Restricted Subsidiary shall enter into, assume or otherwise become bound by or obligated under any such agreement without the prior written consent of the holders of the Notes, the terms of this Agreement shall, without any further action on the part of the Company or any of the holders of the Notes, be deemed to be amended automatically to include each Additional Covenant and each Additional Default contained in such agreement. The Company further covenants to promptly execute and deliver at its expense an amendment to this Agreement in form and substance satisfactory to the holders of at least 66-2/3% in aggregate unpaid principal amount of all Notes at the time outstanding evidencing the amendment of this Agreement to include such Additional Covenants and Additional Defaults, provided that the execution and delivery of such amendment shall not be a precondition to the effectiveness of such amendment as provided for in this Section 7.17, but shall merely be for the convenience of the parties hereto.

For purposes of this Agreement, (i) the term "Additional Covenant" shall mean any affirmative or negative covenant or similar restriction applicable to the Company or any Restricted Subsidiary (regardless of whether such provision is labeled or otherwise characterized as a covenant) the subject matter of which either (A) is similar to that of the covenants in Section 7 of this Agreement, or related definitions in Section 8 of this Agreement, but contains one or more percentages, amounts or formulas that is more restrictive than those set forth herein or more beneficial to the holder or holders of such other Debt (and such covenant or similar restriction shall be deemed an "Additional Covenant" only to the extent that it is more restrictive or more beneficial) or (B) is different from the subject matter of the covenants in Section 7 of this Agreement, or related definitions in Section 8 of this Agreement; and (ii) the term "Additional Default" shall mean any provision which permits the holder of such Debt to accelerate (with the passage of time or giving of notice or both) the maturity thereof or otherwise require the Company or any Restricted Subsidiary to purchase such Debt prior to the stated maturity of such Debt and which either (A) is similar to the Defaults and Events of Default contained in Section 9.1 of this Agreement, or related definitions in Section 8 of this Agreement, but contains one or more percentages, amounts or formulas that is more restrictive or has a shorter grace period than those set forth herein or is more beneficial to the holder or holders of such other Debt (and such provision shall be deemed an "Additional Default" only to the extent that it is more restrictive, has a shorter grace period or is more beneficial) or (B) is different from the subject matter of the Defaults and Events of Default contained in Section 9.1 of this Agreement, or related definitions in Section 8 of this Agreement.

SECTION 8. DEFINITIONS.

8.1. Definitions. Except as otherwise specified or as the context may otherwise require, the following terms shall have the respective meanings set forth below whenever used in this Agreement and such terms shall include the singular as well as the plural:

"Affiliate" of any specified Person shall mean any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of

voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Atlanta Warehouse" shall mean the real property and fixtures of Industries located at 2915 East Ponce de Leon Avenue, Decatur, Georgia 30030.

"Board" shall mean (i) in the case of determinations of value under Section 7.10, the board of directors of the Restricted Subsidiary which owns the relevant assets and (ii) in all other cases, either the board of directors of the Company or any duly authorized committee of that board.

"Bossier City Plant" shall mean the real and personal property of Heatcraft located at 5007 Hazel Jones Road in Bossier City, Louisiana.

"Business Day" shall mean a day other than a Saturday or Sunday or a day on which banks are required or authorized to close in New York, New York, or Dallas, Texas.

"Capital Lease" shall mean any lease of property which in accordance with GAAP should be capitalized on the lessee's balance sheet; and "Capital Lease Obligation" shall mean the amount of the liability under a Capital Lease which is or should be so capitalized in accordance with GAAP.

"Change of Control" shall have the meaning specified in Section 7.12.

"Closing Date" shall have the meaning specified in Section 1.2.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and any successor statute thereto, together with the rules and regulations issued thereunder, in each case as in effect from time to time.

"Columbus Plant" shall mean the real and personal property of Industries located on Olentangy River Road in Columbus, Ohio.

"Commission" shall mean the Securities and Exchange Commission and any other similar or successor agency of the Federal Government administering the Securities Act.

"Commonly Controlled Entity" shall have the meaning specified in Section 2.11.

"Company" shall have the meaning specified in the introductory paragraph.

"Company Premises" shall mean real property in which the Company or any Person which has at any time been or hereafter becomes a Subsidiary of the Company at any time has or ever had any direct interest, including, without limitation, ownership thereof, or any arrangement for

the lease, rental or other use thereof, or the retention or claim of any mortgage or security interest therein or THEREON.

"Computation Date" shall have the meaning specified in Section 7.6.

"Computation Period" shall have the meaning specified in Section 7.6.

"Consolidated Net Income" for any period shall mean the Net Income of the Company and its Restricted Subsidiaries for such period consolidated in accordance with GAAP.

"Consolidated Operating Income" for any period shall mean Consolidated Net Income for such period plus the net amount deducted during such period in determining the amount thereof in respect of interest expense (including the interest equivalent in respect of Capital Lease Obligations) and taxes imposed on or measured by income or excess profits.

"Current Assets" shall mean the current assets of the Company and its Restricted Subsidiaries determined in accordance with GAAP on a consolidated basis after eliminating all intercompany items.

"Current Liabilities" shall mean the current liabilities of the Company and its Restricted Subsidiaries determined in accordance with GAAP on a consolidated basis after eliminating all intercompany items and after excluding current liabilities consisting of current maturities of long-term debt.

"Debt" as applied to any Person (without duplication) shall mean all obligations of such Person for borrowed money (whether short or long-term and whether or not represented by bonds, debentures, notes, drafts or other similar instruments) and any notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money, and in any event shall include (a) any obligation owed for all or any part of the purchase price of property or other assets or for the cost of the property or other assets constructed or of improvements, other than accounts payable included in current liabilities and incurred in respect of property purchased in the ordinary course of business, (b) any obligation of another Person of a type described in clause (a), (c) or (d) of this definition which is secured by any Lien on or payable out of the proceeds of production from property owned or held by such Person, even though such Person has not assumed or become liable for the payment of such obligation, (c) any Capital Lease Obligation of such Person, (d) any Guarantee by such Person of or with respect to Debt of another Person, and (e) all preferred stock issued by such Person which is redeemable, or for which mandatory sinking fund payments are due, at any time on or before December 1, 2008. The Debt of the Company shall in any event include (without duplication) all Debt of the Company to a Subsidiary. The amount of Debt and assets of any Person shall not be affected by deposits, trust arrangements or similar arrangements which, in accordance with GAAP, extinguish debt for which such Person remains legally liable.

"Default" shall mean any default or other event which, with notice or the lapse of time or both, would constitute an Event of Default.

"Environmental Laws" shall mean any past, present or future Federal, state, local or foreign statutory or common law, or any regulation, code, plan, order, decree, judgment, permit, grant, franchise, concession, restriction, agreement or injunction issued, entered, promulgated or approved thereunder, relating to (a) the environment or human health or safety, including, without limitation, any law relating to emissions, discharges, releases or threatened releases of Hazardous Substances into the environment (including, without limitation, air, surface water, groundwater or land), or (b) the manufacture, generation, refining, processing, distribution, use, sale, treatment, receipt, storage, disposal, transport, arranging for transport, or handling of Hazardous Substances.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"Events of Default" shall have the meaning specified in Section 9.1.

"Exchange Act" shall mean the Securities Exchange Act of 1934, and any similar or successor Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Fort Worth Plant" shall mean the real and personal property of Industries located at the corner of Airport Freeway and Maxine, Fort Worth, Texas.

"FASB 106 Adjustment" shall mean the after-tax charge in fiscal year 1993 to net income of the Company and its Restricted Subsidiaries on a consolidated basis upon adoption of Financial Accounting Standards Board Statement No. 106.

"GAAP" shall mean generally accepted accounting principles as in effect at the time of application to the provisions hereof, provided that for all purposes of this Agreement it is understood and agreed that the Company shall account for its Unrestricted Subsidiaries on the equity method.

"Governmental Body" shall have the meaning specified in Section 2.7.

"Guarantee" of or by any Person shall mean any guarantee or other contingent liability, direct or indirect, with respect to any Debt of another Person, through an agreement or otherwise, including, without limitation, (a) any endorsement (otherwise than for collection or deposit in the ordinary course of business) or discount with recourse or undertaking substantially equivalent to or having similar economic effect of a guarantee with respect to any such Debt, (b) any contingent obligations of such Person in respect of letters of credit, letter of credit facilities, bankers' acceptance facilities or similar credit facilities (excluding in any event obligations in respect of (1) trade or commercial letters of credit given in the ordinary course of business and (2) stand-by letters

of credit given to support obligations other than Debt obligations) and (c) any agreement (1) to purchase, or to advance or supply funds for the payment or purchase of, any such Debt, (2) to purchase, sell or lease property, products, materials or supplies, or transportation or services, primarily for the purpose of enabling such other Person to pay the Debt or to ensure the owner thereof against loss regardless of the delivery or non-delivery of the property, products, materials or supplies or transportation or services, or (3) to make any loan, advance, capital contribution or other investment in such other Person to assure a minimum equity, working capital or other balance sheet condition for any date, or to provide funds for the payment of any liability, dividend or stock liquidation payment, or otherwise to supply funds to or in any manner invest in such other Person. The amount of any Guarantee shall (subject to any limitation contained therein) be equal to the outstanding principal amount of the Debt guaranteed.

"Hazardous Substance" shall mean any contaminant, pollutant or toxic or hazardous substance, and any substance that is defined or listed as a hazardous, toxic or dangerous substance under any Environmental Law or that is otherwise regulated or prohibited under any Environmental Law as a hazardous, toxic or dangerous substance.

"Heatcraft" shall mean Heatcraft Inc., a Mississippi corporation.

"Industries" shall mean Lennox Industries Inc., an Iowa corporation.

"Investment" shall mean any investment in any Person made by stock purchase, capital contribution, loan, advance or otherwise, provided that the amount of any such investment in any Person shall be computed in accordance with GAAP. Investments shall not on any date include notes receivable accepted by the Company or any Restricted Subsidiary in settlement of trade accounts receivable of non-Affiliates so long as the allowance for doubtful accounts of the Company and its Restricted Subsidiaries includes the excess, if any, of (a) the aggregate principal amount of all such notes on such date over (b) 5% of the sum of (i) the aggregate principal amount of all such notes plus (ii) all trade accounts receivable of the Company and its Restricted Subsidiaries on such date, before allowances for doubtful accounts.

"Letter Agreement" shall mean that certain letter agreement, dated as of the date hereof, between the Company and you, substantially in the form of Exhibit G hereto.

"Lien" shall mean, as to any Person, any mortgage, lien, pledge, adverse claim, charge, other encumbrance in favor of any vendor, lessor, lender or other secured party in or on, or any interest or title of any such vendor, lessor, lender or other secured party under any conditional sale or other title retention agreement or Capital Lease with respect to, any property or asset of such Person, or the signing or filing of a financing statement with respect to property owned by such Person which names such Person as debtor, or the signing of any security agreement authorizing any other party as the secured party thereunder to file any such financing statement.

"Multiemployer Plan" shall have the meaning specified in Section 2.11.

"Net Income" of any Person for any period shall mean the net income (or net loss) of such Person for such period, determined in accordance with GAAP, excluding

(a) the proceeds of any life insurance policy;

(b) any gain arising from (1) the sale or other disposition of any assets (other than current assets) to the extent that the aggregate amount of gains exceeds the aggregate amount of losses from the sale, abandonment or other disposition of assets (other than current assets), (2) any write-up of assets, or (3) the acquisition by such Person of its outstanding Debt securities;

(c) any amount representing the interest of such Person in the undistributed earnings of any other Person;

(d) any earnings of any other Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or a Restricted Subsidiary and any earnings, prior to the date of acquisition, of any other Person acquired in any other manner; and

(e) any deferred credit (or amortization of a deferred credit) arising from the acquisition of any Person.

"Net Worth" shall mean, as of any date of determination thereof, the total stockholders' equity of the Company and its Subsidiaries determined in accordance with GAAP on a consolidated basis, provided that (i) Net Worth shall be increased by the amount of the FASB 106 Adjustment and (ii) if the portion of total stockholders' equity attributable to Unrestricted Subsidiaries exceeds 15% of total stockholders' equity, Net Worth shall be reduced by the amount of such excess.

"New Owner" shall have the meaning specified in Section 7.12.

"Norris Family" shall have the meaning specified in Section 7.12.

"Note" or "Notes" shall have the meaning specified in Section 1.1.

"Note Register" shall have the meaning specified in Section 10.

"Order" shall have the meaning specified in Section 2.7.

"outstanding" shall refer, when used with reference to the Notes as of a particular time, to all Notes theretofore issued as provided in this Agreement, except (i) Notes theretofore reported as lost, stolen, damaged or destroyed, or surrendered for transfer, exchange or replacement, in respect of which replacement Notes have been issued, (ii) Notes theretofore paid in full, and

(iii) Notes theretofore canceled by the Company; and except that, for the purpose of determining whether holders of the requisite principal amount of Notes have made or concurred in any waiver, consent, approval, notice or other communication under this Agreement, Notes owned by the Company or any Affiliate thereof shall not be deemed to be outstanding.

"Person" shall include an individual, a corporation, an association, a partnership, a trust or estate, a government, foreign or domestic, and any agency or political subdivision thereof, or any other entity.

"Purchase Date" shall have the meaning specified in Section 7.12.

"Qualified Institutional Holder" shall mean any holder which is an institutional investor (a) which holds at the time in question at least $3,000,000 in aggregate principal amount of Notes or any lesser principal amount thereof constituting at least 20% of the aggregate principal amount of Notes then outstanding or (b) which purchases from a holder 100% of the Notes held by such holder (after giving effect to any reduction in principal resulting from a prepayment of Notes).

"Restricted Debt" shall mean any of (i) Debt (including, without limitation, Capital Lease Obligations, purchase money obligations and industrial revenue bonds) of the Company or a Restricted Subsidiary which is secured by a Lien not otherwise permitted under clause (a), (b) or (c) of Section 7.5; or (ii) Debt of a Restricted Subsidiary owing to any Person other than the Company or a Wholly-owned Restricted Subsidiary.

"Restricted Debt Amount" shall mean as of any date of determination, the sum (without duplication) of the aggregate principal amount outstanding of all Restricted Debt.

"Restricted Investment" shall mean any Investment by the Company or any Restricted Subsidiary other than

(a) any Investment in (1) a marketable obligation, maturing within two years after acquisition thereof, issued or guaranteed by the United States of America or an instrumentality or agency thereof, and entitled to the full faith and credit of the United States of America, (2) a demand deposit account with, or a certificate of deposit or other obligation, maturing within one year after acquisition thereof, either fully insured by the Federal Deposit Insurance Corporation (or any successor Federal agency) or issued by a national or State bank or trust company having capital, surplus and undivided profits of at least $250,000,000, and having (or being the wholly-owned subsidiary of a holding company having) a credit rating in respect of its short-term obligations of A-2 or higher from Standard & Poor's Corporation or P-2 or higher from Moody's Investors Service, Inc., (3) open market commercial paper, maturing within 270 days after acquisition thereof, having a credit rating of A-2 or higher from Standard & Poor's Corporation or P-2 or higher from Moody's Investors Service, Inc. and (4) a demand deposit account either fully insured by the Federal Deposit Insurance Corporation (or any successor Federal Agency) or with a national or State bank or trust

company having capital, surplus and undivided profits of at least $100,000,000, if such demand deposit account is required to conduct operations of the Company or any Restricted Subsidiary in the same local area in which such bank or trust company is located and the aggregate amount of Investments in all such demand deposit accounts permitted by this clause (4) does not exceed 1% of Net Worth;

(b) any Investment existing on the date hereof, as set forth in Exhibit D hereto, including any extensions or renewals of any such Investment;

(c) any Investment hereafter acquired in exchange for, or out of the net cash proceeds from the substantially concurrent sale of, common shares of the Company;

(d) Investments in

(i) shares of adjustable rate or floating rate preferred stock, variable rate notes or other Debt or equity issues of business corporations, or

(ii) Debt issues of municipalities,

the issuers of which Investments described in this subsection (d) shall in any case have a credit rating in respect of their long-term obligations of A- or higher from Standard & Poor's Corporation or A3 or higher from Moody's Investors Service, Inc., provided (i) that the aggregate outstanding amount of Investments which shall at any time not constitute Restricted Investments pursuant to this Subsection (d) of the definition of Restricted Investments shall not exceed one-third of the then aggregate outstanding amount of all Investments of the Company and its Restricted Subsidiaries at such time (disregarding for this purpose Investments in Restricted Subsidiaries or joint ventures), and (ii) the aggregate outstanding amount of Investments issued by a single issuer which shall at any time not constitute Restricted Investments pursuant to this Subsection (d) shall not exceed $5,000,000; and

(e) any Investment by the Company or any Restricted Subsidiary in any Restricted Subsidiary or any Person which simultaneously therewith becomes a Restricted Subsidiary.

For the purposes of this definition, the outstanding amount of any Investment shall be the amount originally actually invested, net of any return of capital, and disregarding any appreciation or decline in value, or write-up, write-down or write-off, of the Investment concerned.

"Restricted Payment," in respect of the Company, shall mean

(a) the declaration of any dividend on, or the incurrence of any liability to make any other payment or distribution in respect of, shares of the Company of any class (other than one payable solely in its common shares); and

(b) any payment or distribution on account of the purchase, redemption or other retirement of any shares of the Company of any class, or of any warrant, option or other right to acquire such shares, or any other payment or distribution (other than pursuant to a dividend theretofore declared or liability theretofore incurred as specified in the foregoing Subsection (a)), made in respect thereof, either directly or indirectly except a purchase, redemption or other retirement of shares of the Company out of the net cash proceeds from the substantially concurrent sale of common shares of the Company.

The amount of any Restricted Payment in property shall be deemed to be the greater of its fair value (as determined by the Board) or its net book value.

"Restricted Subsidiary" shall mean any Subsidiary of the Company which (a) is listed as a Restricted Subsidiary on Exhibit B or (b) is organized under the laws of, and conducts substantially all of its business and maintains substantially all of its property and assets within, the continental United States of America or any State thereof. Once a Subsidiary is or becomes a Restricted Subsidiary it may not thereafter become an Unrestricted Subsidiary.

"Securities Act" shall mean the Securities Act of 1933, and any similar or successor Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Special Premium" shall mean, with respect to any principal amount of Notes being prepaid pursuant to Section 4.2, any purchase of the principal amount of Notes pursuant to Section 7.12 or any acceleration of the principal amount of any Note pursuant to Section 9.1 (such prepaid, purchased or accelerated principal amount being hereinafter referred to as the "Prepaid Principal"), as at any date of determination, an amount equal to the greater of (i) zero and (ii) the excess of:

(A) the sum of the respective present values as of the date such Special Premium becomes due and payable of:

(1) each prepayment of principal (if any) required to be made with respect to such Prepaid Principal pursuant to Section 4.1 with respect to such Prepaid Principal during the Discount Period,

(2) the payment of principal balance required to be made at final maturity with respect to such Prepaid Principal, and

(3) each payment of interest which would be required to be paid during such Discount Period with respect to such Prepaid Principal from time to time outstanding,

determined, in the case of each such required prepayment, principal payment at final maturity and interest payment, by discounting the amount thereof (on a semiannual basis) from the date fixed therefor back to the date of payment of such Special Premium at the Reference Rate (assuming for such purpose that all such payments and prepayments of principal and payments of interest with respect to such Prepaid Principal were made when due pursuant to the terms of this Agreement and the Notes, and that no other payment or prepayment with respect to such Prepaid Principal was made),

over

(B) the amount of such Prepaid Principal.

For purposes of the foregoing definition of Special Premium, (1) "Discount Period" shall mean the period beginning on the date of such payment of Special Premium and ending on the stated final maturity of the Notes; and (2) "Reference Rate" shall mean a per annum rate determined by adding 0.50% to the annual yield implied for actively traded United States Treasury securities having a term to maturity equal to the Weighted Average Life to Maturity of the portion of the Notes being prepaid, purchased or accelerated as determined by reference to (i) the yields reported, as of 10:00 a.m. (New York City time) on the Business Day next preceding the date of such payment, on the display designated as "Page 678" on the Telerate Service (or such other display as may replace "Page 678" on the Telerate Service), or if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable, (ii) the Federal Reserve Statistical Release H.15(519) ("Release H.15") published most recently prior to the third day preceding the date of such payment, or, if Release H.15 is no longer published, such annual yield as determined, at the Company's expense, by an independent investment banking firm acceptable to the Company and the holders of Notes; provided that, if there shall be no actual United States Treasury security having a term to maturity equal to such Weighted Average Life to Maturity of the Notes, the annual yield for a United States Treasury security deemed to have such a term to maturity shall be interpolated on a basis consistent with the annual yields of other United States Treasury securities as determined by reference to Release H.15, or (if Release H.15 is no longer published) as determined at the Company's expense by such an independent investment banking firm.

"Subordinated Debt" of any Person shall mean Debt of such Person which is expressly made subordinate and junior in right of payment to the Notes pursuant to terms contained in the instrument or agreement evidencing such Debt substantially in the form of Exhibit F.

"Subsidiary" shall mean any corporation of which the Company and/or one or more of its Subsidiaries own more than 50% of the outstanding stock having by its terms ordinary voting power to elect a majority of the board of directors of such corporation, irrespective of whether at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency, and, except as otherwise expressly indicated herein, references to Subsidiaries shall refer to Subsidiaries of the Company.

"this Agreement" shall mean this Note Purchase Agreement (together with the Schedules and Exhibits hereto), as from time to time amended, modified or supplemented in accordance with its terms.

"Total Capitalization" shall mean the sum of Net Worth and Total Debt.

"Total Debt" shall mean, as at any date of determination, the aggregate amount (without duplication) of Debt of the Company and its Restricted Subsidiaries outstanding on such date, consolidated in accordance with GAAP after eliminating all intercompany items. Total Debt of the Company shall not in any event include Subordinated Debt of the Company to a Wholly-owned Restricted Subsidiary or Debt of a Wholly-owned Restricted Subsidiary to the Company or to another Wholly-owned Restricted Subsidiary.

"Unrestricted Subsidiary" shall mean any Subsidiary other than a Restricted Subsidiary.

"Voting Rights" shall have the meaning specified in Section 7.12.

"Weighted Average Life to Maturity" as applied to any indebtedness at any date, shall mean the number of years (or portions of years) obtained by dividing (a) the then outstanding principal amount of such indebtedness into (b) the total of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the date on which such payment is to be made.

"Wholly-owned Restricted Subsidiary" shall mean any Restricted Subsidiary, all of the equity securities (or all of the equity securities other than directors' qualifying shares) of which are owned by the Company or another Wholly- owned Restricted Subsidiary.

"Wilmington Plant" shall mean the real and personal property of Heatcraft located at 602 Sunnyvale Drive, Wilmington, North Carolina.

8.2. Accounting Terms. (a) All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP, all computations made pursuant to this Agreement shall be made in accordance with GAAP, and all balance sheets and other financial statements shall be prepared in accordance with GAAP. Any reference herein, or in any document delivered in connection herewith, to financial

statements of the Company at a date prior to October 11, 1991 shall be deemed references to the financial statements of Lennox International Inc., an Iowa corporation.

(b) If any changes in accounting principles from those used in the preparation of the most recent audited historical financial statements delivered to you prior to the Closing Date are hereafter required or permitted by the rules, regulations, pronouncements and opinions of the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions) and are adopted by the Company with the agreement of its independent certified public accountants and such changes result or could result (for any present or future period) in a change in the method of calculation of any of the financial covenants, standards or terms in or relating to such covenants, the parties hereto agree to enter into discussions with a view to amending such provisions so as to equitably reflect such changes with the desired result that the criteria for evaluating the financial condition of the Company and its Subsidiaries shall be the same after such changes as if such changes had not been made, provided, that no change in GAAP that would affect or could affect (for any present or future period) the method of calculation of any of said financial covenants, standards or terms shall be given effect in such calculations until such provisions are amended, in a manner satisfactory to the Company and the holders of the Notes, to so reflect such change to GAAP.

SECTION 9. EVENTS OF DEFAULT; REMEDIES.

9.1. Events of Default Defined; Acceleration of Maturity. If any of the following events (herein called "Events of Default") shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or by operation of law or otherwise), that is to say:

(a) default shall be made in the due and punctual payment of all or any part of the principal of, or the Special Premium (if any) on, any Note when and as the same shall become due and payable, whether at stated maturity, by acceleration, by notice of prepayment or otherwise;

(b) default shall be made in the due and punctual payment of any interest on any Note when and as such interest shall become due and payable, and such default shall have continued for a period of three Business Days;

(c) (i) default shall be made in the performance or observance of any covenant, agreement or condition contained in Section 5(f)(i), any of Sections 7.4 through (and including) Section 7.10, Section 7.12, or Section 7.16; or (ii) default shall be made in the performance or observance of any other covenant, agreement or condition contained in this Agreement or the Notes not specified in Section 9.1(a) or Section 9.1(b) or in the immediately preceding clause (i) of this Section 9.1(c) and such default shall have continued for a period of 30 days;

(d) any event shall occur or any condition shall exist in respect of any Debt of the Company or any Restricted Subsidiary (other than the Notes) in an aggregate unpaid principal amount of $1,000,000 or more, or under any agreement securing or relating to any of such Debt, the effect of which is to cause or to permit the acceleration of the maturity of such Debt, or any such Debt shall not have been paid at the final maturity date thereof (as renewed or extended if such Debt shall have been renewed or extended) (provided that the words "or to permit" contained in the foregoing wording of this Section 9.1(d) shall be omitted from this Section 9.1(d) and of no effect at any time that and so long as neither the Company nor any Restricted Subsidiary shall any longer be a party to any agreement (other than this Agreement and any other agreement providing for automatic modification thereof in substantially the same form as this Section 9.1(d)) providing that the holder of any Debt of the Company or any Restricted Subsidiary may declare such Debt to be due and payable prior to the scheduled maturity thereof as a result of the occurrence of any default in the performance of any term or condition contained in the agreement or instrument evidencing any other Debt of the Company or any Restricted Subsidiary and further providing for such declaration regardless of whether such other Debt shall have been declared due and payable prior to the stated maturity thereof);

(e) the Company or any Restricted Subsidiary shall (1) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (2) be generally unable to pay its debts as such debts become due, (3) make a general assignment for the benefit of its creditors, (4) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (5) file a petition seeking to take advantage of any bankruptcy, insolvency, moratorium, reorganization or other similar law affecting the enforcement of creditors' rights generally, (6) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under such Bankruptcy Code, (7) take any action under the laws of its jurisdiction of incorporation analogous to any of the foregoing, or (8) take any corporate action for the purpose of effecting any of the foregoing;

(f) a proceeding or case shall be commenced, without the application or consent of the Company or any Restricted Subsidiary in any court of competent jurisdiction, seeking (1) the liquidation, reorganization, dissolution, winding up, or composition or readjustment of its debts, (2) the appointment of a trustee, receiver, custodian, liquidator or the like of it or of all or any substantial part of its assets, or (3) similar relief in respect of it, under any law providing for the relief of debtors, and such proceeding or case shall continue undismissed, or unstayed and in effect, for a period of 90 days; or an order for relief shall be entered in an involuntary case under such Bankruptcy Code, against the Company or any Restricted Subsidiary; or action under the laws of the jurisdiction of incorporation of the Company or any Restricted Subsidiary analogous to any of the foregoing shall be taken with respect to the Company or any Restricted Subsidiary and shall continue unstayed and in effect for any period of 90 consecutive days;

(g) final judgment for the payment of money shall be rendered by a court of competent jurisdiction against the Company or any Restricted Subsidiary and the Company or any Restricted Subsidiary shall not discharge the same or provide for its discharge in accordance with its terms, or procure a stay of execution thereof within 60 days from the date of entry thereof and within said period of 60 days, or such longer period during which execution of such judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal, and such judgment together with all other such judgments shall exceed in the aggregate U.S. $1,000,000 (or the equivalent amount of any other currency); or

(h) any representation or warranty made by the Company in this Agreement or in any certificate or other instrument delivered hereunder or pursuant hereto or in connection with any provision hereof shall prove to be false or incorrect or breached in any material respect on the date as of which made;

then (i) upon the occurrence of any Event of Default described in Subsection (e) or (f) with respect to the Company, the unpaid principal amount of all Notes, together with the interest accrued thereon which shall be deemed matured, shall automatically become immediately due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of actual acceleration or other requirements of any kind, all of which are hereby expressly waived by the Company, or (ii) during the continuance of any other Event of Default, the holder or holders of at least 66-2/3% of the unpaid principal amount of all of the Notes at the time outstanding may, by written notice to the Company, declare the unpaid principal amount of all Notes to be, and the same shall forthwith become due and payable, without further presentment, demand, protest, notice of intent to accelerate, or notice of actual acceleration, together with the interest accrued thereon which shall be deemed matured, plus (to the full extent permitted by applicable law) a premium equal to the Special Premium (determined with respect to such principal amount of Notes as of the date of such declaration), provided that, during the existence of an Event of Default described in Subsection (a) or (b) with respect to any Note, the holder of such Note may, by written notice to the Company, declare such Note to be, and the same shall forthwith become, due and payable, without further presentment, demand, protest, notice of intent to accelerate, or notice of actual acceleration, together with the interest accrued thereon which shall be deemed matured plus (to the full extent permitted by applicable law) a premium equal to the Special Premium determined as of the date of such declaration. If any holder of any Note shall exercise the option specified in the proviso to the preceding sentence, the Company will forthwith give written notice thereof to the holders of all other outstanding Notes and each such holder may (whether or not such notice is given or received), by written notice to the Company, declare the principal of all Notes held by it to be, and the same shall forthwith become, due and payable, without further presentment, demand, protest, notice of intent to accelerate, or notice of actual acceleration, together with the interest accrued thereon which shall be deemed matured.

The provisions of this Section 9.1 are subject, however, to the condition that if, at any time after any Note shall have so become due and payable and prior to the entry of any final judgment for the payment of any monies due on the Notes or pursuant to this Agreement, the

Company shall pay all arrears of interest on the Notes and all payments on account of the principal of and the Special Premium (if any) on the Notes which shall have become due otherwise than by acceleration (with interest on such principal, the Special Premium (if any) and, to the extent permitted by law, on overdue payments of interest, at the rate specified in the Notes) and all Events of Default (other than nonpayment of principal of and accrued interest on Notes due and payable solely by virtue of acceleration) shall be remedied or waived pursuant to Section 12, then, and in every such case, the holder or holders of at least 80% in unpaid principal amount of all of the Notes at the time outstanding, by written notice to the Company, may rescind and annul any such acceleration and its consequences; but no such action shall affect any subsequent Default or Event of Default or impair any right consequent thereon.

9.2. Suits for Enforcement. If any Event of Default shall have occurred and be continuing, the holder of any Note may proceed to protect and enforce its rights, either by suit in equity or by action at law, or both, whether for the specific performance of any covenant or agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement, or the holder of any Note may proceed to enforce the payment of all sums due upon such Note or to enforce any other legal or equitable right of the holder of such Note.

The Company covenants that, if it shall default in the making of any payment due under any Note or in the performance or observance of any agreement contained in this Agreement, it will pay to the holder thereof such further amounts, to the extent lawful, as shall be sufficient to pay the costs and expenses of collection or of otherwise enforcing such holder's rights, including reasonable counsel fees.

9.3. Remedies Cumulative. No remedy herein conferred upon you or the holder of any Note is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

9.4. Remedies Not Waived. No course of dealing between the Company and you or the holder of any Note and no delay or failure in exercising any rights hereunder or under any Note in respect thereof shall operate as a waiver of any of your rights or the rights of any holder of such Note.

SECTION 10. REGISTRATION, TRANSFER AND EXCHANGE OF NOTES. The Company will keep at its address for notices under Section 16.4 a register (herein sometimes referred to as the "Note Register"), in which, subject to such reasonable regulations as it may prescribe, but at its expense (other than transfer taxes, if any), it will provide for the registration and registration of transfer of the Notes.

Whenever any Note or Notes shall be surrendered either at such address for notices of the Company or at the place of payment named in the Notes, for transfer or exchange, accompanied (if so required by the Company) by an appropriate written instrument of transfer duly

executed by the registered holder of such Note or his attorney duly authorized in writing, the Company will execute and deliver in exchange therefor a Note or Notes, as may be requested by such holder, in the same aggregate unpaid principal amount as the aggregate unpaid principal amount of the Note or Notes so surrendered. Any Note issued in exchange for any other Note or upon transfer thereof shall carry the rights to unpaid interest and interest to accrue which were carried by the Note so exchanged or transferred, and neither gain nor loss of interest shall result from any such transfer or exchange. Any transfer tax relating to such transaction shall be paid by the holder requesting the exchange.

The Company and any agent of the Company may treat the Person in whose name any Note is registered as the owner of such Note for the purpose of receiving payment of the principal of and the Special Premium (if any) and interest on such Note and for all other purposes whatsoever, whether or not such Note be overdue.

SECTION 11. LOST, ETC. NOTES. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of any Note, and (in case of loss, theft or destruction) of indemnity satisfactory to it, and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of such Note, if mutilated, the Company will deliver in lieu of such Note a Note in a like unpaid principal amount, dated as of the date to which interest has been paid thereon.

Notwithstanding the foregoing provisions of this Section, if any Note of which you or any other institutional holder having a net worth of at least $50,000,000 is the owner is lost, stolen or destroyed, then the affidavit of your or such holder's Treasurer or Assistant Treasurer (or other responsible officials), setting forth the circumstances with respect to such loss, theft or destruction, shall be accepted as satisfactory evidence thereof, and no indemnity shall be required as a condition to the execution and delivery by the Company of a Note in lieu of such Note (or as a condition to the payment thereof, if due and payable) other than your or such holder's unsecured written agreement to indemnify the Company.

SECTION 12. AMENDMENT AND WAIVER.

(a) Any term, covenant, agreement or condition of this Agreement or of the Notes may, with the consent of the Company, be amended, or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), by one or more substantially concurrent written instruments signed by the holder or holders of at least 66-2/3% in aggregate unpaid principal amount of all Notes at the time outstanding, provided, however, that

(i) no such amendment or waiver shall

(A) reduce the rate or extend the time of payment of interest on any of the Notes, without the consent of the holder of each Note so affected, or

(B) modify any of the provisions of this Agreement or of the Notes with respect to the payment or prepayment thereof (including without limitation the definition of the term "Special Premium" and any other related definitions), or extend the scheduled maturity of the Notes, or reduce the percentage of holders of Notes required to approve any such amendment or effectuate any such waiver, without the consent of the holders of all the Notes then outstanding, and

(ii) no such waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon.

(b) Any amendment or waiver pursuant to Subsection (a) of this Section 12 shall (except as provided in Clause (a)(i)(A)) apply equally to all the holders of the Notes amended or waived and shall be binding upon them, upon each future holder of any Note and upon the Company, in each case whether or not a notation thereof shall have been placed on any Note.

(c) The Company will not agree in writing to any amendment, modification or waiver of any of the provisions of this Agreement or the Notes unless each holder of Notes (irrespective of the amount of Notes then owned by it) shall be informed thereof by the Company and shall be afforded the opportunity of considering the same and shall be supplied by the Company with sufficient information to enable it to make an informed decision with respect thereto. The Company will not, and will not permit any of its Subsidiaries or Affiliates to, offer or pay any remuneration, whether by way of supplemental or additional interest, fee or otherwise, to any holder of Notes in order to obtain such holder's consent to any amendment, modification or waiver of any term or provision of this Agreement, or the Notes or any annulment or rescission of acceleration pursuant to Section 9.1, unless such remuneration or inducement is concurrently paid on the same terms proportionately to each holder of Notes then outstanding regardless of whether or not such holder consents to such waiver, amendment, annulment or rescission.

SECTION 13. HOME OFFICE PAYMENT. Notwithstanding anything to the contrary in this Agreement or the Notes, so long as you or any nominee designated by you shall be the holder of any Note, the Company shall punctually pay all amounts which become due and payable on such Note to you by 11:00 a.m., New York City time, at your address and in the manner set forth in Schedule I hereto, or at such other place within the United States and in such other manner as you may designate by notice to the Company, without presentation or surrender of such Note. You agree that prior to the sale, transfer or other disposition of any such Note, you will make notation thereon of the portion of the principal amount paid or prepaid and the date to which interest has been paid thereon, or surrender the same in exchange for a Note or Notes aggregating the same principal amount as the unpaid principal amount of the Note so surrendered. The Company shall enter into an agreement similar to that contained in the first sentence of this Section 13 with any other institutional investor (or nominee thereof) who shall hold any of the Notes and who shall make with the Company an agreement similar to that contained in the second sentence of this Section.

SECTION 14. LIABILITIES OF THE HOLDERS. Neither this Agreement nor any disposition of any of the Notes shall be deemed to create any liability or obligation on your part or that of any other holder of any Note to enforce any provision hereof or of any of the Notes for the benefit or on behalf of any other Person who may be the holder of any Note.

SECTION 15. TAXES. The Company will pay all taxes (including interest and penalties) which may be payable in respect of the execution and delivery of this Agreement or the execution and delivery (but not the transfer) of any of the Notes or of any amendment of, or waiver or consent under or with respect to, this Agreement or of any of the Notes and will save you and all subsequent holders of the Notes harmless against any loss or liability resulting from nonpayment or delay in payment of any such tax. The obligations of the Company under this Section 15 shall survive the payment of the Notes.

SECTION 16. MISCELLANEOUS.

16.1. Expenses. Whether or not the transactions contemplated hereby are consummated, the Company shall: (a) pay the reasonable fees and disbursements of your special counsel and of any local counsel for any services rendered in connection with such transactions or in connection with any actual or proposed amendment, waiver or consent (whether or not the same becomes effective) with respect to this Agreement or the Notes, and all other reasonable expenses in connection therewith (including, without limitation, document production expenses and expenses incurred in connection with obtaining a private placement number from Standard and Poor's CUSIP Service Bureau); (b) reimburse you for your reasonable out-of-pocket expenses in connection with such transactions, amendments, waivers or consents (whether or not the same becomes effective), and any items of the character referred to in clause (a) which shall have been paid by you, and pay the cost of transmitting Notes (insured to your satisfaction) to your principal office upon the issuance thereof; (c) pay, and save you and each subsequent holder of any Note harmless from and against, any and all liability and loss with respect to or resulting from the non-payment or delayed payment of any and all placement fees and other liability which the Company may be or become obligated to pay any agent or finder in connection with such transactions; (d) pay the expenses described in Section 9.2 of this Agreement; and (e) pay, and save you and each subsequent holder of any Note harmless from and against liability for the payment of, all out-of-pocket expenses, including without limitation reasonable attorneys' fees, incurred in connection with responding to any subpoena or other legal process or informal investigative demand involving the Company or any of its Affiliates. The obligations of the Company under this Section 16.1 shall survive payment of the Notes.

16.2. Reliance on and Survival of Representations. All agreements, representations and warranties of the Company herein and in any certificates or other instruments delivered pursuant to this Agreement shall (a) be deemed to be material and to have been relied upon by you, notwithstanding any investigation heretofore or hereafter made by you or on your behalf, and (b) survive the execution and delivery of this Agreement and the delivery of the Notes to you, and shall continue in effect so long as any Note is outstanding and thereafter as provided in Sections 15 and 16.1.

16.3. Successors and Assigns. All covenants and agreements in this Agreement by or on behalf of the respective parties hereto shall bind and inure to the benefit of their respective successors and assigns, except that, in the case of a successor to the Company by consolidation or merger or a transferee of its assets, this Agreement shall inure to the benefit of such successor or transferee only if it becomes such in accordance with Section 7.10; provided, however, that you shall not be obligated to purchase any Notes on the Closing Date from any Person other than the existing Lennox International Inc., a Delaware corporation. The provisions of this Agreement are intended to be for the benefit of all holders, from time to time, of the Notes, and shall be enforceable by any such holder, whether or not an express assignment to such holder of rights under this Agreement has been made by you or your successor or assign, provided, however, that the benefit of Sections 5, 6, 11 (as to satisfactory indemnity) and 13 shall be limited as provided therein.

16.4. Notices. All notices, opinions and other communications provided for in this Agreement shall be in writing and delivered or mailed, first class postage prepaid, addressed (a) if to the Company, at the address set forth at the head of this Agreement (marked for the attention of the Executive Vice President, Chief Financial Officer and Treasurer), or at such other address as the Company may hereafter designate by notice to you and to each other holder of any Note at the time outstanding, or (b) if to you, at your address as set forth in Schedule I hereto or at such other address as you may hereafter designate by notice to the Company, or (c) if to any other holder of any Note, at the address of such holder as it appears on the Note Register.

16.5. Substitution of Your Wholly-Owned Subsidiary. You shall have the right to substitute one of your wholly-owned subsidiaries as the holder of any of the Notes to be delivered to you hereunder, by written notice delivered to the Company, which notice shall be signed by you and such subsidiary, shall contain such subsidiary's agreement to be bound by this Agreement and shall contain a confirmation by such subsidiary of the accuracy with respect to it of the representations contained in Sections 1.3 and 1.4, provided that such confirmation may contain a statement to the effect that such subsidiary shall at all times have the right to transfer the Notes being delivered to it to you. The Company agrees that, upon receipt of any such notice, whenever the word "you" is used in this Agreement (other than this Section) such word shall be deemed to refer to such subsidiary in lieu of you. In the event that such subsidiary is so substituted hereunder and thereafter transfers its Notes or any portion thereof to you, upon receipt by the Company of notice of such transfer, whenever the word "you" is used in this Agreement (other than in this Section) such word shall be deemed to refer to such subsidiary only to the extent it retains any portion of the Notes, and shall be deemed to refer to you to the extent you own all or any portion of the Notes, and you and such subsidiary to such extent shall each have all the rights of an original holder of Notes under this Agreement.

16.6. LAW GOVERNING. THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

16.7. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect any of the terms hereof.

16.8. Entire Agreement. This Agreement embodies the entire agreement and understanding between you and the Company and supersedes all prior agreements and understandings relating to the subject matter hereof.

16.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

16.10 Maximum Interest Payable. The Company, you, and any other holders of any of the Notes, specifically intend and agree to limit contractually the amount of interest payable under this Agreement, the Notes, the Letter Agreement, and all other instruments and agreements executed in connection with the foregoing to the maximum amount of interest lawfully permitted to be charged under applicable law. Therefore, none of the terms of this Agreement, the Notes, the Letter Agreement, or any instrument pertaining to or relating to or executed in connection with such documents shall ever be construed to create a contract to pay interest (or amounts deemed to be interest under applicable law) at a rate in excess of the maximum rate permitted to be charged under applicable law, and none of the Company or any other party liable or to become liable hereunder, under the Notes, under the Letter Agreement, or under any other instruments and agreements related hereto and thereto shall ever be liable for interest in excess of the amount determined at such maximum rate, and the provisions of this Section 16.10 shall control over all other provisions of this Agreement, the Notes, the Letter Agreement, or any other instrument pertaining to or relating to the transactions herein or therein contemplated. If any amount of interest taken or received by you or any holder of a Note shall be in excess of said maximum amount of interest that, under applicable law, could lawfully have been collected incident to such transactions, then such excess shall be deemed to have been the result of a mathematical error by all parties hereto and shall be automatically applied to the reduction of the principal amount owing under the Notes or if such excessive interest exceeds the unpaid principal balance of the Notes, such excess shall be refunded promptly by the Person receiving such amount to the party paying such amount. All amounts paid or agreed to be paid in connection with such transactions that would under applicable law be deemed "interest" shall, to the extent permitted by such applicable law, be amortized, prorated, allocated and spread throughout the stated term of the Notes. "Applicable law" as used in this paragraph means that law in effect from time to time that permits the charging and collection of the highest permissible lawful, nonusurious rate of interest on the transaction herein contemplated including, without limitation, the laws of each State which may be held to be applicable, and of the United States of America, if applicable, and "maximum rate" as used in this paragraph means, with respect to each of the Notes, the maximum lawful, nonusurious rates of interest (if any) that under such applicable law may be charged to the Company from time to time with respect thereto.

16.11 Interpretation of Disclosures. In connection with the representations, warranties and certifications made by the Company pursuant to this Agreement, the Company is

required to make certain disclosures to you with respect to possible or contingent losses and liabilities. The Company shall be free to make disclosures to you in addition to those required under this Agreement, and the making of any disclosure by the Company pursuant to this Agreement shall not constitute an admission by the Company that any such possible or contingent loss or liability actually exists or is owed.

16.12 Notice to Transferees. You agree that on or prior to any transfer by you of any Note, you will provide each transferee thereof a copy of the Letter Agreement.

16.13 Consent to Jurisdiction; Service of Process.

(a) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT, THE NOTES, THE LETTER AGREEMENT, OR ANY OTHER DOCUMENTS OR TRANSACTIONS IN CONNECTION WITH OR RELATING HERETO OR THERETO, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS OR ACTIONS OF YOU, ANY OTHER PURCHASER, ANY SUBSEQUENT HOLDER OF A NOTE, OR THE COMPANY MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND THE COMPANY HEREBY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. THE COMPANY HEREBY IRREVOCABLY WAIVES ANY OBJECTIONS, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS.

(b) In the case of the courts of the State of New York or of the United States sitting in the City of New York, State of New York, the Company hereby irrevocably designates, appoints, and empowers CT Corporation System (the "Process Agent") (which has consented thereto) with offices on the date hereof at 1633 Broadway, New York, New York 10019, as agent to receive for and on behalf of the Company service of process in the State of New York. The Company further agrees that such service of process may be made on the Process Agent by personal service of a copy of the summons and complaint or other legal process in any such legal suit, action or proceeding on the Process Agent, or by any other method of service provided for under the applicable laws in effect in the County of New York, State of New York, and the Process Agent hereby is authorized and directed to accept such service for and on behalf of the Company, and to admit service with respect thereto.

(c) Upon service of process being made on the Process Agent as aforesaid, a copy of the summons and complaint or other legal process served shall be mailed by the Process Agent to the Company by air courier, at its address set forth at the top of page 1 of this Agreement, or to such other address as the Company may notify the Process Agent in writing. Service upon the Process Agent as aforesaid shall be deemed to be personal service on the Company and shall be legal

and binding upon the Company for all purposes, notwithstanding any failure of the Process Agent to mail copies of such legal process thereto, or any failure on the part of the Company to receive the same.

(d) The Company agrees that it will at all times continuously maintain an agent to receive service of process in the County of New York on its behalf. In the event that for any reason the Process Agent or any successor thereto shall no longer serve as agent for the Company to receive service of process in the County of New York on its behalf or the Company shall have changed its address without notification thereof to the Process Agent, the Company, immediately after having knowledge thereof, will irrevocably designate and appoint a substitute agent in the City of New York, New York and advise you, or any subsequent holder of a Note, thereof, or shall notify the Process Agent of its then current correct address.

(e) Nothing contained in this section shall preclude you, or any subsequent holder of a Note, from bringing any legal suit, action or proceeding against the Company in the courts of any jurisdiction where the Company or any of its property or assets may be found or located.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

If you are in agreement with the foregoing, please sign the form of acceptance in the space provided below whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

LENNOX INTERNATIONAL INC.

By: /s/ Clyde Wyant

Clyde Wyant
Executive Vice President, Chief Financial Officer and Treasurer

The foregoing Agreement is hereby accepted as of the date first above written:

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

By: /s/ Gregory W. MacCordy

Name: Gregory W. MacCordy

Title: Associate Director - Private Placement

SCHEDULE I

Name of Purchaser	Principal Amount of Notes to be Purchased
TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA	$20,000,000

Note Denomination(s): $20,000,000

1. All payments on account of Notes held by such purchaser shall be made in immediately available funds at the opening of business on the due date by electronic funds transfer, properly identified, through the Automated Clearing House system to the following account:

Morgan Guaranty Trust Company of New York
23 Wall Street
New York, New York 10015
(ABA No.: 021-000-238)
For deposit to the account of
Teachers Insurance and Annuity
Association of America
Account Number 121-85-001

Each such wire transfer shall set forth the name of the Company, a reference to "7.06% Senior Notes due July 6, 2005, Security No. _____", and the due date and application (as among principal, interest and the Special Premium, if any) of the payment being made.

2. Address for all other communications and notices:

Teachers Insurance and Annuity
Association of America
730 Third Avenue
New York, New York 10017
Attention: Securities Division

3. All notices pursuant to Section 7.12 shall be made to the address specified in paragraph 2 of this Schedule I with copies sent via facsimile transmission to each of the following:

Teachers Insurance and Annuity
Association of America
730 Third Avenue
New York, New York 10017
Attention: Investment Law Department
Fax No.: (212) 953-9879 or 986-8375

Teachers Insurance and Annuity
Association of America
730 Third Avenue
New York, New York 10017
Attention: Securities Division
Fax No.: (212) 986-1525

EXHIBIT A

LENNOX INTERNATIONAL INC.

7.06% SENIOR PROMISSORY NOTE DUE 2005

Note No. R-
$ July 6, 1995
Private Placement No. 52610* AJ 2

FOR VALUE RECEIVED, the undersigned, LENNOX INTERNATIONAL INC., a corporation organized and existing under the laws of the State of Delaware (herein called the "Company"), hereby promises to pay to

or registered assigns, the principal sum of
DOLLARS (or so much thereof as shall not have been prepaid) on July 6, 2005, with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal hereof at the rate of 7.06% per annum from the date hereof, payable semiannually on June 1 and December 1 in each year, commencing on December 1, 1995, until said principal shall have become due and payable, and to pay interest (so computed) at the rate of 9.06% per annum on any overdue principal and premium and, to the extent permitted by applicable law, on any overdue interest, until the same shall be paid. Payments of principal, premium, if any, and interest are to be made in lawful money of the United States of America at the office of Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, New York 10015, or at such other place as may be provided pursuant to the Note Purchase Agreements referred to below.

This Note is one of the 7.06% Senior Promissory Notes due 2005 of the Company (the "Notes") issued pursuant to the Note Purchase Agreement, dated as of July 6, 1995, between the Company and Teachers Insurance Annuity Association of America and is subject thereto and entitled to the benefits thereof. As provided in said Agreement, this Note is subject to optional prepayments in whole or in part, in certain cases with a premium, and also to required prepayments, all as specified in said Agreement.

Upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and, at the option of the holder, registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may deem and treat the Person in whose name

this Note is registered as the holder and owner hereof for the purpose of receiving payments and for all other purposes whatsoever, and the Company shall not be affected by any notice to the contrary.

Said Agreement provides that by acceptance of this Note the holder hereof shall be deemed to have agreed to certain obligations of confidentiality in respect of certain information received by such holder pursuant to said Agreement.

In case an Event of Default (as defined in said Agreement) shall occur and be continuing, the principal of this Note may become or be declared due and payable in the manner and with the effect provided in said Agreement.

LENNOX INTERNATIONAL INC.

By:

Clyde Wyant
Executive Vice President, Chief Financial Officer and Treasurer

EXHIBIT B

LENNOX INTERNATIONAL INC. SUBSIDIARIES
JUNE 1, 1995

Name	Ownership	Jurisdiction of Incorporation	No. of Shares Outstanding	Location of Substantial Operating Assets	Restricted or Unrestricted
(1) Lennox Industries Inc.	Wholly-owned	Iowa	994,394 Common	United States	Restricted
(a) Products Acceptance Corp.	Wholly-owned	Iowa	3,500 Common	N/A	Restricted
(b) Lennox Industries (Canada) Ltd.	Wholly-owned	Canada	5,250 Pref. 36,210 Common	Ontario	Unrestricted
(c) Lennox Industries Ltd.	Wholly-owned	United Kingdom	300,000 Pref. 13,900 Ordinary	United Kingdom	Unrestricted
(i) Environheat Limited	Wholly-owned	United Kingdom	32,765 Ordinary	N/A	Unrestricted
(d) Lennox Industries SW Inc.	Wholly-owned	Iowa	1,000 Common	N/A	Restricted
(e) Lennox Australia Pty. Ltd.	Wholly-owned	Australia	500,000 Common	Australia	Unrestricted
(2) Heatcraft, Inc.	Wholly-owned	Mississippi	20 Common	United States	Restricted
(a) Heatcraft Technologies Inc.	Wholly-owned	Delaware	1,000 Common	United States	Restricted
(3) Armstrong Air Conditioning Inc.	Wholly-owned	Ohio	1,030 Common	United States	Restricted
(4) Lennox Foreign Sales Corp.	Wholly-owned	U.S. Virgin Islands	10 Common	N/A	Unrestricted
(5) Lennox Commercial Realty Inc.	Wholly-owned	Iowa	10 Common	United States	Restricted
(6) Lennox Global Ltd.	Wholly-owned	Delaware	1,000 Common	United States	Restricted

EXHIBIT C

LENNOX INTERNATIONAL INC.
DEBT
JULY 5, 1995

A. LENNOX INTERNATIONAL INC.

(1)	Agreement of Assumption and Restatement dated as of December 1, 1991 between Lennox International Inc. and the Noteholders identified at the end thereof, pursuant to which Lennox International delivered its:	
	9.60% Series D Promissory Notes due 1998	$ 16,250,000
	10.15% Series E Promissory Notes due 1998	3,714,287
	9.53% Series F Promissory Notes due 2001	21,000,000
	9.50% Series G Promissory Notes due 2001	23,250,000
	9.69% Series H Promissory Notes due 2003	44,200,000
		108,414,287
(2)	Revolving Credit Agreement dated as of December 1, 1991 among Lennox International Inc. and the Banks named on the signature pages thereof and The Northern Trust Company, as Agent	
	Total Outstanding	94,000,000
(3)	Note Purchase Agreement dated as of December 1, 1993 among Lennox International Inc. and the Noteholders identified at the end thereof, pursuant to which Lennox International delivered its 6.73% Senior Promissory Notes due 2008	100,000,000

B.	LENNOX INDUSTRIES INC.	
(1)	Promissory Note dated December 22, 1992 issued to Texas Housing Opportunity Fund, Ltd.	383,829
(2)	11.2% Promissory Note due December 31, 1996 to CIBC, Inc. (remaining balance due C$6,000,000), guaranteed by Lennox International Inc.	4,374,000
C.	LENNOX COMMERCIAL REALTY, INC. ("LCRI")	
	11.1% Mortgage Note Agreement with Texas Commerce Bank, N.A. due January 1, 2000, secured by mortgage on headquarters building and an assignment of the Lease between LCRI and Lennox Industries Inc.	9,598,678
D.	HEATCRAFT TECHNOLOGIES INC.	
	Non-interest bearing promissory notes, assigned and now payable to American Standard Inc. in connection with the Alliance Compressors joint venture; payment contingent upon the occurrence of certain future events.	20,000,000
	TOTAL OUTSTANDING DEBT	$336,770,794

EXHIBIT D

LENNOX INTERNATIONAL INC.
INVESTMENTS
JULY 5, 1995

A. Investments in Wholly-Owned Subsidiaries:

See Exhibit B

B. Investments in Joint Ventures:

(1)	Friga-Bohn S.A. (France) - stock, at cost (20% of outstanding stock held by Heatcraft Inc.)	$ 4,000,000
(2)	Frigus-Therme, S.A. de C.V. (Mexico) - stock, at cost (50% of outstanding stock held by Heatcraft Inc.)	$ 2,100,000
(3)	Alliance Compressors - 50% general partnership interest held by Heatcraft Technologies Inc., at cost	$22,500,000

EXHIBIT E

FORM OF OPINION OF COMPANY'S COUNSEL

July 6, 1995

Teachers Insurance and Annuity
Association
730 Third Avenue
New York, New York 10017
Attn: Securities Division

Lennox International Inc.
7.06% Senior Promissory Notes due 2005

Ladies and Gentlemen:

I am the Assistant General Counsel for Lennox International Inc., a Delaware corporation (the "Company"), and as such have acted as counsel to the Company in connection with (i) the issuance and sale by the Company of $20,000,000 in aggregate principal amount of its 7.06% Senior Promissory Notes due 2005 (the "Notes"), pursuant to the Note Purchase Agreement, dated as of July 6, 1995 (the "Agreement"), between the Company and you, and (ii) the purchase by you today of the Notes. This opinion is being furnished to you pursuant to Section 3.2 of the Agreement with the understanding that it will be relied upon by you in connection with the consummation of the transactions contemplated by the Agreement. Capitalized terms used herein without definition have the respective meanings attributed thereto in the Agreement.

In so acting, I have participated in the preparation of the Agreement and the Notes being delivered to you today. As to various factual matters relevant to this opinion, I have made such inquiries as I have deemed appropriate of other employees of the Company and its Subsidiaries and I have relied upon the information given to me by such employees. I have also examined and relied upon the representations and warranties as to factual matters contained in or made pursuant to this Agreement and have examined and relied upon the originals, or copies certified or otherwise identified to my satisfaction, of such records, documents, certificates and other instruments as in my judgment are necessary or appropriate to enable me to render the opinion expressed below. In such examination, I have assumed the genuineness of all signatures (other than signatures of officers of the Company), the due authorization, execution and delivery of the Agreement by you, the authenticity of all documents submitted to me as originals (other than the Agreement and the Notes), the conformity to original documents of all documents submitted to me as photostatic or certified copies and the authenticity of the originals of such latter documents.

Based upon the foregoing, I am of the opinion that:

1. Each of the Company and Lennox Industries Inc., Heatcraft Inc., and Armstrong Air Conditioning Inc. (the latter three together, the "Primary Operating Subsidiaries") is a corporation duly incorporated, validly existing and in good standing under the laws of the state of its incorporation and has the corporate power and authority to own or hold under lease the property it purports to own or hold under lease, and to transact the business it transacts and proposes to transact, and, in the case of the Company, to execute and deliver the Agreement and the Notes and to perform the provisions of the Agreement and the Notes.

2. Each of the Company and the Primary Operating Subsidiaries is duly qualified as a foreign corporation and in good standing in each jurisdiction (other than the jurisdiction of its incorporation) in which the character of the properties owned or held under lease by it or the nature of the business transacted by it requires such qualification and in which the failure to so qualify would materially affect adversely the business, operations or properties of the Company and its Subsidiaries taken as a whole, or the ability of the Company to perform the Agreement and discharge its obligations on the Notes.

3. The execution, delivery and performance by the Company of the Agreement and the Notes have been duly authorized by all necessary corporate action on the part of the Company (no action of shareholders being required therefor) and the Agreement and the Notes purchased by and delivered to you today have been duly executed and delivered by the Company.

4. The Agreement and the Notes constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except that such enforceability may be limited by (a) general principles of equity (regardless of whether relief is sought in an action at law or in equity) and (b) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws from time to time in effect affecting enforcement of creditors' rights generally.

5. There are no actions, suits or proceedings pending or, to the best of my knowledge, threatened against or affecting the Company or any Subsidiary or any of their respective properties in any court or before any arbitrator of any kind or before or by any Governmental Body (except actions, suits or proceedings of the character normally incident to the kind of business conducted by the Company and its Subsidiaries which in the aggregate, if adversely determined, would not materially affect adversely the business, operations or properties of the Company and its Subsidiaries taken as a whole, or the ability of the Company to perform the Agreement or discharge its obligations on the Notes).

6. The execution and delivery by the Company of the Agreement and the Notes, the consummation of the transactions contemplated by the Agreement and the performance of the terms and provisions of the Agreement and the Notes will not result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company under

its certificate of incorporation or by-laws or any indenture, mortgage, deed of trust, bank loan or credit agreement, or other material agreement or instrument to which the Company is a party or by which the Company or any of its properties may be bound or affected, or violate any existing law, governmental rule or regulation or any Order of any court, arbitrator or Governmental Body applicable to the Company.

7. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Body is required for the valid execution and delivery or for the performance by the Company of the Agreement or the Notes.

8. The offer, issue, sale and delivery of the Notes purchased by and delivered to you today, under the circumstances contemplated by the Agreement, constitute exempted transactions under the Securities Act, and neither the registration of such Notes thereunder nor the qualification of an indenture under the Trust Indenture Act of 1939, as amended, is required in connection with such offer, issue, sale and delivery of the Notes.

9. The issuance and sale of the Notes as contemplated by the Agreement will not involve any violations of Regulation G, T or X or any other rule or regulation of the Board of Governors of the Federal Reserve System pursuant to Section 7 of the Exchange Act.

10. The Company is not an investment company, or a person directly or indirectly controlled by or acting on behalf of an investment company, within the meaning of the Investment Company Act of 1940, as amended.

11. The Company is not a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

I express no opinion as to any laws other than the Federal laws of the United States of America, the General Corporation Law of the State of Delaware and the laws of the State of New York.

Very truly yours,

Anne W. Teeling

EXHIBIT F

FORM OF SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT, dated as of _____, _____ (this "Agreement"), is entered into by Lennox International Inc., a Delaware corporation (the "Company"), and [_____, a _____ corporation] (the "Subsidiary").

W I T N E S S E T H

WHEREAS, the Company has entered into the nine separate Agreements of Assumption and Restatement, each dated as of December 1, 1991 (the "Assumption Agreements"), between the Company and each of Teachers Insurance and Annuity Association of America, The Travelers Insurance Company, The Travelers Indemnity Company, The Travelers Life and Annuity Company, The Charter Oak Fire Insurance Company, Connecticut General Life Insurance Company, INA Life Insurance Company of New York, Tandem Insurance Group, Inc. and The Phoenix Insurance Company (the "Holders") pursuant to which the Company's Series B-H Senior Promissory Notes due 1996-2003 (the "Notes") were delivered;

WHEREAS, the Subsidiary is a subsidiary of the Company; and

WHEREAS, the Company and the Subsidiary desire to provide for the subordination described herein, for the benefit of the Holders and each holder from time to time of Senior Debt;

NOW THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree for the benefit of the Holders and each holder from time to time of Senior Debt:

1. Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

Debt: shall have the meaning given such term in the Assumption Agreements.

Senior Debt: shall mean

(i) all principal of, premium (if any) and interest on the following Senior Promissory Notes outstanding pursuant to the Assumption Agreements:

9.60% Series D Senior Promissory Notes due 1998,
10.15% Series E Senior Promissory Notes due 1998,
9.53% Series F Senior Promissory Notes due 2001,
9.50% Series G Senior Promissory Notes due 2001, and
9.69% Series H Senior Promissory Notes due 2003,

as the same may be from time to time amended, and any modification, extension, renewal, refunding or refinancing of any of the foregoing, and all other amounts payable under the Assumption Agreements;

(ii) all principal of, premium (if any) and interest on the Commitment Notes and the Offered Rate Notes outstanding from time to time pursuant to the Revolving Credit Agreement, dated as of December 4, 1991, among the Company, the banks named therein and The Northern Trust Company, as agent as the same may be from time to time amended, and any modification, extension, renewal, refunding or refinancing of any of the foregoing, and all other amounts payable under such Revolving Credit Agreement;

(iii) all principal of, premium (if any) and interest on the 6.73% Senior Promissory Notes outstanding pursuant to the nine separate Note Purchase Agreements dated December 1, 1993 between the Company and each of The Prudential Insurance Company of America, Connecticut General Life Insurance Company, Connecticut General Life Insurance Company, on behalf of one or more separate accounts, Life Insurance Company of North America, United of Omaha Life Insurance Company, Mutual of Omaha Insurance Company, Companion Life Insurance Company, United World Life Insurance Company and First Colony Life Insurance Company, as the same may be from time to time amended, and any modification, extension, renewal, refunding or refinancing of any of the foregoing, and all other amounts payable under such Note Purchase Agreements;

(iv) all principal of, premium (if any) and interest on the 7.06% Senior Promissory Notes outstanding pursuant to the Note Purchase Agreement dated July 6, 1995 between the Company and Teachers Insurance and Annuity Association of America, as the same may be from time to time amended, and any modification, extension, renewal, refunding or refinancing of any of the foregoing, and all other amounts payable under such Note Purchase Agreements; and

(v) for the purposes of Sections 4 and 5 hereof, any other indebtedness, not prohibited by Section 7.4 of the Assumption Agreements, designated by the Company or the Subsidiary as "Senior Debt" in any other subordination agreement.

Subordinated Debt: shall mean all Debt at any time owing by the Company to the Subsidiary.

2. Subordination. Payment of principal, premium, if any, and interest in respect of the Subordinated Debt shall be junior and subordinate and subject in right of payment to all Senior Debt as provided in this Agreement. The Company and the Subsidiary will mark their respective books of account to show that the Subordinated Debt is subordinated to Senior Debt in the manner and to the extent set forth in this Agreement.

3. Payments on Account of Subordinated Debt. Unless and until all Senior Debt shall have been paid in full, the Company will not make, and the Subsidiary will not demand, accept or receive, any direct or indirect payment (in cash, property, by set-off or otherwise) of or on account of any Subordinated Debt and no such payment shall be due, provided that if and so long as no Default or Event of Default (as defined in the Assumption Agreements) shall exist or would exist after giving effect to such payment, nothing contained in this Section 3 shall prevent the Company from making, or the Subsidiary from accepting and receiving, any payment of interest or of principal on the Subordinated Debt. Unless and until all Senior Debt shall have been paid in full, the Subsidiary will not declare any part of the Subordinated Debt to be due before its stated maturity, or commence any proceeding against the Company, or join with any creditor in any such proceeding, under any bankruptcy, reorganization, readjustment of debt, arrangement of debt, receivership, liquidation or insolvency law or statute of the Federal or any state government, unless the holders of Senior Debt shall also join in bringing such proceeding.

4. Insolvency, etc. In the event of (i) any insolvency or bankruptcy proceeding, or any receivership, liquidation, reorganization or other similar proceeding in connection therewith, relative to the Company or its creditors or property, or (ii) any proceeding for voluntary liquidation, dissolution or other winding up of the Company, whether or not involving insolvency or bankruptcy, or (iii) any assignment for the benefit of creditors of the Company, or (iv) any distribution, division, marshalling or application of any of the properties or assets of the Company or the proceeds thereof, to creditors, voluntary or involuntary, and whether or not involving legal proceedings, then and in any such event:

4.1 all Senior Debt (including any interest thereon accruing after the commencement of such proceedings) shall first be paid in full before any payment or distribution of any character, whether in cash, securities or other property, shall be made by the Company in respect of any Subordinated Debt;

4.2 all principal of, premium (if any) and interest on Subordinated Debt shall forthwith (notwithstanding the terms of Section 3) become due and payable, and any payment or distribution of any character, whether in cash, securities or other property, which would otherwise (but for the terms hereof) be payable or deliverable by the Company in respect of any Subordinated Debt (including any payment or distribution in respect of any Subordinated Debt by reason of any other indebtedness of the Company being subordinated to the Subordinated Debt) and any distribution of cash, property, stock or obligations which are issued pursuant to any order or decree of any court, or pursuant to reorganization, dissolution or liquidation proceedings (whether or not purporting to give effect to the subordination of

the Subordinated Debt to the Senior Debt), shall be paid or delivered directly to the holders of Senior Debt at the time outstanding (or their respective representatives), ratably according to the respective aggregate amounts remaining unpaid thereon, until all Senior Debt shall have been paid in full, and the Subsidiary irrevocably authorizes, empowers and directs all receivers, trustees, liquidators, conservators and others having authority in the premises to effect all such payments and deliveries;

4.3 the Subsidiary irrevocably authorizes and empowers (without imposing any obligation on) each holder of Senior Debt at the time outstanding and such holder's representatives to demand, sue for, collect and receive such holder's ratable share of all such payments and distributions and to receipt therefor, and to file and prove all claims therefor and take all such other action (including the right to vote such Senior Debt holder's ratable share of the Subordinated Debt) in the name of the Subsidiary or otherwise, as such Senior Debt holder or such holder's representatives may determine to be necessary or appropriate for the enforcement of this Section 4; and

4.4 the Subsidiary shall execute and deliver to each holder of Senior Debt and such holder's representatives all such further instruments confirming the above authorization, and all such powers of attorney, proofs of claim, assignments of claim and other instruments, and shall take all such other action, as may be reasonably requested by such holder or such holder's representatives in order to enable such holder to enforce all claims upon or in respect of such holder's ratable share of the Subordinated Debt.

5. Payments and Distributions Received. If the Subsidiary shall at any time receive any payment or distribution of any character on any Subordinated Debt (whether in cash, securities or other property) or any security for any Subordinated Debt in contravention of any of the terms hereof and before all Senior Debt shall have been paid in full, such payment or distribution or security shall be held in trust for the benefit of, and shall be paid over or delivered and transferred to, the holders of the Senior Debt at the time outstanding (or their respective representatives) for application to the payment of all Senior Debt remaining unpaid, ratably according to the respective aggregate amounts remaining unpaid thereon, to the extent necessary to pay all such Senior Debt in full. In the event of the failure of the Subsidiary to endorse or assign any such payment or distribution or security, each holder of Senior Debt and each such holder's representative are hereby irrevocably authorized to endorse or assign the same.

6. Excess Senior Debt Payment, Subrogation, etc. If cash, securities or other property otherwise payable or deliverable to the Subsidiary shall have been applied, pursuant to Section 4 or 5, to the payment of Senior Debt and all Senior Debt shall have been paid in full, then and in such case, the Subsidiary (i) shall be entitled to receive from the holders of the Senior Debt at the time outstanding any payments or distributions received by such Senior Debt holders in excess of the amount sufficient to pay all Senior Debt in full, and (ii) shall be subrogated to any rights of the holders of Senior Debt to receive all further payments or distributions applicable to the Senior Debt, until all principal of, premium (if any) and interest on the Subordinated Debt shall have been paid

in full. No payments or distributions received by the Subsidiary of cash, securities or other property, which otherwise would be paid or distributed to the holders of Senior Debt, shall, as between the Company and its creditors (other than the holders of the Senior Debt), on the one hand, and the Subsidiary, on the other hand, be deemed to be a payment by the Company on account of the Subordinated Debt.

7. No Security. So long as any of the Senior Debt shall not have been paid in full, the Company shall not, nor shall it permit any of its other subsidiaries to, give, and the Subsidiary shall not demand, accept or receive, any security, direct or indirect, for any Subordinated Debt.

8. Obligations Not Impaired. Nothing contained in this Agreement shall impair, as between the Company and the Subsidiary, the obligation of the Company, which is absolute and unconditional, to pay to the Subsidiary the principal thereof and the premium, if any, and interest on Subordinated Debt, all subject to the rights of the holders of Senior Debt under this Agreement.

9. Subordination Not Affected, etc. The terms of this Agreement, the subordination effected thereby and the rights of the holders of Senior Debt, shall not be affected by (i) any sale, assignment or other transfer of, or any amendment of or addition or supplement to any Senior Debt or any instrument or agreement relating thereto; (ii) any exercise or non-exercise of any right, power or remedy under or in respect of any Senior Debt or any instrument or agreement relating thereto; (iii) any sale, exchange, release or other transaction affecting all or any part of any property at any time pledged or mortgaged to secure, or however securing, Senior Debt; (iv) any waiver, consent, release, indulgence, extension, renewal, modification, delay or other action, inaction or omission, in respect of any Senior Debt or any instrument or agreement relating thereto; or (v) any application by any holder or holders of Senior Debt thereof of any amount or sum (by whomsoever paid or however realized) to Senior Debt, whether or not the Subsidiary shall have had notice or knowledge of any of the foregoing.

10. Payment in Full. For all purposes of this Agreement, Senior Debt shall not be deemed to have been paid in full unless the holders thereof (or their duly authorized representatives) shall have received cash or readily marketable securities, taken at their then market value, equal to the amount of Senior Debt at the time outstanding. This Agreement shall continue to be effective, or be reinstated, as the case may be, to the extent that payment of any of the Senior Debt is at any time rescinded or must otherwise be restored or returned by any holder of Senior Debt upon the occurrence of any event described in Section 4, or otherwise, all as though such payment had not been made.

11. Subordination a Condition to Consent to Holders of Senior Debt to Debt. The Subsidiary, by its acceptance hereof, agrees that the consent of each of the holders of the Senior Debt to the incurrence and/or maintenance outstanding by the Company of such indebtedness has been given in reliance upon the subordination of such indebtedness to the Senior Debt. The provisions of this Agreement are intended for the benefit of, and shall be directly enforceable by, the holders of Senior Debt.

12. Amendments, Waivers, etc. This Agreement may not be changed or waived except with the prior written consent of the holders of 66-2/3% in aggregate principal amount of the Notes at the time outstanding.

13. Law Governing. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New York without reference to the conflicts of law rules thereof.

14. Headings, etc. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect any of the terms hereof. Unless otherwise specified, any reference in this Agreement to a particular section or other subdivision shall be considered a reference to that section or other subdivision of this Agreement.

15. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

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

LENNOX INTERNATIONAL INC.

By:

Name:

Title:

[SUBSIDIARY]

By:

Name:

Title:

EXHIBIT G

[LETTERHEAD OF LENNOX INTERNATIONAL INC.]

July 6, 1995

Teachers Insurance and Annuity
Association of America
730 Third Avenue
New York, New York 10017
Attn: Securities Division

7.06% Senior Promissory Notes of Lennox International Inc. due 2005

Ladies and Gentlemen:

Reference is made to the Note Purchase Agreement dated as of July 6, 1995 (the "Note Agreement"), between Lennox International Inc. (the "Company") and Teachers Insurance and Annuity Association of America (together with its successors and assigns, the "Holders"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Note Agreement.

To induce the Holders and the Company to enter into the Note Agreement and in consideration thereof, the Holders and the Company hereby agree as follows:

(a) Amendment to Section 7.7 of the Note Agreement. Each of the Holders agrees that, in the event (a) an amendment of (i) Section 7.7 of all of the nine separate Agreements of Assumption and Restatement, dated as of December 1, 1991, among the Company and each of the Noteholders named therein (the "Assumption Agreements"), and (ii) any correlative terms in the Revolving Credit Agreement, dated as of December 4, 1991, among the Company, the Banks named therein, and The Northern Trust Company, as Agent (the "Revolving Credit Agreement"), whether by incorporation therein of Section 7.7 of the Assumption Agreements or otherwise, is effected so that the text thereof conforms to the text set forth in Annex 1 hereto, or (b) such provisions of the Assumption Agreements and the Revolving Credit Agreement cease to remain in effect, then upon receipt by the holders of two-thirds of the aggregate principal amount of the Notes outstanding at such time (the "Requisite Holders") of evidence satisfactory to such holders of execution and delivery of such amendment or of such cessation of effect of said provisions, as the case may be, the terms of the Note Agreement shall, without any further action on the part of the Company or any of the Holders, be deemed to be amended automatically so that the text set forth in Annex 1 hereto is substituted for Section 7.7 of the Note Agreement.

(b) Amendment to Section 7.12 of the Note Agreement. Each of the Holders agrees that, in the event (a) an amendment of (i) Section 7.12 of all of the Assumption Agreements and (ii) any correlative terms in the Revolving Credit Agreement, whether by incorporation therein of Section 7.12 of the Assumption Agreements or otherwise, is effected so that the text thereof conforms to the text set forth in Annex 2 hereto, or (b) such provisions of the Assumption Agreements and the Revolving Credit Agreement cease to remain in effect, then upon receipt by the Requisite Holders of evidence satisfactory to such holders of execution and delivery of such amendment or of such cessation of effect of said provisions, as the case may be, the terms of the Note Agreement shall, without any further action on the part of the Company or any of the Holders, be deemed to be amended automatically so that the text set forth in Annex 2 hereto is substituted for Section 7.12 of the Note Agreement.

THIS LETTER AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. This Letter Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Letter Agreement may be signed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument.

Nothing in this Letter Agreement shall be construed to contravene any of the rights of any of the Holders under Section 7.17 of the Note Agreement.

If the foregoing correctly describes our understanding with respect to the subject matter of this Letter Agreement, please execute this letter in the place indicated below.

Very truly yours,

LENNOX INTERNATIONAL INC.

By:

Clyde Wyant
Executive Vice President,
Chief Financial Officer
and Treasurer

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ACCEPTED AND AGREED:

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

By:

Name:

Title:

ANNEX 1

7.7. Sales and Leasebacks. The Company will not and will not permit any Restricted Subsidiary to, as part of the same transaction or series of related transactions, sell or otherwise transfer to any Person or Persons any item or items of property, whether now owned or hereafter acquired, having a book value in any one case or in the aggregate for all such property so transferred from and including the date hereof through the date of such transfer of more than fifteen percent (15%) of Net Worth if the Company or such Restricted Subsidiary shall then or thereafter, as part of the same transaction or series of related transactions, rent or lease as lessee, or similarly acquire the right to possession or use of such property, or one or more properties which it intends to use for the same purpose or purposes as such property.

ANNEX 2

7.12. Purchase of Notes Upon Change of Control. At least 15 Business Days (or, in the case of any transaction permitted by Section 7.10 or 7.11 resulting in a Change of Control, at least 45 days) and not more than 90 days prior to the occurrence of any Change of Control, the Company shall give written notice thereof to each holder of an outstanding Note in the manner and to the address specified for notices pursuant to this Section 7.12 for such holder in Schedule I or as otherwise specified by such holder in writing to the Company. Such notice shall contain (i) an offer by the Company to purchase, on the date of such Change of Control or, if such notice shall be delivered less than 35 days prior to the date of such Change of Control, on the date 35 days after the date of such notice (the "Purchase Date"), all Notes held by each such holder at a price equal to 100% of the principal amount thereof, together with interest accrued thereon to the Purchase Date, (ii) the estimated respective amounts of accrued interest payable to such holder in respect of such purchase, showing in each case in reasonable detail the calculation thereof and (iii) the Company's estimate of the date on which such Change of Control shall occur. Said offer shall be deemed to lapse as to any such holder which has not replied affirmatively thereto in writing within 35 days of the giving of such notice. As soon as practicable (and in any event at least 24 hours) prior to such Change of Control, the Company shall give written confirmation of the date thereof to each such holder which has affirmatively replied to the notice given pursuant to the first sentence of this Section 7.12. In the event that the Company shall purchase any Notes pursuant to this Section 7.12, the same shall thereafter be canceled and not reissued and shall not be deemed "outstanding" for any purpose of this Agreement.

For the purposes of this Section 7.12, a "Change of Control" shall be deemed to occur if any New Owner shall acquire beneficial ownership of shares in the Company having Voting Rights pertaining thereto which would allow such New Owner to elect more members of the Board than could be elected by the exercise of all Voting Rights pertaining to shares in the Company then owned beneficially by the Norris Family. As used in this Section 7.12:

(i) "Voting Rights" pertaining to shares of a corporation means the rights to cast votes for the election of directors of such corporation in ordinary circumstances (without consideration of voting rights which exist only in the event of contingencies).

(ii) "Norris Family" means all persons who are lineal descendants of D.W. Norris (by birth or adoption), all spouses of such descendants, all estates of such descendants or spouses which are in the course of administration, all trusts for the benefit of such descendants or spouses, and all corporations or other entities in which, directly or indirectly, such descendants or spouses (either alone or in conjunction with other such descendants or spouses) have the right, whether by ownership of stock or other equity interests or otherwise, to direct the management and policies of such corporations or other entities (each such person, spouse, estate, trust, corporation or entity being referred to herein as a "member" of the Norris Family). In addition, so long as any employee stock ownership plan exercises its

Voting Rights in the same manner as members of the Norris Family (exclusive of employee stock ownership plans) who have a majority of the Voting Rights exercised by all such members of the Norris Family, such employee stock ownership plan shall be deemed a member of the Norris Family.

(iii) "New Owner" means any person (other than a member of the Norris Family), or any syndicate or group of persons (exclusive of all members of the Norris Family) which would be deemed a "person" for the purposes of Section 13(d) of the Exchange Act, who directly or indirectly acquires shares in the Company.

Notwithstanding anything in this Section 7.12 to the contrary, if an Event of Default exists following a Change of Control and the Notes are accelerated pursuant to the provisions of Section 9.1, the holders of the Notes shall be entitled to receive the Special Premium relating to such accelerated amount as provided in Section 9.1.

EXHIBIT 10.4

[EXECUTION COUNTERPART]

LENNOX INTERNATIONAL INC.

6.56% Senior Notes due April 3, 2005

PPN 52610* AK 9

($25,000,000)

6.75% Senior Notes due April 3, 2008

PPN 52610* AL 7

($50,000,000)

NOTE PURCHASE AGREEMENT

Dated April 3,1998

TABLE OF CONTENTS

6.56% Senior Notes due April 3, 2005

6.75% Senior Notes due April 3, 2008

April 3, 1998

TO EACH OF THE PURCHASERS LISTED IN
THE ATTACHED SCHEDULE A:

Ladies and Gentlemen:

Lennox International Inc., a Delaware corporation (the "COMPANY"), agrees with you as follows:

1. AUTHORIZATION OF NOTES

The Company will authorize the issue and sale of $25,000,000 aggregate principal amount of its 6.56% Senior Notes due April 3, 2005 (the "6.56% NOTES") and $50,000,000 aggregate principal amount of its 6.75% Senior Notes due April 3, 2008 (the "6.75% NOTES" and, together with the 6.56% Notes, collectively, the "NOTES"; the terms "6.56% NOTES," "6.75% NOTES" and "NOTES" to include any notes issued in substitution therefor pursuant to Section 13 of this Agreement or the Other Agreements (as hereinafter defined)). The 6.56% Notes and the 6.75% Notes shall be substantially in the forms set out in Exhibits 1-A and 1-B, respectively, with such changes therefrom, if any, as may be approved by you and the Company. Certain capitalized terms used in this Agreement are defined in Schedule B; references to a "SCHEDULE" or an "EXHIBIT" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

2. SALE AND PURCHASE OF NOTES

Subject to the terms and conditions of this Agreement, the Company will issue and sell to you and you will purchase from the Company, at the Closing provided for in Section 3, Notes of the Series and in the principal amount specified opposite your name in Schedule A at the purchase price of 100% of the principal amount thereof. Contemporaneously with entering into this Agreement, the Company is entering into separate Note Purchase Agreements (the "OTHER AGREEMENTS") identical with this Agreement with each of the other purchasers named in Schedule A (the "OTHER PURCHASERS"), providing for the sale at such Closing to each of the Other Purchasers of Notes of the Series and in the principal amount specified opposite its name in Schedule A. Your obligation hereunder and the obligations of the Other Purchasers under the Other Agreements are several and not joint obligations and you shall have no obligation under

any Other Agreement and no liability to any Person for the performance or non-performance by any Other Purchaser thereunder.

3. CLOSING

The sale and purchase of the Notes to be purchased by you and the Other Purchasers shall occur at the offices of Baker & Botts, L.L.P., 2001 Ross Avenue, Dallas, Texas 75201, at 10:00 a.m., Dallas time, at a closing (the "CLOSING") on April 3, 1998 or on such other Business Day thereafter on or prior to April 8, 1998 as may be agreed upon by the Company and you and the Other Purchasers. At the Closing the Company will deliver to you the Notes to be purchased by you in the form of a single Note of the Series specified opposite your name in Schedule A (or such greater number of Notes in denominations of at least $5,000,000 as you may request) dated the date of the Closing and registered in your name (or in the name of your nominee), against delivery by you to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number 849820 at The Northern Trust Company, Chicago, Illinois, ABA #071000152. If at the Closing the Company shall fail to tender such Notes to you as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any rights you may have by reason of such failure or such nonfulfillment.

4. CONDITIONS TO CLOSING.

Your obligation to purchase and pay for the Notes to be sold to you at the Closing is subject to the fulfillment to your satisfaction, prior to or at the Closing, of the following conditions:

4.1. REPRESENTATIONS AND WARRANTIES.

The representations and warranties of the Company in this Agreement shall be correct when made and at the time of the Closing.

4.2. PERFORMANCE; NO DEFAULT.

The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Schedule 5.14) no Default or Event of Default shall have occurred and be continuing.

4.3. COMPLIANCE CERTIFICATES.

(a) Officer's Certificate. The Company shall have delivered to you an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) Secretary's Certificate. The Company shall have delivered to you a certificate certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Notes and the Agreements.

4.4. OPINIONS OF COUNSEL.

You shall have received opinions in form and substance satisfactory to you, dated the date of the Closing (a) from Anne W. Teeling, Assistant General Counsel for the Company, covering the matters set forth in Exhibit 4.4(a) and covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to you) and (b) from Baker & Botts, L.L.P., your special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(b) and covering such other matters incident to such transactions as you may reasonably request.

4.5. PURCHASE PERMITTED BY APPLICABLE LAW, ETC.

On the date of the Closing your purchase of Notes shall (i) be permitted by the laws and regulations of each jurisdiction to which you are subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (ii) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (iii) not subject you to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by you, you shall have received an Officer's Certificate certifying as to such matters of fact as you may reasonably specify to enable you to determine whether such purchase is so permitted.

4.6. SALE OF OTHER NOTES.

Contemporaneously with the Closing the Company shall sell to the Other Purchasers and the Other Purchasers shall purchase the Notes to be purchased by them at the Closing as specified in Schedule A.

4.7. PAYMENT OF SPECIAL COUNSEL FEES

Without limiting the provisions of Section 15.1, the Company shall have paid on or before the Closing the fees, charges and disbursements of your special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

4.8. PRIVATE PLACEMENT NUMBER.

A Private Placement number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for each Series of Notes.

4.9. CHANGES IN CORPORATE STRUCTURE

The Company shall not have changed its jurisdiction of incorporation or been a party to any merger or consolidation and shall not have succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

4.10. PROCEEDINGS AND DOCUMENTS.

All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

4.11 AMENDMENT OF EXISTING NOTE PURCHASE AGREEMENTS.

The Company, you and each of the Other Purchasers shall have executed and delivered at the Closing an amendment to the Existing Note Purchase Agreements, substantially in the form of Exhibit 4.11.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to you that:

5.1. ORGANIZATION; POWER AND AUTHORITY

The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Other Agreements and the Notes and to perform the provisions hereof and thereof.

5.2. AUTHORIZATION, ETC.

This Agreement and the Other Agreements and the Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

5.3. DISCLOSURE.

The Company, through its agent, SBC Warburg Dillon Read Inc., has delivered to you and each Other Purchaser a copy of a Confidential Private Placement Memorandum, dated February 1998 (the "MEMORANDUM"), relating to the transactions contemplated hereby. The Memorandum fairly describes, in all material respects, the general nature of the business and properties of the Company and its Restricted Subsidiaries. This Agreement, the Memorandum and the financial statements listed in Schedule 5.5, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Memorandum or in the financial statements listed in Schedule 5.5, since December 31, 1997, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any of its Subsidiaries except changes that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Memorandum or in the financial statements listed in Schedule 5.5.

5.4. ORGANIZATION AND OWNERSHIP OF SHARES OF SUBSIDIARIES

(a) Schedule 5.4 is (except as noted therein) a complete and correct list of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, and specifying whether such Subsidiary is designated a Restricted Subsidiary.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).

(c) Each Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

5.5. FINANCIAL STATEMENTS.

The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries, and of the Company and its Restricted Subsidiaries, as of the respective dates specified in such Schedule and the consolidated

results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments).

5.6. COMPLIANCE WITH LAWS, OTHER INSTRUMENTS, ETC.

The execution, delivery and performance by the Company of this Agreement and the Notes will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other Material agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

5.7. GOVERNMENTAL AUTHORIZATIONS, ETC.

No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Notes.

5.8. LITIGATION; OBSERVANCE OF STATUTES AND ORDERS

(a) There are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

5.9. TAXES.

The Company and its Subsidiaries have filed all income tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments payable by them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good

faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Federal income tax liabilities of the Company and its Subsidiaries have been determined by the Internal Revenue Service and paid for all fiscal years up to and including the fiscal year ended December 31, 1992.

5.10. TITLE TO PROPERTY; LEASES.

The Company and its Subsidiaries have good and sufficient title to their respective Material properties, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement, except for those defects in title and Liens that, individually or in the aggregate, would not have a Material Adverse Effect. All Material leases are valid and subsisting and are in full force and effect in all material respects.

5.11. LICENSES, PERMITS, ETC.

The Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that are Material, without known conflict with the rights of others, except for those conflicts that, individually or in the aggregate, would not have a Material Adverse Effect.

5.12. COMPLIANCE WITH ERISA.

(a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that would reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate accrued plan benefit liabilities under each of the Plans that are subject to Title IV of ERISA (other than Multiemployer Plans), determined in accordance with Financial Accounting Standards Board Statement No. 87 as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by more than $3,000,000 in the case of any single Plan and by more than $3,000,000 in the aggregate for all Plans.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries was approximately $18,733,000 as of December 31, 1997.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of your representation in Section 6.2 as to the sources of the funds to be used to pay the purchase price of the Notes to be purchased by you.

5.13. PRIVATE OFFERING BY THE COMPANY

Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than you, the Other Purchasers and not more than five other Institutional Investors, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act.

5.14. USE OF PROCEEDS; MARGIN REGULATIONS

The Company will apply the proceeds of the sale of the Notes as set forth in Schedule 5.14. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 5% of the value of the consolidated assets of the Company and its Restricted Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 5% of the value of such assets. As used in this Section, the terms "MARGIN STOCK" and "PURPOSE OF BUYING OR CARRYING" shall have the meanings assigned to them in said Regulation U.

5.15. EXISTING INDEBTEDNESS.

Except as described therein, Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Restricted Subsidiaries (other than Indebtedness of Restricted Subsidiaries to the Company or other Wholly-Owned Restricted Subsidiaries) as of January 31, 1998, since which date there has been no Material change in the

amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Company or its Restricted Subsidiaries. Neither the Company nor any Restricted Subsidiary is in default, and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Restricted Subsidiary, and no event or condition exists with respect to any Indebtedness of the Company or any Restricted Subsidiary the outstanding principal amount of which exceeds $3,000,000 in the aggregate that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment. To the knowledge of the Responsible Officers of the Company, no event or condition exists with respect to any Indebtedness of the Company or any Restricted Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

5.16. FOREIGN ASSETS CONTROL REGULATIONS, ETC.

Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

5.17. STATUS UNDER CERTAIN STATUTES.

Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, the Interstate Commerce Act, as amended, or the Federal Power Act, as amended.

6. REPRESENTATIONS OF THE PURCHASER.

6.1. PURCHASE FOR INVESTMENT.

You represent that you are purchasing the Notes for your own account or for one or more separate accounts maintained by you or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of your or their property shall at all times be within your or their control. You understand that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

6.2. SOURCE OF FUNDS.

You represent that at least one of the following statements is an accurate representation as to each source of funds (a "SOURCE") to be used by you to pay the purchase price of the Notes to be purchased by you hereunder:

(a) the Source is an "INSURANCE COMPANY GENERAL ACCOUNT" (as the term is defined in PTCE 95-60 (issued July 12, 1995)) in respect of which the reserves and liabilities (as

defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners (the "NAIC ANNUAL STATEMENT")) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTCE 95- 60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with your state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with your fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account or to any participant or beneficiary of such plan (including any annuitant), are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTCE 90-1 (issued January 29, 1990), or (ii) a bank collective investment fund, within the meaning of the PTCE 91-38 (issued July 12, 1991) and, except as you have disclosed to the Company in writing pursuant to this paragraph (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an "INVESTMENT FUND" (within the meaning of Part V of the QPAM Exemption) managed by a "QUALIFIED PROFESSIONAL ASSET MANAGER" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "CONTROL" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this paragraph (d); or

(e) the Source is a governmental plan; or

(f) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this paragraph (f); or

(g) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms "EMPLOYEE BENEFIT PLAN", "GOVERNMENTAL PLAN", "PARTY IN INTEREST" and "SEPARATE ACCOUNT" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

7. INFORMATION AS TO COMPANY.

7.1. FINANCIAL AND BUSINESS INFORMATION.

The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) Quarterly Statements -- within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of

(i) consolidated and consolidating balance sheets of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated and consolidating statements of income, changes in shareholders' equity and cash flows of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

all in reasonable detail and setting forth, in the case of such consolidated statements, in comparative form the figures for the corresponding periods in the previous fiscal year, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, provided that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 7.1(a); provided further that if such Form 10-Q does not contain consolidating information for the Company and its Restricted Subsidiaries, the Company shall also deliver to each such holder the consolidating information described in this Section 7.1(a);

(b) Annual Statements -- within 120 days after the end of each fiscal year of the Company, duplicate copies of

(i) consolidated and consolidating balance sheets of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated and consolidating statements of income, changes in shareholders' equity and cash flows of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries, for such year;

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied, (1) in the case of the consolidated statements, by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and (2) in the case of the consolidating

statements, either certified by a Senior Financial Officer as fairly stating, or accompanied by a report thereon by such accountants containing a statement to the effect that such consolidating financial statements fairly state, the financial position and the results of operations and cash flows of the companies being reported upon in all material respects in relation to the consolidated financial statements for the periods indicated as a whole; provided that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of clauses (i) and (ii) of this Section 7.1(b); provided further that if such Form 10-K does not contain consolidating information for the Company and its Restricted Subsidiaries, the Company shall also deliver to each such holder the consolidating information described in this Section 7.1(b); and

(iii) a certificate of such accountants stating that in making the examination for such report, they have obtained no knowledge of any Default or Event of Default, or, if they have obtained knowledge of any Default or Event of Default, specifying the nature and period of existence thereof and the action the Company has taken or proposes to take with respect thereto.

(c) SEC and Other Reports - if the Company or any Restricted Subsidiary shall be required to file reports with the Securities and Exchange Commission, promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Restricted Subsidiary to public securities holders generally, and (ii) each regular or periodic report, each registration statement that shall have become effective (without exhibits except as expressly requested by such holder), and each final prospectus and all amendments thereto filed by the Company or any Restricted Subsidiary with the Securities and Exchange Commission;

(d) Notice of Default or Event of Default -- promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) ERISA Matters -- promptly, and in any event within five days after a Responsible Officer becomes aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof and the potential cost to the Company or such ERISA Affiliate resulting therefrom exceeds $500,000; or

(ii) the taking by the PBGC of steps to institute, or the threatening in writing by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, would reasonably be expected to have a Material Adverse Effect; and

(f) Requested Information -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Restricted Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of Notes.

7.2. OFFICER'S CERTIFICATE.

Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Section 10.3 through Section 10.9 hereof, inclusive, and with all Additional Covenants, if any, that involve calculations during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section or Additional Covenant, as the case may be, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections or Additional Covenants, as the case may be, and the calculation of the amount, ratio or percentage then in existence);

(b) Event of Default -- a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto;

(c) Management's Discussion and Analysis -- a written discussion and analysis by management of the financial condition and results of operations of the lines of business conducted by each material Restricted Subsidiary for such accounting period; and

(d) Litigation -- a written statement that, to the best of such Officer's knowledge after due inquiry, except as otherwise disclosed in writing to you, there is no litigation (including derivative actions), arbitration proceeding or governmental proceeding pending to which the

Company or any Subsidiary is a party, or with respect to the Company or any Subsidiary or their respective properties, which has a significant possibility of materially and adversely affecting the business, operations, properties or condition of the Company or of the Company and its Subsidiaries taken as a whole.

7.3. INSPECTION; CONFIDENTIALITY.

The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Restricted Subsidiaries with the Company's officers and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Restricted Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing;

(b) Default -- if a Default or Event of Default then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested; and

(c) Technical Data - anything herein to the contrary notwithstanding, neither the Company nor any of its Subsidiaries shall have any obligations to disclose pursuant to this Agreement any engineering, scientific, or other technical data without significance to your analysis of the financial position of the Company and its Subsidiaries.

8. PREPAYMENT OF THE NOTES.

8.1. REQUIRED PREPAYMENTS.

There are no required prepayments with respect to the Notes.

8.2. OPTIONAL PREPAYMENTS WITH MAKE-WHOLE AMOUNT.

The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes, in an amount not less than $5,000,000 of the aggregate principal amount of the Notes then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, plus the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes written notice of each optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date, the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with

Section 8.3), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

8.3. ALLOCATION OF PARTIAL PREPAYMENTS.

In the case of each partial prepayment of the Notes, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

8.4. MATURITY; SURRENDER, ETC.

In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and canceled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

8.5. PURCHASE OF NOTES.

The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except (a) upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes or (b) pursuant to Section 9.6. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to Section 9.6 or any other provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

8.6. MAKE-WHOLE AMOUNT.

The term "MAKE-WHOLE AMOUNT" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero, and provided, further, that separate calculations of the Make-Whole Amount shall be made for the 6.56% Notes and the 6.75% Notes. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"CALLED PRINCIPAL" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"DISCOUNTED VALUE" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"REINVESTMENT YIELD" means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "PAGE 678" on the Telerate Access Service (or such other display as may replace Page 678 on Telerate Access Service) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable, the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the duration closest to and greater than the Remaining Average Life and (2) the actively traded U.S. Treasury security with the duration closest to and less than the Remaining Average Life.

"REMAINING AVERAGE LIFE" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"REMAINING SCHEDULED PAYMENTS" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2 or 12.1.

"SETTLEMENT DATE" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

9.1. COMPLIANCE WITH LAW.

The Company will and will cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not reasonably be expected, individually or in the aggregate, to have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Restricted Subsidiaries taken as a whole.

9.2. INSURANCE.

The Company will and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

9.3. MAINTENANCE OF PROPERTIES.

The Company will and will cause each of its Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance would not, individually or in the aggregate, have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Restricted Subsidiaries taken as a whole.

9.4. PAYMENT OF TAXES.

The Company will and will cause each of its Subsidiaries to file all income tax or similar tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental

charges, or levies payable by any of them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, provided that neither the Company nor any Subsidiary need pay any such tax or assessment if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes and assessments in the aggregate would not reasonably be expected to have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Restricted Subsidiaries taken as a whole.

9.5. CORPORATE EXISTENCE, ETC.

The Company will at all times preserve and keep in full force and effect its corporate existence. Subject to Sections 10.2 and 10.3, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Restricted Subsidiaries (unless merged into the Company or a Restricted Subsidiary) and all rights and franchises of the Company and its Restricted Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not, individually or in the aggregate, have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Restricted Subsidiaries taken as a whole.

9.6 PURCHASE OF NOTE UPON CHANGE OF CONTROL.

At least 15 Business Days (or, in the case of any transaction permitted by Section 10.2 resulting in a Change of Control, at least 45 days) and not more than 90 days prior to the occurrence of any Change of Control, the Company will give written notice thereof to each holder of an outstanding Note in the manner and to the address specified for notices pursuant to this Section 9.6 for such holder in Schedule A or as otherwise specified by such holder in writing to the Company. Such notice shall contain (i) an offer by the Company to purchase, on the date of such Change of Control or, if such notice shall be delivered less than 35 days prior to the date of such Change of Control, on the date 35 days after the date of such notice (the "PURCHASE DATE"), all Notes held by each such holder at a price equal to 100% of the principal amount thereof, together with interest accrued thereon to the Purchase Date, (ii) the estimated amount of accrued interest, showing in reasonable detail the calculation thereof and (iii) the Company's estimate of the date on which such Change of Control shall occur. Said offer shall be deemed to lapse as to any such holder which has not replied affirmatively thereto in writing within 35 days of the giving of such notice. As soon as practicable (and in any event at least 24 hours) prior to such Change of Control, the Company shall give written confirmation of the date thereof to each such holder which has affirmatively replied to the notice given pursuant to the first sentence of this Section 9.6. In the event that the Company shall purchase any Notes pursuant to this Section 9.6, the same shall thereafter be canceled and not reissued and shall not be deemed "OUTSTANDING" for any purpose of this Agreement.

For the purposes of this Section 9.6, a "CHANGE OF CONTROL" shall be deemed to occur if any New Owner shall acquire beneficial ownership of shares in the Company having Voting Rights pertaining thereto which would allow such New Owner to elect more members of the

board of directors than could be elected by the exercise of all Voting Rights pertaining to shares in the Company then owned beneficially by the Norris Family. As used in this Section 9.6:

(i) "VOTING RIGHTS" pertaining to shares of a corporation means the rights to cast votes for the election of directors of such corporation in ordinary circumstances (without consideration of voting rights which exist only in the event of contingencies).

(ii) "NORRIS FAMILY" means all persons who are lineal descendants of D.W. Norris (by birth or adoption), all spouses of such descendants, all estates of such descendants or spouses which are in the course of administration, all trusts for the benefit of such descendants or spouses, and all corporations or other entities in which, directly or indirectly, such descendants or spouses (either alone or in conjunction with other such descendants or spouses) have the right, whether by ownership of stock or other equity interests or otherwise, to direct the management and policies of such corporations or other entities (each such person, spouse, estate, trust, corporation or entity being referred to herein as a "MEMBER" of the Norris Family). In addition, so long as any employee stock ownership plan exercises its Voting Rights in the same manner as members of the Norris Family (exclusive of employee stock ownership plans) who have a majority of the Voting Rights exercised by all such members of the Norris Family, such employee stock ownership plan shall be deemed a member of the Norris Family.

(iii) "NEW OWNER" means any person (other than a member of the Norris Family), or any syndicate or group of persons (exclusive of all members of the Norris Family) which would be deemed a "PERSON" for the purposes of Section 13(d) of the Exchange Act, who directly or indirectly acquires shares in the Company.

Notwithstanding anything in this Section 9.6 to the contrary, if an Event of Default exists following a Change of Control and the Notes are accelerated pursuant to the provisions of Section 12.1, the holders of the Notes shall be entitled to receive the Make-Whole Amount relating to such accelerated amount as provided in Section 12.1.

9.7. MOST FAVORED LENDER'S STATUS.

The Company will not and will not permit any Restricted Subsidiary to enter into, assume or otherwise be bound or obligated under any agreement creating or evidencing Indebtedness or any agreement executed and delivered in connection with any Indebtedness containing one or more Additional Covenants or Additional Defaults (as defined below), unless prior written consent to such agreement shall have been obtained pursuant to Section 17; provided, however, in the event the Company or any Restricted Subsidiary shall enter into, assume or otherwise become bound by or obligated under any such agreement without the prior written consent of the holders of the Notes, the terms of this Agreement shall, without any further action on the part of the Company or any of the holders of the Notes, be deemed to be amended automatically to include each Additional Covenant and each Additional Default contained in such agreement. The Company further covenants to promptly execute and deliver at its expense an amendment to this Agreement in form and substance satisfactory to the Required Holders

evidencing the amendment of this Agreement to include such Additional Covenants and Additional Defaults, provided that the execution and delivery of such amendment shall not be a precondition to the effectiveness of such amendment as provided for in this Section 9.7, but shall merely be for the convenience of the parties hereto.

For purposes of this Agreement, (i) the term "ADDITIONAL COVENANT" shall mean any affirmative or negative covenant or similar restriction applicable to the Company or any Restricted Subsidiary (regardless of whether such provision is labeled or otherwise characterized as a covenant) the subject matter of which either (A) is similar to that of the covenants in Section 9 or 10 of this Agreement, or related definitions in Schedule B to this Agreement, but contains one or more percentages, amounts or formulas that is more restrictive than those set forth herein or more beneficial to the holder or holders of such other Indebtedness (and such covenant or similar restriction shall be deemed an "ADDITIONAL COVENANT" only to the extent that it is more restrictive or more beneficial) or (B) is different from the subject matter of the covenants in Section 9 or 10 of this Agreement, or related definitions in Schedule B to this Agreement; and (ii) the term "ADDITIONAL DEFAULT" shall mean any provision which permits the holder of such Indebtedness to accelerate (with the passage of time or giving of notice or both) the maturity thereof or otherwise require the Company or any Restricted Subsidiary to purchase such Indebtedness prior to the stated maturity of such Indebtedness and which either (A) is similar to the Defaults and Events of Default contained in Section 11 of this Agreement, or related definitions in Schedule B to this Agreement, but contains one or more percentages, amounts or formulas that is more restrictive or has a shorter grace period than those set forth herein or is more beneficial to the holder or holders of such other Indebtedness (and such provision shall be deemed an "ADDITIONAL DEFAULT" only to the extent that it is more restrictive, has a shorter grace period or is more beneficial) or (B) is different from the subject matter of the Defaults and Events of Default contained in Section 11 of this Agreement, or related definitions in Schedule B to this Agreement.

Notwithstanding anything herein to the contrary, until the earlier of (a) July 1, 1998 or (b) the amendment of such Revolving Credit Agreement on or after the date hereof, this Section 9.7 shall not apply to the Revolving Credit Agreement dated as of December 4, 1991, as amended prior to the date hereof, among the Company, the banks named on the signature pages thereof, and The Northern Trust Company, as agent.

9.8. COVENANT TO SECURE NOTES EQUALLY.

If the Company shall create, assume or permit to exist any Lien upon any of its property or assets, or permit any Restricted Subsidiary to create, assume or permit to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, other than those Liens permitted by the provisions of Section 10.5, the Company shall make or cause to be made effective provision whereby the Notes will be secured equally and ratably with any and all other obligations thereby secured, with the documentation for such security to be reasonably satisfactory to the Required Holders and, in any such case, the Notes shall have the benefit, to the fullest extent that, and with such priority as, the holders of the Notes may be entitled under applicable law, of an equitable Lien on such property. Any violation of Section 10.5 will

constitute an Event of Default, whether or not provision is made for an equal and ratable Lien pursuant to this Section 9.8.

9.9. ENVIRONMENTAL MATTERS.

(a) The Company will and will cause each of its Subsidiaries to comply in all material respects with all applicable Environmental Laws if, individually or in the aggregate, failure to comply therewith could reasonably be expected to have a material adverse effect on the financial condition or results of operations of the Company or the Company and its Subsidiaries, taken as a whole.

(b) The Company will not and will not permit any of its Subsidiaries to cause or allow any Hazardous Substance to be present at any time on, in, under or above any real property or any part thereof in which the Company or any Subsidiary has a direct interest (including without limitation ownership thereof or any arrangement for the lease, rental or other use thereof, or the retention of any mortgage or security interest therein or thereon), except in a manner and to an extent that is in compliance in all material respects with all applicable Environmental Laws or that will not have a material adverse effect on the financial condition or results of operations of the Company or the Company and its Subsidiaries, taken as a whole.

10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

10.1. TRANSACTIONS WITH AFFILIATES.

The Company will not permit any Restricted Subsidiary to enter into directly or indirectly any Material transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Restricted Subsidiary), except pursuant to the reasonable requirements of the Company's or such Restricted Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Restricted Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

10.2. MERGER, CONSOLIDATION, ETC.

The Company will not consolidate with or merge with any other corporation or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to any Person unless:

(a) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease substantially all of the assets of the Company as an entirety, as the case may be, shall be a solvent corporation organized and existing under the laws of the United States or any State thereof (including the District of Columbia), and, if the Company is not such corporation, such corporation shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement, the Other Agreements and the Notes, together

with a favorable opinion of counsel satisfactory to each such holder covering such matters relating to such corporation and such assumption as such holder may reasonably request; and

(b) immediately after giving effect to such transaction, no Default or Event of Default would exist;

(c) immediately prior to and after giving effect to such transaction, the Company or such successor, as the case may be, would be permitted by the provisions of Sections 10.4 and 10.9 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively; and

(d) in the case of any such transaction which would involve or result in a Change of Control, the Company shall have complied with Section 9.6.

No such conveyance, transfer or lease of substantially all of the assets of the Company shall have the effect of releasing the Company or any successor corporation that shall theretofore have become such in the manner prescribed in this Section 10.2 from its liability under this Agreement or the Notes.

10.3. SALE OF ASSETS, ETC.

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Transfer, provided that the foregoing restriction does not apply to a Transfer if:

(a) the property that is the subject of such Transfer constitutes either (i) inventory held for sale, or (ii) equipment, fixtures, supplies or materials no longer required in the operation of the business of the Company or such Restricted Subsidiary or that is obsolete, and, in the case of any Transfer described in clause (i) or (ii), such Transfer is in the ordinary course of business (each such Transfer, an "ORDINARY COURSE TRANSFER"); or

(b) such Transfer is from

(i) a Restricted Subsidiary to the Company or another Restricted Subsidiary, or

(ii) the Company to a Restricted Subsidiary, or

(iii) the Company to a Subsidiary (other than a Restricted Subsidiary) or from a Restricted Subsidiary to another Subsidiary (other than a Restricted Subsidiary) and in either case is for Fair Market Value, so long as immediately before and immediately after the consummation of such transaction, and after giving effect thereto, no Default or Event of Default exists or would exist (each such Transfer, an "INTERGROUP TRANSFER");

(c) such Transfer is not an Ordinary Course Transfer or an Intergroup Transfer (such Transfers collectively referred to as "EXCLUDED TRANSFERS"), and all of the following conditions shall have been satisfied with respect thereto (the date of the consummation of such Transfer being referred to herein as the "PROPERTY DISPOSITION DATE"):

(i) the book value of the assets included in such Transfer, together with the book value of the assets included in all other Transfers (other than Excluded Transfers) during the fiscal year which includes the Property Disposition Date, shall not exceed fifteen percent (15%) of Consolidated Assets as of the end of the most recent fiscal year;

(ii) the book value of the assets included in such Transfer, together with the book value of the assets included in all other Transfers (other than Excluded Transfers) from January 1, 1998 through the Property Disposition Date, shall not exceed thirty percent (30%) of Consolidated Assets as of the end of the most recent fiscal year; and

(iii) immediately after giving effect to such Transfer, no Default or Event of Default would exist and the Company would be permitted by the provisions of Sections 10.4 and 10.9 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

If, within twelve (12) months after the Property Disposition Date, the Company or a Restricted Subsidiary acquires assets similar to the assets included in the Transfer, then, only for the purpose of determining compliance with Sections 10.3(c)(i) and (ii), the lesser of the book value of the assets acquired or the book value of the assets included in the Transfer shall not be taken into account.

10.4. INCURRENCE OF INDEBTEDNESS.

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume, guarantee, or otherwise become directly or indirectly liable with respect to any Indebtedness, unless on the date the Company or such Restricted Subsidiary becomes liable with respect to any such Indebtedness and immediately after giving effect thereto and to the substantially concurrent retirement of any other Indebtedness,

(a) no Default or Event of Default would exist, and

(b) Consolidated Indebtedness would not exceed sixty percent (60%) of Consolidated Capitalization.

For purposes of this Section 10.4, any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have incurred all of its then outstanding Indebtedness at the time it becomes a Restricted Subsidiary.

10.5. LIENS.

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Company or any such Restricted Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom, or assign or otherwise convey any right to receive income or profits, except:

(a) Liens for taxes, assessments or other governmental charges the payment of which is not at the time required by Section 9.4;

(b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other similar Liens, in each case, incurred in the ordinary course of business for sums not yet due;

(c) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business (i) in connection with workers' compensation, unemployment insurance and other types of social security or retirement benefits, or (ii) to secure (or to obtain letters of credit that secure) the performance of tenders, statutory obligations, surety bonds, appeal bonds, bids, leases (other than Capital Leases), performance bonds, purchase, construction or sales contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property;

(d) any attachment or judgment Lien, unless the judgment or other obligation it secures (i) shall not, within ninety (90) days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within ninety (90) days after the expiration of any such stay or (ii) exceeds, together with the amounts of all other obligations secured by attachment or judgment Liens at the time existing in respect of property of the Company and its Restricted Subsidiaries, $5,000,000;

(e) leases or subleases granted to others, easements, rights-of-way, restrictions and other similar charges or encumbrances, in each case incidental to, and not interfering with, the ordinary conduct of the business of the Company or any of its Restricted Subsidiaries, provided that such Liens do not, in the aggregate, materially detract from the value of such property;

(f) Liens on property or assets of the Company or any of its Restricted Subsidiaries securing Indebtedness or other obligations owing to the Company or to a Wholly Owned Restricted Subsidiary;

(g) Liens existing on the date of this Agreement on the building referred to in item C of Schedule 5.15 and securing the Indebtedness referred to in item C of Schedule 5.15;

(h) any Lien renewing, extending or refunding any Lien permitted by Subsection (g) above, provided that (i) the principal amount of Indebtedness secured by such Lien immediately prior to such extension, renewal or refunding is not increased or the maturity thereof reduced, (ii) such Lien is not extended to any other property, and (iii) immediately after such extension, renewal or refunding no Default or Event of Default would exist and the Company would be permitted by the provisions of Sections 10.4 and 10.9 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively; and

(i) other Liens not otherwise permitted by Subsections (a) through (h) above, provided that (i) the total obligations secured by such other Liens shall not exceed 10% of Consolidated Capitalization and (ii) immediately after giving effect to the creation thereof, the Company would be permitted by the provisions of Sections 10.4 and 10.9 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

For purposes of this Section 10.5, any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have incurred all of its then outstanding Liens at the time it becomes a Restricted Subsidiary, and any Person extending, renewing or refunding any Indebtedness secured by any Lien shall be deemed to have incurred such Lien at the time of such extension, renewal or refunding.

10.6. RESTRICTED PAYMENTS.

The Company will not, and will not permit any of its Restricted Subsidiaries to, declare or make, or incur any liability to declare or make, any Restricted Payment, unless immediately after giving effect to such action:

(a) no Default or Event of Default would exist; and

(b) the Company would be permitted by the provisions of Sections 10.4 and 10.9 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

10.7. CONSOLIDATED NET WORTH.

The Company will not permit Consolidated Net Worth as at the last day of any fiscal quarter of the Company to be less than the sum of (a) $261,000,000, plus (b) 15% of its aggregate Consolidated Net Income (but only if a positive number) for the period beginning April 1, 1998 and ending at the end of each fiscal quarter thereafter.

10.8. LIMITATION ON DIVIDEND RESTRICTIONS, ETC.

The Company will not permit any Restricted Subsidiary to enter into, adopt, create or otherwise be or become bound by or subject to any contract or charter or by-law provision limiting the amount of, or otherwise imposing restrictions on the declaration, payment or setting aside of funds for the making of, dividends or other distributions in respect of the capital stock of such Restricted Subsidiary to the Company or another Restricted Subsidiary.

10.9. LIMITATION ON RESTRICTED INDEBTEDNESS.

The Company will not at any time permit the aggregate amount of Restricted Indebtedness to exceed 10% of Consolidated Capitalization.

10.10. PREFERRED STOCK OF RESTRICTED SUBSIDIARIES.

The Company will not permit any Restricted Subsidiary to issue or permit to remain outstanding any Preferred Stock unless such Preferred Stock is issued to and at all times owned and held by the Company or a Wholly- Owned Restricted Subsidiary.

10.11. NO REDESIGNATION OF RESTRICTED SUBSIDIARIES.

The Company will not designate any Restricted Subsidiary as, or take or permit to be taken any action that would cause any Restricted Subsidiary to become, an Unrestricted Subsidiary.

11. EVENTS OF DEFAULT.

An "EVENT OF DEFAULT" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in Section 7.1(d), 9.6 or 10.2 through 10.11; or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) or any Additional Covenant and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "NOTICE OF DEFAULT" and to refer specifically to this paragraph (d) of Section 11); or

(e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Restricted Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $5,000,000 beyond any period of grace provided with respect thereto, or (ii) the Company or any Restricted Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least $5,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared due and payable before its stated maturity or before its regularly scheduled dates of payment; or

(g) the Company or any Restricted Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Restricted Subsidiaries, a custodian,

receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Restricted Subsidiaries, or any such petition shall be filed against the Company or any of its Restricted Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of $5,000,000 are rendered against one or more of the Company and its Restricted Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) if (i) any Plan subject to the minimum funding standards of ERISA or the Code shall fail to satisfy such standards for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate amount of unfunded accrued plan benefit liabilities under all Plans subject to Title IV of ERISA, determined in accordance with Financial Accounting Standards Board Statement No. 87 or 132, as the case may be, as of the end of such Plans' most recently ended plan year on the basis of actuarial assumptions specified for funding purposes in such Plans' most recent actuarial valuation report, shall exceed $5,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Restricted Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Restricted Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, would reasonably be expected to have a Materially Adverse Effect.

As used in Section 11(j), the terms "EMPLOYEE BENEFIT PLAN" and "EMPLOYEE WELFARE BENEFIT PLAN" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

12. REMEDIES ON DEFAULT, ETC.

12.1. ACCELERATION.

(a) If an Event of Default with respect to the Company described in paragraph (g) or (h) of Section 11 (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 66 2/3% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon and (y) the Make-Whole Amount determined in respect of such principal amount, shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

12.2. OTHER REMEDIES.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

12.3. RESCISSION.

At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the holders of not less than 66 2/3% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and any overdue interest in respect of the Notes, at the Default Rate, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

12.4. WAIVERS OR ELECTION OF REMEDIES, EXPENSES, ETC.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

13.1. REGISTRATION OF NOTES.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

13.2. TRANSFER AND EXCHANGE OF NOTES.

Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or his attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) of the same Series in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit 1-A or Exhibit 1-B, as the case may be. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $2,000,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $2,000,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2.

13.3. REPLACEMENT OF NOTES.

Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least $100,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver, in lieu thereof, a new Note of the same Series, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

14. PAYMENTS ON NOTES.

14.1. PLACE OF PAYMENT.

Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in New York, New York, at the principal office of The Chase Manhattan Bank in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

14.2. HOME OFFICE PAYMENT.

So long as you or your nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, purchase price, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below your name in Schedule A, or by such other method or at such other address as you shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by you or your nominee you will, at your election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by you under this Agreement and that has made the same agreement relating to such Note as you have made in this Section 14.2.

15. EXPENSES, ETC.

15.1. TRANSACTION EXPENSES.

Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required, local or other counsel) incurred by you and each Other Purchaser or holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. The Company will pay, and will save you and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those retained by you).

15.2. SURVIVAL.

The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by you of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of you or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between you and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

17. AMENDMENT AND WAIVER.

17.1. REQUIREMENTS.

This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it

is used therein), will be effective as to you unless consented to by you in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal or purchase price of, or reduce the rate or change the time of payment or method of computation of interest or purchase price of, or of the Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 9.6, 11(a), 11(b), 12, 17 or 20.

17.2. SOLICITATION OF HOLDERS OF NOTES.

(a) Solicitation. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes or any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

17.3. BINDING EFFECT, ETC.

Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "THIS AGREEMENT" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

17.4. NOTES HELD BY COMPANY, ETC.

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the

holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to you or your nominee, to you or it at the address specified for such communications in Schedule A, or at such other address as you or it shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its principal executive offices at 2100 Lake Park Blvd., Richardson, Texas 75080, to the attention of Chief Financial Officer, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by you at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and you may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, "CONFIDENTIAL INFORMATION" means information delivered to you by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received

by you as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to you prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by you or any person acting on your behalf, (c) otherwise becomes known to you other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to you under Section 7.1 that are otherwise publicly available. You will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by you in good faith to protect confidential information of third parties delivered to you, provided that you may deliver or disclose Confidential Information to (i) your directors, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by your Notes), (ii) your financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which you sell or offer to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which you offer to purchase any security of the Company or a Subsidiary (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over you, (vii) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about your investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to you, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which you are a party or (z) if an Event of Default has occurred and is continuing, to the extent you may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under your Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 20.

21. SUBSTITUTION OF PURCHASER.

You shall have the right to substitute any one of your Affiliates as the purchaser of the Notes that you have agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both you and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, wherever the word "YOU" is used in this Agreement (other than in this Section 21), such word shall be deemed to refer to such Affiliate in lieu of you. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to you all of the Notes

then held by such Affiliate, upon receipt by the Company of notice of such transfer, wherever the word "YOU" is used in this Agreement (other than in this Section 21), such word shall no longer be deemed to refer to such Affiliate, but shall refer to you, and you shall have all the rights of an original holder of the Notes under this Agreement.

22. MISCELLANEOUS.

22.1. SUCCESSORS AND ASSIGNS.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

22.2. PAYMENTS DUE ON NON-BUSINESS DAYS.

Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal or purchase price of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

22.3. SEVERABILITY.

Any provision of this Agreement that 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, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

22.4. CONSTRUCTION.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

22.5. COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

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22.6. GOVERNING LAW.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

LENNOX INTERNATIONAL INC.

By /s/ Clyde Wyant

Clyde Wyant

Executive Vice President,

Chief Financial Officer and Treasurer

The foregoing is hereby

agreed to as of the

date hereof.

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

By: CIGNA Investments, Inc.

By: /s/ Edward Lewis

Title: Managing Director

Very truly yours,

LENNOX INTERNATIONAL INC.

By /s/ Clyde Wyant

Clyde Wyant

Executive Vice President,

Chief Financial Officer and Treasurer

The foregoing is hereby

agreed to as of the

date hereof.

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

on Behalf of One or More Separate Accounts

By: CIGNA Investments, Inc.

By: /s/ Edward Lewis

Title: Managing Director

Very truly yours,

LENNOX INTERNATIONAL INC.

By /s/ Clyde Wyant

Clyde Wyant

Executive Vice President,

Chief Financial Officer and Treasurer

The foregoing is hereby

agreed to as of the

date hereof.

CIGNA PROPERTY AND CASUALTY INSURANCE COMPANY

By: CIGNA Investments, Inc.

By: /s/ Edward Lewis

Title: Managing Director

Very truly yours,

LENNOX INTERNATIONAL INC.

By /s/ Clyde Wyant

Clyde Wyant

Executive Vice President,

Chief Financial Officer and Treasurer

The foregoing is hereby

agreed to as of the

date hereof.

TEACHERS INSURANCE AND ANNUITY

ASSOCIATION OF AMERICA

By: /s/ Charles C. Thompson III

Title: Managing Director - Private Placements

Very truly yours,

LENNOX INTERNATIONAL INC.

By /s/ Clyde Wyant

Clyde Wyant

Executive Vice President,

Chief Financial Officer and Treasurer

The foregoing is hereby

agreed to as of the

date hereof.

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: /s/ Kent Knudsen

Title: Vice President

Very truly yours,

LENNOX INTERNATIONAL INC.

By /s/ Clyde Wyant

Clyde Wyant

Executive Vice President,

Chief Financial Officer and Treasurer

The foregoing is hereby

agreed to as of the

date hereof.

COMPANION LIFE INSURANCE COMPANY

By: /s/ Jeffry F. Sailer

Title: Assistant Treasurer

By: /s/ Richard A. Witt

Title: Second Vice President and Assistant Treasurer

Very truly yours,

LENNOX INTERNATIONAL INC.

By /s/ Clyde Wyant

Clyde Wyant

Executive Vice President,

Chief Financial Officer and Treasurer

The foregoing is hereby

agreed to as of the

date hereof.

U.S. PRIVATE PLACEMENT FUND

By: Prudential Private Placement
Investors, L.P., Investment Advisor

By: Prudential Private Placement Investors, Inc., its
General Partner

By: /s/ Randall M. Kob

Vice President

Very truly yours,

LENNOX INTERNATIONAL INC.

By /s/ Clyde Wyant

Clyde Wyant

Executive Vice President,

Chief Financial Officer and Treasurer

The foregoing is hereby

agreed to as of the

date hereof.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: /s/ Randall M. Kob

Title: Vide President

SCHEDULE A

INFORMATION RELATING TO PURCHASERS

Name and Address of Purchaser	Principal Amount, Series and No. of Note(s) to be Purchased
CONNECTICUT GENERAL LIFE INSURANCE COMPANY	$7,700,000 -- 6.56% Senior Notes; No. RA-1
(1) All payments by wire transfer of immediately available funds to: The Chase Manhattan Bank ABA#021000021 CIGNA Private Placements a/c 9009001802 with sufficient information to identify the source and application of such funds.	$3,000,000 -- 6.56% Senior Notes; No. RA-2
(2) All notices of payments and written confirmations of such wire transfers: Connecticut General Life Insurance Company c/o CIGNA Investments, Inc. Attention: Securities Processing S-309 900 Cottage Grove Road Hartford, CT 06152-2309 Connecticut General Life Insurance Company c/o CIGNA Investments, Inc. Attention: Private Securities - S307 Operations Group 900 Cottage Grove Road Hartford, CT 06152-7203 Fax: 860-726-7203 with a copy to: Chase Manhattan Bank, N.A. Private Placement Servicing P.O. Box 1508 Bowling Green Station New York, NY 10081 Attention: CIGNA Private Placements Fax: 212-552-3107/1005	
(3) All other communications: Connecticut General Life Insurance Company c/o CIGNA Investments, Inc. Attention: Private Securities Division - S-307 900 Cottage Grove Road Hartford, CT 06152-2307 Fax: 860-726-7203	
(4) Tax I.D. No. 13-3574027	

Name and Address of Purchaser	Principal Amount, Series and No. of Note(s) to be Purchased
CONNECTICUT GENERAL LIFE INSURANCE COMPANY on behalf of One or More Separate Accounts	$3,000,000 -- 6.56% Senior Notes; No. RA-3 $2,000,000 -- 6.56% Senior Notes; No. RA-4

(1) All payments by wire transfer of immediately available funds to:

The Chase Manhattan Bank
ABA#021000021
CIGNA Private Placements
a/c 9009001802

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

Connecticut General Life Insurance Company
on behalf of One or More Separate Accounts
c/o CIGNA Investments, Inc.
Attention: Securities Processing S-309
900 Cottage Grove Road
Hartford, CT 06152-2309

Connecticut General Life Insurance Company
on behalf of One or More Separate Accounts
c/o CIGNA Investments, Inc.
Attention: Private Securities - S307
Operations Group
900 Cottage Grove Road
Hartford, CT 06152-7203
Fax: 860-726-7203

with a copy to:
Chase Manhattan Bank, N.A.
Private Placement Servicing
P.O. Box 1508
Bowling Green Station
New York, NY 10081
Attention: CIGNA Private Placements
Fax: 212-552-3107/1005

(3) All other communications:

Connecticut General Life Insurance Company
on behalf of One or More Separate Accounts
c/o CIGNA Investments, Inc.
Attention: Private Securities Division - S-307
900 Cottage Grove Road
Hartford, CT 06152-2307
Fax: 860-726-7203

(4) Tax I.D. No. 13-3574027

Name and Address of Purchaser	Principal Amount, Series and No. of Note(s) to be Purchased
CIGNA PROPERTY AND CASUALTY INSURANCE COMPANY	$3,300,000 -- 6.56% Senior Notes; No. RA-5

(1) All payments by wire transfer of immediately available funds to:

The Chase Manhattan Bank
ABA#021000021
CIGNA Private Placements
a/c 9009001802

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

CIGNA Property and Casualty Insurance Company
c/o CIGNA Investments, Inc.
Attention: Securities Processing S-309
900 Cottage Grove Road
Hartford, CT 06152-2309

CIGNA Property and Casualty Insurance Company
c/o CIGNA Investments, Inc.
Attention: Private Securities - S307
Operations Group
900 Cottage Grove Road
Hartford, CT 06152-7203
Fax: 860-726-7203

with a copy to:
Chase Manhattan Bank, N.A.
Private Placement Servicing
P.O. Box 1508
Bowling Green Station
New York, NY 10081
Attention: CIGNA Private Placements
Fax: 212-552-3107/1005

(3) All other communications:

CIGNA Property and Casualty Insurance Company
c/o CIGNA Investments, Inc.
Attention: Private Securities Division - S-307
900 Cottage Grove Road
Hartford, CT 06152-2307
Fax: 860-726-7203

(4) Tax I.D. No. 13-3574027

Name and Address of Purchaser	Principal Amount, Series and No. of Note(s) to be Purchased
UNITED OF OMAHA LIFE INSURANCE COMPANY	$4,000,000 -- 6.56% Senior Notes; No. RA-6

(1) All payments by wire transfer of immediately available funds to:

The Chase Manhattan Bank
ABA# 021000021
Private Income Processing

For credit to:
United of Omaha Life Insurance Company
Account #900-9000200
a/c: G07097
Cusip/PPN: 52610* AK 9
Interest Amount: 6.56%
Principal Amount: $4,000,000

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

The Chase Manhattan Bank
North America Insurance - 6th Floor
Attn: Ann Marie Mazza
3 Chase Metrotech Center
Brooklyn, NY 11245

The Chase Manhattan Bank
4 New York Plaza - 13th Floor
New York, NY 10004
Attn: Income Processing - J. Pipperato
a/c: G07097

(3) All other communications:

4 - Investment Loan Administration=
United of Omaha Life Insurance Company
Mutual of Omaha Plaza
Omaha, NE 68175-1011

(4) Tax I.D. No. 47-0322111

Name and Address of Purchaser	Principal Amount, Series and No. of Note(s) to be Purchased
COMPANION LIFE INSURANCE COMPANY	$2,000,000 -- 6.56% Senior Notes; No. RA-7

(1) All payments by wire transfer of immediately available funds to:

Companion Life Insurance Company
c/o The Bank of New York
ABA# 021000018
Acct.# 111566 Income Collection
Attention: P&I Department
For payment on: Lennox International Inc. 6.56% Senior Notes due April 3, 2005
Interest Amount: $_____ [enter amount of payment that is interest]
Principal Amount: $_____ [enter amount of payment that is principal]
Payable Date: _____ [enter date such payment is made] CLICO

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

The Bank of New York
Trust Department 4th Floor
Attention: Victoria Scimeca
Custodian Account #068-310
123 Main Street
White Plains, NY 10602

Companion Life Insurance Company
Attention: Investment Securities Accounting
Mutual of Omaha Plaza
Omaha, NE 68175

with duplicate notice to:
Companion Life Insurance Company
Attention: Financial Division
401 Theodore Fremd Avenue
Rye, NY 10580-1493

(3) All other communications:

Companion Life Insurance Company
Attention: Investment Division
Mutual of Omaha Plaza
Omaha, NE 68175

with duplicate notice to:
Companion Life Insurance Company
Attention: Financial Division
401 Theodore Fremd Avenue
Rye, NY 10580-1493

(4) Tax I.D. No. 13-6062916

Name and Address of Purchaser	Principal Amount, Series and No. of Note(s) to be Purchased
TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA	$25,000,000 -- 6.75% Senior Notes; No. RB-1

(1) All payments by electronic funds transfer to:

The Chase Manhattan Bank
ABA No. 021-000-021
New York, New York
Account Number: 900-9-000200
Reference: PPN 52610* AL 7/Lennox International Inc./
April 3, 2008/6.75%/P&I Breakdown
For further credit to account no. G07040

with sufficient information to identify the source
and application of such funds.

(2) All notices of payments and written confirmations
of such electronic funds transfers:

Teachers Insurance and Annuity Association of America
730 Third Avenue
New York, NY 10017
Attention: Securities Accounting Division
Phone: (212)916-4188
Facsimile: (212)916-6955

(3) All other communications:

Teachers Insurance and Annuity Association of America
730 Third Avenue
New York, NY 10017
Attention: Securities Division, Private Placements
Phone: (212) 916-4683 (Deidre McDonald) or (212)490-9000 (general number)
Facsimile: (212)916-6901

(4) Tax I.D. No. 13-1624203

Name and Address of Purchaser	Principal Amount, Series and No. of Note(s) to be Purchased
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA	$15,000,000 -- 6.75% Senior Notes; No. RB-2

(1) All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

$ 5,000,000 -- 6.75% Senior Notes; No. RB-3

Account No. 890-0304-391 (in the case of payments on account of the Note originally issued in the principal amount of $15,000,000)

Account No. 890-0304-944 (in the case of payments on account of the Note originally issued in the principal amount of $5,000,000)

The Bank of New York
New York, New York
ABA No.: 021-000-018

Each such wire transfer shall set forth the name of the Company, a reference to "6.75% Senior Notes due April 3, 2005, PPN 52610* AL 7, !INV 5921! (in the case of payments on account of the Note originally issued in the principal amount of $15,000,000) or !INV 5922! (in the case of payments on account of the Note originally issued in the principal amount of $5,000,000)", and the due date and application (as among principal, interest and Make-Whole Amount) of the payment being made.

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

The Prudential Insurance Company of America
c/o Prudential Capital Group
Four Gateway Center, 7th Floor
100 Mulberry Street
Newark, NJ 07102-4077
Attention: Trade Management Group

(3) All other communications:

The Prudential Insurance Company of America
c/o Prudential Capital Group
2200 Ross Avenue, Suite 4200E
Dallas, TX 75201
Attention: Managing Director

Recipient of telephonic prepayment notices:
Manager, Trade Management Group
(973)802-7398

(4) Tax I.D. No. 22-1211670

Name and Address of Purchaser	Principal Amount, Series and No. of Note(s) to be Purchased
U.S. PRIVATE PLACEMENT FUND	$5,000,000 -- 6.75% Senior Notes; No. RB-4

(1) All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit to:

Account No. : U1FF1000002
Boston Safe Deposit and Trust Company
One Boston Place
Boston, MA 02108
ABA No.: 011-001-234
DDA No.: 108111
Account Name: U.S. Private Placement Fund

Each such wire transfer shall set forth the name of the Company, a reference to "6.75% Senior Notes due April 3, 2008, PPN 52610* AL 7", and the due date and application (as among principal, interest and Make-Whole Amount) of the payment being made.

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

Mellon Trust
One Cabot Road
Mail Stop #028-003C
Medford, MA 02155-5159
Attention: Derek von Vliet

Telephone: (617)382-4850
Facsimile: (617)382-4003

(3) All other communications:

Prudential Private Placement Investors, Inc.
Four Gateway Center
100 Mulberry Street
Newark, NJ 07102-4069

Telephone: (973)802-8608
Facsimile: (973)802-7045

(4) Tax I.D. No. _____

SCHEDULE B

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"ADDITIONAL COVENANT" is defined in Section 9.7.

"AFFILIATE" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. As used in this definition, "CONTROL" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "AFFILIATE" is a reference to an Affiliate of the Company.

"AGREEMENT" is defined in Section 17.3 hereof.

"BUSINESS DAY" means (a) for the purposes of Section 8.6 only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York, Chicago, Illinois or Dallas, Texas are required or authorized to be closed.

"CAPITAL LEASE" means, 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.

"CAPITAL LEASE OBLIGATION" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"CHANGE OF CONTROL" is defined in Section 9.6.

"CLOSING" is defined in Section 3.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"COMPANY" means Lennox International Inc., a Delaware corporation.

"CONFIDENTIAL INFORMATION" is defined in Section 20.

"CONSOLIDATED ASSETS" means the total assets of the Company and its Restricted Subsidiaries which would be shown as assets on a consolidated balance sheet of the Company and its Restricted Subsidiaries prepared in accordance with GAAP, after eliminating all amounts

properly attributable to minority interests, if any, in the stock and surplus of Restricted Subsidiaries.

"CONSOLIDATED CAPITALIZATION" means, at any time, the sum of Consolidated Net Worth and Consolidated Indebtedness.

"CONSOLIDATED INDEBTEDNESS" means, as of any date of determination, the total of all Indebtedness of the Company and its Restricted Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between the Company and its Restricted Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Restricted Subsidiaries in accordance with GAAP.

"CONSOLIDATED NET INCOME" for any period means the net income (or net loss) of the Company and its Restricted Subsidiaries for such period, determined in accordance with GAAP, excluding

(a) the proceeds of any life insurance policy;

(b) any gain arising from (1) the sale or other disposition of any assets (other than current assets) to the extent that the aggregate amount of gains exceeds the aggregate amount of losses from the sale, abandonment or other disposition of assets (other than current assets), (2) any write-up of assets, or (3) the acquisition by the Company or any Restricted Subsidiary of its outstanding securities constituting Indebtedness;

(c) any amount representing the interest of the Company or any Restricted Subsidiary in the undistributed earnings of any other Person;

(d) any earnings of any other Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or a Restricted Subsidiary and any earnings, prior to the date of acquisition, of any other Person acquired in any other manner; and

(e) any deferred credit (or amortization of a deferred credit) arising from the acquisition of any Person.

"CONSOLIDATED NET WORTH" means, at any time,

(a) the sum of (i) the par value (or value stated on the books of the Company) of the capital stock (but excluding treasury stock and capital stock subscribed and unissued) of the Company and its Restricted Subsidiaries at such time plus (ii) the amount of paid-in-capital and retained earnings of the Company and its Restricted Subsidiaries at such time, in each case as such amounts would be shown on a consolidated balance sheet of the Company and its Restricted Subsidiaries as of such time prepared in accordance with GAAP, minus

(b) to the extent included in clause (a), all amounts properly attributable to minority interests, if any, in the stock and surplus of Restricted Subsidiaries.

"DEFAULT" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"DEFAULT RATE" means that rate of interest that is the greater of (i) 2% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes or (ii) 2% over the

rate of interest publicly announced by The Chase Manhattan Bank in New York, New York as its "BASE" or "PRIME" rate.

"DISTRIBUTION" means, in respect of any corporation, association or other business entity:

(a) dividends or other distributions or payments on capital stock or other equity interest of such corporation, association or other business entity (except distributions in such stock or other equity interests); and

(b) the redemption or acquisition of such stock or other equity interests or of warrants, rights or other options to purchase such stock or other equity interests (except when solely in exchange for such stock or other equity interests) unless made, contemporaneously, from the net proceeds of a sale of such stock or other equity interests.

"ENVIRONMENTAL LAWS" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA AFFILIATE" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"EVENT OF DEFAULT" is defined in Section 11.

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

"EXCLUDED TRANSFERS" is defined in Section 10.3.

"EXISTING NOTE PURCHASE AGREEMENTS" means (i) the Agreements of Assumption and Restatement dated as of December 1, 1991 shown on Schedule 5.15, (ii) the Note Purchase Agreements dated as of December 1, 1993 shown on Schedule 5.15, and (iii) the Note Purchase Agreement dated as of July 6, 1995 shown on Schedule 5.15.

"FAIR MARKET VALUE" means, at any time and with respect to any property, the sale value of such property that would be realized in an arm's length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"GOVERNMENTAL AUTHORITY" means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"GUARANTY" means, 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:

(a) to purchase such Indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such Indebtedness or obligation, or (ii) 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;

(c) 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

(d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect 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.

"HAZARDOUS SUBSTANCE" means any contaminant, pollutant or toxic or hazardous substance, and any substance that is defined or listed as a hazardous, toxic or dangerous substance under any Environmental Law or that is otherwise regulated or prohibited under any Environmental Law as a hazardous, toxic or dangerous substance.

"HOLDER" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

"INDEBTEDNESS" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(b) 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);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;

(d) 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);

(e) 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 (1) trade or commercial letters of credit issued for the account of such Person in the ordinary course of its business and (2) stand-by letters of credit issued to support obligations of such Person that do not constitute Indebtedness);

(f) Swaps of such Person; and

(g) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) above to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"INSTITUTIONAL INVESTOR" means (a) any original purchaser of a Note, (b) any holder of a Note holding more than 10% of the aggregate principal amount of the Notes then outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"INTERGROUP TRANSFER" is defined in Section 10.3.

"LIEN" means, 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).

"MAKE-WHOLE AMOUNT" is defined in Section 8.6.

"MATERIAL" means material in relation to the business, operations, affairs, financial condition, assets, or properties of the Company and its Subsidiaries taken as a whole.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Restricted Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement and the Notes, or (c) the validity or enforceability of this Agreement or the Notes.

"MEMORANDUM" is defined in Section 5.3.

"MULTIEMPLOYER PLAN" means any Plan that is a "MULTIEMPLOYER PLAN" (as such term is defined in section 4001(a)(3) of ERISA).

"NEW OWNER" is defined in Section 9.6.

"NORRIS FAMILY" is defined in Section 9.6.

"NOTES" is defined in Section 1.

"OFFICER'S CERTIFICATE" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"ORDINARY COURSE TRANSFER" is defined in Section 10.3.

"OTHER AGREEMENTS" is defined in Section 2.

"OTHER PURCHASERS" is defined in Section 2.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"PERSON" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"PLAN" means an "EMPLOYEE BENEFIT PLAN" (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"PREFERRED STOCK" means 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.

"PROPERTY" or "PROPERTIES" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"PROPERTY DISPOSITION DATE" is defined in Section 10.3.

"PURCHASE DATE" is defined in Section 9.6.

"QPAM EXEMPTION" means Prohibited Transaction Class Exemption 84-14 issued by the United States Department of Labor.

"REQUIRED HOLDERS" means, at any time, the holders of at least 51% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"RESPONSIBLE OFFICER" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this agreement.

"RESTRICTED INDEBTEDNESS" means, without duplication, (i) Indebtedness of the Company or any Restricted Subsidiary which is secured by a Lien not otherwise permitted under subsections (a) through (h) of Section 10.5, and (ii) Indebtedness of a Restricted Subsidiary owing to any Person other than the Company or a Wholly-Owned Subsidiary.

"RESTRICTED PAYMENT" means any Distribution in respect of the Company or any Restricted Subsidiary (other than on account of capital stock or other equity interests of a Restricted Subsidiary owned legally and beneficially by the Company or another Restricted Subsidiary), including, without limitation, any Distribution resulting in the acquisition by the Company of Securities which would constitute treasury stock. For purposes of this Agreement, the amount of any Restricted Payment made in property shall be the greater of (x) the Fair Market Value of such property (as determined in good faith by the board of directors (or equivalent governing body) of the Person making such Restricted Payment) and (y) the net book value thereof on the books of such Person, in each case determined as of the date on which such Restricted Payment is made.

"RESTRICTED SUBSIDIARY" means any Subsidiary of the Company which is (a) listed as a Restricted Subsidiary in Schedule 5.4 or (b) organized under the laws of, and conducts substantially all of its business and maintains substantially all of its property and assets within, the United States or any state thereof (including the District of Columbia).

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time.

"SECURITY" has the meaning set forth in Section 2(1) of the Securities Act.

"SENIOR FINANCIAL OFFICER" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"SERIES" means either the 6.56% Notes or the 6.75% Notes.

"6.56% NOTES" is defined in Section 1.

"6.75% NOTES" is defined in Section 1.

"SUBSIDIARY" means, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "SUBSIDIARY" is a reference to a Subsidiary of the Company.

"SWAPS" means, 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 purposes of this Agreement, the amount of the obligation under any Swap shall be the 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.

"TRANSFER" means, with respect to any Person, any transaction in which such Person sells, conveys, transfers or leases (as lessor) any of its property, including capital stock of, or a Security issued by, a Subsidiary.

"UNRESTRICTED SUBSIDIARY" means any Subsidiary other than a Restricted Subsidiary.

"VOTING RIGHTS" is defined in Section 9.6.

"WHOLLY-OWNED RESTRICTED SUBSIDIARY" or "WHOLLY-OWNED SUBSIDIARY" means, at any time, any Restricted Subsidiary or Subsidiary, respectively, one hundred percent (100%) of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-Owned Restricted Subsidiaries or Wholly-Owned Subsidiaries, respectively, at such time.

SCHEDULE 5.4

LENNOX INTERNATIONAL INC. SUBSIDIARIES

AS OF JANUARY 31, 1998

PAGE 1

	NAME	OWNERSHIP	JURISDICTION OF INC.	RESTRICTED/UNRESTRICTED	LOCATION OF SUBSTANTIAL OPERATING ASSETS
(1)	LENNOX INDUSTRIES INC. SEE ATTACHED CHART	100%	Iowa	Restricted	United States
(2)	HEATCRAFT INC.	100%	Mississippi	Restricted	United States
(3)	HEATCRAFT TECHNOLOGIES INC.	100%	Delaware	Restricted	United States
(4)	ARMSTRONG AIR CONDITIONING INC.	100%	Ohio	Restricted	United States
(5)	LENNOX FOREIGN SALES CORP.	100%	U.S. Virgin Islands	Unrestricted	N/A
(6)	LENNOX COMMERCIAL REALTY INC.	100%	Iowa	Restricted	United States
(7)	LENNOX GLOBAL LTD. See Attached Chart	100%	Delaware	Unrestricted	United States

LENNOX INTERNATIONAL INC. SUBSIDIARIES

AS OF JANUARY 31, 1998

PAGE 2

	NAME	OWNERSHIP	JURISDICTION OF INC.	RESTRICTED/UNRESTRICTED	LOCATION OF SUBSTANTIAL OPERATING ASSETS
LENNOX INDUSTRIES INC.					
(a)	Products Acceptance Corporation	100%	Iowa	Restricted	N/A
(b)	Lennox Industries (Canada) Ltd.	100%	Canada	Unrestricted	Canada
(c)	Lennox Industries SW Inc.	100%	Iowa	Restricted	N/A
(d)	Lennox Manufacturing Inc.	100%	Delaware	Restricted	United States

LENNOX INTERNATIONAL INC. SUBSIDIARIES

AS OF JANUARY 31, 1998

PAGE 3

NAME	OWNERSHIP	JURISDICTION OF INC.	RESTRICTED/UNRESTRICTED	LOCATION OF SUBSTANTIAL OPERATING ASSETS
LENNOX GLOBAL LTD.				
(a) UK Industries Inc.	100%	Delaware	Unrestricted	N/A
(b) UK Global Ltd.	100%	Delaware	Unrestricted	N/A
(c) Lennox Australia Pty. Ltd.	100%	Australia	Unrestricted	Australia
(d) LGL Asia-Pacific Pte. Ltd.	100%	Rep. of Singapore	Unrestricted	Singapore
(e) LGL (Australia) Pty. Ltd.	100%	Australia	Unrestricted	Australia
(f) LGL de Mexico, S.A. de C.V.	99%	Mexico	Unrestricted	Mexico
(g) Ets. Brancher S.A.	70%	France	Unrestricted	France

(1) SEE ATTACHED CHART

LENNOX INTERNATIONAL INC. SUBSIDIARIES

AS OF JANUARY 31, 1998

PAGE 4

NAME	OWNERSHIP	JURISDICTION OF INC.	RESTRICTED/UNRESTRICTED	LOCATION OF SUBSTANTIAL OPERATING ASSETS
ETS. BRANCHER S.A.				
(a) HCF-Lennox Limited	100%	United Kingdom	Unrestricted	United Kingdom
(1) Lennox Industries	100%	United Kingdom	Unrestricted	United Kingdom
(A) Environheat Limited	100%	United Kingdom	Unrestricted	N/A
(b) HCF Lennox S.A.	100%	France	Unrestricted	France
(1) SEE ATTACHED CHART				
(c) Frinotech S.A.	99.68%	France	Unrestricted	N/A
(d) Friga-Bohn S.A.	100%	France	Unrestricted	France
(1) Friga-Bohn Warmeauslauscher GmbH	100%	Germany	Unrestricted	Germany
(2) ERSA	79.5%	Spain	Unrestricted	Spain
(3) West	80%	Italy	Unrestricted	Italy
(4) Friga-Coil	50%	Czech Republic	Unrestricted	Czech Republic
(5) Herac Ltd.	100%	United Kingdom	Unrestricted	N/A
(e) SCI Geraval	99.83%	France	Unrestricted	France
(f) SCI Groupe Brancher	76%	France	Unrestricted	France

LENNOX INTERNATIONAL INC. SUBSIDIARIES

AS OF JANUARY 31, 1998

PAGE 5

NAME	OWNERSHIP	JURISDICTION OF INC.	RESTRICTED/UNRESTRICTED	LOCATION OF SUBSTANTIAL OPERATING ASSETS
HCF LENNOX S.A.				
(a) Refac B.V.	100%	Netherlands	Unrestricted	Netherlands
(1) Refac NV	100%	Belgium	Unrestricted	Belgium
(2) Refac Nord GmbH	100%	Germany	Unrestricted	N/A
(A) Refac West GmbH	100%	Germany	Unrestricted	N/A
(3) Refac Kalte-Klima Technik Vertriebs GmbH	50%	Germany	Unrestricted	N/A
(4) Refac UK Ltd.	100%	United Kingdom	Unrestricted	United Kingdom
(b) Hyfra GmbH	100%	Germany	Unrestricted	Germany
(c) Lennox-Refac S.A.	100%	Spain	Unrestricted	Spain
(1) Redi Andalucia S.A.	70%	Spain	Unrestricted	N/A
(2) Lennox Refac	100%	Portugal	Unrestricted	N/A
(3) Redi Sur Andalucia S.A.	70%	Spain	Unrestricted	N/A
(4) Deutsche Bronswerk GmbH	100%	Germany	Unrestricted	Germany
(5) Bronswerk Refac GmbH	100%	Germany	Unrestricted	Germany

SCHEDULE 5.5

FINANCIAL STATEMENTS

1. Consolidated and consolidating financial statements for the Company and its Subsidiaries for the fiscal years ended December 31, 1992 through December 31, 1997.

2. Quarterly consolidated and consolidating financial statements for the Company and its Subsidiaries for the periods ended March 31, June 30, and September 30 for 1992-97.

SCHEDULE 5.14

USE OF PROCEEDS

Proceeds of the Notes will be used to finance the Company's growth through acquisitions and for general corporate purposes.

SCHEDULE 5.15

LENNOX INTERNATIONAL INC.

AND RESTRICTED SUBSIDIARIES

JANUARY 31, 1998

A. LENNOX INTERNATIONAL INC.

(1) Agreement of Assumption and Restatement dated as of December 1, 1991 between Lennox International Inc. and the Noteholders identified at the end thereof, pursuant to which Lennox International Inc. delivered its:	
9.53% Series F Promissory Notes due 2001	$ 21,000,000
9.69% Series H Promissory Notes due 2003	29,500,000
(2) Revolving Credit Agreement dated as of December 1, 1991 among Lennox International Inc. and the Banks named on the signature pages thereof and The Northern Trust Company, as Agent	-0-
(3) Note Purchase Agreement dated as of December 1, 1993 among Lennox International Inc. and the Noteholders identified at the end thereof, pursuant to which Lennox International Inc. delivered its 6.73% Senior Promissory Notes due 2008	100,000,000
(4) Note Purchase Agreement dated as of July 6, 1995 between Lennox International Inc. and Teachers Insurance and Annuity Association of America, pursuant to which Lennox International Inc. delivered its 7.06% Senior Promissory Notes due 2005	20,000,000
(5) Guaranty dated September 19, 1995 from Lennox International Inc. to First Bank of Natchitoches & Trust Company and Regions Bank of Louisiana guaranteeing 50% of debt of Alliance Compressors to such Banks under a Promissory Note dated September 19, 1995	1,303,166*

	(6) Guaranty of 50% of amounts due from Alliance Compressors under a Master Equipment Lease Agreement dated March 28, 1995 with NationsBanc Leasing Corporation	463,598*
	(7) Letter of Credit guaranteeing debt of Refac B.V. to Stork N.V. in connection with purchase of stock of Refac B.V. from Stork N.V.	3,102,720
	(8) Guaranty of 50% of Frigus-Bohn S.A. de C.V. Line of Credit from Bank One, Texas, N.A., in the maximum amount of $500,000 (expected to increase to $1,500,000 maximum amount by March 15, 1998)	250,000
	(9) Letter of Credit guaranteeing debt of Lennox Australia Pty Ltd. to Alcair Industries Pty Ltd. in connection with purchase of assets of Alcair Industries Pty Ltd.	916,962
	(10) Letters of Credit guaranteeing to various insurance companies amounts accrued for workers compensation and general liability claims	12,628,942
B.	LENNOX INDUSTRIES INC.	
	Promissory Note dated December 22, 1992 issued to Texas Housing Opportunity Fund, Ltd.	205,031
C.	LENNOX COMMERCIAL REALTY INC.	
	11.1% Mortgage Note Agreement with Texas Commerce Bank, N.A. due January 1, 2000, secured by mortgage on headquarters building and an assignment of the Lease between Lennox Commercial Realty Inc. and Lennox Industries Inc.	7,936,631

TOTAL OUTSTANDING INDEBTEDNESS OF LENNOX INTERNATIONAL INC. AND RESTRICTED SUBSIDIARIES	$197,307,050

*50% as of September 30, 1997

EXHIBIT 1-A

[FORM OF 6.56% NOTE]

LENNOX INTERNATIONAL INC.

6.56% SENIOR NOTE DUE APRIL 3, 2005

No. RA-__ [DATE]

$[_____] PPN 52610* AK 9

FOR VALUE RECEIVED, the undersigned, Lennox International Inc. (herein called the "COMPANY"), a corporation organized and existing under the laws of the State of Delaware, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS on April 3, 2005, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 6.56% per annum from the date hereof, payable semiannually, on the first day of June and December in each year, commencing with June 1 or December 1 next succeeding the date hereof, until the principal hereof shall have become due and payable, and on the maturity of this Note, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreements referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 8.56% or (ii) 2% over the rate of interest publicly announced by The Chase Manhattan Bank from time to time in New York, New York as its "BASE" or "PRIME" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at The Chase Manhattan Bank, New York, New York, or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of a series of Senior Notes (herein called the "NOTES") issued pursuant to separate Note Purchase Agreements, dated as of April 3, 1998 (as from time to time amended, the "NOTE PURCHASE AGREEMENTS"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreements and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreements.

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note of the same series for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreements, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreements.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York.

LENNOX INTERNATIONAL INC.

By

Executive Vice President,
Chief Financial Officer and Treasurer

EXHIBIT 1-B

[FORM OF 6.75% NOTE]

LENNOX INTERNATIONAL INC.

6.75% SENIOR NOTE DUE APRIL 3, 2008

No. RB-__ [DATE]

$[_____] PPN 52610* AL 7

FOR VALUE RECEIVED, the undersigned, Lennox International Inc. (herein called the "COMPANY"), a corporation organized and existing under the laws of the State of Delaware, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS on April 3, 2008, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 6.75% per annum from the date hereof, payable semiannually, on the first day of June and December in each year, commencing with June 1 or December 1 next succeeding the date hereof, until the principal hereof shall have become due and payable, and on the maturity of this Note, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreements referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 8.75% or (ii) 2% over the rate of interest publicly announced by The Chase Manhattan Bank from time to time in New York, New York as its "BASE" or "PRIME" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at The Chase Manhattan Bank, New York, New York, or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of a series of Senior Notes (herein called the "NOTES") issued pursuant to separate Note Purchase Agreements, dated as of April 3, 1998 (as from time to time amended, the "NOTE PURCHASE AGREEMENTS"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreements and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreements.

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's

attorney duly authorized in writing, a new Note of the same series for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreements, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreements.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York.

LENNOX INTERNATIONAL INC.

By

Executive Vice President,
Chief Financial Officer and Treasurer

EXHIBIT 4.4(a)

FORM OF OPINION OF COUNSEL TO THE COMPANY

Matters To Be Covered In

Opinion of Counsel To the Company

1. Each of the Company and Lennox Industries Inc., Heatcraft Inc. and Armstrong Air Conditioning Inc. being duly incorporated, validly existing and in good standing and the Company having requisite corporate power and authority to issue and sell the Notes and to execute and deliver the documents.

2. Each of the Company and Lennox Industries Inc., Heatcraft Inc. and Armstrong Air Conditioning Inc. being duly qualified and in good standing as a foreign corporation in appropriate jurisdictions.

3. Due authorization and execution of the documents and such documents being legal, valid, binding and enforceable.

4. No conflicts with charter documents, laws or other agreements.

5. All consents required to issue and sell the Notes and to execute and deliver the documents having been obtained.

6. No litigation questioning validity of documents or as to which there is otherwise the reasonable likelihood of a Material Adverse Effect.

7. The Notes not requiring registration under the Securities Act of 1933, as amended; no need to qualify an indenture under the Trust Indenture Act of 1939, as amended.

8. No violation of Regulations T, U or X of the Federal Reserve Board.

9. Company not an "INVESTMENT COMPANY", or a company "CONTROLLED" by an "INVESTMENT COMPANY", under the Investment Company Act of 1940, as amended.

EXHIBIT 4.4(b)

FORM OF OPINION OF SPECIAL COUNSEL TO THE PURCHASERS

Matters To Be Covered In

Opinion of Special Counsel to the Purchasers

1. The Company being duly incorporated, validly existing, in good standing and having requisite corporate power and authority to issue and sell the Notes and to execute and deliver this Agreement, the Other Agreement and the Notes.

2. Due authorization and execution of this Agreement, the Other Agreement and the Notes and such documents being legal, valid, binding and enforceable.

3. No conflicts with charter documents or bylaws of the Company.

4. The Notes not requiring registration under the Securities Act of 1933, as amended; no need to qualify an indenture under the Trust Indenture Act of 1939, as amended.

5. The opinion of counsel to the Company being satisfactory in form and scope and the Purchasers of the Notes being justified in relying thereon.

[EXHIBIT 4.11]
Amendment

April 3, 1998

The Prudential Insurance Company of America
c/o Prudential Capital Group
2200 Ross Avenue, Suite 4200
Dallas, TX 75201

Teachers Insurance and Annuity
Association of America
730 Third Avenue
New York, New York 10017
Attention: Securities Division

Connecticut General Life Insurance Company
INA Life Insurance Company of New York
Life Insurance Company of North America
c/o CIGNA Investments, Inc.
Hartford, Connecticut 06152
Attention: Private Securities Division

United of Omaha Life Insurance Company
Mutual of Omaha Insurance Company
Companion Life Insurance Company
United World Life Insurance Company
Mutual of Omaha Plaza
Omaha, NE 68175

First Colony Life Insurance Company
700 Main Street
Lynchburg, VA 24504

Lincoln National Life Insurance Company
c/o Lincoln Investment Management, Inc.
200 East Berry Street, Renaissance Square
Fort Wayne, IN 46802

Re: Lennox International Inc.
9.53% Senior Promissory Notes due 2001; 9.69% Senior Promissory Notes due 2003; 7.06% Senior Promissory Notes due 2005; and 6.73% Senior Promissory Notes due 2008

Ladies and Gentlemen:

Reference is made to:

(i) three separate Agreements of Assumption and Restatement, dated as of December 1, 1991 (the "1991 AGREEMENTS"), between Lennox International Inc. (the "COMPANY") and each of Teachers Insurance and Annuity Association of America, Connecticut General Life Insurance Company and INA Life Insurance Company of New York (collectively, and together with their respective successors and assigns, the "1991 HOLDERS");

(ii) nine separate Note Purchase Agreements, dated as of December 1, 1993 (the "1993 NOTE AGREEMENTS"), between the Company and each of The Prudential Insurance Company of America, Connecticut General Life Insurance Company, Connecticut General Life Insurance Company, on behalf of One or More Separate Accounts, Life Insurance Company of North America, United of Omaha Life Insurance Company, Mutual of Omaha Insurance Company, Companion Life Insurance Company, United World Life Insurance Company, and First Colony Life Insurance Company (collectively, and together with their respective successors and assigns, the "1993 HOLDERS");

(iii) the Note Purchase Agreement, dated as of July 6, 1995 (the "1995 NOTE AGREEMENT"), between the Company and Teachers Insurance and Annuity Association of America (together with its successors and assigns, the "1995 HOLDER"); and

(iv) eight separate Note Purchase Agreements, dated as of April 3, 1998 (as in effect on the date of execution and delivery thereof, and without giving effect to any amendment to or waiver of any term or provision thereof, the "1998 NOTE AGREEMENTS"), between the Company and each of The Prudential Insurance Company of America, U.S. Private Placement Fund, Teachers Insurance and Annuity Association of America, Connecticut General Life Insurance Company, Connecticut General Life Insurance Company, on behalf of One or More Separate Accounts, CIGNA Property and Casualty Insurance Company, United of Omaha Life Insurance Company and Companion Life Insurance Company.

The 1991 Note Agreements, 1993 Note Agreements and 1995 Note Agreement are collectively referred to herein as the "EXISTING NOTE AGREEMENTS". The 1991 Holders, 1993 Holders and 1995 Holder are collectively referred to herein as the "EXISTING HOLDERS". The senior notes issued and outstanding under each of the Existing Note Agreements are collectively referred to herein as the "EXISTING NOTES". Capitalized terms used in the body of this letter agreement and not otherwise defined herein shall have the respective meanings set forth in the Existing Note Agreements.

The Company has requested the Existing Holders to enter into this letter agreement (this "AMENDMENT AGREEMENT") in order to make certain modifications to the Existing Note Agreements for the purpose of conforming the covenants, Events of Default and remedies of the Existing Note Agreements to those of the 1998 Note Agreements, and the Existing Holders have agreed to such modifications, subject to the conditions set forth herein. Therefore, the Existing Holders and the Company hereby agree as follows:

1. The provisions of Sections 5, 6, 7 and 9 of the Existing Note Agreements are hereby superseded by the provisions of Schedule A attached hereto, the related definitions set forth in Schedule B attached hereto and the list of Subsidiaries set forth in Schedule C attached hereto.

Capitalized terms used in Schedule A, Schedule B or Schedule C but not defined in Schedule A or Schedule B are used with the meanings specified in the Existing Note Agreements. Section references that appear in Schedule A and Schedule B and that refer to Section numbers used in Schedule A constitute references to the Section numbers used in Schedule A and not to those in the portions of the Existing Note Agreements that are not being superseded by the provisions of this Amendment Agreement, notwithstanding the fact that the same numbers may also be used in such other portions of the Existing Note Agreements. The defined terms contained in Section 8 of the Existing Note Agreements shall continue to apply to such other portions of the Existing Note Agreements. References in the Existing Note Agreements to Section 7.12 thereof shall hereafter be deemed to refer to Section 9.6 of Schedule A.

2. Section 8 of the Existing Note Agreements is amended by (a) deleting the definitions of "Computation Date" and "Computation Period" therefrom, (b) modifying the definition of "Event of Default" to refer to Section 11 of Schedule A to this Amendment Agreement and (c) amending the definition of "Special Premium" by replacing the reference to Section 9.1 therein with a reference to Section 12.1 of Schedule A of this Amendment Agreement.

3. Effectiveness of Amendment Agreement. This Amendment Agreement shall be effective when holders of at least 66-2/3% in aggregate unpaid principal amount of all Existing Notes under each of the 1991 Note Agreements, the 1993 Note Agreements and the 1995 Note Agreement at the time outstanding shall have executed a counterpart of this Amendment Agreement, and (ii) the Company shall have furnished to each of the Existing Holders evidence of the satisfaction of clause (i).

4. Representations and Warranties. The Company hereby represents and warrants that:

(a) Upon the effectiveness of this Amendment Agreement, no Default or Event of Default shall have occurred and be continuing.

(b) The Company has the corporate power and authority to execute and deliver this Amendment Agreement and to perform the Existing Note Agreements, as amended hereby.

(c) This Amendment Agreement has been duly authorized by all necessary corporate action on the part of the Company, and the Existing Note Agreements, as amended hereby, constitute legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as such enforceability may be limited by (i)applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(d) The execution and delivery of this Amendment Agreement by the Company and the performance by the Company of the Existing Note Agreements, as amended hereby, will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other material agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any

court, arbitrator or Governmental Body applicable to the Company or any Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Body applicable to the Company or any Subsidiary.

(e) No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Body is required in connection with the execution and delivery of this Amendment Agreement by the Company or the performance by the Company of this Amendment Agreement or the Existing Note Agreements, as amended hereby.

(f) There are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Body that, individually or in the aggregate, would reasonably be expected to have a material adverse effect upon the ability of the Company to perform its obligations under the Existing Note Agreements, as amended hereby, or upon the validity or enforceability of the Existing Note Agreements, as amended hereby.

5. Miscellaneous. Except as expressly amended by this Amendment Agreement, the Existing Note Agreements shall remain in full force and effect. No amendment to, or waiver of, any provision of the 1998 Note Agreements will constitute an amendment to, or waiver of, any provision of the Existing Note Agreements, which Existing Note Agreements will continue to be subject to the amendment and waiver provisions contained in Section 12 thereof. This Amendment Agreement shall be binding upon and inure to the benefit of the Existing Holders and their respective successors and permitted assigns. This Amendment Agreement may be signed in any number of counterparts, each of which shall constitute an original.

If the foregoing correctly describes our understanding with respect to the subject matter of this Amendment Agreement, please execute this letter in the place indicated below.

Very truly yours,

LENNOX INTERNATIONAL INC.

By: /s/ Clyde Wyant

Clyde Wyant
Executive Vice President,
Chief Financial Officer
and Treasurer

ACCEPTED AND AGREED:

THE PRUDENTIAL INSURANCE COMPANY
OF AMERICA

By: /s/ Randall M. Kob

Name: Randall M. Kob

Title: Vice President

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

By: /s/ Charles C. Thompson III

Name: Charles C. Thompson III

Title: Managing Director - Private Placements

CONNECTICUT GENERAL LIFE INSURANCE COMPANY
By: CIGNA Investments, Inc.

By: /s/ Edward Lewis

Name: Edward Lewis

Title: Managing Director

CONNECTICUT GENERAL LIFE INSURANCE COMPANY,
on behalf of One or More Separate Accounts
By: CIGNA Investments, Inc.

By /s/ Edward Lewis
Name: Edward Lewis
Title: Managing Director

INA LIFE INSURANCE COMPANY OF NEW YORK
By: CIGNA Investments, Inc.

By: /s/ Edward Lewis
Name: Edward Lewis
Title: Managing Director

LIFE INSURANCE COMPANY OF NORTH AMERICA
By: CIGNA Investments, Inc.

By /s/ Edward Lewis
Name: Edward Lewis
Title: Managing Director

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: /s/ Edwin H. Garrison, Jr.
Name: Edwin H. Garrison, Jr.
Title: First Vice President

MUTUAL OF OMAHA INSURANCE COMPANY

By: /s/ Edwin H. Garrison, Jr.
Name: Edwin H. Garrison, Jr.
Title: First Vice President

COMPANION LIFE INSURANCE COMPANY

By: /s/ Edwin H. Garrison, Jr.
Name: Edwin H. Garrison, Jr.
Title: First Vice President

By: /s/ Jeffry F. Sailer
Name: Jeffry F. Sailer
Title: Assistant Treasurer

UNITED WORLD LIFE INSURANCE COMPANY

By: /s/ Edwin H. Garrison, Jr.
Name: Edwin H. Garrison, Jr.
Title: First Vice President

FIRST COLONY LIFE INSURANCE COMPANY

By:
Name:
Title:

LINCOLN NATIONAL LIFE INSURANCE COMPANY

By:
Name:
Title:

SCHEDULE A

7. INFORMATION AS TO COMPANY.

7.1. FINANCIAL AND BUSINESS INFORMATION.

The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) Quarterly Statements -- within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of

(i) consolidated and consolidating balance sheets of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated and consolidating statements of income, changes in shareholders' equity and cash flows of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

all in reasonable detail and setting forth, in the case of such consolidated statements, in comparative form the figures for the corresponding periods in the previous fiscal year, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, provided that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 7.1(a); provided further that if such Form 10-Q does not contain consolidating information for the Company and its Restricted Subsidiaries, the Company shall also deliver to each such holder the consolidating information described in this Section 7.1(a);

(b) Annual Statements -- within 120 days after the end of each fiscal year of the Company, duplicate copies of

(i) consolidated and consolidating balance sheets of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated and consolidating statements of income, changes in shareholders' equity and cash flows of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries, for such year;

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied, (1) in the case of the consolidated statements, by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in

connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and (2) in the case of the consolidating statements, either certified by a Senior Financial Officer as fairly stating, or accompanied by a report thereon by such accountants containing a statement to the effect that such consolidating financial statements fairly state, the financial position and the results of operations and cash flows of the companies being reported upon in all material respects in relation to the consolidated financial statements for the periods indicated as a whole; provided that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of clauses (i) and (ii) of this Section 7.1(b); provided further that if such Form 10-K does not contain consolidating information for the Company and its Restricted Subsidiaries, the Company shall also deliver to each such holder the consolidating information described in this Section 7.1(b); and

(iii) a certificate of such accountants stating that in making the examination for such report, they have obtained no knowledge of any Default or Event of Default, or, if they have obtained knowledge of any Default or Event of Default, specifying the nature and period of existence thereof and the action the Company has taken or proposes to take with respect thereto.

(c) SEC and Other Reports - if the Company or any Restricted Subsidiary shall be required to file reports with the Securities and Exchange Commission, promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Restricted Subsidiary to public securities holders generally, and (ii) each regular or periodic report, each registration statement that shall have become effective (without exhibits except as expressly requested by such holder), and each final prospectus and all amendments thereto filed by the Company or any Restricted Subsidiary with the Securities and Exchange Commission;

(d) Notice of Default or Event of Default -- promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) ERISA Matters -- promptly, and in any event within five days after a Responsible Officer becomes aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof and the potential cost to the Company or such ERISA Affiliate resulting therefrom exceeds $500,000; or

(ii) the taking by the PBGC of steps to institute, or the threatening in writing by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax

provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, would reasonably be expected to have a Material Adverse Effect; and

(f) Requested Information -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Restricted Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of Notes.

7.2. OFFICER'S CERTIFICATE.

Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Section 10.3 through Section 10.9 hereof, inclusive, and with all Additional Covenants, if any, that involve calculations during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section or Additional Covenant, as the case may be, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections or Additional Covenants, as the case may be, and the calculation of the amount, ratio or percentage then in existence);

(b) Event of Default -- a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto;

(c) Management's Discussion and Analysis -- a written discussion and analysis by management of the financial condition and results of operations of the lines of business conducted by each material Restricted Subsidiary for such accounting period; and

(d) Litigation -- a written statement that, to the best of such Officer's knowledge after due inquiry, except as otherwise disclosed in writing to you, there is no litigation (including derivative actions), arbitration proceeding or governmental proceeding pending to which the Company or any Subsidiary is a party, or with respect to the Company or any Subsidiary or their respective properties, which has a significant possibility of materially and adversely affecting the business, operations, properties or condition of the Company or of the Company and its Subsidiaries taken as a whole.

7.3. INSPECTION; CONFIDENTIALITY.

The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Restricted Subsidiaries with the Company's officers and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Restricted Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing;

(b) Default -- if a Default or Event of Default then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested; and

(c) Technical Data - anything herein to the contrary notwithstanding, neither the Company nor any of its Subsidiaries shall have any obligations to disclose pursuant to this Agreement any engineering, scientific, or other technical data without significance to your analysis of the financial position of the Company and its Subsidiaries.

9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

9.1. COMPLIANCE WITH LAW.

The Company will and will cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not reasonably be expected, individually or in the aggregate, to have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Restricted Subsidiaries taken as a whole.

9.2. INSURANCE.

The Company will and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

9.3. MAINTENANCE OF PROPERTIES.

The Company will and will cause each of its Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance would not, individually or in the aggregate, have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Restricted Subsidiaries taken as a whole.

9.4. PAYMENT OF TAXES.

The Company will and will cause each of its Subsidiaries to file all income tax or similar tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies payable by any of them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, provided that neither the Company nor any Subsidiary need pay any such tax or assessment if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes and assessments in the aggregate would not reasonably be expected to have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Restricted Subsidiaries taken as a whole.

9.5. CORPORATE EXISTENCE, ETC.

The Company will at all times preserve and keep in full force and effect its corporate existence. Subject to Sections 10.2 and 10.3, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Restricted Subsidiaries (unless merged into the Company or a Restricted Subsidiary) and all rights and franchises of the Company and its Restricted Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not, individually or in the aggregate, have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Restricted Subsidiaries taken as a whole.

9.6 PURCHASE OF NOTE UPON CHANGE OF CONTROL.

At least 15 Business Days (or, in the case of any transaction permitted by Section 10.2 resulting in a Change of Control, at least 45 days) and not more than 90 days prior to the occurrence of any Change of Control, the Company will give written notice thereof to each holder of an outstanding Note in the manner and to the address specified for notices pursuant to this Section 9.6 for such holder in Schedule A or as otherwise specified by such holder in writing to the Company. Such notice shall contain (i) an offer by the Company to purchase, on the date of such Change of Control or, if such notice shall be delivered less than 35 days prior to the date of such Change of Control, on the date 35 days after the date of such notice (the "PURCHASE DATE"), all Notes held by each such holder at a price equal to 100% of the principal amount thereof, together with interest accrued thereon to the Purchase Date, (ii) the estimated amount of accrued interest, showing in reasonable detail the calculation thereof and (iii)

the Company's estimate of the date on which such Change of Control shall occur. Said offer shall be deemed to lapse as to any such holder which has not replied affirmatively thereto in writing within 35 days of the giving of such notice. As soon as practicable (and in any event at least 24 hours) prior to such Change of Control, the Company shall give written confirmation of the date thereof to each such holder which has affirmatively replied to the notice given pursuant to the first sentence of this Section 9.6. In the event that the Company shall purchase any Notes pursuant to this Section 9.6, the same shall thereafter be canceled and not reissued and shall not be deemed "OUTSTANDING" for any purpose of this Agreement.

For the purposes of this Section 9.6, a "CHANGE OF CONTROL" shall be deemed to occur if any New Owner shall acquire beneficial ownership of shares in the Company having Voting Rights pertaining thereto which would allow such New Owner to elect more members of the board of directors than could be elected by the exercise of all Voting Rights pertaining to shares in the Company then owned beneficially by the Norris Family. As used in this Section 9.6:

(i) "VOTING RIGHTS" pertaining to shares of a corporation means the rights to cast votes for the election of directors of such corporation in ordinary circumstances (without consideration of voting rights which exist only in the event of contingencies).

(ii) "NORRIS FAMILY" means all persons who are lineal descendants of D.W. Norris (by birth or adoption), all spouses of such descendants, all estates of such descendants or spouses which are in the course of administration, all trusts for the benefit of such descendants or spouses, and all corporations or other entities in which, directly or indirectly, such descendants or spouses (either alone or in conjunction with other such descendants or spouses) have the right, whether by ownership of stock or other equity interests or otherwise, to direct the management and policies of such corporations or other entities (each such person, spouse, estate, trust, corporation or entity being referred to herein as a "MEMBER" of the Norris Family). In addition, so long as any employee stock ownership plan exercises its Voting Rights in the same manner as members of the Norris Family (exclusive of employee stock ownership plans) who have a majority of the Voting Rights exercised by all such members of the Norris Family, such employee stock ownership plan shall be deemed a member of the Norris Family.

(iii) "NEW OWNER" means any person (other than a member of the Norris Family), or any syndicate or group of persons (exclusive of all members of the Norris Family) which would be deemed a "PERSON" for the purposes of Section 13(d) of the Exchange Act, who directly or indirectly acquires shares in the Company.

Notwithstanding anything in this Section 9.6 to the contrary, if an Event of Default exists following a Change of Control and the Notes are accelerated pursuant to the provisions of Section 12.1, the holders of the Notes shall be entitled to receive the Make-Whole Amount relating to such accelerated amount as provided in Section 12.1.

9.7. MOST FAVORED LENDER'S STATUS.

The Company will not and will not permit any Restricted Subsidiary to enter into, assume or otherwise be bound or obligated under any agreement creating or evidencing Indebtedness or any agreement executed and delivered in connection with any Indebtedness containing one or more

Additional Covenants or Additional Defaults (as defined below), unless prior written consent to such agreement shall have been obtained pursuant to Section 12 of the Existing Note Purchase Agreements; provided, however, in the event the Company or any Restricted Subsidiary shall enter into, assume or otherwise become bound by or obligated under any such agreement without the prior written consent of the holders of the Notes, the terms of this Agreement shall, without any further action on the part of the Company or any of the holders of the Notes, be deemed to be amended automatically to include each Additional Covenant and each Additional Default contained in such agreement. The Company further covenants to promptly execute and deliver at its expense an amendment to this Agreement in form and substance satisfactory to the Required Holders evidencing the amendment of this Agreement to include such Additional Covenants and Additional Defaults, provided that the execution and delivery of such amendment shall not be a precondition to the effectiveness of such amendment as provided for in this Section 9.7, but shall merely be for the convenience of the parties hereto.

For purposes of this Agreement, (i) the term "ADDITIONAL COVENANT" shall mean any affirmative or negative covenant or similar restriction applicable to the Company or any Restricted Subsidiary (regardless of whether such provision is labeled or otherwise characterized as a covenant) the subject matter of which either (A) is similar to that of the covenants in Section 9 or 10 of this Agreement, or related definitions in Schedule B to this Agreement, but contains one or more percentages, amounts or formulas that is more restrictive than those set forth herein or more beneficial to the holder or holders of such other Indebtedness (and such covenant or similar restriction shall be deemed an "ADDITIONAL COVENANT" only to the extent that it is more restrictive or more beneficial) or (B) is different from the subject matter of the covenants in Section 9 or 10 of this Agreement, or related definitions in Schedule B to this Agreement; and (ii) the term "ADDITIONAL DEFAULT" shall mean any provision which permits the holder of such Indebtedness to accelerate (with the passage of time or giving of notice or both) the maturity thereof or otherwise require the Company or any Restricted Subsidiary to purchase such Indebtedness prior to the stated maturity of such Indebtedness and which either (A) is similar to the Defaults and Events of Default contained in Section 11 of this Agreement, or related definitions in Schedule B to this Agreement, but contains one or more percentages, amounts or formulas that is more restrictive or has a shorter grace period than those set forth herein or is more beneficial to the holder or holders of such other Indebtedness (and such provision shall be deemed an "ADDITIONAL DEFAULT" only to the extent that it is more restrictive, has a shorter grace period or is more beneficial) or (B) is different from the subject matter of the Defaults and Events of Default contained in Section 11 of this Agreement, or related definitions in Schedule B to this Agreement.

Notwithstanding anything herein to the contrary, until the earlier of (a) July 1, 1998 or (b) the amendment of such Revolving Credit Agreement on or after the date hereof, this Section 9.7 shall not apply to the Revolving Credit Agreement dated as of December 4, 1991, as amended prior to the date hereof, among the Company, the banks named on the signature pages thereof, and The Northern Trust Company, as agent.

9.8. COVENANT TO SECURE NOTES EQUALLY.

If the Company shall create, assume or permit to exist any Lien upon any of its property or assets, or permit any Restricted Subsidiary to create, assume or permit to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, other than those Liens permitted by the provisions of Section 10.5, the Company shall make or cause to be made effective provision whereby the Notes will be secured equally and ratably with any and all other obligations thereby secured, with the documentation for such security to be reasonably satisfactory to the Required Holders and, in any such

case, the Notes shall have the benefit, to the fullest extent that, and with such priority as, the holders of the Notes may be entitled under applicable law, of an equitable Lien on such property. Any violation of Section 10.5 will constitute an Event of Default, whether or not provision is made for an equal and ratable Lien pursuant to this Section 9.8.

9.9. ENVIRONMENTAL MATTERS.

(a) The Company will and will cause each of its Subsidiaries to comply in all material respects with all applicable Environmental Laws if, individually or in the aggregate, failure to comply therewith could reasonably be expected to have a material adverse effect on the financial condition or results of operations of the Company or the Company and its Subsidiaries, taken as a whole.

(b) The Company will not and will not permit any of its Subsidiaries to cause or allow any Hazardous Substance to be present at any time on, in, under or above any real property or any part thereof in which the Company or any Subsidiary has a direct interest (including without limitation ownership thereof or any arrangement for the lease, rental or other use thereof, or the retention of any mortgage or security interest therein or thereon), except in a manner and to an extent that is in compliance in all material respects with all applicable Environmental Laws or that will not have a material adverse effect on the financial condition or results of operations of the Company or the Company and its Subsidiaries, taken as a whole.

10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

10.1. TRANSACTIONS WITH AFFILIATES.

The Company will not permit any Restricted Subsidiary to enter into directly or indirectly any Material transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Restricted Subsidiary), except pursuant to the reasonable requirements of the Company's or such Restricted Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Restricted Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

10.2. MERGER, CONSOLIDATION, ETC.

The Company will not consolidate with or merge with any other corporation or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to any Person unless:

(a) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease substantially all of the assets of the Company as an entirety, as the case may be, shall be a solvent corporation organized and existing under the laws of the United States or any State thereof (including the District of Columbia), and, if the Company is not such corporation, such corporation shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement, the Other Agreements and the Notes, together with a favorable opinion of counsel satisfactory to each such holder covering such matters relating to such corporation and such assumption as such holder may reasonably request; and

(b) immediately after giving effect to such transaction, no Default or Event of Default would exist;

(c) immediately prior to and after giving effect to such transaction, the Company or such successor, as the case may be, would be permitted by the provisions of Sections 10.4 and 10.9 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively; and

(d) in the case of any such transaction which would involve or result in a Change of Control, the Company shall have complied with Section 9.6.

No such conveyance, transfer or lease of substantially all of the assets of the Company shall have the effect of releasing the Company or any successor corporation that shall theretofore have become such in the manner prescribed in this Section 10.2 from its liability under this Agreement or the Notes.

10.3. SALE OF ASSETS, ETC.

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Transfer, provided that the foregoing restriction does not apply to a Transfer if:

(a) the property that is the subject of such Transfer constitutes either (i) inventory held for sale, or (ii) equipment, fixtures, supplies or materials no longer required in the operation of the business of the Company or such Restricted Subsidiary or that is obsolete, and, in the case of any Transfer described in clause (i) or (ii), such Transfer is in the ordinary course of business (each such Transfer, an "ORDINARY COURSE TRANSFER"); or

(b) such Transfer is from

(i) a Restricted Subsidiary to the Company or another Restricted Subsidiary, or

(ii) the Company to a Restricted Subsidiary, or

(iii) the Company to a Subsidiary (other than a Restricted Subsidiary) or from a Restricted Subsidiary to another Subsidiary (other than a Restricted Subsidiary) and in either case is for Fair Market Value, so long as immediately before and immediately after the consummation of such transaction, and after giving effect thereto, no Default or Event of Default exists or would exist (each such Transfer, an "INTERGROUP TRANSFER"); or

(c) such Transfer is not an Ordinary Course Transfer or an Intergroup Transfer (such Transfers collectively referred to as "EXCLUDED TRANSFERS"), and all of the following conditions shall have been satisfied with respect thereto (the date of the consummation of such Transfer being referred to herein as the "PROPERTY DISPOSITION DATE"):

(i) the book value of the assets included in such Transfer, together with the book value of the assets included in all other Transfers (other than Excluded Transfers) during the fiscal year which includes the Property Disposition Date, shall not exceed fifteen percent (15%) of Consolidated Assets as of the end of the most recent fiscal year;

(ii) the book value of the assets included in such Transfer, together with the book value of the assets included in all other Transfers (other than Excluded Transfers) from January 1, 1998 through the Property Disposition Date, shall not exceed thirty percent (30%) of Consolidated Assets as of the end of the most recent fiscal year; and

(iii) immediately after giving effect to such Transfer, no Default or Event of Default would exist and the Company would be permitted by the provisions of Sections 10.4 and 10.9 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

If, within twelve (12) months after the Property Disposition Date, the Company or a Restricted Subsidiary acquires assets similar to the assets included in the Transfer, then, only for the purpose of determining compliance with Sections 10.3(c)(i) and (ii), the lesser of the book value of the assets acquired or the book value of the assets included in the Transfer shall not be taken into account.

10.4. INCURRENCE OF INDEBTEDNESS.

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume, guarantee, or otherwise become directly or indirectly liable with respect to any Indebtedness, unless on the date the Company or such Restricted Subsidiary becomes liable with respect to any such Indebtedness and immediately after giving effect thereto and to the substantially concurrent retirement of any other Indebtedness,

(a) no Default or Event of Default would exist, and

(b) Consolidated Indebtedness would not exceed sixty percent (60%) of Consolidated Capitalization.

For purposes of this Section 10.4, any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have incurred all of its then outstanding Indebtedness at the time it becomes a Restricted Subsidiary.

10.5. LIENS.

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Company or any such Restricted Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom, or assign or otherwise convey any right to receive income or profits, except:

(a) Liens for taxes, assessments or other governmental charges the payment of which is not at the time required by Section 9.4;

(b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other similar Liens, in each case, incurred in the ordinary course of business for sums not yet due;

(c) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business (i) in connection with workers' compensation, unemployment insurance and other types of social security or retirement benefits, or (ii) to secure (or to obtain letters of credit that

secure) the performance of tenders, statutory obligations, surety bonds, appeal bonds, bids, leases (other than Capital Leases), performance bonds, purchase, construction or sales contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property;

(d) any attachment or judgment Lien, unless the judgment or other obligation it secures (i) shall not, within ninety (90) days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within ninety (90) days after the expiration of any such stay or (ii) exceeds, together with the amounts of all other obligations secured by attachment or judgment Liens at the time existing in respect of property of the Company and its Restricted Subsidiaries, $5,000,000;

(e) leases or subleases granted to others, easements, rights-of-way, restrictions and other similar charges or encumbrances, in each case incidental to, and not interfering with, the ordinary conduct of the business of the Company or any of its Restricted Subsidiaries, provided that such Liens do not, in the aggregate, materially detract from the value of such property;

(f) Liens on property or assets of the Company or any of its Restricted Subsidiaries securing Indebtedness or other obligations owing to the Company or to a Wholly Owned Restricted Subsidiary;

(g) Liens existing on April 1, 1998 on the headquarters building owned by Lennox Commercial Realty Inc. and leased to Lennox Industries Inc. securing Indebtedness of Lennox Commercial Realty Inc. in the principal amount of $7,936,631 as of January 31, 1998;

(h) any Lien renewing, extending or refunding any Lien permitted by Subsection (g) above, provided that (i) the principal amount of Indebtedness secured by such Lien immediately prior to such extension, renewal or refunding is not increased or the maturity thereof reduced, (ii) such Lien is not extended to any other property, and (iii) immediately after such extension, renewal or refunding no Default or Event of Default would exist and the Company would be permitted by the provisions of Sections 10.4 and 10.9 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively; and

(i) other Liens not otherwise permitted by Subsections (a) through (h) above, provided that (i) the total obligations secured by such other Liens shall not exceed 10% of Consolidated Capitalization and (ii) immediately after giving effect to the creation thereof, the Company would be permitted by the provisions of Sections 10.4 and 10.9 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

For purposes of this Section 10.5, any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have incurred all of its then outstanding Liens at the time it becomes a Restricted Subsidiary, and any Person extending, renewing or refunding any Indebtedness secured by any Lien shall be deemed to have incurred such Lien at the time of such extension, renewal or refunding.

10.6. RESTRICTED PAYMENTS.

The Company will not, and will not permit any of its Restricted Subsidiaries to, declare or make, or incur any liability to declare or make, any Restricted Payment, unless immediately after giving effect to such action:

(a) no Default or Event of Default would exist; and

(b) the Company would be permitted by the provisions of Sections 10.4 and 10.9 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

10.7. CONSOLIDATED NET WORTH.

The Company will not permit Consolidated Net Worth as at the last day of any fiscal quarter of the Company to be less than the sum of (a) $261,000,000, plus (b) 15% of its aggregate Consolidated Net Income (but only if a positive number) for the period beginning April 1, 1998 and ending at the end of each fiscal quarter thereafter.

10.8. LIMITATION ON DIVIDEND RESTRICTIONS, ETC.

The Company will not permit any Restricted Subsidiary to enter into, adopt, create or otherwise be or become bound by or subject to any contract or charter or by-law provision limiting the amount of, or otherwise imposing restrictions on the declaration, payment or setting aside of funds for the making of, dividends or other distributions in respect of the capital stock of such Restricted Subsidiary to the Company or another Restricted Subsidiary.

10.9. LIMITATION ON RESTRICTED INDEBTEDNESS.

The Company will not at any time permit the aggregate amount of Restricted Indebtedness to exceed 10% of Consolidated Capitalization.

10.10. PREFERRED STOCK OF RESTRICTED SUBSIDIARIES.

The Company will not permit any Restricted Subsidiary to issue or permit to remain outstanding any Preferred Stock unless such Preferred Stock is issued to and at all times owned and held by the Company or a Wholly- Owned Restricted Subsidiary.

10.11. NO REDESIGNATION OF RESTRICTED SUBSIDIARIES.

The Company will not designate any Restricted Subsidiary as, or take or permit to be taken any action that would cause any Restricted Subsidiary to become, an Unrestricted Subsidiary.

11. EVENTS OF DEFAULT.

An "EVENT OF DEFAULT" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Special Premium, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in Section 7.1(d), 9.6 or 10.2 through 10.11; or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) or any Additional Covenant and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "NOTICE OF DEFAULT" and to refer specifically to this paragraph (d) of Section 11); or

(e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Restricted Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $5,000,000 beyond any period of grace provided with respect thereto, or (ii) the Company or any Restricted Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least $5,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared due and payable before its stated maturity or before its regularly scheduled dates of payment; or

(g) the Company or any Restricted Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Restricted Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Restricted Subsidiaries, or any such petition shall be filed against the Company or any of its Restricted Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of $5,000,000 are rendered against one or more of the Company and its Restricted Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) if (i) any Plan subject to the minimum funding standards of ERISA or the Code shall fail to satisfy such standards for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC

shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate amount of unfunded accrued plan benefit liabilities under all Plans subject to Title IV of ERISA, determined in accordance with Financial Accounting Standards Board Statement No. 87 or 132, as the case may be, as of the end of such Plans' most recently ended plan year on the basis of actuarial assumptions specified for funding purposes in such Plans' most recent actuarial valuation report, shall exceed $5,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Restricted Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Restricted Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, would reasonably be expected to have a Materially Adverse Effect.

As used in Section 11(j), the terms "EMPLOYEE BENEFIT PLAN" and "EMPLOYEE WELFARE BENEFIT PLAN" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

12. REMEDIES ON DEFAULT, ETC.

12.1. ACCELERATION.

(a) If an Event of Default with respect to the Company described in paragraph (g) or (h) of Section 11 (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 66 2/3% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon and (y) the Special Premium determined in respect of such principal amount, shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of Special Premium by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

12.2. OTHER REMEDIES.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

12.3. RESCISSION.

At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the holders of not less than 66 2/3% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and the Special Premium, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Special Premium, if any, and any overdue interest in respect of the Notes, at the Default Rate, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to the amendment and waiver provisions hereof, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

12.4. WAIVERS OR ELECTION OF REMEDIES, EXPENSES, ETC.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 16.1, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

SCHEDULE B

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"ADDITIONAL COVENANT" is defined in Section 9.7.

"AFFILIATE" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. As used in this definition, "CONTROL" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "AFFILIATE" is a reference to an Affiliate of the Company.

"BUSINESS DAY" means any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York, Chicago, Illinois or Dallas, Texas are required or authorized to be closed.

"CAPITAL LEASE" means, 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.

"CAPITAL LEASE OBLIGATION" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"CHANGE OF CONTROL" is defined in Section 9.6.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"CONSOLIDATED ASSETS" means the total assets of the Company and its Restricted Subsidiaries which would be shown as assets on a consolidated balance sheet of the Company and its Restricted Subsidiaries prepared in accordance with GAAP, after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of Restricted Subsidiaries.

"CONSOLIDATED CAPITALIZATION" means, at any time, the sum of Consolidated Net Worth and Consolidated Indebtedness.

"CONSOLIDATED INDEBTEDNESS" means, as of any date of determination, the total of all Indebtedness of the Company and its Restricted Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between the Company and its Restricted Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Restricted Subsidiaries in accordance with GAAP.

"CONSOLIDATED NET INCOME" for any period means the net income (or net loss) of the Company and its Restricted Subsidiaries for such period, determined in accordance with GAAP, excluding

(a) the proceeds of any life insurance policy;

(b) any gain arising from (1) the sale or other disposition of any assets (other than current assets) to the extent that the aggregate amount of gains exceeds the aggregate amount of losses from the sale, abandonment or other disposition of assets (other than current assets), (2) any write-up of assets, or (3) the acquisition by the Company or any Restricted Subsidiary of its outstanding securities constituting Indebtedness;

(c) any amount representing the interest of the Company or any Restricted Subsidiary in the undistributed earnings of any other Person;

(d) any earnings of any other Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or a Restricted Subsidiary and any earnings, prior to the date of acquisition, of any other Person acquired in any other manner; and

(e) any deferred credit (or amortization of a deferred credit) arising from the acquisition of any Person.

"CONSOLIDATED NET WORTH" means, at any time,

(a) the sum of (i) the par value (or value stated on the books of the Company) of the capital stock (but excluding treasury stock and capital stock subscribed and unissued) of the Company and its Restricted Subsidiaries at such time plus (ii) the amount of paid-in-capital and retained earnings of the Company and its Restricted Subsidiaries at such time, in each case as such amounts would be shown on a consolidated balance sheet of the Company and its Restricted Subsidiaries as of such time prepared in accordance with GAAP, minus

(b) to the extent included in clause (a), all amounts properly attributable to minority interests, if any, in the stock and surplus of Restricted Subsidiaries.

"DEFAULT" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"DEFAULT RATE" means that rate of interest that is the greater of (i) 2% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes or (ii) 2% over the rate of interest publicly announced by The Chase Manhattan Bank in New York, New York as its "BASE" or "PRIME" rate.

"DISTRIBUTION" means, in respect of any corporation, association or other business entity:

(a) dividends or other distributions or payments on capital stock or other equity interest of such corporation, association or other business entity (except distributions in such stock or other equity interests); and

(b) the redemption or acquisition of such stock or other equity interests or of warrants, rights or other options to purchase such stock or other equity interests (except when solely in exchange for such stock or other equity interests) unless made, contemporaneously, from the net proceeds of a sale of such stock or other equity interests.

"ENVIRONMENTAL LAWS" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA AFFILIATE" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"EVENT OF DEFAULT" is defined in Section 11.

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

"EXCLUDED TRANSFERS" is defined in Section 10.3.

"EXISTING NOTE PURCHASE AGREEMENTS" means (i) the Agreements of Assumption and Restatement dated as of December 1, 1991 between the Company and the institutional investors parties thereto, (ii) the Note Purchase Agreements dated as of December 1, 1993 between the Company and the institutional investors parties thereto, and (iii) the Note Purchase Agreement dated as of July 6, 1995 between the Company and the institutional investors parties thereto.

"FAIR MARKET VALUE" means, at any time and with respect to any property, the sale value of such property that would be realized in an arm's length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"GOVERNMENTAL AUTHORITY" means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"GUARANTY" means, 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:

(a) to purchase such Indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such Indebtedness or obligation, or (ii) 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;

(c) 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

(d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect 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.

"HAZARDOUS SUBSTANCE" means any contaminant, pollutant or toxic or hazardous substance, and any substance that is defined or listed as a hazardous, toxic or dangerous substance under any Environmental Law or that is otherwise regulated or prohibited under any Environmental Law as a hazardous, toxic or dangerous substance.

"HOLDER" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 10 of the Existing Note Purchase Agreements.

"INDEBTEDNESS" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(b) 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);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;

(d) 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);

(e) 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 (1) trade or commercial letters of credit issued for the account of the Company or a Restricted Subsidiary in the ordinary course of its business and (2) stand-by letters of credit issued to support obligations of the Company or a Restricted Subsidiary that do not constitute Indebtedness);

(f) Swaps of such Person; and

(g) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) above to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"INSTITUTIONAL INVESTOR" means (a) any original purchaser of a Note, (b) any holder of a Note holding more than 10% of the aggregate principal amount of the Notes then outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"INTERGROUP TRANSFER" is defined in Section 10.3.

"LIEN" means, 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).

"MATERIAL" means material in relation to the business, operations, affairs, financial condition, assets, or properties of the Company and its Subsidiaries taken as a whole.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Restricted Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement and the Notes, or (c) the validity or enforceability of this Agreement or the Notes.

"MULTIEMPLOYER PLAN" means any Plan that is a "MULTIEMPLOYER PLAN" (as such term is defined in section 4001(a)(3) of ERISA).

"NEW OWNER" is defined in Section 9.6.

"NORRIS FAMILY" is defined in Section 9.6.

"OFFICER'S CERTIFICATE" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"OTHER AGREEMENTS" means, when used in the case of an Existing Note Purchase Agreement referred to in clause (i) or (ii) of the definition thereof, the other substantially identical agreements entered into by the Company and other institutional investors in connection therewith.

"ORDINARY COURSE TRANSFER" is defined in Section 10.3.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"PERSON" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"PLAN" means an "EMPLOYEE BENEFIT PLAN" (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"PREFERRED STOCK" means 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.

"PROPERTY" or "PROPERTIES" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"PROPERTY DISPOSITION DATE" is defined in Section 10.3.

"PURCHASE DATE" is defined in Section 9.6.

"QPAM EXEMPTION" means Prohibited Transaction Class Exemption 84-14 issued by the United States Department of Labor.

"REQUIRED HOLDERS" means, at any time, the holders of at least 51% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"RESPONSIBLE OFFICER" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this agreement.

"RESTRICTED INDEBTEDNESS" means, without duplication, (i) Indebtedness of the Company or any Restricted Subsidiary which is secured by a Lien not otherwise permitted under subsections (a) through (h) of Section 10.5, and (ii) Indebtedness of a Restricted Subsidiary owing to any Person other than the Company or a Wholly-Owned Subsidiary.

"RESTRICTED PAYMENT" means any Distribution in respect of the Company or any Restricted Subsidiary (other than on account of capital stock or other equity interests of a Restricted Subsidiary owned legally and beneficially by the Company or another Restricted Subsidiary), including, without limitation, any Distribution resulting in the acquisition by the Company of Securities which would constitute treasury stock. For purposes of this Agreement, the amount of any Restricted Payment made in property shall be the greater of (x) the Fair Market Value of such property (as determined in good faith by the board of directors (or equivalent governing body) of the Person making such Restricted Payment) and (y) the net book value thereof on the books of such Person, in each case determined as of the date on which such Restricted Payment is made.

"RESTRICTED SUBSIDIARY" means any Subsidiary of the Company which is (a) listed as a Restricted Subsidiary in Schedule C attached hereto or (b) organized under the laws of, and conducts substantially all of its business and maintains substantially all of its property and assets within, the United States or any state thereof (including the District of Columbia).

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time.

"SECURITY" has the meaning set forth in Section 2(1) of the Securities Act.

"SENIOR FINANCIAL OFFICER" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"SUBSIDIARY" means, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "SUBSIDIARY" is a reference to a Subsidiary of the Company.

"SWAPS" means, 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 purposes of this Agreement, the amount of the obligation under any Swap shall be the 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.

"TRANSFER" means, with respect to any Person, any transaction in which such Person sells, conveys, transfers or leases (as lessor) any of its property, including capital stock of, or a Security issued by, a Subsidiary.

"UNRESTRICTED SUBSIDIARY" means any Subsidiary other than a Restricted Subsidiary.

"VOTING RIGHTS" is defined in Section 9.6.

"WHOLLY-OWNED RESTRICTED SUBSIDIARY" or "WHOLLY-OWNED SUBSIDIARY" means, at any time, any Restricted Subsidiary or Subsidiary, respectively, one hundred percent (100%) of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-Owned Restricted Subsidiaries or Wholly-Owned Subsidiaries, respectively, at such time.

SCHEDULE C

LENNOX INTERNATIONAL INC. SUBSIDIARIES

AS OF JANUARY 31, 1998

PAGE 1

	NAME	OWNERSHIP	JURISDICTION OF INC.	RESTRICTED/UNRESTRICTED	LOCATION OF SUBSTANTIAL OPERATING ASSETS
(1)	LENNOX INDUSTRIES INC. SEE ATTACHED CHART	100%	Iowa	Restricted	United States
(2)	HEATCRAFT INC.	100%	Mississippi	Restricted	United States
(3)	HEATCRAFT TECHNOLOGIES INC.	100%	Delaware	Restricted	United States
(4)	ARMSTRONG AIR CONDITIONING INC.	100%	Ohio	Restricted	United States
(5)	LENNOX FOREIGN SALES CORP.	100%	U.S. Virgin Islands	Unrestricted	N/A
(6)	LENNOX COMMERCIAL REALTY INC.	100%	Iowa	Restricted	United States
(7)	LENNOX GLOBAL LTD. See Attached Chart	100%	Delaware	Unrestricted	United States

LENNOX INTERNATIONAL INC. SUBSIDIARIES

AS OF JANUARY 31, 1998

PAGE 2

NAME	OWNERSHIP	JURISDICTION OF INC.	RESTRICTED/UNRESTRICTED	LOCATION OF SUBSTANTIAL OPERATING ASSETS
LENNOX INDUSTRIES INC.				
(a) Products Acceptance Corporation	100%	Iowa	Restricted	N/A
(b) Lennox Industries (Canada) Ltd.	100%	Canada	Unrestricted	Canada
(c) Lennox Industries SW Inc.	100%	Iowa	Restricted	N/A
(d) Lennox Manufacturing Inc.	100%	Delaware	Restricted	United States

LENNOX INTERNATIONAL INC. SUBSIDIARIES

AS OF JANUARY 31, 1998

PAGE 3

	NAME	OWNERSHIP	JURISDICTION OF INC.	RESTRICTED/UNRESTRICTED	LOCATION OF SUBSTANTIAL OPERATING ASSETS
LENNOX GLOBAL LTD.					
(a)	UK Industries Inc.	100%	Delaware	Unrestricted	N/A
(b)	UK Global Ltd.	100%	Delaware	Unrestricted	N/A
(c)	Lennox Australia Pty. Ltd.	100%	Australia	Unrestricted	Australia
(d)	LGL Asia-Pacific Pte. Ltd.	100%	Rep. of Singapore	Unrestricted	Singapore
(e)	LGL (Australia) Pty. Ltd.	100%	Australia	Unrestricted	Australia
(f)	LGL de Mexico, S.A. de C.V.	99%	Mexico	Unrestricted	Mexico
(g)	Ets. Brancher S.A.	70%	France	Unrestricted	France
	(1) SEE ATTACHED CHART				

LENNOX INTERNATIONAL INC. SUBSIDIARIES

AS OF JANUARY 31, 1998

PAGE 4

	NAME	OWNERSHIP	JURISDICTION OF INC.	RESTRICTED/UNRESTRICTED	LOCATION OF SUBSTANTIAL OPERATING ASSETS
ETS. BRANCHER S.A.					
(a)	HCF-Lennox Limited	100%	United Kingdom	Unrestricted	United Kingdom
	(1) Lennox Industries	100%	United Kingdom	Unrestricted	United Kingdom
	(A) Environheat Limited	100%	United Kingdom	Unrestricted	N/A
(b)	HCF Lennox S.A.	100%	France	Unrestricted	France
	(1) SEE ATTACHED CHART				
(c)	Frinotech S.A.	99.68%	France	Unrestricted	N/A
(d)	Friga-Bohn S.A.	100%	France	Unrestricted	France
	(1) Friga-Bohn Warmeauslauscher GmbH	100%	Germany	Unrestricted	Germany
	(2) ERSA	79.5%	Spain	Unrestricted	Spain
	(3) West	80%	Italy	Unrestricted	Italy
	(4) Friga-Coil	50%	Czech Republic	Unrestricted	Czech Republic
	(5) Herac Ltd.	100%	United Kingdom	Unrestricted	N/A
(e)	SCI Geraval	99.83%	France	Unrestricted	France
(f)	SCI Groupe Brancher	76%	France	Unrestricted	France

LENNOX INTERNATIONAL INC. SUBSIDIARIES

AS OF JANUARY 31, 1998

PAGE 5

	NAME	OWNERSHIP	JURISDICTION OF INC.	RESTRICTED/UNRESTRICTED	LOCATION OF SUBSTANTIAL OPERATING ASSETS
HCF LENNOX S.A.					
(a)	Refac B.V.	100%	Netherlands	Unrestricted	Netherlands
	(1) Refac NV	100%	Belgium	Unrestricted	Belgium
	(2) Refac Nord GmbH	100%	Germany	Unrestricted	N/A
	(A) Refac West GmbH	100%	Germany	Unrestricted	N/A
	(3) Refac Kalte-Klima Technik Vertriebs GmbH	50%	Germany	Unrestricted	N/A
	(4) Refac UK Ltd.	100%	United Kingdom	Unrestricted	United Kingdom
(b)	Hyfra GmbH	100%	Germany	Unrestricted	Germany
(c)	Lennox-Refac S.A.	100%	Spain	Unrestricted	Spain
	(1) Redi Andalucia S.A.	70%	Spain	Unrestricted	N/A
	(2) Lennox Refac	100%	Portugal	Unrestricted	N/A
	(3) Redi Sur Andalucia S.A.	70%	Spain	Unrestricted	N/A
	(4) Deutsche Bronswerk GmbH	100%	Germany	Unrestricted	Germany
	(5) Bronswerk Refac GmbH	100%	Germany	Unrestricted	Germany

EXHIBIT 10.5

April 3, 1998

The Prudential Insurance Company of America
c/o Prudential Capital Group
2200 Ross Avenue, Suite 4200
Dallas, TX 75201

Teachers Insurance and Annuity
Association of America
730 Third Avenue
New York, New York 10017
Attention: Securities Division

Connecticut General Life Insurance Company
INA Life Insurance Company of New York
Life Insurance Company of North America
c/o CIGNA Investments, Inc.
Hartford, Connecticut 06152
Attention: Private Securities Division

United of Omaha Life Insurance Company
Mutual of Omaha Insurance Company
Companion Life Insurance Company
United World Life Insurance Company
Mutual of Omaha Plaza
Omaha, NE 68175

First Colony Life Insurance Company
700 Main Street
Lynchburg, VA 24504

Lincoln National Life Insurance Company
c/o Lincoln Investment Management, Inc.
200 East Berry Street, Renaissance Square
Fort Wayne, IN 46802

Re: Lennox International Inc.
9.53% Senior Promissory Notes due 2001; 9.69% Senior Promissory Notes due 2003; 7.06% Senior Promissory Notes due 2005; and 6.73% Senior Promissory Notes due 2008

Ladies and Gentlemen:

Reference is made to:

(i) three separate Agreements of Assumption and Restatement, dated as of December 1, 1991 (the "1991 AGREEMENTS"), between Lennox International Inc. (the "COMPANY") and each of Teachers Insurance and Annuity Association of America, Connecticut General Life Insurance Company and INA Life Insurance Company of New York (collectively, and together with their respective successors and assigns, the "1991 HOLDERS");

(ii) nine separate Note Purchase Agreements, dated as of December 1, 1993 (the "1993 NOTE Agreements"), between the Company and each of The Prudential Insurance Company of America, Connecticut General Life Insurance Company, Connecticut General Life Insurance Company, on behalf of One or More Separate Accounts, Life Insurance Company of North America, United of Omaha Life Insurance Company, Mutual of Omaha Insurance Company, Companion Life Insurance Company, United World Life Insurance Company, and First Colony Life Insurance Company (collectively, and together with their respective successors and assigns, the "1993 HOLDERS");

(iii) the Note Purchase Agreement, dated as of July 6, 1995 (the "1995 NOTE AGREEMENT"), between the Company and Teachers Insurance and Annuity Association of America (together with its successors and assigns, the "1995 HOLDER"); and

(iv) eight separate Note Purchase Agreements, dated as of April 3, 1998 (as in effect on the date of execution and delivery thereof, and without giving effect to any amendment to or waiver of any term or provision thereof, the "1998 NOTE AGREEMENTS"), between the Company and each of The Prudential Insurance Company of America, U.S. Private Placement Fund, Teachers Insurance and Annuity Association of America, Connecticut General Life Insurance Company, Connecticut General Life Insurance Company, on behalf of One or More Separate Accounts, CIGNA Property and Casualty Insurance Company, United of Omaha Life Insurance Company and Companion Life Insurance Company.

The 1991 Note Agreements, 1993 Note Agreements and 1995 Note Agreement are collectively referred to herein as the "EXISTING NOTE AGREEMENTS". The 1991 Holders, 1993 Holders and 1995 Holder are collectively referred to herein as the "EXISTING HOLDERS". The senior notes issued and outstanding under each of the Existing Note Agreements are collectively referred to herein as the "EXISTING NOTES". Capitalized terms used in the body of this letter agreement and not otherwise defined herein shall have the respective meanings set forth in the Existing Note Agreements.

The Company has requested the Existing Holders to enter into this letter agreement (this "AMENDMENT AGREEMENT") in order to make certain modifications to the Existing Note Agreements for the purpose of conforming the covenants, Events of Default and remedies of the Existing Note Agreements to those of the 1998 Note Agreements, and the Existing Holders have agreed to such modifications, subject to the conditions set forth herein. Therefore, the Existing Holders and the Company hereby agree as follows:

1. The provisions of Sections 5, 6, 7 and 9 of the Existing Note Agreements are hereby superseded by the provisions of Schedule A attached hereto, the related definitions set forth in Schedule B attached hereto and the list of Subsidiaries set forth in Schedule C attached hereto.

Capitalized terms used in Schedule A, Schedule B or Schedule C but not defined in Schedule A or Schedule B are used with the meanings specified in the Existing Note Agreements. Section references that appear in Schedule A and Schedule B and that refer to Section numbers used in Schedule A constitute references to the Section numbers used in Schedule A and not to those in the portions of the Existing Note Agreements that are not being superseded by the provisions of this Amendment Agreement, notwithstanding the fact that the same numbers may also be used in such other portions of the Existing Note Agreements. The defined terms contained in Section 8 of the Existing Note Agreements shall continue to apply to such other portions of the Existing Note Agreements. References in the Existing Note Agreements to Section 7.12 thereof shall hereafter be deemed to refer to Section 9.6 of Schedule A.

2. Section 8 of the Existing Note Agreements is amended by (a) deleting the definitions of "Computation Date" and "Computation Period" therefrom, (b) modifying the definition of "Event of Default" to refer to Section 11 of Schedule A to this Amendment Agreement and (c) amending the definition of "Special Premium" by replacing the reference to Section 9.1 therein with a reference to Section 12.1 of Schedule A of this Amendment Agreement.

3. Effectiveness of Amendment Agreement. This Amendment Agreement shall be effective when holders of at least 66-2/3% in aggregate unpaid principal amount of all Existing Notes under each of the 1991 Note Agreements, the 1993 Note Agreements and the 1995 Note Agreement at the time outstanding shall have executed a counterpart of this Amendment Agreement, and (ii) the Company shall have furnished to each of the Existing Holders evidence of the satisfaction of clause (i).

4. Representations and Warranties. The Company hereby represents and warrants that:

(a) Upon the effectiveness of this Amendment Agreement, no Default or Event of Default shall have occurred and be continuing.

(b) The Company has the corporate power and authority to execute and deliver this Amendment Agreement and to perform the Existing Note Agreements, as amended hereby.

(c) This Amendment Agreement has been duly authorized by all necessary corporate action on the part of the Company, and the Existing Note Agreements, as amended hereby, constitute legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as such enforceability may be limited by (i)applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(d) The execution and delivery of this Amendment Agreement by the Company and the performance by the Company of the Existing Note Agreements, as amended hereby, will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other material agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any

court, arbitrator or Governmental Body applicable to the Company or any Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Body applicable to the Company or any Subsidiary.

(e) No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Body is required in connection with the execution and delivery of this Amendment Agreement by the Company or the performance by the Company of this Amendment Agreement or the Existing Note Agreements, as amended hereby.

(f) There are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Body that, individually or in the aggregate, would reasonably be expected to have a material adverse effect upon the ability of the Company to perform its obligations under the Existing Note Agreements, as amended hereby, or upon the validity or enforceability of the Existing Note Agreements, as amended hereby.

5. Miscellaneous. Except as expressly amended by this Amendment Agreement, the Existing Note Agreements shall remain in full force and effect. No amendment to, or waiver of, any provision of the 1998 Note Agreements will constitute an amendment to, or waiver of, any provision of the Existing Note Agreements, which Existing Note Agreements will continue to be subject to the amendment and waiver provisions contained in Section 12 thereof. This Amendment Agreement shall be binding upon and inure to the benefit of the Existing Holders and their respective successors and permitted assigns. This Amendment Agreement may be signed in any number of counterparts, each of which shall constitute an original.

If the foregoing correctly describes our understanding with respect to the subject matter of this Amendment Agreement, please execute this letter in the place indicated below.

Very truly yours,

LENNOX INTERNATIONAL INC.

By: /s/ Clyde Wyant

Clyde Wyant
Executive Vice President,
Chief Financial Officer
and Treasurer

ACCEPTED AND AGREED:

THE PRUDENTIAL INSURANCE COMPANY
OF AMERICA

By: /s/ Randall M. Kob

Name: Randall M. Kob

Title: Vice President

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

By: /s/ Charles C. Thompson III

Name: Charles C. Thompson III

Title: Managing Director - Private Placements

CONNECTICUT GENERAL LIFE INSURANCE COMPANY
By: CIGNA Investments, Inc.

By: /s/ Edward Lewis

Name: Edward Lewis

Title: Managing Director

CONNECTICUT GENERAL LIFE INSURANCE COMPANY,
on behalf of One or More Separate Accounts
By: CIGNA Investments, Inc.

By: /s/ Edward Lewis

Name: Edward Lewis
Title: Managing Director

INA LIFE INSURANCE COMPANY OF NEW YORK
By: CIGNA Investments, Inc.

By: /s/ Edward Lewis

Name: Edward Lewis
Title: Managing Director

LIFE INSURANCE COMPANY OF NORTH AMERICA
By: CIGNA Investments, Inc.

By: /s/ Edward Lewis

Name: Edward Lewis
Title: Managing Director

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: /s/ Edwin H. Garrison, Jr.

Name: Edwin H. Garrison, Jr.
Title: First Vice President

MUTUAL OF OMAHA INSURANCE COMPANY

By: /s/ Edwin H. Garrison, Jr.

Name: Edwin H. Garrison, Jr.
Title: First Vice President

COMPANION LIFE INSURANCE COMPANY

By: /s/ Edwin H. Garrison, Jr.
Name: Edwin H. Garrison, Jr.
Title: First Vice President

By: /s/ Jeffry F. Sailer
Name: Jeffry F. Sailer
Title: Assistant Treasurer

UNITED WORLD LIFE INSURANCE COMPANY

By: /s/ Edwin H. Garrison, Jr.
Name: Edwin H. Garrison, Jr.
Title: First Vice President

FIRST COLONY LIFE INSURANCE COMPANY

By:
Name:
Title:

LINCOLN NATIONAL LIFE INSURANCE COMPANY

By:
Name:
Title:

7. INFORMATION AS TO COMPANY.

7.1. FINANCIAL AND BUSINESS INFORMATION.

The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) Quarterly Statements -- within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of

(i) consolidated and consolidating balance sheets of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated and consolidating statements of income, changes in shareholders' equity and cash flows of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

all in reasonable detail and setting forth, in the case of such consolidated statements, in comparative form the figures for the corresponding periods in the previous fiscal year, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, provided that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 7.1(a); provided further that if such Form 10-Q does not contain consolidating information for the Company and its Restricted Subsidiaries, the Company shall also deliver to each such holder the consolidating information described in this Section 7.1(a);

(b) Annual Statements -- within 120 days after the end of each fiscal year of the Company, duplicate copies of

(i) consolidated and consolidating balance sheets of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated and consolidating statements of income, changes in shareholders' equity and cash flows of the Company and its Restricted Subsidiaries and of the Company and its Subsidiaries, for such year;

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied, (1) in the case of the consolidated statements, by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in

connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and (2) in the case of the consolidating statements, either certified by a Senior Financial Officer as fairly stating, or accompanied by a report thereon by such accountants containing a statement to the effect that such consolidating financial statements fairly state, the financial position and the results of operations and cash flows of the companies being reported upon in all material respects in relation to the consolidated financial statements for the periods indicated as a whole; provided that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of clauses (i) and (ii) of this Section 7.1(b); provided further that if such Form 10-K does not contain consolidating information for the Company and its Restricted Subsidiaries, the Company shall also deliver to each such holder the consolidating information described in this Section 7.1(b); and

(iii) a certificate of such accountants stating that in making the examination for such report, they have obtained no knowledge of any Default or Event of Default, or, if they have obtained knowledge of any Default or Event of Default, specifying the nature and period of existence thereof and the action the Company has taken or proposes to take with respect thereto.

(c) SEC and Other Reports - if the Company or any Restricted Subsidiary shall be required to file reports with the Securities and Exchange Commission, promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Restricted Subsidiary to public securities holders generally, and (ii) each regular or periodic report, each registration statement that shall have become effective (without exhibits except as expressly requested by such holder), and each final prospectus and all amendments thereto filed by the Company or any Restricted Subsidiary with the Securities and Exchange Commission;

(d) Notice of Default or Event of Default -- promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) ERISA Matters -- promptly, and in any event within five days after a Responsible Officer becomes aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof and the potential cost to the Company or such ERISA Affiliate resulting therefrom exceeds $500,000; or

(ii) the taking by the PBGC of steps to institute, or the threatening in writing by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax

provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, would reasonably be expected to have a Material Adverse Effect; and

(f) Requested Information -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Restricted Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of Notes.

7.2. OFFICER'S CERTIFICATE.

Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Section 10.3 through Section 10.9 hereof, inclusive, and with all Additional Covenants, if any, that involve calculations during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section or Additional Covenant, as the case may be, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections or Additional Covenants, as the case may be, and the calculation of the amount, ratio or percentage then in existence);

(b) Event of Default -- a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto;

(c) Management's Discussion and Analysis -- a written discussion and analysis by management of the financial condition and results of operations of the lines of business conducted by each material Restricted Subsidiary for such accounting period; and

(d) Litigation -- a written statement that, to the best of such Officer's knowledge after due inquiry, except as otherwise disclosed in writing to you, there is no litigation (including derivative actions), arbitration proceeding or governmental proceeding pending to which the Company or any Subsidiary is a party, or with respect to the Company or any Subsidiary or their respective properties, which has a significant possibility of materially and adversely affecting the business, operations, properties or condition of the Company or of the Company and its Subsidiaries taken as a whole.

7.3. INSPECTION; CONFIDENTIALITY.

The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Restricted Subsidiaries with the Company's officers and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Restricted Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing;

(b) Default -- if a Default or Event of Default then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested; and

(c) Technical Data - anything herein to the contrary notwithstanding, neither the Company nor any of its Subsidiaries shall have any obligations to disclose pursuant to this Agreement any engineering, scientific, or other technical data without significance to your analysis of the financial position of the Company and its Subsidiaries.

9. AFFIRMATIVE COVENANTS

The Company covenants that so long as any of the Notes are outstanding:

9.1. COMPLIANCE WITH LAW

The Company will and will cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not reasonably be expected, individually or in the aggregate, to have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Restricted Subsidiaries taken as a whole.

9.2. INSURANCE

The Company will and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

9.3. MAINTENANCE OF PROPERTIES

The Company will and will cause each of its Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance would not, individually or in the aggregate, have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Restricted Subsidiaries taken as a whole.

9.4. PAYMENT OF TAXES

The Company will and will cause each of its Subsidiaries to file all income tax or similar tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies payable by any of them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, provided that neither the Company nor any Subsidiary need pay any such tax or assessment if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes and assessments in the aggregate would not reasonably be expected to have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Restricted Subsidiaries taken as a whole.

9.5. CORPORATE EXISTENCE, ETC.

The Company will at all times preserve and keep in full force and effect its corporate existence. Subject to Sections 10.2 and 10.3, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Restricted Subsidiaries (unless merged into the Company or a Restricted Subsidiary) and all rights and franchises of the Company and its Restricted Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not, individually or in the aggregate, have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Restricted Subsidiaries taken as a whole.

9.6 PURCHASE OF NOTE UPON CHANGE OF CONTROL.

At least 15 Business Days (or, in the case of any transaction permitted by Section 10.2 resulting in a Change of Control, at least 45 days) and not more than 90 days prior to the occurrence of any Change of Control, the Company will give written notice thereof to each holder of an outstanding Note in the manner and to the address specified for notices pursuant to this Section 9.6 for such holder in Schedule A or as otherwise specified by such holder in writing to the Company. Such notice shall contain (i) an offer by the Company to purchase, on the date of such Change of Control or, if such notice shall be delivered less than 35 days prior to the date of such Change of Control, on the date 35 days after the date of such notice (the "PURCHASE DATE"), all Notes held by each such holder at a price equal to 100% of the principal amount thereof, together with interest accrued thereon to the Purchase Date, (ii) the estimated amount of accrued interest, showing in reasonable detail the calculation thereof and (iii)

the Company's estimate of the date on which such Change of Control shall occur. Said offer shall be deemed to lapse as to any such holder which has not replied affirmatively thereto in writing within 35 days of the giving of such notice. As soon as practicable (and in any event at least 24 hours) prior to such Change of Control, the Company shall give written confirmation of the date thereof to each such holder which has affirmatively replied to the notice given pursuant to the first sentence of this Section 9.6. In the event that the Company shall purchase any Notes pursuant to this Section 9.6, the same shall thereafter be canceled and not reissued and shall not be deemed "OUTSTANDING" for any purpose of this Agreement.

For the purposes of this Section 9.6, a "CHANGE OF CONTROL" shall be deemed to occur if any New Owner shall acquire beneficial ownership of shares in the Company having Voting Rights pertaining thereto which would allow such New Owner to elect more members of the board of directors than could be elected by the exercise of all Voting Rights pertaining to shares in the Company then owned beneficially by the Norris Family. As used in this Section 9.6:

(i) "VOTING RIGHTS" pertaining to shares of a corporation means the rights to cast votes for the election of directors of such corporation in ordinary circumstances (without consideration of voting rights which exist only in the event of contingencies).

(ii) "NORRIS FAMILY" means all persons who are lineal descendants of D.W. Norris (by birth or adoption), all spouses of such descendants, all estates of such descendants or spouses which are in the course of administration, all trusts for the benefit of such descendants or spouses, and all corporations or other entities in which, directly or indirectly, such descendants or spouses (either alone or in conjunction with other such descendants or spouses) have the right, whether by ownership of stock or other equity interests or otherwise, to direct the management and policies of such corporations or other entities (each such person, spouse, estate, trust, corporation or entity being referred to herein as a "MEMBER" of the Norris Family). In addition, so long as any employee stock ownership plan exercises its Voting Rights in the same manner as members of the Norris Family (exclusive of employee stock ownership plans) who have a majority of the Voting Rights exercised by all such members of the Norris Family, such employee stock ownership plan shall be deemed a member of the Norris Family.

(iii) "NEW OWNER" means any person (other than a member of the Norris Family), or any syndicate or group of persons (exclusive of all members of the Norris Family) which would be deemed a "PERSON" for the purposes of Section 13(d) of the Exchange Act, who directly or indirectly acquires shares in the Company.

Notwithstanding anything in this Section 9.6 to the contrary, if an Event of Default exists following a Change of Control and the Notes are accelerated pursuant to the provisions of Section 12.1, the holders of the Notes shall be entitled to receive the Make-Whole Amount relating to such accelerated amount as provided in Section 12.1.

9.7. MOST FAVORED LENDER'S STATUS.

The Company will not and will not permit any Restricted Subsidiary to enter into, assume or otherwise be bound or obligated under any agreement creating or evidencing Indebtedness or any agreement executed and delivered in connection with any Indebtedness containing one or more

Additional Covenants or Additional Defaults (as defined below), unless prior written consent to such agreement shall have been obtained pursuant to Section 12 of the Existing Note Purchase Agreements; provided, however, in the event the Company or any Restricted Subsidiary shall enter into, assume or otherwise become bound by or obligated under any such agreement without the prior written consent of the holders of the Notes, the terms of this Agreement shall, without any further action on the part of the Company or any of the holders of the Notes, be deemed to be amended automatically to include each Additional Covenant and each Additional Default contained in such agreement. The Company further covenants to promptly execute and deliver at its expense an amendment to this Agreement in form and substance satisfactory to the Required Holders evidencing the amendment of this Agreement to include such Additional Covenants and Additional Defaults, provided that the execution and delivery of such amendment shall not be a precondition to the effectiveness of such amendment as provided for in this Section 9.7, but shall merely be for the convenience of the parties hereto.

For purposes of this Agreement, (i) the term "ADDITIONAL COVENANT" shall mean any affirmative or negative covenant or similar restriction applicable to the Company or any Restricted Subsidiary (regardless of whether such provision is labeled or otherwise characterized as a covenant) the subject matter of which either (A) is similar to that of the covenants in Section 9 or 10 of this Agreement, or related definitions in Schedule B to this Agreement, but contains one or more percentages, amounts or formulas that is more restrictive than those set forth herein or more beneficial to the holder or holders of such other Indebtedness (and such covenant or similar restriction shall be deemed an "ADDITIONAL COVENANT" only to the extent that it is more restrictive or more beneficial) or (B) is different from the subject matter of the covenants in Section 9 or 10 of this Agreement, or related definitions in Schedule B to this Agreement; and (ii) the term "ADDITIONAL DEFAULT" shall mean any provision which permits the holder of such Indebtedness to accelerate (with the passage of time or giving of notice or both) the maturity thereof or otherwise require the Company or any Restricted Subsidiary to purchase such Indebtedness prior to the stated maturity of such Indebtedness and which either (A) is similar to the Defaults and Events of Default contained in Section 11 of this Agreement, or related definitions in Schedule B to this Agreement, but contains one or more percentages, amounts or formulas that is more restrictive or has a shorter grace period than those set forth herein or is more beneficial to the holder or holders of such other Indebtedness (and such provision shall be deemed an "ADDITIONAL DEFAULT" only to the extent that it is more restrictive, has a shorter grace period or is more beneficial) or (B) is different from the subject matter of the Defaults and Events of Default contained in Section 11 of this Agreement, or related definitions in Schedule B to this Agreement.

Notwithstanding anything herein to the contrary, until the earlier of (a) July 1, 1998 or (b) the amendment of such Revolving Credit Agreement on or after the date hereof, this Section 9.7 shall not apply to the Revolving Credit Agreement dated as of December 4, 1991, as amended prior to the date hereof, among the Company, the banks named on the signature pages thereof, and The Northern Trust Company, as agent.

9.8. COVENANT TO SECURE NOTES EQUALLY

If the Company shall create, assume or permit to exist any Lien upon any of its property or assets, or permit any Restricted Subsidiary to create, assume or permit to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, other than those Liens permitted by the provisions of Section 10.5, the Company shall make or cause to be made effective provision whereby the Notes will be secured equally and ratably with any and all other obligations thereby secured, with the documentation for such security to be reasonably satisfactory to the Required Holders and, in any such

case, the Notes shall have the benefit, to the fullest extent that, and with such priority as, the holders of the Notes may be entitled under applicable law, of an equitable Lien on such property. Any violation of Section 10.5 will constitute an Event of Default, whether or not provision is made for an equal and ratable Lien pursuant to this Section 9.8.

9.9. ENVIRONMENTAL MATTERS

(a) The Company will and will cause each of its Subsidiaries to comply in all material respects with all applicable Environmental Laws if, individually or in the aggregate, failure to comply therewith could reasonably be expected to have a material adverse effect on the financial condition or results of operations of the Company or the Company and its Subsidiaries, taken as a whole.

(b) The Company will not and will not permit any of its Subsidiaries to cause or allow any Hazardous Substance to be present at any time on, in, under or above any real property or any part thereof in which the Company or any Subsidiary has a direct interest (including without limitation ownership thereof or any arrangement for the lease, rental or other use thereof, or the retention of any mortgage or security interest therein or thereon), except in a manner and to an extent that is in compliance in all material respects with all applicable Environmental Laws or that will not have a material adverse effect on the financial condition or results of operations of the Company or the Company and its Subsidiaries, taken as a whole.

10. NEGATIVE COVENANTS

The Company covenants that so long as any of the Notes are outstanding:

10.1. TRANSACTIONS WITH AFFILIATES

The Company will not permit any Restricted Subsidiary to enter into directly or indirectly any Material transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Restricted Subsidiary), except pursuant to the reasonable requirements of the Company's or such Restricted Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Restricted Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

10.2. MERGER, CONSOLIDATION, ETC.

The Company will not consolidate with or merge with any other corporation or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to any Person unless:

(a) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease substantially all of the assets of the Company as an entirety, as the case may be, shall be a solvent corporation organized and existing under the laws of the United States or any State thereof (including the District of Columbia), and, if the Company is not such corporation, such corporation shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement, the Other Agreements and the Notes, together with a favorable opinion of counsel satisfactory to each such holder covering such matters relating to such corporation and such assumption as such holder may reasonably request; and

(b) immediately after giving effect to such transaction, no Default or Event of Default would exist;

(c) immediately prior to and after giving effect to such transaction, the Company or such successor, as the case may be, would be permitted by the provisions of Sections 10.4 and 10.9 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively; and

(d) in the case of any such transaction which would involve or result in a Change of Control, the Company shall have complied with Section 9.6.

No such conveyance, transfer or lease of substantially all of the assets of the Company shall have the effect of releasing the Company or any successor corporation that shall theretofore have become such in the manner prescribed in this Section 10.2 from its liability under this Agreement or the Notes.

10.3. SALE OF ASSETS, ETC.

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Transfer, provided that the foregoing restriction does not apply to a Transfer if:

(a) the property that is the subject of such Transfer constitutes either (i) inventory held for sale, or (ii) equipment, fixtures, supplies or materials no longer required in the operation of the business of the Company or such Restricted Subsidiary or that is obsolete, and, in the case of any Transfer described in clause (i) or (ii), such Transfer is in the ordinary course of business (each such Transfer, an "ORDINARY COURSE TRANSFER"); or

(b) such Transfer is from

(i) a Restricted Subsidiary to the Company or another Restricted Subsidiary, or

(ii) the Company to a Restricted Subsidiary, or

(iii) the Company to a Subsidiary (other than a Restricted Subsidiary) or from a Restricted Subsidiary to another Subsidiary (other than a Restricted Subsidiary) and in either case is for Fair Market Value, so long as immediately before and immediately after the consummation of such transaction, and after giving effect thereto, no Default or Event of Default exists or would exist (each such Transfer, an "INTERGROUP TRANSFER"); or

(c) such Transfer is not an Ordinary Course Transfer or an Intergroup Transfer (such Transfers collectively referred to as "EXCLUDED TRANSFERS"), and all of the following conditions shall have been satisfied with respect thereto (the date of the consummation of such Transfer being referred to herein as the "PROPERTY DISPOSITION DATE"):

(i) the book value of the assets included in such Transfer, together with the book value of the assets included in all other Transfers (other than Excluded Transfers) during the fiscal year which includes the Property Disposition Date, shall not exceed fifteen percent (15%) of Consolidated Assets as of the end of the most recent fiscal year;

(ii) the book value of the assets included in such Transfer, together with the book value of the assets included in all other Transfers (other than Excluded Transfers) from January 1, 1998 through the Property Disposition Date, shall not exceed thirty percent (30%) of Consolidated Assets as of the end of the most recent fiscal year; and

(iii) immediately after giving effect to such Transfer, no Default or Event of Default would exist and the Company would be permitted by the provisions of Sections 10.4 and 10.9 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

If, within twelve (12) months after the Property Disposition Date, the Company or a Restricted Subsidiary acquires assets similar to the assets included in the Transfer, then, only for the purpose of determining compliance with Sections 10.3(c)(i) and (ii), the lesser of the book value of the assets acquired or the book value of the assets included in the Transfer shall not be taken into account.

10.4. INCURRENCE OF INDEBTEDNESS

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume, guarantee, or otherwise become directly or indirectly liable with respect to any Indebtedness, unless on the date the Company or such Restricted Subsidiary becomes liable with respect to any such Indebtedness and immediately after giving effect thereto and to the substantially concurrent retirement of any other Indebtedness,

(a) no Default or Event of Default would exist, and

(b) Consolidated Indebtedness would not exceed sixty percent (60%) of Consolidated Capitalization.

For purposes of this Section 10.4, any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have incurred all of its then outstanding Indebtedness at the time it becomes a Restricted Subsidiary.

10.5. LIENS

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Company or any such Restricted Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom, or assign or otherwise convey any right to receive income or profits, except:

(a) Liens for taxes, assessments or other governmental charges the payment of which is not at the time required by Section 9.4;

(b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other similar Liens, in each case, incurred in the ordinary course of business for sums not yet due;

(c) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business (i) in connection with workers' compensation, unemployment insurance and other types of social security or retirement benefits, or (ii) to secure (or to obtain letters of credit that

secure) the performance of tenders, statutory obligations, surety bonds, appeal bonds, bids, leases (other than Capital Leases), performance bonds, purchase, construction or sales contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property;

(d) any attachment or judgment Lien, unless the judgment or other obligation it secures (i) shall not, within ninety (90) days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within ninety (90) days after the expiration of any such stay or (ii) exceeds, together with the amounts of all other obligations secured by attachment or judgment Liens at the time existing in respect of property of the Company and its Restricted Subsidiaries, $5,000,000;

(e) leases or subleases granted to others, easements, rights-of-way, restrictions and other similar charges or encumbrances, in each case incidental to, and not interfering with, the ordinary conduct of the business of the Company or any of its Restricted Subsidiaries, provided that such Liens do not, in the aggregate, materially detract from the value of such property;

(f) Liens on property or assets of the Company or any of its Restricted Subsidiaries securing Indebtedness or other obligations owing to the Company or to a Wholly Owned Restricted Subsidiary;

(g) Liens existing on April 1, 1998 on the headquarters building owned by Lennox Commercial Realty Inc. and leased to Lennox Industries Inc. securing Indebtedness of Lennox Commercial Realty Inc. in the principal amount of $7,936,631 as of January 31, 1998;

(h) any Lien renewing, extending or refunding any Lien permitted by Subsection (g) above, provided that (i) the principal amount of Indebtedness secured by such Lien immediately prior to such extension, renewal or refunding is not increased or the maturity thereof reduced, (ii) such Lien is not extended to any other property, and (iii) immediately after such extension, renewal or refunding no Default or Event of Default would exist and the Company would be permitted by the provisions of Sections 10.4 and 10.9 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively; and

(i) other Liens not otherwise permitted by Subsections (a) through (h) above, provided that (i) the total obligations secured by such other Liens shall not exceed 10% of Consolidated Capitalization and (ii) immediately after giving effect to the creation thereof, the Company would be permitted by the provisions of Sections 10.4 and 10.9 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

For purposes of this Section 10.5, any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have incurred all of its then outstanding Liens at the time it becomes a Restricted Subsidiary, and any Person extending, renewing or refunding any Indebtedness secured by any Lien shall be deemed to have incurred such Lien at the time of such extension, renewal or refunding.

10.6. RESTRICTED PAYMENTS

The Company will not, and will not permit any of its Restricted Subsidiaries to, declare or make, or incur any liability to declare or make, any Restricted Payment, unless immediately after giving effect to such action:

(a) no Default or Event of Default would exist; and

(b) the Company would be permitted by the provisions of Sections 10.4 and 10.9 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

10.7. CONSOLIDATED NET WORTH.

The Company will not permit Consolidated Net Worth as at the last day of any fiscal quarter of the Company to be less than the sum of (a) $261,000,000, plus (b) 15% of its aggregate Consolidated Net Income (but only if a positive number) for the period beginning April 1, 1998 and ending at the end of each fiscal quarter thereafter.

10.8. LIMITATION ON DIVIDEND RESTRICTIONS, ETC.

The Company will not permit any Restricted Subsidiary to enter into, adopt, create or otherwise be or become bound by or subject to any contract or charter or by-law provision limiting the amount of, or otherwise imposing restrictions on the declaration, payment or setting aside of funds for the making of, dividends or other distributions in respect of the capital stock of such Restricted Subsidiary to the Company or another Restricted Subsidiary.

10.9. LIMITATION ON RESTRICTED INDEBTEDNESS.

The Company will not at any time permit the aggregate amount of Restricted Indebtedness to exceed 10% of Consolidated Capitalization.

10.10. PREFERRED STOCK OF RESTRICTED SUBSIDIARIES.

The Company will not permit any Restricted Subsidiary to issue or permit to remain outstanding any Preferred Stock unless such Preferred Stock is issued to and at all times owned and held by the Company or a Wholly-Owned Restricted Subsidiary.

10.11. NO REDESIGNATION OF RESTRICTED SUBSIDIARIES.

The Company will not designate any Restricted Subsidiary as, or take or permit to be taken any action that would cause any Restricted Subsidiary to become, an Unrestricted Subsidiary.

10.12. EVENTS OF DEFAULT

An "EVENT OF DEFAULT" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Special Premium, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in Section 7.1(d), 9.6 or 10.2 through 10.11; or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) or any Additional Covenant and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "NOTICE OF DEFAULT" and to refer specifically to this paragraph (d) of Section 11); or

(e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Restricted Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $5,000,000 beyond any period of grace provided with respect thereto, or (ii) the Company or any Restricted Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least $5,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared due and payable before its stated maturity or before its regularly scheduled dates of payment; or

(g) the Company or any Restricted Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Restricted Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Restricted Subsidiaries, or any such petition shall be filed against the Company or any of its Restricted Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of $5,000,000 are rendered against one or more of the Company and its Restricted Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) if (i) any Plan subject to the minimum funding standards of ERISA or the Code shall fail to satisfy such standards for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC

shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate amount of unfunded accrued plan benefit liabilities under all Plans subject to Title IV of ERISA, determined in accordance with Financial Accounting Standards Board Statement No. 87 or 132, as the case may be, as of the end of such Plans' most recently ended plan year on the basis of actuarial assumptions specified for funding purposes in such Plans' most recent actuarial valuation report, shall exceed $5,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Restricted Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Restricted Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, would reasonably be expected to have a Materially Adverse Effect.

As used in Section 11(j), the terms "EMPLOYEE BENEFIT PLAN" and "EMPLOYEE WELFARE BENEFIT PLAN" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

12. REMEDIES ON DEFAULT, ETC.

12.1. ACCELERATION

(a) If an Event of Default with respect to the Company described in paragraph (g) or (h) of Section 11 (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 66 2/3% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon and (y) the Special Premium determined in respect of such principal amount, shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of Special Premium by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

12.2. OTHER REMEDIES

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

12.3. RESCISSION

At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the holders of not less than 66 2/3% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and the Special Premium, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Special Premium, if any, and any overdue interest in respect of the Notes, at the Default Rate, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to the amendment and waiver provisions hereof, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

12.4. WAIVERS OR ELECTION OF REMEDIES, EXPENSES, ETC.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 16.1, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

SCHEDULE B

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"ADDITIONAL COVENANT" is defined in Section 9.7.

"AFFILIATE" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. As used in this definition, "CONTROL" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "AFFILIATE" is a reference to an Affiliate of the Company.

"BUSINESS DAY" means any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York, Chicago, Illinois or Dallas, Texas are required or authorized to be closed.

"CAPITAL LEASE" means, 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.

"CAPITAL LEASE OBLIGATION" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"CHANGE OF CONTROL" is defined in Section 9.6.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"CONSOLIDATED ASSETS" means the total assets of the Company and its Restricted Subsidiaries which would be shown as assets on a consolidated balance sheet of the Company and its Restricted Subsidiaries prepared in accordance with GAAP, after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of Restricted Subsidiaries.

"CONSOLIDATED CAPITALIZATION" means, at any time, the sum of Consolidated Net Worth and Consolidated Indebtedness.

"CONSOLIDATED INDEBTEDNESS" means, as of any date of determination, the total of all Indebtedness of the Company and its Restricted Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between the Company and its Restricted Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Restricted Subsidiaries in accordance with GAAP.

"CONSOLIDATED NET INCOME" for any period means the net income (or net loss) of the Company and its Restricted Subsidiaries for such period, determined in accordance with GAAP, excluding

(a) the proceeds of any life insurance policy;

(b) any gain arising from (1) the sale or other disposition of any assets (other than current assets) to the extent that the aggregate amount of gains exceeds the aggregate amount of losses from the sale, abandonment or other disposition of assets (other than current assets), (2) any write-up of assets, or (3) the acquisition by the Company or any Restricted Subsidiary of its outstanding securities constituting Indebtedness;

(c) any amount representing the interest of the Company or any Restricted Subsidiary in the undistributed earnings of any other Person;

(d) any earnings of any other Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or a Restricted Subsidiary and any earnings, prior to the date of acquisition, of any other Person acquired in any other manner; and

(e) any deferred credit (or amortization of a deferred credit) arising from the acquisition of any Person.

"CONSOLIDATED NET WORTH" means, at any time,

(a) the sum of (i) the par value (or value stated on the books of the Company) of the capital stock (but excluding treasury stock and capital stock subscribed and unissued) of the Company and its Restricted Subsidiaries at such time plus (ii) the amount of paid-in-capital and retained earnings of the Company and its Restricted Subsidiaries at such time, in each case as such amounts would be shown on a consolidated balance sheet of the Company and its Restricted Subsidiaries as of such time prepared in accordance with GAAP, minus

(b) to the extent included in clause (a), all amounts properly attributable to minority interests, if any, in the stock and surplus of Restricted Subsidiaries.

"DEFAULT" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"DEFAULT RATE" means that rate of interest that is the greater of (i) 2% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes or (ii) 2% over the rate of interest publicly announced by The Chase Manhattan Bank in New York, New York as its "BASE" or "PRIME" rate.

"DISTRIBUTION" means, in respect of any corporation, association or other business entity:

(a) dividends or other distributions or payments on capital stock or other equity interest of such corporation, association or other business entity (except distributions in such stock or other equity interests); and

(b) the redemption or acquisition of such stock or other equity interests or of warrants, rights or other options to purchase such stock or other equity interests (except when solely in exchange for such stock or other equity interests) unless made, contemporaneously, from the net proceeds of a sale of such stock or other equity interests.

"ENVIRONMENTAL LAWS" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA AFFILIATE" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"EVENT OF DEFAULT" is defined in Section 11.

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

"EXCLUDED TRANSFERS" is defined in Section 10.3.

"EXISTING NOTE PURCHASE AGREEMENTS" means (i) the Agreements of Assumption and Restatement dated as of December 1, 1991 between the Company and the institutional investors parties thereto, (ii) the Note Purchase Agreements dated as of December 1, 1993 between the Company and the institutional investors parties thereto, and (iii) the Note Purchase Agreement dated as of July 6, 1995 between the Company and the institutional investors parties thereto.

"FAIR MARKET VALUE" means, at any time and with respect to any property, the sale value of such property that would be realized in an arm's length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"GOVERNMENTAL AUTHORITY" means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"GUARANTY" means, 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:

(a) to purchase such Indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such Indebtedness or obligation, or (ii) 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;

(c) 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

(d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect 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.

"HAZARDOUS SUBSTANCE" means any contaminant, pollutant or toxic or hazardous substance, and any substance that is defined or listed as a hazardous, toxic or dangerous substance under any Environmental Law or that is otherwise regulated or prohibited under any Environmental Law as a hazardous, toxic or dangerous substance.

"HOLDER" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 10 of the Existing Note Purchase Agreements.

"INDEBTEDNESS" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(b) 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);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;

(d) 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);

(e) 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 (1) trade or commercial letters of credit issued for the account of the Company or a Restricted Subsidiary in the ordinary course of its business and (2) stand-by letters of credit issued to support obligations of the Company or a Restricted Subsidiary that do not constitute Indebtedness);

(f) Swaps of such Person; and

(g) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) above to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"INSTITUTIONAL INVESTOR" means (a) any original purchaser of a Note, (b) any holder of a Note holding more than 10% of the aggregate principal amount of the Notes then outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"INTERGROUP TRANSFER" is defined in Section 10.3.

"LIEN" means, 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).

"MATERIAL" means material in relation to the business, operations, affairs, financial condition, assets, or properties of the Company and its Subsidiaries taken as a whole.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Restricted Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement and the Notes, or (c) the validity or enforceability of this Agreement or the Notes.

"MULTIEMPLOYER PLAN" means any Plan that is a "MULTIEMPLOYER PLAN" (as such term is defined in section 4001(a)(3) of ERISA).

"NEW OWNER" is defined in Section 9.6.

"NORRIS FAMILY" is defined in Section 9.6.

"OFFICER'S CERTIFICATE" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"OTHER AGREEMENTS" means, when used in the case of an Existing Note Purchase Agreement referred to in clause (i) or (ii) of the definition thereof, the other substantially identical agreements entered into by the Company and other institutional investors in connection therewith.

"ORDINARY COURSE TRANSFER" is defined in Section 10.3.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"PERSON" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"PLAN" means an "EMPLOYEE BENEFIT PLAN" (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"PREFERRED STOCK" means 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.

"PROPERTY" or "PROPERTIES" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"PROPERTY DISPOSITION DATE" is defined in Section 10.3.

"PURCHASE DATE" is defined in Section 9.6.

"QPAM EXEMPTION" means Prohibited Transaction Class Exemption 84-14 issued by the United States Department of Labor.

"REQUIRED HOLDERS" means, at any time, the holders of at least 51% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"RESPONSIBLE OFFICER" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this agreement.

"RESTRICTED INDEBTEDNESS" means, without duplication, (i) Indebtedness of the Company or any Restricted Subsidiary which is secured by a Lien not otherwise permitted under subsections (a) through (h) of Section 10.5, and (ii) Indebtedness of a Restricted Subsidiary owing to any Person other than the Company or a Wholly-Owned Subsidiary.

"RESTRICTED PAYMENT" means any Distribution in respect of the Company or any Restricted Subsidiary (other than on account of capital stock or other equity interests of a Restricted Subsidiary owned legally and beneficially by the Company or another Restricted Subsidiary), including, without limitation, any Distribution resulting in the acquisition by the Company of Securities which would constitute treasury stock. For purposes of this Agreement, the amount of any Restricted Payment made in property shall be the greater of (x) the Fair Market Value of such property (as determined in good faith by the board of directors (or equivalent governing body) of the Person making such Restricted Payment) and (y) the net book value thereof on the books of such Person, in each case determined as of the date on which such Restricted Payment is made.

"RESTRICTED SUBSIDIARY" means any Subsidiary of the Company which is (a) listed as a Restricted Subsidiary in Schedule C attached hereto or (b) organized under the laws of, and conducts substantially all of its business and maintains substantially all of its property and assets within, the United States or any state thereof (including the District of Columbia).

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time.

"SECURITY" has the meaning set forth in Section 2(1) of the Securities Act.

"SENIOR FINANCIAL OFFICER" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"SUBSIDIARY" means, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "SUBSIDIARY" is a reference to a Subsidiary of the Company.

"SWAPS" means, 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 purposes of this Agreement, the amount of the obligation under any Swap shall be the 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.

"TRANSFER" means, with respect to any Person, any transaction in which such Person sells, conveys, transfers or leases (as lessor) any of its property, including capital stock of, or a Security issued by, a Subsidiary.

"UNRESTRICTED SUBSIDIARY" means any Subsidiary other than a Restricted Subsidiary.

"VOTING RIGHTS" is defined in Section 9.6.

"WHOLLY-OWNED RESTRICTED SUBSIDIARY" or "WHOLLY-OWNED SUBSIDIARY" means, at any time, any Restricted Subsidiary or Subsidiary, respectively, one hundred percent (100%) of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-Owned Restricted Subsidiaries or Wholly-Owned Subsidiaries, respectively, at such time.

SCHEDULE C

LENNOX INTERNATIONAL INC. SUBSIDIARIES
AS OF JANUARY 31, 1998
PAGE 1

SUBSTANTIAL NAME	OWNERSHIP	JURISDICTION OF INC.	RESTRICTED/UNRESTRICTED	LOCATION OF OPERATING ASSETS
(1) LENNOX INDUSTRIES INC. SEE ATTACHED CHART	100%	Iowa	Restricted	United States
(2) HEATCRAFT INC.	100%	Mississippi	Restricted	United States
(3) HEATCRAFT TECHNOLOGIES INC.	100%	Delaware	Restricted	United States
(4) ARMSTRONG AIR CONDITIONING INC.	100%	Ohio	Restricted	United States
(5) LENNOX FOREIGN SALES CORP.	100%	U.S. Virgin Islands	Unrestricted	N/A
(6) LENNOX COMMERCIAL REALTY INC.	100%	Iowa	Restricted	United States
(7) LENNOX GLOBAL LTD. See Attached Chart	100%	Delaware	Unrestricted	United States

LENNOX INTERNATIONAL INC. SUBSIDIARIES
AS OF JANUARY 31, 1998
PAGE 2

SUBSTANTIAL NAME	OWNERSHIP	JURISDICTION OF INC.	RESTRICTED/UNRESTRICTED	LOCATION OF OPERATING ASSETS
LENNOX INDUSTRIES INC.				
(a) Products Acceptance Corporation	100%	Iowa	Restricted	N/A
(b) Lennox Industries (Canada) Ltd.	100%	Canada	Unrestricted	Canada
(c) Lennox Industries SW Inc.	100%	Iowa	Restricted	N/A
(d) Lennox Manufacturing Inc.	100%	Delaware	Restricted	United States

LENNOX INTERNATIONAL INC. SUBSIDIARIES
AS OF JANUARY 31, 1998
PAGE 3

SUBSTANTIAL NAME	OWNERSHIP	JURISDICTION OF INC.	RESTRICTED/UNRESTRICTED	LOCATION OF OPERATING ASSETS
LENNOX GLOBAL LTD.				
(a) UK Industries Inc.	100%	Delaware	Unrestricted	N/A
(b) UK Global Ltd.	100%	Delaware	Unrestricted	N/A
(c) Lennox Australia Pty. Ltd.	100%	Australia	Unrestricted	Australia
(d) LGL Asia-Pacific Pte. Ltd.	100%	Rep. of Singapore	Unrestricted	Singapore
(e) LGL (Australia) Pty. Ltd.	100%	Australia	Unrestricted	Australia
(f) LGL de Mexico, S.A. de C.V.	99%	Mexico	Unrestricted	Mexico
(g) Ets. Brancher S.A.	70%	France	Unrestricted	France

(1) SEE ATTACHED CHART

LENNOX INTERNATIONAL INC. SUBSIDIARIES
AS OF JANUARY 31, 1998
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SUBSTANTIAL NAME	OWNERSHIP	JURISDICTION OF INC.	RESTRICTED/UNRESTRICTED	LOCATION OF OPERATING ASSETS
ETS. BRANCHER S.A.				
(a) HCF-Lennox Limited	100%	United Kingdom	Unrestricted	United Kingdom
(1) Lennox Industries	100%	United Kingdom	Unrestricted	United Kingdom
(A) Environheat Limited	100%	United Kingdom	Unrestricted	N/A
(b) HCF Lennox S.A.	100%	France	Unrestricted	France
(1) SEE ATTACHED CHART				
(c) Frinotech S.A.	99.68%	France	Unrestricted	N/A
(d) Friga-Bohn S.A.	100%	France	Unrestricted	France
(1) Friga-Bohn Warmeauslauscher GmbH	100%	Germany	Unrestricted	Germany
(2) ERSA	79.5%	Spain	Unrestricted	Spain
(3) West	80%	Italy	Unrestricted	Italy
(4) Friga-Coil	50%	Czech Republic	Unrestricted	Czech Republic
(5) Herac Ltd.	100%	United Kingdom	Unrestricted	N/A
(e) SCI Geraval	99.83%	France	Unrestricted	France
(f) SCI Groupe Brancher	76%	France	Unrestricted	France

LENNOX INTERNATIONAL INC. SUBSIDIARIES
AS OF JANUARY 31, 1998
PAGE 5

SUBSTANTIAL NAME	OWNERSHIP	JURISDICTION OF INC.	RESTRICTED/UNRESTRICTED	LOCATION OF OPERATING ASSETS
HCF LENNOX S.A.				
(a) Refac B.V.	100%	Netherlands	Unrestricted	Netherlands
(1) Refac NV	100%	Belgium	Unrestricted	Belgium
(2) Refac Nord GmbH	100%	Germany	Unrestricted	N/A
(A) Refac West GmbH	100%	Germany	Unrestricted	N/A
(3) Refac Kalte-Klima Technik Vertriebs GmbH	50%	Germany	Unrestricted	N/A
(4) Refac UK Ltd.	100%	United Kingdom	Unrestricted	United Kingdom
(b) Hyfra GmbH	100%	Germany	Unrestricted	Germany
(c) Lennox-Refac S.A.	100%	Spain	Unrestricted	Spain
(1) Redi Andalucia S.A.	70%	Spain	Unrestricted	N/A
(2) Lennox Refac	100%	Portugal	Unrestricted	N/A
(3) Redi Sur Andalucia S.A.	70%	Spain	Unrestricted	N/A
(4) Deutsche Bronswerk GmbH	100%	Germany	Unrestricted	Germany
(5) Bronswerk Refac GmbH	100%	Germany	Unrestricted	Germany

EXHIBIT 10.6

LENNOX INTERNATIONAL INC.

REVOLVING CREDIT FACILITY AGREEMENT

Dated as of July 13, 1998

CHASE BANK TEXAS, NATIONAL ASSOCIATION,
as Administrative Agent

and

WACHOVIA BANK, N.A.,
as Documentation Agent

TABLE OF CONTENTS

EXHIBITS AND SCHEDULES

REVOLVING CREDIT FACILITY AGREEMENT

REVOLVING CREDIT FACILITY AGREEMENT (the "Agreement") dated as of July 13, 1998, and effective as of the Effective Date, among LENNOX INTERNATIONAL INC., a Delaware corporation ("Borrower"); the lenders listed in Schedule 2.01 (together with their successors and assigns, the "Lenders"), CHASE BANK TEXAS, NATIONAL ASSOCIATION, a national banking association, ("Chase"), as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and WACHOVIA BANK, N.A., a national banking association ("Wachovia"), as documentation agent for the Lenders (in such capacity, the "Documentation Agent"). (The Administrative Agent and the Documentation Agent are referred to herein together as the "Agents").

The Lenders have been requested to extend credit to the Borrower to enable it, upon the terms and subject to the conditions set forth herein, to borrow on a revolving credit basis on and after the Effective Date and at any time prior to the Maturity Date (as hereinafter defined) an aggregate principal amount not in excess of the amount set forth herein at any time outstanding. The Lenders have also been requested to provide a procedure pursuant to which the Borrower may invite the Lenders to offer to make loans to the Borrower on an uncommitted and offered rate basis. The proceeds of any such borrowings are to be used for working capital and other corporate purposes. The Lenders are willing to extend such credit on the terms and subject to the conditions herein set forth.

Accordingly, the parties hereto agree as follows:

ARTICLE I.DEFINITIONS

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms shall have the meanings specified below:

"ABR Borrowing" shall mean a Borrowing comprised of ABR Loans.

"ABR Loan" shall mean any Standby Loan bearing interest at a rate determined by reference to the Alternate Base Rate in accordance with the provisions of Article II.

"Additional Covenant" shall have the meaning assigned in Section 5.06.

"Additional Default" shall have the meaning assigned in Section 5.06.

"Adjustment Date" shall have the meaning assigned to it in Section 2.07(e).

"Administrative Fees" shall have the meaning assigned to such term in Section 2.05(b).

"Administrative Questionnaire" shall mean an Administrative Questionnaire in the form of Exhibit B hereto.

"Affiliate" shall mean, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Borrower.

"Alternate Base Rate" shall mean, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Federal Funds Effective Rate in effect on such day plus 2 of 1%, and (b) the Prime Rate in effect on such day. For purposes hereof, "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by Chase as its prime rate in effect at its principal office in Houston, Texas; each change in the Prime Rate shall be effective on the date such change is publicly announced as effective; and "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as released on the next succeeding Business Day by the Federal Reserve Bank of Dallas, or, if such rate is not so released for any day which is a Business Day, the arithmetic average (rounded upwards to the next 1/100th of 1%), as determined by Chase, of the quotations for the day of such transactions received by Chase from three Federal funds brokers of recognized standing selected by it. If for any reason Chase shall have determined (which determination shall be conclusive absent manifest error; provided that Chase, shall, upon request, provide to the applicable Borrower a certificate setting forth in reasonable detail the basis for such determination) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability of Chase to obtain sufficient quotations in accordance with the terms hereof, the Alternate Base Rate shall be determined without regard to clause (a) of the first sentence of this definition until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Applicable Margin" shall have the meaning assigned in Section 2.07(e).

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by a Lender and an assignee in the form of Exhibit C.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States.

"Board of Directors" shall mean the Board of Directors of Borrower or any duly authorized committee thereof.

"Borrower" shall have the meaning given such term in the preamble hereto.

"Borrower Payments" shall have the meaning given such term in Section 2.17 (a).

"Borrowing" shall mean a group of Loans of a single Type made by the Lenders on a single date and as to which a single Interest Period is in effect.

"Business Day" shall mean any day (other than a day which is a Saturday, Sunday or legal holiday in the State of New York or the State of Texas) on which banks are open for business in New York City, New York and Houston, Texas; provided, however, that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Calculation Period" shall have the meaning assigned it in Section 2.07(e).

"Capital Lease Obligation" shall mean, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"Capital Leases" shall mean, 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 of Control" shall have the meaning assigned it in Section 2.11(c).

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Commitment" shall mean, with respect to each Lender, the Commitment of such Lender set forth in Schedule 2.01 hereto, or in the most recent Assignment and Acceptance executed by such Lender, as such Commitment may be permanently terminated or reduced from time to time pursuant to Section 2.10. The Commitment of each Lender shall automatically and permanently terminate on the Maturity Date if not terminated earlier pursuant to the terms hereof.

"Compliance Certificate" shall mean the certificate delivered pursuant to Section 5.20(g).

"Confidential Information" shall have the meaning assigned it in Section 8.14.

"Consolidated Assets" shall mean the total assets of the Borrower and its Restricted Subsidiaries which would be shown as assets on a consolidated balance sheet of the Borrower and its Restricted Subsidiaries prepared in accordance with GAAP, after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of Restricted Subsidiaries.

"Consolidated Capitalization" shall mean, at any time, the sum of Consolidated Net Worth and Consolidated Indebtedness.

"Consolidated Indebtedness" shall mean, as of any date of determination, the total of all Indebtedness of the Borrower and its Restricted Subsidiaries outstanding on such date, after

eliminating all offsetting debits and credits between the Borrower and its Restricted Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Borrower and its Restricted Subsidiaries in accordance with GAAP.

"Consolidated Net Income" shall mean, for any period, the net income (or net loss) of the Borrower and its Restricted Subsidiaries for such period, determined in accordance with GAAP, excluding

(a) the proceeds of any life insurance policy;

(b) any gain arising from (1) the sale or other disposition of any assets (other than current assets) to the extent that the aggregate amount of gains exceeds the aggregate amount of losses from the sale, abandonment or other disposition of assets (other than current assets), (2) any write-up of assets, or (3) the acquisition by the Borrower or any Restricted Subsidiary of its outstanding securities constituting Indebtedness;

(c) any amount representing the interest of the Borrower or any Restricted Subsidiary in the undistributed earnings of any other Person;

(d) any earnings of any other Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Borrower or a Restricted Subsidiary and any earnings, prior to the date of acquisition, of any other Person acquired in any other manner; and

(e) any deferred credit (or amortization of a deferred credit) arising from the acquisition of any Person.

"Consolidated Net Worth" shall mean, at any time,

(a) the sum of (i) the par value (or value stated on the books of the Borrower) of the capital stock (but excluding treasury stock and capital stock subscribed and unissued) of the Borrower and its Restricted Subsidiaries at such time plus (ii) the amount of paid-in-capital and retained earnings of the Borrower and its Restricted Subsidiaries at such time, in each case as such amounts would be shown on a consolidated balance sheet of the Borrower and its Restricted Subsidiaries as of such time prepared in accordance with GAAP, minus

(b) to the extent included in clause (a), all amounts properly attributable to minority interests, if any, in the stock and surplus of Restricted Subsidiaries.

"Continue", "Continuation", and "Continued" shall refer to the continuation pursuant to Section 2.02 (d) of a Eurodollar Borrowing as a Eurodollar Borrowing from one Interest Period to the next Interest Period.

"Convert", "Conversion", and "Converted" shall refer to a conversion pursuant to Section 2.02 (d) or Section 2.13 of one Type of Borrowing into another Type of Borrowing.

"Debt to Total Capitalization Ratio" shall mean, as of the end of any quarterly fiscal period, the ratio expressed as a percentage, equal to the ratio of Consolidated Indebtedness to Consolidated Capitalization calculated as of the end of such fiscal period.

"Default" shall mean any event or condition which upon notice, lapse of time or both would constitute an Event of Default.

"Distribution" shall mean, in respect of any corporation, association or other business entity:

(a) dividends or other distributions or payments on capital stock or other equity interest of such corporation, association or other business entity (except distributions in such stock or other equity interests); and

(b) the redemption or acquisition of such stock or other equity interests or of warrants, rights or other options to purchase such stock or other equity interests (except when solely in exchange for such stock or other equity interests) unless made, contemporaneously, from the net proceeds of a sale of such stock or other equity interests.

"dollars" or "$" shall mean lawful money of the United States of America.

"Effective Date" shall mean the date on which each condition set forth in Section 4.02 has been satisfied.

"Environmental Laws" shall mean any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) that is treated as a single employer together with the Borrower under section 414 of the Code.

"Eurodollar Borrowing" shall mean a Standby Borrowing comprised of Eurodollar Loans.

"Eurodollar Loan" shall mean any Standby Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article II.

"Event of Default" shall have the meaning assigned to such term in Article VI.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Excluded Transfer" shall have the meaning assigned to it in Section 5.11.

"Facility Fee" shall have the meaning assigned to such term in Section 2.05(a).

"Facility Fee Percentage" shall have the meaning assigned to it in Section 2.07(e).

"Fair Market Value" shall mean, at any time and with respect to any property, the sale value of such property that would be realized in an arm=s length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

"Federal Funds Effective Rate" shall have the meaning specified in the definition of Alternate Base Rate.

"Fee Letters" shall mean, collectively, each of the letter between the Borrower and Chase dated June 29, 1998, and the letter between Borrower and Wachovia Bank, N.A. dated June 29, 1998.

"Fees" shall mean the Facility Fee and the Administrative Fees.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States of America.

"Governmental Authority" shall mean:

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Borrower or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Borrower or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Guaranty" shall mean, 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:

(a) to purchase such Indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such Indebtedness or obligation, or (ii) 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;

(c) 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

(d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect 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.

"Hazardous Substance" shall mean any contaminant, pollutant or toxic or hazardous substance, and any substance that is defined or listed as a hazardous, toxic or dangerous substance under any Environmental Law or that is otherwise regulated or prohibited under any Environmental Law as a hazardous, toxic or dangerous substance.

"Indebtedness" with respect to any Person shall mean, at any time, without duplication:

(a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(b) 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);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;

(d) 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);

(e) 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 (1) trade or commercial letters of credit issued for the account of such Person in the ordinary course of its business and (2) stand-by letters of credit issued to support obligations of such Person that do not constitute Indebtedness);

(f) Swaps of such Person; and

(g) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) above to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"Interest Payment Date" shall mean (a) with respect to any ABR Borrowing, each March 31, June 30, September 30 and December 31, beginning on the first such date after the date hereof; (b) with respect to any Eurodollar Loan or Offered Rate Loan, the last day of the Interest Period applicable thereto and, in the case of such a Loan with an Interest Period of more than three months or 90 day duration, each day that would have been an Interest Payment Date for such Loan had successive Interest Periods of three months duration or 90 days duration, as the case may be, been applicable to such Loan; and (c) in addition, with respect to all Loans, the date of any prepayment thereof and the Maturity Date.

"Interest Period" shall mean (a) as to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2, 3 or 6 months thereafter, or, in addition, in the case of any Eurodollar Borrowing made during the 30-day period ending on the Maturity Date, the period commencing on the date of such Borrowing and ending on the seventh or fourteenth day thereafter, as the Borrower may elect, and (b) as to any Offered Rate Loan, the period commencing on the date of such Loan and ending on the maturity date of such Offered Rate Loan specified in the Offered Rate Loan Confirmation; provided, however, that if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of Eurodollar Loans only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

"Intergroup Transfer" shall have the meaning assigned it in Section 5.11.

"LIBO Rate" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the rate at which dollar deposits approximately equal in principal amount to the Administrative Agent's portion of such Eurodollar Borrowing and for a maturity comparable to such Interest Period are offered to the principal London offices of Chase or one of its Affiliates in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" shall mean, 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).

"Loan" shall mean an Offered Rate Loan or a Standby Loan, whether made as a Eurodollar Loan or an ABR Loan as permitted hereby.

"Material" shall mean material in relation to the business, operations, affairs, financial condition, assets, or properties of the Borrower and its Subsidiaries taken as a whole.

"Material Adverse Effect" shall mean a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Borrower and its Restricted Subsidiaries taken as a whole, or (b) the ability of the Borrower to perform its obligations under this Agreement, or (c) the validity or enforceability of this Agreement.

"Maturity Date" shall mean July 13, 2001.

"Multiemployer Plan" shall mean any Plan that is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"New Lending Office" shall have the meaning assigned it in Section 2.17(g).

"New Owner" shall have the meaning assigned it in Section 2.11(c).

"Non-U.S. Agent" shall have the meaning assigned it in Section 2.17(g).

"Norris Family" shall have the meaning assigned it in Section 2.11(c).

"Offered Rate Loan" shall mean a Loan made pursuant to the procedure described in Section 2.03.

"Offered Rate Loan Confirmation" shall mean a confirmation made by the Borrower and a Lender pursuant to Section 2.03 in the form of Exhibit A-1.

"Ordinary Course Transfer" shall have the meaning assigned it in Section 5.11.

"Other Taxes" shall have the meaning assigned it in Section 2.17(b).

"Prepayment Date" shall have the meaning assigned it in Section 2.11(c).

"PBGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"Person" shall mean an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"Plan" shall mean an "employee benefit plan" (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Borrower or any ERISA Affiliate or with respect to which the Borrower or any ERISA Affiliate may have any liability.

"Preferred Stock" shall mean 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.

"property" or "properties" shall mean, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"Property Disposition Date" shall have the meaning assigned to it in Section 5.11.

"Register" shall have the meaning given such term in Section 8.04 (d) .

"Remaining Commitment" shall mean, as to any Lender and at any time of determination, such Lender's Commitment minus the outstanding Offered Rate Loans made by such Lender.

"Required Lenders" shall mean, at any time, Lenders having Commitments representing at least 66 2/3% of the Total Commitment or, for purposes of acceleration pursuant to clause (ii) of Article VI, Lenders holding Loans representing at least 66 2/3% of the aggregate principal amount of the Loans outstanding.

"Responsible Officer" shall mean any Senior Financial Officer and any other officer of the Borrower with responsibility for the administration of the relevant portion of this agreement.

"Restricted Indebtedness" shall mean, without duplication, (i) Indebtedness of the Borrower or any Restricted Subsidiary which is secured by a Lien not otherwise permitted under subsections (a) through (h) of Section 5.13, and (ii) Indebtedness of a Restricted Subsidiary owing to any Person other than the Borrower or a Wholly-Owned Subsidiary.

"Restricted Payment" shall mean any Distribution in respect of the Borrower or any Restricted Subsidiary (other than on account of capital stock or other equity interests of a Restricted Subsidiary owned legally and beneficially by the Borrower or another Restricted Subsidiary), including, without limitation, any Distribution resulting in the acquisition by the Borrower of Securities which would constitute treasury stock. For purposes of this Agreement, the amount of any Restricted Payment made in property shall be the greater of (x) the Fair Market Value of such property (as determined in good faith by the board of directors (or equivalent governing body) of the Person making such Restricted Payment) and (y) the net book value thereof

on the books of such Person, in each case determined as of the date on which such Restricted Payment is made.

"Restricted Subsidiary" shall mean any Subsidiary of the Borrower which is (a) listed as a Restricted Subsidiary in Schedule 3.05 or (b) organized under the laws of, and conducts substantially all of its business and maintains substantially all of its property and assets within, the United States or any state thereof (including the District of Columbia).

"Securities Act" shall mean the Securities Act of 1933, as amended from time to time.

"Security" shall have the meaning set forth in Section 2(1) of the Securities Act.

"Senior Financial Officer" shall mean the chief financial officer, principal accounting officer, treasurer or comptroller of the Borrower; provided that any executive vice president or the corporate controller of Borrower is authorized by Borrower to execute and deliver any Offered Rate Loan Confirmation or any Standby Borrowing Request.

"Senior Note Purchase Agreements" shall mean those certain Note Purchase Agreements dated April 3, 1998 pursuant to which Borrower issued its 6.56% Senior Notes due April 3, 2005 and its 6.75% Senior Notes due April 3, 2008.

"Standby Borrowing" shall mean a Borrowing consisting of simultaneous Standby Loans from each of the Lenders.

"Standby Borrowing Request" shall mean a request made pursuant to Section 2.04 in the form of Exhibit A-2.

"Standby Loans" shall have the meaning assigned it in Section 2.01. Each Standby Loan shall be a Eurodollar Loan or an ABR Loan.

"Subsidiary" shall mean, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Borrower.

"Swaps" shall mean, 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 purposes of this Agreement, the amount of the obligation under any Swap shall be the 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" shall have the meaning assigned it in Section 2.17 (a).

"Total Commitment" shall mean, at any time, the aggregate amount of Commitments of all the Lenders, as in effect at such time.

"Transactions" shall have the meaning assigned it in Section 3.02.

"Transfer" shall mean, with respect to any Person, any transaction in which such Person sells, conveys, transfers or leases (as lessor) any of its property, including capital stock of, or a Security issued by, a Subsidiary.

"Transferee" shall have the meaning assigned to it in Section 2.17(a).

"Type", when used in respect of any Loan or Borrowing, shall refer to the Rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined. For purposes hereof, "Rate" shall include the LIBO Rate and the Alternate Base Rate.

"U.S. Lender" shall have the meaning assigned it in Section 2.17.

"Unrestricted Subsidiary" shall mean any Subsidiary other than a Restricted Subsidiary.

"Voting Rights" shall have the meaning assigned it in Section 2.11.

"Wholly-Owned Restricted Subsidiary" or "Wholly-Owned Subsidiary" means, at any time, any Restricted Subsidiary or Subsidiary, respectively, one hundred percent (100%) of all of the equity interests (except directors= qualifying shares) and voting interests of which are owned by any one or more of the Borrower and the Borrower=s other Wholly-Owned Restricted Subsidiaries or Wholly-Owned Subsidiaries, respectively, at such time.

SECTION 1.02. Terms Generally. The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Except as otherwise expressly provided herein, all terms of an

accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time.

ARTICLE II. THE CREDITS

SECTION 2.01. Commitments. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, to make advances (each such advance a "Standby Loan") to the Borrower, at any time and from time to time on and after the date hereof and until the earlier of the Maturity Date or the termination of the Commitment of such Lender, in an aggregate principal amount at any time outstanding not to exceed such Lender's Remaining Commitment, subject, however, to the conditions that (i) at no time shall (A) the sum of (x) the outstanding aggregate principal amount of all Standby Loans plus (y) the outstanding aggregate principal amount of all Offered Rate Loans exceed (B) the Total Commitment and (ii) at no time shall the outstanding aggregate principal amount of all Standby Loans and all Offered Rate Loans made by any Lender exceed the amount of such Lender's Commitment.

As of the date hereof, the aggregate amount of the Commitments of all Lenders who are parties to this Agreement on the date hereof is $120,000,000. The parties to this Agreement hereby agree that the aggregate of all Commitments may be increased to a maximum of $135,000,000 by the addition of Compass Bank as a Lender hereunder upon Compass Bank=s execution of a Joinder Agreement, in substantially the form of Exhibit E hereto, on or before July 31, 1998. The increase in the aggregate amount of the Commitments and the Joinder Agreement shall be effective, without further action by any party hereto, as of the first Business Day after execution of the Joinder Agreement by Compass Bank on which either (a) there are no outstanding Standby Loans that are Eurodollar Loans or (b) all outstanding Standby Loans that are Eurodollar Loans are being Converted or Continued. If Compass Bank should become a party hereto by execution of a Joinder Agreement, such joinder shall not affect the amount of the Commitments of the other Lenders who are party hereto, which amounts shall remain as described on Schedule 2.01. If any Standby Loans are outstanding on the effective date of the Joinder Agreement, Compass Bank shall make available to the Administrative Agent for the benefit of the Borrower, and the Administrative Agent shall, on behalf of the Borrower, transfer to each Lender as a repayment of its Standby Loan such amounts equal to the amounts necessary to cause (after giving effect to such transfers) the ratio of each such Lender=s (including Compass Bank=s) Standby Loans to the outstanding principal amount of all Standby Loans to be the same as the ratio of each such Lender=s Remaining Commitment to the aggregate Remaining Commitments on such date.

Within the foregoing limits, the Borrower may borrow, pay or prepay and reborrow Standby Loans hereunder, on and after the Effective Date and prior to the Maturity Date, subject to the terms, conditions and limitations set forth herein.

SECTION 2.02. Loans.

(a) Each Standby Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their respective Remaining Commitments calculated at

the date the Loan is made; provided, however, that the failure of any Lender to make any Standby Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). Each Offered Rate Loan shall be made in accordance with the procedures set forth in Section 2.03. The Standby Loans or Offered Rate Loans comprising any Borrowing shall be (i) in the case of Offered Rate Loans, in such aggregate principal amount as the Lender or Lenders making the Offered Rate Loans in question may agree to in accordance with Section 2.03 and (ii) in the case of Standby Loans, in an aggregate principal amount which is an integral multiple of $1,000,000 and not less than $5,000,000 (or an aggregate principal amount equal to the remaining balance of the available Remaining Commitments).

(b) Each Standby Borrowing shall be comprised entirely of Eurodollar Loans or ABR Loans, as the Borrower may request pursuant to Section 2.04. Each Lender may at its option make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time.

(c) Subject to paragraph (d) below, each Lender shall make each Standby Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to the Administrative Agent in Houston, Texas, not later than 11:00 a.m., Houston time, and the Administrative Agent shall by 2:00 p.m., Houston time, credit the amounts so received to the account or accounts specified from time to time in one or more notices delivered by the Borrower to the Administrative Agent or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders. Standby Loans shall be made by the Lenders pro rata in accordance with Section 2.14. Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Standby Borrowing that such Lender will not make available to the Administrative Agent such Lender's portion of such Standby Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Standby Borrowing in accordance with this paragraph (c) and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have made such portion available to the Administrative Agent, such Lender and the Borrower (without waiving any claim against such Lender for such Lender's failure to make such portion available) severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) in the case of the Borrower, the interest rate applicable at the time to the Standby Loans comprising such Standby Borrowing and (ii) in the case of such Lender, the Federal Funds Effective Rate. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Standby Loan as part of such Borrowing for purposes of this Agreement.

(d) Borrower may Convert all or any part of any Standby Borrowing to a Standby Borrowing of a different Type and Borrower may Continue all or any part of any Eurodollar Borrowing as a Borrowing of the same Type, by giving the Agent written notice on the Business Day of the Conversion into an ABR Borrowing and on the Business Day at least three Business Days before Conversion into or Continuation of a Eurodollar Borrowing specifying: (i) the Conversion or Continuation date, (ii) the amount of the Borrowing to be Converted or Continued, (iii) in the case of Conversions, the Type of Borrowing to be Converted into, and (iv) in the case of a Continuation of or Conversion into a Eurodollar Borrowing, the duration of the Interest Period applicable thereto; provided that (a) Eurodollar Borrowings may only be Converted on the last day of the Interest Period; (b) except for Conversions to ABR Borrowings, no Conversions shall be made while an Event of Default has occurred and is continuing; (c) only five (5) Eurodollar Borrowings may be in existence at any one time; and (d) no Interest Period may end after the Maturity Date. All notices given under this Section shall be irrevocable and shall be given not later than 10:00 a.m. Houston, Texas time on the day which is not less than the number of Business Days specified above for such notice. If the Borrower shall fail to give the Agent the notice as specified above for Continuation or Conversion of a Eurodollar Borrowing prior to the end of the Interest Period with respect thereto, such Eurodollar Borrowing shall automatically be continued as a Eurodollar Borrowing with an Interest Period of one month=s duration. The Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.02. Each Eurodollar Borrowing must be in an aggregate principal amount which is an integral multiple of $1,000,000 and not less than $5,000,000.

SECTION 2.03. Offered Rate Procedure and Loan Terms.

(a) The Borrower may from time to time and on any Business Day request that one or more Lenders provide Borrower with the terms on which such Lender or Lenders would offer to make a short term loan to the Borrower. A Lender may in its sole and absolute discretion determine whether to make such an offer to Borrower. If a Lender determines to make such an offer, in order to constitute a valid offer, the Lender must provide the Borrower with the following terms: (a) the maturity date for the proposed Offered Rate Loan; (b) the amount of the Offered Rate Loan; (c) the fixed interest rate per annum at which the Offered Rate Loan will bear interest; and (d) the date on which such Offered Rate Loan is to be made. The Borrower=s request for offers to make Offered Rate Loans and a Lender=s offer to make an Offered Rate Loan may be made verbally but must be confirmed by the execution and delivery of an Offered Rate Loan Confirmation by Borrower and the Lender making the Offered Rate Loan or by such other means as the Lender making the Offered Rate Loan may require. No Lender will be obligated to make any Offered Rate Loan which is offered to Borrower unless and until the terms of such Offered Rate Loan are confirmed by the execution and delivery of an Offered Rate Loan Confirmation by Borrower and the Lender making the Offered Rate Loan or by such other means as the Lender making the Offered Rate Loan may require. The Borrower may in its sole and absolute discretion accept or reject any or all offers to make Offered Rate Loans. Any offer by a Lender to make an Offered Rate Loan shall expire if not accepted by the earlier of the date the proposed Offered Rate Loan is to be made or five (5) days after the offer is made. No Offered Rate Loan shall be requested or made hereunder if any of the conditions set forth in Section 4.01 are not satisfied or

if after giving effect thereto any of the conditions set forth in clauses (i) or (ii) of Section 2.01 would not be met.

(b) A Lender that has agreed to make an Offered Rate Loan shall make such Loan on the proposed date thereof by wire transfer of immediately available funds directly to the Borrower or as the Borrower may otherwise direct not later than 2:00 p.m., Houston time.

SECTION 2.04. Standby Borrowing Procedure. In order to request a Standby Borrowing, the Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Standby Borrowing Request (a) in the case of a Eurodollar Borrowing, not later than 10:00 a.m., Houston, Texas time, three Business Days before such Borrowing, and (b) in the case of an ABR Borrowing, not later than 10:00 a.m., Houston, Texas time, on the day of such Borrowing. Such notice shall be irrevocable and shall in each case specify (i) whether the Borrowing then being requested is to be a Eurodollar Borrowing or an ABR Borrowing; (ii) the date of such Standby Borrowing (which shall be a Business Day) and the amount thereof; and (iii) if such Borrowing is to be a Eurodollar Borrowing, the Interest Period with respect thereto, which shall not end after the Maturity Date. If no election as to the Type of Standby Borrowing is specified in any such notice, then the requested Standby Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any Eurodollar Borrowing is specified in any such notice, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Notwithstanding any other provision of this Agreement to the contrary, no Standby Borrowing shall be requested if the Interest Period with respect thereto would end after the Maturity Date. The Administrative Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.04 and of each Lender's portion of the requested Borrowing.

SECTION 2.05. Fees.

(a) The Borrower agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31 (with the first payment being due on September 30, 1998) and on each date on which the Commitment of such Lender shall be terminated as provided herein, a facility fee (a "Facility Fee"), at a rate per annum equal to the Facility Fee Percentage from time to time in effect on the amount of the Commitment of such Lender, whether used or unused, during the preceding quarter (or other period commencing on the Effective Date or ending with the Maturity Date or any date on which the Commitment of such Lender shall be terminated). All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 365 or 366 days, as the case may be. The Facility Fee due to each Lender shall commence to accrue on the Effective Date, and shall cease to accrue on the earlier of the Maturity Date and the termination of the Commitment of such Lender as provided herein.

(b) The Borrower agrees to pay the Agents, for their own account, the fees provided for in the Fee Letters (the "Administrative Fees").

(c) All Fees shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, if and as appropriate, among the Lenders or to the Agents. Once paid, none of the Fees shall be refundable under any circumstances.

SECTION 2.06. Repayment of Loans; Evidence of Indebtedness.

(a) The outstanding principal balance of each Standby Loan shall be due and payable on the Maturity Date. The outstanding principal balance of each Offered Rate Loan shall be due and payable on the last day of the Interest Period applicable thereto and, if earlier, on the Maturity Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Standby Loan made hereunder, the Type of each Standby Loan made and the Interest Period applicable thereto, if any, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder in respect of Standby Loans and (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof. Each Lender shall maintain accounts in which it will record (i) the amount of each Offered Rate Loan made by it hereunder and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower in respect of such Offered Rate Loans and (iii) the amount of any sum received by it hereunder in respect of the Offered Rate Loans made by it.

(d) The entries made in the accounts maintained pursuant to paragraphs (b) and (c) of this Section 2.06 shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of the Borrower to repay the Loans in accordance with their terms.

(e) Each set of financial statements delivered pursuant to Section 5.20(a) or Section 5.20(b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth a listing of the Offered Rate Loans outstanding as of the date of the delivery of such certificate identifying for each Offered Rate Loan the aggregate amount thereof and the Lender that holds such Offered Rate Loan.

SECTION 2.07. Interest on Loans; Margin and Fees.

(a) Subject to the provisions of Section 2.08, the Standby Loans comprising each Eurodollar Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to the LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin from time to time in effect.

(b) Subject to the provisions of Section 2.08, the Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over

a year of 365 or 366 days, as the case may be, for periods during which the Alternate Base Rate is determined by reference to the Prime Rate and 360 days for other periods and including for all calculations the first day of any period but excluding the last) at a rate per annum equal to the Alternate Base Rate.

(c) Subject to the provisions of Section 2.08, each Offered Rate Loan shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the fixed rate of interest offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.03.

(d) Interest on each Loan shall be payable on each Interest Payment Date applicable to such Loan except as otherwise provided in this Agreement. The applicable LIBO Rate or Alternate Base Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error; provided that the Administrative Agent shall, upon request, provide to the Borrower a certificate setting forth in reasonable detail the basis for such determination.

(e) The Applicable Margin identified in this Section 2.07 and the Facility Fee Percentage identified in Section 2.05 shall be defined and determined as follows:

"Applicable Margin" shall mean (i) during the period commencing on the Effective Date and ending on but not including the first Adjustment Date, 0.225% per annum with respect to Eurodollar Loans and (ii) during each period from and including one Adjustment Date to but excluding the next Adjustment Date (herein a "Calculation Period"), the percent per annum set forth in the table below under the heading "Margin" opposite the Debt to Total Capitalization Ratio which corresponds to the Debt to Total Capitalization Ratio set forth in, and as calculated in accordance with, the applicable Compliance Certificate.

"Facility Fee Percentage" shall mean (1) during the period commencing on the Effective Date and ending on but not including the first Adjustment Date, 0.15% per annum and (2) during each period, from and including one Adjustment Date to but excluding the next Adjustment Date, the percent per annum set forth in the table below under the heading "Facility Fee Percentage" opposite the Debt to Total Capitalization Ratio which corresponds to the Debt to Total Capitalization Ratio set forth in, and as calculated in accordance with, the applicable Compliance Certificate.

Debt to Total Capitalization Ratio	Margin	Facility Fee Percentage
Less than 30%	0.150%	0.100%
Greater than or equal to 30% but less than 40%	0.175%	0.125%
Greater than or equal to 40% but less than 50%	0.225%	0.150%

Debt to Total Capitalization Ratio	Margin	Facility Fee Percentage
Greater than or equal to 50% but less than or equal to 60%	0.405%	0.220%

Upon delivery of the Compliance Certificate pursuant to Section 5.20(g) in connection with the financial statements of the Borrower and its Subsidiaries required to be delivered pursuant to Sections 5.20(a) and (b) commencing with such Compliance Certificate delivered at the end of the quarter ending on December 31, 1998, the Applicable Margin (for Interest Periods commencing after the applicable Adjustment Date) and the Facility Fee Percentage shall automatically be adjusted in accordance with the Debt to Total Capitalization Ratio set forth therein and the table set forth above, such automatic adjustment to take effect as of the first Business Day after the receipt by the Agent of the related Compliance Certificate pursuant to Section 5.20(g) (each such Business Day when such margin or fees change pursuant to this sentence or the next following sentence, herein an "Adjustment Date"). If the Borrower fails to deliver such Compliance Certificate which so sets forth the Debt to Total Capitalization Ratio within the period of time required by Section 5.20(g): (i) the Applicable Margin (for Interest Periods commencing after the applicable Adjustment Date) shall automatically be adjusted to .405% per annum; and (ii) the Facility Fee Percentage shall automatically be adjusted to 0.22% per annum, such automatic adjustments to take effect as of the first Business Day after the last day on which the Borrower was required to deliver the applicable Compliance Certificate in accordance with Section 5.20(g) and to remain in effect until subsequently adjusted in accordance herewith upon the delivery of a Compliance Certificate.

SECTION 2.08. Default Interest. If the Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder, whether by scheduled maturity, notice of prepayment, acceleration or otherwise, the Borrower shall on demand from time to time from the Administrative Agent (or with respect to principal and interest due in respect of an Offered Rate Loan, the Lender that has made the Offered Rate Loan) pay interest, to the extent permitted by law, on such defaulted amount up to (but not including) the date of actual payment (after as well as before judgment) at a rate per annum (computed as provided in Section 2.07(b)) equal to the Alternate Base Rate plus 1%.

SECTION 2.09. Alternate Rate of Interest. In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a Eurodollar Borrowing the Administrative Agent shall have determined (i) that dollar deposits in the principal amounts of the Eurodollar Loans comprising such Borrowing are not generally available in the London interbank market or (ii) that reasonable means do not exist for ascertaining the LIBO Rate, the Administrative Agent shall, as soon as practicable thereafter, give telecopy notice of such determination to the Borrower and the Lenders. In the event of any such determination under clauses (i) or (ii) above, until the Administrative Agent shall have advised the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, any request by the Borrower for a Eurodollar Borrowing pursuant to Section 2.04 shall be deemed to be a request for an ABR Borrowing. In the event the Required Lenders notify the Administrative Agent that the

rates at which dollar deposits are being offered will not adequately and fairly reflect the cost to such Lenders of making or maintaining Eurodollar Loans during such Interest Period, the Administrative Agent shall notify the Borrower of such notice and until the Required Lenders shall have advised the Administrative Agent that the circumstances giving rise to such notice no longer exist, any request by the Borrower for a Eurodollar Borrowing shall be deemed a request for an ABR Borrowing. Each determination by the Administrative Agent hereunder shall be made in good faith and shall be conclusive absent manifest error; provided that the Administrative Agent, shall, upon request, provide to the Borrower a certificate setting forth in reasonable detail the basis for such determination.

SECTION 2.10. Termination and Reduction of Commitments.

(a) The Commitments shall be automatically terminated on the Maturity Date. A Commitment of a Lender may also terminate as provided in Section 2.11(c).

(b) Upon at least three Business Days' prior irrevocable written notice to the Administrative Agent, the Borrower may, at any time, in whole permanently terminate, or, from time to time, in part permanently reduce, the Total Commitment; provided, however, that (i) each partial reduction of the Total Commitment shall be in an integral multiple of $5,000,000 and in a minimum principal amount of $5,000,000 and (ii) no such termination or reduction shall be made which would reduce the Total Commitment to an amount (1) less than the aggregate outstanding principal amount of all Offered Rate Loans or (2) less than $50,000,000, unless the result of such termination or reduction referred to in this clause (2) is to reduce the Total Commitment to $0. The Administrative Agent shall advise the Lenders of any notice given pursuant to this Section 2.10(b) and of each Lender's portion of any such termination or reduction of the Commitments.

(c) Each reduction in the Total Commitment hereunder shall be made ratably among the Lenders in accordance with their respective Commitments. The Borrower shall pay to the Administrative Agent for the account of the Lenders, on the date of each termination or reduction of the Total Commitment, the Facility Fees on the amount of the Commitments so terminated or reduced accrued through the date of such termination or reduction.

SECTION 2.11. Prepayment Including Prepayment as a Result of a Change of Control.

(a) The Borrower shall have the right at any time and from time to time to prepay any Standby Borrowing, in whole or in part, upon giving telecopy notice (or telephone notice promptly confirmed by telecopy) to the Administrative Agent: (i) before 10:00 a.m., Houston, Texas time, three Business Days prior to prepayment, in the case of Eurodollar Loans which prepayment shall be accompanied by any amount owed under Section 8.05(b), and (ii) before 10:00 a.m., Houston, Texas time, one Business Day prior to prepayment, in the case of ABR Loans; provided, however, that each partial prepayment shall be in an amount which is an integral multiple of $1,000,000 and not less than $3,000,000. No prepayment may be made in respect of any Offered Rate Loan unless accompanied by the amount owed in respect to such prepayment under Section 8.05(b).

(b) On the date of any termination or reduction of the Commitments pursuant to Section 2.10, the Borrower shall pay or prepay so much of the Standby Borrowings as shall be necessary in order that the aggregate principal amount of the Offered Rate Loans and Standby Loans outstanding will not exceed the Total Commitment, after giving effect to such termination or reduction.

(c) At least 15 Business Days (or, in the case of any transaction permitted by Section 5.10 resulting in a Change of Control, at least 45 days) and not more than 90 days prior to the occurrence of any Change of Control, the Borrower will give written notice thereof to each Lender. Such notice shall contain (i) an offer by the Borrower to prepay, on the date of such Change of Control or, if such notice shall be delivered less than 35 days prior to the date of such Change of Control, on the date 35 days after the date of such notice (the "Prepayment Date"), all Loans made by each Lender, together with interest accrued thereon to the Prepayment Date and all other obligations owed to such Lender under the terms hereof, (ii) the estimated amount of accrued interest, showing in reasonable detail the calculation thereof and (iii) the Borrower's estimate of the date on which such Change of Control shall occur. Said offer shall be deemed to lapse as to any such Lender which has not replied affirmatively thereto in writing within 35 days of the giving of such notice. As soon as practicable (and in any event at least 24 hours) prior to such Change of Control, the Borrower shall give written confirmation of the date thereof to each such Lender that has affirmatively replied to the notice given pursuant to the first sentence of this Section 2.11(c). Borrower shall, on the Prepayment Date, prepay to each Lender that has affirmatively replied to the notice given pursuant to the first sentence of this Section 2.11(c) all Loans then held by such Lender together with accrued interest thereon and all other obligations owed to such Lender under the terms hereof. Upon such payment, the Commitment of each Lender that shall have received such prepayment shall terminate.

For the purposes of this Section 2.11(c), a "Change of Control" shall be deemed to occur if any New Owner shall acquire beneficial ownership of shares in the Borrower having Voting Rights pertaining thereto which would allow such New Owner to elect more members of the Board of Directors than could be elected by the exercise of all Voting Rights pertaining to shares in the Borrower then owned beneficially by the Norris Family. As used in this Section 2.11(c):

(i) "Voting Rights" pertaining to shares of a corporation means the rights to cast votes for the election of directors of such corporation in ordinary circumstances (without consideration of voting rights which exist only in the event of contingencies).

(ii) "Norris Family" means all persons who are lineal descendants of D.W. Norris (by birth or adoption), all spouses of such descendants, all estates of such descendants or spouses which are in the course of administration, all trusts for the benefit of such descendants or spouses, and all corporations or other entities in which, directly or indirectly, such descendants or spouses (either alone or in conjunction with other such descendants or spouses) have the right, whether by ownership of stock or other equity interests or otherwise, to direct the management and policies of such corporations or other entities (each such person, spouse, estate, trust, corporation or entity being referred to herein as a "member" of the Norris Family). In addition, so long as any employee stock

ownership plan exercises its Voting Rights in the same manner as members of the Norris Family (exclusive of employee stock ownership plans) who have a majority of the Voting Rights exercised by all such members of the Norris Family, such employee stock ownership plan shall be deemed a member of the Norris Family.

(iii) "New Owner" means any person (other than a member of the Norris Family), or any syndicate or group of persons (exclusive of all members of the Norris Family) which would be deemed a "person" for the purposes of Section 13(d) of the Exchange Act, who directly or indirectly acquires shares in the Borrower.

(d)Each notice of prepayment shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the Borrower to prepay such Borrowing (or portion thereof) by the amount stated therein on the date stated therein. All prepayments under this Section 2.11 shall be subject to Section 8.05 but otherwise without premium or penalty. All prepayments under this Section 2.11 shall be accompanied by accrued interest on the principal amount being prepaid to the date of payment.

SECTION 2.12. Reserve Requirements; Change in Circumstances.

(a) Notwithstanding any other provision herein, if after the date of this Agreement any change in applicable law or regulation or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof (whether or not having the force of law) shall change the basis of taxation of payments to any Lender hereunder (except for changes in respect of taxes on the overall net income of such Lender or its lending office imposed by the jurisdiction in which such Lender's principal executive office or lending office is located), or shall result in the imposition, modification or applicability of any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by any Lender, or shall result in the imposition on any Lender or the London interbank market of any other condition affecting this Agreement, such Lender's Commitment or any Eurodollar Loan or Offered Rate Loan made by such Lender, and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan or Offered Rate Loan or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise) by an amount deemed by such Lender to be material, then the Borrower shall, upon receipt of the notice and certificate provided for in Section 2.12(c), promptly pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered. Notwithstanding the foregoing, no Lender shall be entitled to request compensation under this paragraph with respect to any Offered Rate Loan if the change giving rise to such request was applicable to such Lender at the time of submission of the offer pursuant to which such Offered Rate Loan was made.

(b) If any Lender shall have determined that the adoption of any law, rule, regulation or guideline arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards," or the adoption after the date hereof of any other law, rule, regulation or guideline regarding capital adequacy, or any change in any of the foregoing or in the interpretation or

administration of any of the foregoing by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or any lending office of such Lender) or any Lender's holding company with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, such Lender's Commitment or the Loans made by such Lender pursuant hereto to a level below that which such Lender or such Lender's holding company could have achieved but for such adoption, change or compliance (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time such additional amount or amounts as will compensate such Lender for any such reduction suffered will be paid by the Borrower to such Lender.

(c) A certificate of each Lender setting forth such amount or amounts as shall be necessary to compensate such Lender or its holding company as specified in paragraph (a) or (b) above, as the case may be, and containing an explanation in reasonable detail of the manner in which such amount or amounts shall have been determined, shall be delivered to the Borrower, and shall be conclusive absent manifest error. The Borrower shall pay each Lender the amount shown as due on any such certificate delivered by it within 10 days after its receipt of the same. Each Lender shall give prompt notice to the Borrower of any event of which it has knowledge, occurring after the date hereof, that it has determined will require compensation by the Borrower pursuant to this Section; provided, however, that failure by such Lender to give such notice shall not constitute a waiver of such Lender's right to demand compensation hereunder.

(d) Failure on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital of the type described in paragraph (a) or (b) of this Section 2.12 with respect to any period shall not constitute a waiver of such Lender's right to demand compensation with respect to such period or any other period; provided, however, that no Lender shall be entitled to compensation under this Section 2.12 for any costs incurred or reductions suffered with respect to any date unless it shall have notified the Borrower that it will demand compensation for such costs or reductions under paragraph (c) above not more than 90 days after the later of (i) such date and (ii) the date on which it shall have become aware of such costs or reductions. The protection of this Section shall be available to each Lender regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, guideline or other change or condition which shall have occurred or been imposed.

(e) Each Lender agrees that it will designate a different lending office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the reasonable judgment of such Lender, be disadvantageous to such Lender.

SECTION 2.13. Change in Legality.

(a) Notwithstanding any other provision herein, if any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written notice to the Borrower and to the Administrative Agent, such Lender may:

(i) declare that Eurodollar Loans will not thereafter be made by such Lender hereunder, whereupon any request for a Eurodollar Borrowing shall, as to such Lender only, be deemed a request for an ABR Loan unless such declaration shall be subsequently withdrawn (any Lender delivering such a declaration hereby agreeing to withdraw such declaration promptly upon determining that such event of illegality no longer exists); and

(ii) require that all outstanding Eurodollar Loans made by it be converted to ABR Loans, in which event all such Eurodollar Loans shall be automatically converted to ABR Loans as of the effective date of such notice as provided in paragraph (b) below.

In the event any Lender shall exercise its rights under (i) or (ii) above, all payments and prepayments of principal which would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the Converted Eurodollar Loans of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the Conversion of, such Eurodollar Loans.

(b) For purposes of this Section 2.13, a notice by any Lender shall be effective as to each Eurodollar Loan, if lawful, on the last day of the Interest Period currently applicable to such Eurodollar Loan; in all other cases such notice shall be effective on the date of receipt.

SECTION 2.14. Pro Rata Treatment. Except as required under Sections 2.13 and 2.18, (i) each Standby Borrowing shall be allocated pro rata among the Lenders in accordance with their respective Remaining Commitments, (ii) each payment of the Facility Fees and each reduction of the Commitments, shall be allocated pro rata among the Lenders in accordance with their respective Commitments, (iii) each payment of interest on the Standby Loans shall be allocated pro rata among the Lenders in accordance with their respective amounts of interest due thereon, and (iv) each payment or prepayment of principal of any Standby Borrowing and each Conversion or Continuation of any Standby Borrowing to a Standby Borrowing of any Type shall be allocated pro rata among the Lenders in accordance with the principal amounts of their outstanding Standby Loans. Each payment of principal of or interest on any Offered Rate Loan shall be made to the Lender that made such Offered Rate Loan. Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing to the next higher or lower whole dollar amount.

SECTION 2.15. Sharing of Setoffs. Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency

or other similar law or otherwise, or by any other means, obtain payment (voluntary or involuntary) in respect of any Standby Loan or Standby Loans as a result of which the unpaid principal portion of its Standby Loans shall be proportionately less than the unpaid principal portion of the Standby Loans of any other Lender, it shall be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the Standby Loans of such other Lender, so that the aggregate unpaid principal amount of the Standby Loans and participations in the Standby Loans held by each Lender shall be in the same proportion to the aggregate unpaid principal amount of all Standby Loans then outstanding as the principal amount of its Standby Loans prior to such exercise of banker's lien, setoff or counterclaim or other event was to the principal amount of all Standby Loans outstanding prior to such exercise of banker's lien, setoff or counterclaim or other event; provided, however, that, if any such purchase or purchases or adjustments shall be made pursuant to this Section 2.15 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. The Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in a Standby Loan deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by the Borrower to such Lender by reason thereof as fully as if such Lender had made a Standby Loan in the amount of such participation.

SECTION 2.16. Payments.

(a) The Borrower shall make each payment (including principal of or interest on any Standby Borrowing or any Fees or other amounts but excluding any principal of or interest on each Offered Rate Loan) hereunder from an account in the United States not later than 12:00 noon, Houston, Texas time, on the date when due in dollars to the Administrative Agent at its offices at 1111 Fannin Street, 9th floor, MS 46, Houston, Texas 77002, in immediately available funds. The Borrower shall make each payment of any principal of or interest on an Offered Rate Loan from an account in the United States on the date when due in dollars and immediately available funds to the Lender that made such Offered Rate Loan to the Borrower at such time of day and at such location as such Lender may require by notice to the Borrower at the time such Offered Rate Loan is made or as otherwise directed by such Lender.

(b) Whenever any payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

SECTION 2.17. Taxes.

(a) Any and all payments of principal and interest on any Borrowings, or of any Fees or indemnity or expense reimbursements by the Borrower hereunder ("Borrower Payments") shall be made, in accordance with Section 2.16, free and clear of and without deduction for any and all

current or future United States Federal, state and local taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect to the Borrower Payments, but only to the extent reasonably attributable to the Borrower Payments, excluding (i) income taxes imposed on the net income of either Agent or any Lender (or any transferee or assignee thereof, including a participation holder (any such entity a "Transferee")) and (ii) franchise taxes imposed on the net income of either Agent or any Lender (or Transferee), in each case by the jurisdiction under the laws of which either Agent or such Lender (or Transferee) is organized or doing business through offices or branches located therein, or any political subdivision thereof (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities, collectively or individually, "Taxes"). If the Borrower shall be required to deduct any Taxes from or in respect of any sum payable hereunder to any Lender (or any Transferee) or the Agents, (i) the sum payable shall be increased by the amount (an "additional amount") necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.17) such Lender (or Transferee) or Agent (as the case may be) shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay to the relevant United States Governmental Authority in accordance with applicable law any current or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or the Fee Letters ("Other Taxes").

(c) The Borrower shall indemnify each Lender (or Transferee thereof) and each Agent for the full amount of Taxes and Other Taxes with respect to Borrower Payments paid by such Lender (or Transferee) or such Agent, as the case may be, and any liability (including penalties, interest and expenses (including reasonable attorney's fees and expenses)) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted by the relevant United States Governmental Authority. A certificate setting forth and containing an explanation in reasonable detail of the manner in which such amount shall have been determined and the amount of such payment or liability prepared by a Lender or an Agent on their behalf, absent manifest error, shall be final, conclusive and binding for all purposes. Such indemnification shall be made within 30 days after the date the Lender (or Transferee) or any Agent, as the case may be, makes written demand therefor.

(d) If a Lender (or Transferee) or any Agent shall become aware that it is entitled to claim a refund from a United States Governmental Authority in respect of Taxes or Other Taxes as to which it has been indemnified by the Borrower, or with respect to which the Borrower has paid additional amounts, pursuant to this Section 2.17, it shall promptly notify the Borrower of the availability of such refund claim and shall, within 30 days after receipt of a request by the Borrower, make a claim to such United States Governmental Authority for such refund at the Borrower's expense. If a Lender (or Transferee) or any Agent receives a refund (including pursuant to a claim for refund made pursuant to the preceding sentence) in respect of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the

Borrower had paid additional amounts pursuant to this Section 2.17, it shall within 30 days from the date of such receipt pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.17 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of such Lender (or Transferee) or such Agent and without interest (other than interest paid by the relevant United States Governmental Authority with respect to such refund); provided, however, that the Borrower, upon the request of such Lender (or Transferee) or such Agent, agrees to repay the amount paid over to the Borrower (plus penalties, interest or other charges) to such Lender (or Transferee) or such Agent in the event such Lender (or Transferee) or such Agent is required to repay such refund to such United States Governmental Authority.

(e) As soon as practicable, but in any event within 30 days, after the date of any payment of Taxes or Other Taxes by the Borrower to the relevant United States Governmental Authority, the Borrower will deliver to the Administrative Agent, at its address referred to in Section 8.01, the original or a certified copy of a receipt issued by such United States Governmental Authority evidencing payment thereof.

(f) Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section 2.17 shall survive the payment in full of the principal of and interest on all Loans made hereunder.

(g) Each Lender or Agent (or Transferee) that is organized under the laws of a jurisdiction other than the United States, any State thereof or the District of Columbia (a "Non-U.S. Lender" or "Non U.S. Agent", as applicable) shall deliver to the Borrower and the Administrative Agent two copies of either United States Internal Revenue Service Form 1001 or Form 4224, properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or reduced rate of, United States Federal withholding tax on payments by the Borrower under this Agreement. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of a Transferee that is a participation holder, on or before the date such participation holder becomes a Transferee hereunder) and on or before the date, if any, such Non-U.S. Lender changes its applicable lending office by designating a different lending office (a "New Lending Office"). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Notwithstanding any other provision of this Section 2.17(g), a Non-U.S. Lender shall not be required to deliver any form pursuant to this Section 2.17(g) that such Non-U.S. Lender is not legally able to deliver.

(h) The Borrower shall not be required to indemnify any Non-U.S. Lender or Non-U.S. Agent (including any Transferee), or to pay any additional amounts to any Non-U.S. Lender or Non-U.S. Agent (including any Transferee), in respect of United States Federal, state or local withholding tax pursuant to paragraph (a) or (c) above to the extent that (i) the obligation to withhold amounts with respect to United States Federal, state or local withholding tax existed on the date such Non-U.S. Lender became a party to this Agreement (or, in the case of a Transferee that is a participation holder, on the date such participation holder became a Transferee hereunder) or, with respect to payments to a New Lending Office, the date such Non-U.S. Lender designated

such New Lending Office with respect to a Loan; provided, however, that this clause (i) shall not apply to any Transferee or New Lending Office that becomes a Transferee or New Lending Office as a result of an assignment, participation, transfer or designation made at the request of the Borrower; and provided further, however, that this clause (i) shall not apply to the extent the indemnity payment or additional amounts any Transferee, or Lender (or Transferee) through a New Lending Office, would be entitled to receive (without regard to this clause (h)) do not exceed the indemnity payment or additional amounts that the Person making the assignment, participation or transfer to such Transferee, or Lender (or Transferee) making the designation of such New Lending Office, would have been entitled to receive in the absence of such assignment, participation, transfer or designation or (ii) the obligation to pay such additional amounts or such indemnity payments would not have arisen but for a failure by such Non-U.S. Lender (including any Transferee) to comply with time provisions of paragraph (g) above and (i) below.

(i) Any Lender (or Transferee) claiming any indemnity payment or additional amounts payable pursuant to this Section 2.17 shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document reasonably requested in writing by the Borrower or to change the jurisdiction of its applicable lending office if the making of such a filing or change would avoid the need for or reduce the amount of any such indemnity payment or additional amounts that may thereafter accrue and would not, in the good faith determination of such Lender (or Transferee), be otherwise disadvantageous to such Lender (or Transferee).

(j) Nothing contained in this Section 2.17 shall require any Lender (or Transferee) or any Agent to make available to the Borrower any of its tax return (or any other information) that it deems to be confidential or proprietary.

SECTION 2.18. Assignment of Commitments Under Certain Circumstances. In the event that any Lender shall have delivered a notice or certificate pursuant to Section 2.12 or 2.13, or the Borrower shall be required to make additional payments to any Lender under Section 2.17, the Borrower shall have the right, at its own expense, upon notice to such Lender and the Agents, to require such Lender to transfer and assign without recourse (in accordance with and subject to the restrictions contained in Section 8.04) all such Lender's interests, rights and obligations contained hereunder to another financial institution approved by the Agents and the Borrower (which approval shall not be unreasonably withheld) which shall assume such obligations; provided that (i) no such assignment shall conflict with any law, rule or regulation or order of any Governmental Authority and (ii) the assignee or the Borrower, as the case may be, shall pay to the affected Lender in immediately available funds on the date of such assignment the principal of and interest accrued to the date of payment on the Loan made by it hereunder and all other amounts accrued for its account or owed to it hereunder.

SECTION 2.19. Payments by Agent to the Lenders. Any payment received by the Agent hereunder for the account of a Lender shall be paid to such Lender by 4:00 p.m. Houston time on (a) the Business Day the payment is received in immediately available funds, if such payment is received by 10:00 a.m. Houston time and (b) if such payment is received after 10:00 a.m. Houston time, on the next Business Day.

ARTICLE III. REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to each of the Lenders as follows:

SECTION 3.01. Organization; Powers. Borrower (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to own its property and assets and to carry on its business as now conducted and as proposed to be conducted, (c) is qualified to do business in every jurisdiction where such qualification is required, except where the failure so to qualify would not result in a Material Adverse Effect, and (d) has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and to borrow hereunder.

SECTION 3.02. Authorization. The execution, delivery and performance by the Borrower of this Agreement and the Borrowings hereunder (collectively, the "Transactions") (a) have been duly authorized by all requisite corporate action and (b) will not (i) violate (A) any provision of any law, statute, rule or regulation to which the Borrower is subject or of the certificate of incorporation or other constituent documents or by-laws of the Borrower or any of its Subsidiaries, (B) any order of any Governmental Authority or (C) any provision of any Material indenture, agreement or other instrument to which the Borrower or any of its Subsidiaries is a party or by which it or any of its property is or may be bound (including the Senior Note Purchase Agreements and the Indebtedness limitations set forth in Sections 10.4 and 10.9 thereof), (ii) be in conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under any such indenture, agreement or other instrument or (iii) result in the creation or imposition of any Lien upon any property or assets of the Borrower.

SECTION 3.03. Enforceability. This Agreement constitutes a legal, valid and binding obligation of the Borrower enforceable in accordance with its terms, as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 3.04. Governmental Approvals. No action, consent or approval of, registration or filing with or other action by any Governmental Authority is or will be required in connection with the Transactions, to the extent they relate to the Borrower.

SECTION 3.05. Organization and Ownership of Shares of Subsidiaries.

(a) Schedule 3.05 is (except as noted therein) a complete and correct list of the Borrower's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Borrower and each other Subsidiary, and specifying whether such Subsidiary is designated a Restricted Subsidiary.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 3.05 as being owned by the Borrower and its Subsidiaries have been

validly issued, are fully paid and nonassessable and are owned by the Borrower or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 3.05).

(c) Each Subsidiary identified in Schedule 3.05 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

SECTION 3.06. Financial Statements. The Borrower has delivered to each Lender copies of the financial statements of the Borrower and its Subsidiaries listed on Schedule 3.06. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Borrower and its Subsidiaries, and of the Borrower and its Restricted Subsidiaries, as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). Except as disclosed in the financial statements listed in Schedule 3.06, since December 31, 1997, there has been no change in the financial condition, operations, business, properties or prospects of the Borrower or any of its Subsidiaries except changes that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Borrower that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the financial statements listed in Schedule 3.06

SECTION 3.07. Litigation; Observance of Statutes and Orders.

(a) There are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any Subsidiary or any property of the Borrower or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(b)Neither the Borrower nor any Subsidiary is in default under any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

SECTION 3.08. Taxes. The Borrower and its Subsidiaries have filed all income tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments payable by them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Borrower or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Federal income tax liabilities of the Borrower and its Subsidiaries have been determined by the Internal Revenue Service and paid for all fiscal years up to and including the fiscal year ended December 31, 1992.

SECTION 3.09. Title to Property; Leases. The Borrower and its Subsidiaries have good and sufficient title to their respective Material properties, including all such properties reflected in the most recent audited balance sheet referred to in Section 3.06 or purported to have been acquired by the Borrower or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement, except for those defects in title and Liens that, individually or in the aggregate, would not have a Material Adverse Effect. All Material leases are valid and subsisting and are in full force and effect in all material respects.

SECTION 3.10. Licenses, Permits, etc. The Borrower and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that are Material, without known conflict with the rights of others, except for those conflicts that, individually or in the aggregate, would not have a Material Adverse Effect.

SECTION 3.11. Compliance with ERISA.

(a)The Borrower and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Borrower nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that would reasonably be expected to result in the incurrence of any such liability by the Borrower or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Borrower or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate accrued plan benefit liabilities under each of the Plans that are subject to Title IV of ERISA (other than Multiemployer Plans), determined in accordance with Financial Accounting Standards Board Statement No. 87 as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding

purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by more than $3,000,000 in the case of any single Plan and by more than $3,000,000 in the aggregate for all Plans.

(c) The Borrower and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected post-retirement benefit obligation (determined as of the last day of the Borrower's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Borrower and its Subsidiaries was approximately $18,733,000 as of December 31, 1997.

SECTION 3.12. Use of Proceeds; Margin Regulation. The Borrower will apply the proceeds of the Loans for working capital and other general corporate purposes. No part of the proceeds from the Loans will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Borrower in a violation of Regulation X of the Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of the Board (12 CFR 220). Margin stock does not constitute more than 5% of the value of the consolidated assets of the Borrower and its Restricted Subsidiaries and the Borrower does not have any present intention that margin stock will constitute more than 5% of the value of such assets. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

SECTION 3.13. Existing Indebtedness. Except for the Indebtedness outstanding in connection with the Senior Note Purchase Agreements and except as described therein, Schedule 3.13 sets forth a complete and correct list of all outstanding Indebtedness of the Borrower and its Restricted Subsidiaries (other than Indebtedness of Restricted Subsidiaries to the Borrower or other Wholly-Owned Restricted Subsidiaries) as of January 31, 1998, since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Borrower or its Restricted Subsidiaries. Neither the Borrower nor any Restricted Subsidiary is in default, and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Borrower or such Restricted Subsidiary, and no event or condition exists with respect to any Indebtedness of the Borrower or any Restricted Subsidiary the outstanding principal amount of which exceeds $3,000,000 in the aggregate that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment. To the knowledge of the Responsible Officers of the Borrower, no event or condition exists with respect to any Indebtedness of the Borrower or any Restricted Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

SECTION 3.14. Foreign Assets Control Regulations, etc. The use of the proceeds of the Loans will not violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

SECTION 3.15. Status under Certain Statutes. Neither the Borrower nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, the Interstate Commerce Act, as amended, or the Federal Power Act, as amended.

SECTION 3.16. No Material Misstatements. No report, financial statement or other information furnished by or on behalf of the Borrower to the Agents or any Lender pursuant to or in connection with this Agreement contains or will contain any material misstatement of fact or omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were or will be made, not misleading.

SECTION 3.17. Year 2000 Matters. Any programming required to permit the proper functioning, in and following the year 2000, of the Borrower=s and its Subsidiaries= Material (i) computer systems and (ii) equipment containing imbedded microchips (including systems and equipment supplied by others or with which the Borrower=s or its Subsidiaries= systems interface) and the testing of all such systems and equipment, as so reprogrammed, is expected to be completed by August 1, 1999. The cost to the Borrower and its Subsidiaries of such reprogramming and testing and of the reasonably foreseeable consequences of year 2000 to the Borrower and its Subsidiaries (including, without limitation, reprogramming errors and the failure of others= systems or equipment) will not result in a Default or a Material Adverse Effect. Except for such of the reprogramming referred to in the preceding sentence as may be necessary, the computer and management information systems of the Borrower and its Subsidiaries are, and with ordinary course upgrading and maintenance, will continue for the term of this Agreement to be, sufficient to permit the Borrower and its Subsidiaries to conduct its business without Material Adverse Effect.

ARTICLE IV. CONDITIONS OF LENDING

The obligations of the Lenders to make Loans hereunder are subject to the satisfaction of the following conditions:

SECTION 4.01. All Borrowings. On the date of each Borrowing:

(a) The Administrative Agent shall have received a notice of such Borrowing as required by Section 2.03 or Section 2.04, as applicable.

(b) The representations and warranties set forth in Article III hereof shall be true and correct in all material respects on and as of the date of such Borrowing with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) At the time of and immediately after such Borrowing no Event of Default or Default shall have occurred and be continuing.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrower on the date of such Borrowing as to the matters specified in paragraphs (b) and (c) of this Section 4.01.

SECTION 4.02. Effective Date. On the Effective Date:

(a) The Administrative Agent shall have received a favorable written opinion from Anne W. Teeling, Assistant General Counsel to the Borrower, dated the Effective Date and addressed to the Lenders and satisfactory to Jenkens & Gilchrist, a Professional Corporation, counsel for the Administrative Agent, to the effect set forth in Exhibit D hereto (and the Borrower hereby instructs its counsel to deliver such opinion to the Administrative Agent for the benefit of the Lenders).

(b) The Administrative Agent shall have received (i) a copy of the certificate of incorporation, including all amendments thereto, of the Borrower, certified as of a recent date by the Secretary of State of its state of incorporation, and a certificate as to the good standing of the Borrower as of a recent date from such Secretary of State; (ii) a certificate of the Secretary or an Assistant Secretary of the Borrower dated the Effective Date and certifying (A) that attached thereto is a true and complete copy of the by-laws of the Borrower as in effect on the Effective Date and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions, duly adopted by the Board of Directors authorizing the execution, delivery and performance of this Agreement and the Transactions, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate of incorporation referred to in clause (i) above has not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to such clause (i) and (D) as to the incumbency and specimen signature of each officer executing this Agreement or any other document delivered in connection herewith on behalf of the Borrower; (iii) a certificate of another officer of the Borrower as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to (ii) above; (iv) evidence satisfactory to the Administrative Agent that the requisite approvals, if any, referred to in Section 3.04 hereof have been obtained; and (v) such other documents as the Lenders or Jenkens & Gilchrist, a Professional Corporation, counsel for the Administrative Agent, shall reasonably request.

(c) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by a Senior Financial Officer of the Borrower, (i) confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 4.01 and (ii) providing the calculations demonstrating compliance with Sections 10.4 and 10.9 of the Senior Note Purchase Agreements.

(d) The Agents shall have received all Fees and other amounts due and payable on or prior to the Effective Date.

ARTICLE V. AFFIRMATIVE AND NEGATIVE COVENANTS

The Borrower agrees that, so long as any Lender has any Commitment hereunder or any amount payable hereunder remains unpaid:

SECTION 5.01. Compliance with Law. The Borrower will and will cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not reasonably be expected, individually or in the aggregate, to have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Borrower and its Restricted Subsidiaries taken as a whole.

SECTION 5.02. Insurance. The Borrower will and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

SECTION 5.03. Maintenance of Properties. The Borrower will and will cause each of its Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Borrower or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Borrower has concluded that such discontinuance would not, individually or in the aggregate, have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Borrower and its Restricted Subsidiaries taken as a whole.

SECTION 5.04. Payment of Taxes. The Borrower will and will cause each of its Subsidiaries to file all income tax or similar tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies payable by any of them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, provided that neither the Borrower nor any Subsidiary need pay any such tax or assessment if (i) the amount, applicability or validity thereof is contested by the Borrower or such Subsidiary on a timely basis

in good faith and in appropriate proceedings, and the Borrower or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Borrower or such Subsidiary or (ii) the nonpayment of all such taxes and assessments in the aggregate would not reasonably be expected to have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Borrower and its Restricted Subsidiaries taken as a whole.

SECTION 5.05. Corporate Existence, etc. The Borrower will at all times preserve and keep in full force and effect its corporate existence. Subject to Sections 5.10 and 5.11, the Borrower will at all times preserve and keep in full force and effect the corporate existence of each of its Restricted Subsidiaries (unless merged into the Borrower or a Restricted Subsidiary) and all rights and franchises of the Borrower and its Restricted Subsidiaries unless, in the good faith judgment of the Borrower, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not, individually or in the aggregate, have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Borrower and its Restricted Subsidiaries taken as a whole.

SECTION 5.06. Most Favored Lender Status. The Borrower will not and will not permit any Restricted Subsidiary to enter into, assume or otherwise be bound or obligated under any agreement creating or evidencing Indebtedness or any agreement executed and delivered in connection with any Indebtedness containing one or more Additional Covenants or Additional Defaults (as defined below), unless prior written consent to such agreement shall have been obtained from the Required Lenders; provided, however, in the event the Borrower or any Restricted Subsidiary shall enter into, assume or otherwise become bound by or obligated under any such agreement without the prior written consent of the Lenders, the terms of this Agreement shall, without any further action on the part of the Borrower or any of the Lenders, be deemed to be amended automatically to include each Additional Covenant and each Additional Default contained in such agreement. The Borrower further covenants to promptly execute and deliver at its expense an amendment to this Agreement in form and substance satisfactory to the Required Lenders evidencing the amendment of this Agreement to include such Additional Covenants and Additional Defaults, provided that the execution and delivery of such amendment shall not be a precondition to the effectiveness of such amendment as provided for in this Section 5.06, but shall merely be for the convenience of the parties hereto.

For purposes of this Agreement, (i) the term "Additional Covenant" shall mean any affirmative or negative covenant or similar restriction applicable to the Borrower or any Restricted Subsidiary (regardless of whether such provision is labeled or otherwise characterized as a covenant) the subject matter of which either (A) is similar to that of the covenants in Article V of this Agreement, but contains one or more percentages, amounts or formulas that is more restrictive than those set forth herein or more beneficial to the holder or holders of such other Indebtedness (and such covenant or similar restriction shall be deemed an "Additional Covenant" only to the extent that it is more restrictive or more beneficial) or (B) is different from the subject matter of the covenants in Article V of this Agreement; and (ii) the term "Additional Default" shall mean any provision which permits the holder of such Indebtedness to accelerate (with the passage of time or giving of notice or both) the maturity thereof or otherwise require the Borrower or any

Restricted Subsidiary to purchase such Indebtedness prior to the stated maturity of such Indebtedness and which either (A) is similar to the Defaults and Events of Default contained in Article VI of this Agreement, but contains one or more percentages, amounts or formulas that is more restrictive or has a shorter grace period than those set forth herein or is more beneficial to the holder or holders of such other Indebtedness (and such provision shall be deemed an "Additional Default" only to the extent that it is more restrictive, has a shorter grace period or is more beneficial) or (B) is different from the subject matter of the Defaults and Events of Default contained in Article VI of this Agreement.

SECTION 5.07. Covenant to Secure Loans Equally. If the Borrower shall create, assume or permit to exist any Lien upon any of its property or assets, or permit any Restricted Subsidiary to create, assume or permit to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, other than those Liens permitted by the provisions of Section 5.13 the Borrower shall make or cause to be made effective provision whereby the Loans will be secured equally and ratably with any and all other obligations thereby secured, with the documentation for such security to be reasonably satisfactory to the Required Lenders and, in any such case, the Loans shall have the benefit, to the fullest extent that, and with such priority as, the holders thereof may be entitled under applicable law, of an equitable Lien on such property. Any violation of Section 5.13 will constitute an Event of Default, whether or not provision is made for an equal and ratable Lien pursuant to this Section 5.07.

SECTION 5.08. Environmental Matters.

(a) The Borrower will and will cause each of its Subsidiaries to comply in all material respects with all applicable Environmental Laws if, individually or in the aggregate, failure to comply therewith could reasonably be expected to have a material adverse effect on the financial condition or results of operations of the Borrower or the Borrower and its Subsidiaries, taken as a whole.

(b) The Borrower will not and will not permit any of its Subsidiaries to cause or allow any Hazardous Substance to be present at any time on, in, under or above any real property or any part thereof in which the Borrower or any Subsidiary has a direct interest (including without limitation ownership thereof or any arrangement for the lease, rental or other use thereof, or the retention of any mortgage or security interest therein or thereon), except in a manner and to an extent that is in compliance in all material respects with all applicable Environmental Laws or that will not have a material adverse effect on the financial condition or results of operations of the Borrower or the Borrower and its Subsidiaries, taken as a whole.

SECTION 5.09. Transactions with Affiliates. The Borrower will not permit any Restricted Subsidiary to enter into directly or indirectly any Material transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Borrower or another Restricted Subsidiary), except pursuant to the reasonable requirements of the Borrower's or such Restricted Subsidiary's business and upon fair and reasonable terms no less

favorable to the Borrower or such Restricted Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

SECTION 5.10. Merger, Consolidation, etc. The Borrower will not consolidate with or merge with any other corporation or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to any Person unless:

(a) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease substantially all of the assets of the Borrower as an entirety, as the case may be, shall be a solvent corporation organized and existing under the laws of the United States or any State thereof (including the District of Columbia), and, if the Borrower is not such corporation, such corporation shall have executed and delivered to each Lender its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement, together with a favorable opinion of counsel satisfactory to each such Lender covering such matters relating to such corporation and such assumption as such Lender may reasonably request; and

(b) immediately after giving effect to such transaction, no Default or Event of Default would exist; and

(c) immediately prior to and after giving effect to such transaction, the Borrower or such successor, as the case may be, would be permitted by the provisions of Sections 5.12 and 5.17 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

No such conveyance, transfer or lease of substantially all of the assets of the Borrower shall have the effect of releasing the Borrower or any successor corporation that shall theretofore have become such in the manner prescribed in this Section 5.10 from its liability under this Agreement.

SECTION 5.11. Sale of Assets, etc. The Borrower will not, and will not permit any of its Restricted Subsidiaries to, make any Transfer, provided that the foregoing restriction does not apply to a Transfer if:

(a) the property that is the subject of such Transfer constitutes either (i) inventory held for sale, or (ii) equipment, fixtures, supplies or materials no longer required in the operation of the business of the Borrower or such Restricted Subsidiary or that is obsolete, and, in the case of any Transfer described in clause (i) or (ii), such Transfer is in the ordinary course of business (each such Transfer, an ?Ordinary Course Transfer@); or

(b) such Transfer is from

(i) a Restricted Subsidiary to the Borrower or another Restricted Subsidiary, or

(ii) the Borrower to a Restricted Subsidiary, or

(iii) the Borrower to a Subsidiary (other than a Restricted Subsidiary) or from a Restricted Subsidiary to another Subsidiary (other than a Restricted Subsidiary) and in either case is for Fair Market Value, so long as immediately before and immediately after the consummation of such transaction, and after giving effect thereto, no Default or Event of Default exists or would exist (each such Transfer, an ?Intergroup Transfer@);

(c) such Transfer is not an Ordinary Course Transfer or an Intergroup Transfer (such Transfers collectively referred to as ?Excluded Transfers@), and all of the following conditions shall have been satisfied with respect thereto (the date of the consummation of such Transfer being referred to herein as the ?Property Disposition Date@):

(i) the book value of the assets included in such Transfer, together with the book value of the assets included in all other Transfers (other than Excluded Transfers) during the fiscal year which includes the Property Disposition Date, shall not exceed fifteen percent (15%) of Consolidated Assets as of the end of the most recent fiscal year;

(ii) the book value of the assets included in such Transfer, together with the book value of the assets included in all other Transfers (other than Excluded Transfers) from January 1, 1998 through the Property Disposition Date, shall not exceed thirty percent (30%) of Consolidated Assets as of the end of the most recent fiscal year; and

(iii) immediately after giving effect to such Transfer, no Default or Event of Default would exist and the Borrower would be permitted by the provisions of Sections 5.12 and 5.17 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

If, within twelve (12) months after the Property Disposition Date, the Borrower or a Restricted Subsidiary acquires assets similar to the assets included in the Transfer, then, only for the purpose of determining compliance with Sections 5.11(c)(i) and (ii), the lesser of the book value of the assets acquired or the book value of the assets included in the Transfer shall not be taken into account.

SECTION 5.12. Incurrence of Indebtedness. The Borrower will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume, guarantee, or otherwise become directly or indirectly liable with respect to any Indebtedness, unless on the date the Borrower or such Restricted Subsidiary becomes liable with respect to any such Indebtedness and immediately after giving effect thereto and to the substantially concurrent retirement of any other Indebtedness,

(a) no Default or Event of Default would exist, and

(b) Consolidated Indebtedness would not exceed sixty percent (60%) of Consolidated Capitalization.

For purposes of this Section 5.12 any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have incurred all of its then outstanding Indebtedness at the time it becomes a Restricted Subsidiary.

SECTION 5.13. Liens. The Borrower will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Borrower or any such Restricted Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom, or assign or otherwise convey any right to receive income or profits, except:

(a) Liens for taxes, assessments or other governmental charges the payment of which is not at the time required by Section 5.04;

(b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other similar Liens, in each case, incurred in the ordinary course of business for sums not yet due;

(c) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business (i) in connection with workers= compensation, unemployment insurance and other types of social security or retirement benefits, or (ii) to secure (or to obtain letters of credit that secure) the performance of tenders, statutory obligations, surety bonds, appeal bonds, bids, leases (other than Capital Leases), performance bonds, purchase, construction or sales contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property;

(d) any attachment or judgment Lien, unless the judgment or other obligation it secures (i) shall not, within ninety (90) days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within ninety (90) days after the expiration of any such stay or (ii) exceeds, together with the amounts of all other obligations secured by attachment or judgment Liens at the time existing in respect of property of the Borrower and its Restricted Subsidiaries, $5,000,000;

(e) leases or subleases granted to others, easements, rights-of-way, restrictions and other similar charges or encumbrances, in each case incidental to, and not interfering with, the ordinary conduct of the business of the Borrower or any of its Restricted Subsidiaries, provided that such Liens do not, in the aggregate, materially detract from the value of such property;

(f) Liens on property or assets of the Borrower or any of its Restricted Subsidiaries securing Indebtedness or other obligations owing to the Borrower or to a Wholly Owned Restricted Subsidiary;

(g) Liens existing on the date of this Agreement on the building referred to in item C of Schedule 3.13 and securing the Indebtedness referred to in item C of Schedule 3.13;

(h) any Lien renewing, extending or refunding any Lien permitted by Subsection (g) above, provided that (i) the principal amount of Indebtedness secured by such Lien immediately prior to such extension, renewal or refunding is not increased or the maturity thereof reduced, (ii) such Lien is not extended to any other property, and (iii) immediately after such extension, renewal or refunding no Default or Event of Default would exist and the Borrower would be permitted by the provisions of Sections 5.12 and 5.17 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively; and

(i) other Liens not otherwise permitted by Subsections (a) through (h) above, provided that (i) the total obligations secured by such other Liens shall not exceed 10% of Consolidated Capitalization and (ii) immediately after giving effect to the creation thereof, the Borrower would be permitted by the provisions of Sections 5.12 and 5.17 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

For purposes of this Section 5.13, any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have incurred all of its then outstanding Liens at the time it becomes a Restricted Subsidiary, and any Person extending, renewing or refunding any Indebtedness secured by any Lien shall be deemed to have incurred such Lien at the time of such extension, renewal or refunding.

SECTION 5.14. Restricted Payments. The Borrower will not, and will not permit any of its Restricted Subsidiaries to, declare or make, or incur any liability to declare or make, any Restricted Payment, unless immediately after giving effect to such action:

(a) no Default or Event of Default would exist; and

(b) the Borrower would be permitted by the provisions of Sections 5.12 and 5.17 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

SECTION 5.15. Consolidated Net Worth. The Borrower will not permit Consolidated Net Worth as at the last day of any fiscal quarter of the Borrower to be less than the sum of (a) $261,000,000, plus (b) 15% of its aggregate Consolidated Net Income (but only if a positive number) for the period beginning April 1, 1998 and ending at the end of each fiscal quarter thereafter.

SECTION 5.16. Limitation on Dividend Restrictions, etc. The Borrower will not permit any Restricted Subsidiary to enter into, adopt, create or otherwise be or become bound by or

subject to any contract or charter or by-law provision limiting the amount of, or otherwise imposing restrictions on the declaration, payment or setting aside of funds for the making of, any Distributions in respect of the capital stock of such Restricted Subsidiary to the Borrower or another Restricted Subsidiary.

SECTION 5.17. Limitation on Restricted Indebtedness. The Borrower will not at any time permit the aggregate amount of Restricted Indebtedness to exceed 10% of Consolidated Capitalization.

SECTION 5.18. Preferred Stock of Restricted Subsidiaries. The Borrower will not permit any Restricted Subsidiary to issue or permit to remain outstanding any Preferred Stock unless such Preferred Stock is issued to and at all times owned and held by the Borrower or a Wholly-Owned Restricted Subsidiary.

SECTION 5.19. No Redesignation of Restricted Subsidiaries. The Borrower will not designate any Restricted Subsidiary as, or take or permit to be taken any action that would cause any Restricted Subsidiary to become, an Unrestricted Subsidiary.

SECTION 5.20. Financial and Business Information. The Borrower will furnish to the Agents and each Lender:

(a) Quarterly Statements. Within 60 days after the end of each quarterly fiscal period in each fiscal year of the Borrower (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of

(i) consolidated and consolidating balance sheets of the Borrower and its Restricted Subsidiaries and of the Borrower and its Subsidiaries as at the end of such quarter, and

(ii) consolidated and consolidating statements of income, changes in shareholders' equity and cash flows of the Borrower and its Restricted Subsidiaries and of the Borrower and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

all in reasonable detail and setting forth, in the case of such consolidated statements, in comparative form the figures for the corresponding periods in the previous fiscal year, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, provided that delivery within the time period specified above of copies of the Borrower's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 5.20(a); provided further that if such Form 10-Q does not contain consolidating information for the Borrower and its Restricted Subsidiaries, the Borrower

shall also deliver to each such holder the consolidating information described in this Section 5.20(a);

(b) Annual Statements. Within 120 days after the end of each fiscal year of the Borrower, duplicate copies of

(i) consolidated and consolidating balance sheets of the Borrower and its Restricted Subsidiaries and of the Borrower and its Subsidiaries, as at the end of such year, and

(ii) consolidated and consolidating statements of income, changes in shareholders' equity and cash flows of the Borrower and its Restricted Subsidiaries and of the Borrower and its Subsidiaries, for such year;

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied, (1) in the case of the consolidated statements, by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and (2) in the case of the consolidating statements, either certified by a Senior Financial Officer as fairly stating, or accompanied by a report thereon by such accountants containing a statement to the effect that such consolidating financial statements fairly state, the financial position and the results of operations and cash flows of the companies being reported upon in all material respects in relation to the consolidated financial statements for the periods indicated as a whole; provided that the delivery within the time period specified above of the Borrower's Annual Report on Form 10-K for such fiscal year (together with the Borrower's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of clauses (i) and (ii) of this Section 5.20(b); provided further that if such Form 10-K does not contain consolidating information for the Borrower and its Restricted Subsidiaries, the Borrower shall also deliver to each such holder the consolidating information described in this Section 5.20(b); and

(iii) a certificate of such accountants stating that in making the examination for such report, they have obtained no knowledge of any Default or Event of Default, or, if they have obtained knowledge of any Default or Event of Default, specifying the nature and period of existence thereof and the action the Borrower has taken or proposes to take with respect thereto.

(c) SEC and Other Reports. If the Borrower or any Restricted Subsidiary shall be required to file reports with the Securities and Exchange Commission, promptly upon their

becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Borrower or any Restricted Subsidiary to public securities holders generally, and (ii) each regular or periodic report, each registration statement that shall have become effective (without exhibits except as expressly requested by such holder), and each final prospectus and all amendments thereto filed by the Borrower or any Restricted Subsidiary with the Securities and Exchange Commission;

(d) Notice of Default or Event of Default. Promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Borrower is taking or proposes to take with respect thereto;

(e) ERISA Matters. Promptly, and in any event within five days after a Responsible Officer becomes aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Borrower or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof and the potential cost to the Borrower or such ERISA Affiliate resulting therefrom exceeds $500,000; or

(ii) the taking by the PBGC of steps to institute, or the threatening in writing by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Borrower or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Borrower or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Borrower or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, would reasonably be expected to have a Material Adverse Effect; and

(f) Requested Information. With reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Borrower or any of its Restricted Subsidiaries or relating to the ability of the Borrower to perform its obligations hereunder as from time to time may be reasonably requested by any Lender.

(g) Officer=s Certificate. Each set of financial statements delivered pursuant to Section 5.20(a) or Section 5.20(b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(i) Covenant Compliance. The information (including detailed calculations) required in order to establish the Debt to Total Capitalization Ratio, the Applicable Margin, the Facility Fee Percentage and whether the Borrower was in compliance with the requirements of Section 5.11 through Section 5.17 hereof, inclusive, and with all Additional Covenants, if any, that involve calculations during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section or Additional Covenant, as the case may be, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections or Additional Covenants, as the case may be, and the calculation of the amount, ratio or percentage then in existence);

(ii) Event of Default. A statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Borrower and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Borrower or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Borrower shall have taken or proposes to take with respect thereto;

(iii) Management=s Discussion and Analysis. A written discussion and analysis by management of the financial condition and results of operations of the lines of business conducted by each material Restricted Subsidiary for such accounting period; and

(iv) Litigation. A written statement that, to the best of such Officer=s knowledge after due inquiry, except as otherwise disclosed in writing to you, there is no litigation (including derivative actions), arbitration proceeding or governmental proceeding pending to which the Borrower or any Subsidiary is a party, or with respect to the Borrower or any Subsidiary or their respective properties, which has a significant possibility of materially and adversely affecting the business, operations, properties or condition of the Borrower or of the Borrower and its Subsidiaries taken as a whole.

SECTION 5.21 Inspection; Confidentiality. The Borrower shall permit the representatives of each Agent and each Lender:

(a) No Default. If no Default or Event of Default then exists, at the expense of such Agent or Lender and upon reasonable prior notice to the Borrower, to visit the principal executive office of the Borrower, to discuss the affairs, finances and accounts of the Borrower and its Restricted Subsidiaries with the Borrower's officers and (with the consent of the Borrower, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Borrower, which consent will not be unreasonably withheld) to visit the other offices and properties of the Borrower and each Restricted Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing;

(b) Default. If a Default or Event of Default then exists, at the expense of the Borrower to visit and inspect any of the offices or properties of the Borrower or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Borrower authorizes said accountants to discuss the affairs, finances and accounts of the Borrower and its Subsidiaries), all at such times and as often as may be requested; and

(c) Technical Data. Anything herein to the contrary notwithstanding, neither the Borrower nor any of its Subsidiaries shall have any obligations to disclose pursuant to this Agreement any engineering, scientific, or other technical data without significance to the analysis of the financial position of the Borrower and its Subsidiaries.

ARTICLE VI. EVENTS OF DEFAULT

In case of the happening of any of the following events (each an "Event of Default"):

(a) the Borrower defaults in the payment of any principal on any Loan when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Borrower defaults in the payment of any interest on any Loan for more than five Business Days after the same becomes due and payable; or

(c) the Borrower defaults in the performance of or compliance with any term contained in Section 5.20(d) or 5.10 through 5.19; or

(d) the Borrower defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Article VI) or any Additional Covenant and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Borrower receiving written notice of such default from either Agent or any Lender (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (d) of Article VI); or

(e) any representation or warranty made in writing by or on behalf of the Borrower or by any officer of the Borrower in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Borrower or any Restricted Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $5,000,000 beyond any period of grace provided with respect thereto, or (ii) the Borrower or any Restricted Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least $5,000,000

or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared due and payable before its stated maturity or before its regularly scheduled dates of payment; or

(g) the Borrower or any Restricted Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Borrower or any of its Restricted Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Borrower or any of its Restricted Subsidiaries, or any such petition shall be filed against the Borrower or any of its Restricted Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of $5,000,000 are rendered against one or more of the Borrower and its Restricted Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) if (i) any Plan subject to the minimum funding standards of ERISA or the Code shall fail to satisfy such standards for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Borrower or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate amount of unfunded accrued plan benefit liabilities under all Plans subject to Title IV of ERISA, determined in accordance with Financial Accounting Standards Board Statement No. 87 or 132, as the case may be, as of the end of such Plans= most recently ended plan year on the basis of actuarial assumptions specified for funding purposes in such Plans= most recent actuarial valuation report, shall exceed $5,000,000, (iv) the Borrower or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Borrower or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Borrower or any Restricted Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Borrower or any Restricted

Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, would reasonably be expected to have a Materially Adverse Effect (as used in Article VI, the terms "employee benefit plan" and "employee welfare benefit plan" shall have the respective meanings assigned to such terms in Section 3 of ERISA);

then, and in every such event, and at any time thereafter during the continuance of such event, the Administrative Agent, at the request of the Required Lenders, shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate forthwith the right of the Borrower to borrow pursuant to the Commitments and (ii) declare the Loans of the Borrower then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrower accrued hereunder, shall become forthwith due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or any other notice of any kind, all of which are hereby expressly waived, anything contained herein to the contrary notwithstanding; provided that in the case of any event described in paragraph (g) or (h) above with respect to the Borrower, the Commitments of the Lenders with respect to the Borrower shall automatically terminate and the principal of the Loans then outstanding of the Borrower with respect to which such event has occurred, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrower accrued hereunder shall automatically become due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein to the contrary notwithstanding.

ARTICLE VII. THE ADMINISTRATIVE AGENT

In order to expedite the transactions contemplated by this Agreement, Chase Bank Texas, National Association is hereby appointed to act as Administrative Agent, on behalf of the Lenders. Each of the Lenders hereby irrevocably authorizes the Administrative Agent to take such actions on behalf of such Lender or holder and to exercise such powers as are specifically delegated to the Administrative Agent by the terms and provisions hereof, together with such actions and powers as are reasonably incidental thereto. The Administrative Agent is hereby expressly authorized by the Lenders, without hereby limiting any implied authority, (a) to receive on behalf of the Lenders all payments of principal of and interest on the Standby Loans and all other amounts due to the Lenders hereunder (except amounts due in respect of any Offered Rate Loan which is to be paid to the Lender that made the Offered Rate Loan directly), and promptly to distribute to each Lender its share of each payment so received; (b) to give notice on behalf of each of the Lenders to the Borrower of any Event of Default of which the Administrative Agent has actual knowledge acquired in connection with its agency hereunder; and (c) to distribute to each Lender copies of all notices, financial statements and other materials delivered by the Borrower pursuant to this Agreement as received by the Administrative Agent.

Neither Administrative Agent nor any of its directors, officers, employees or agents shall be liable as such for any action taken or omitted by any of them except for its or his or her own gross negligence or willful misconduct, or be responsible for any statement, warranty or representation herein or the contents of any document delivered in connection herewith, or be required to ascertain or to make any inquiry concerning the performance or observance by the Borrower of any of the terms, conditions, covenants or agreements contained in this Agreement. The Administrative Agent shall not be responsible to the Lenders for the due execution, genuineness, validity, enforceability or effectiveness of this Agreement or other instruments or agreements. The Administrative Agent may deem and treat the Lender which makes any Loan as the holder of the indebtedness resulting therefrom for all purposes hereof until it shall have received notice from such Lender, given as provided herein, of the transfer thereof. The Administrative Agent shall in all cases be fully protected in acting, or refraining from acting, in accordance with written instructions signed by the Required Lenders and, except as otherwise specifically provided herein, such instructions and any action or inaction pursuant thereto shall be binding on all the Lenders. The Administrative Agent shall, in the absence of knowledge to the contrary, be entitled to rely on any instrument or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper Person or Persons. Neither the Administrative Agent nor any of its directors, officers, employees or agents shall have any responsibility to the Borrower on account of the failure of or delay in performance or breach by any Lender of any of its obligations hereunder or any Lender on account of the failure of or delay in performance or breach by any Lender or the Borrower of any of their respective obligations hereunder or in connection herewith. The Administrative Agent may execute any and all duties hereunder by or through agents or employees and shall be entitled to rely upon the advice of legal counsel selected by it with respect to all matters arising hereunder and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel.

The Lenders hereby acknowledge that the Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement unless it shall be requested in writing to do so by the Required Lenders.

Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent acceptable to the Borrower. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Agent, having a combined capital and surplus of at least $500,000,000 or an Affiliate of any such bank. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor bank, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 8.05 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

With respect to the Loans made by it hereunder, the Administrative Agent, in its individual capacity and not as Administrative Agent shall have the same rights and powers as any other Lender and may exercise the same as though it were not the Administrative Agent, and the Administrative Agent and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent.

Each Lender agrees (i) to reimburse the Administrative Agent, on demand, in the amount of its pro rata share (based on its Commitment hereunder or, if the Commitments shall have been terminated, the amount of its outstanding Loans) of any expenses incurred for the benefit of the Lenders in its role as Administrative Agent, including counsel fees and compensation of agents and employees paid for services rendered on behalf of the Lenders, which shall not have been reimbursed by the Borrower AND (II) TO INDEMNIFY AND HOLD HARMLESS THE ADMINISTRATIVE AGENT AND ANY OF ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS, ON DEMAND, IN THE AMOUNT OF SUCH PRO RATA SHARE, FROM AND AGAINST ANY AND ALL LIABILITIES, TAXES, 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 IT IN ANY WAY RELATING TO OR ARISING OUT OF THIS AGREEMENT OR ANY ACTION TAKEN OR OMITTED BY IT UNDER THIS AGREEMENT TO THE EXTENT THE SAME SHALL NOT HAVE BEEN REIMBURSED BY THE BORROWER (INCLUDING WITHOUT LIMITATION, ALL LIABILITIES, TAXES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGEMENTS, SUITS, COSTS, EXPENSES, OR DISBURSEMENTS ARISING FROM THE SOLE CONTRIBUTORY NEGLIGENCE OF THE ADMINISTRATIVE AGENT); PROVIDED THAT NO LENDER SHALL BE LIABLE TO THE ADMINISTRATIVE AGENT FOR ANY PORTION OF SUCH LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES OR DISBURSEMENTS RESULTING FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE ADMINISTRATIVE AGENT OR ANY OF ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement or any related agreement or any document furnished hereunder or thereunder.

Wachovia Bank, N.A. has been designated as a Documentation Agent hereunder in recognition of the level of its Commitment. Wachovia Bank, N.A. is not an agent for the Lenders and shall not have any obligation hereunder other than those existing in its capacity as Lender.

ARTICLE VIII. MISCELLANEOUS

SECTION 8.01. Notices. Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed or sent by telecopy, as follows:

(a) if to Borrower, at its principal executive offices at 2100 Lake Park Blvd., Richardson, Texas 75080, to the attention of Chief Financial Officer, telecopy number 972-497-6042 with a copy to the Corporate Controller, Telecopy 972- 497- 5015;

(b) if to the Administrative Agent, to Chase Bank Texas, National Association, 2200 Ross Avenue, 3rd Floor, Dallas, TX 75201, Attention of Mae Kantipong (Telecopy No. 214-965-2044), with a copy to Chase Bank Texas, National Association, Loan Syndications Services, 712 Main Street 8 TCB-N 96, Houston, TX 77002, telecopy number (713) 216 2093;

(c) if to the Documentation Agent, to Wachovia Bank, N.A., 191 Peachtree Street, N.E., Atlanta, Georgia 30303, Attention: Paige Mesaros, telecopy number (404) 332-6898; and

(d) if to a Lender, to it at its address (or telecopy number) set forth in the Administrative Questionnaire delivered to the Administrative Agent by such Lender in connection with the execution of this Agreement or in the Assignment and Acceptance pursuant to which such Lender became a party hereto.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by telecopy to such party as provided in this Section or in accordance with the latest unrevoked direction from such party given in accordance with this Section.

SECTION 8.02. Survival of Agreement. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Lenders and shall survive the making by the Lenders of the Loans regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any Fee or any other amount payable under this Agreement is outstanding and unpaid or the Commitments have not been terminated.

SECTION 8.03. Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower and each Agent and when the Administrative Agent shall have received copies hereof (telecopied or otherwise) which, when taken together, bear the signature of each Lender, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower shall not have the right to assign any rights hereunder or any interest herein without the prior consent of all the Lenders (except as a consequence of a transaction expressly permitted under Section 5.10).

SECTION 8.04. Successors and Assigns.

(a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any party that are contained in this Agreement shall bind and inure to the benefit of its successors and assigns.

(b) Each Lender may assign to one or more assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided, however, that (i) except in the case of an assignment to a Lender or an Affiliate of such Lender or an assignment to a Federal Reserve Bank, the Borrower and the Agents must give their prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than $10,000,000, (iii) each such assignment shall be of a constant, and not a varying, percentage of all the assigning Lender's rights and obligations under this Agreement, (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, and a processing and recordation fee of $3,000, and the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. Upon acceptance and recording pursuant to Section 8.04(e), from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five Business Days after the execution thereof unless otherwise agreed by the Administrative Agent (the Borrower to be given reasonable notice of any shorter period), (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement and (B) the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto (but shall continue to be entitled to the benefits of Sections 2.12, 2.17 and 8.05 afforded to such Lender prior to its assignment as well as to any Fees accrued for its account hereunder and not yet paid)). Notwithstanding the foregoing, any Lender assigning its rights and obligations under this Agreement may retain any Offered Rate Loans made by it outstanding at such time, and in such case shall retain its rights hereunder in respect of any Loans so retained until such Loans have been repaid in full in accordance with this Agreement.

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, (ii) except as set forth in (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto or the financial condition of the Borrower or the performance or observance by

the Borrower of any obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.03 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; such assignee will independently and without reliance upon the Agents, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such assignee appoints and authorizes each Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to such Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent shall maintain at one of its offices in the City of Houston a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and the principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive in the absence of manifest error and the Borrower, the Agents and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by each party hereto, at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee together with an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) above and, if required, the written consent of the Borrower and the Agents to such assignment, the Administrative Agent shall (i) accept such Assignment and Acceptance and (ii) record the information contained therein in the Register.

(f) Each Lender may without the consent of the Borrower or the Agents sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) each participating bank or other entity shall be entitled to the benefit of the cost protection provisions contained in Sections 2.12, 2.17 and 8.05 to the same extent as if it were the selling Lender (and limited to the amount that could have been claimed by the selling Lender had it continued to hold the interest of such participating bank or other entity), except that all claims made pursuant to such Sections shall be made through such selling Lender, and (iv) the Borrower, the Agents, and the other Lenders shall continue to deal solely and directly with such selling Lender in connection with such Lender's rights and obligations under this Agreement.

(g) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure, each such assignee or participant or proposed assignee or participant shall execute an agreement whereby such assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of any such information in accordance with Section 8.14.

(h) The Borrower shall not assign or delegate any rights and duties hereunder without the prior written consent of all Lenders, and any attempted assignment or delegation (except as a consequence of a transaction expressly permitted under Section 5.10) by the Borrower without such consent shall be void.

(i) Any Lender may at any time pledge all or any portion of its rights under this Agreement to a Federal Reserve Bank; provided that no such pledge shall release any Lender from its obligations hereunder or substitute any such Bank for such Lender as a party hereto. In order to facilitate such an assignment to a Federal Reserve Bank, the Borrower shall, at the request of the assigning Lender, duly execute and deliver to the assigning Lender a promissory note or notes evidencing the Loans made to the Borrower by the assigning Lender hereunder.

SECTION 8.05. Expenses; Indemnity.

(a) The Borrower agrees to pay all reasonable out-of-pocket expenses incurred by the Administrative Agent in connection with entering into this Agreement or in connection with any amendments, modifications or waivers of the provisions hereof (but only if such amendments, modifications or waivers are requested by the Borrower) (whether or not the transactions hereby contemplated are consummated), or incurred by the Administrative Agent or any Lender in connection with the enforcement of their rights in connection with this Agreement or in connection with the Loans made hereunder, including the reasonable fees and disbursements of counsel for the Administrative Agent or, in the case of enforcement following an Event of Default, the Lenders.

(b) THE BORROWER AGREES TO INDEMNIFY EACH LENDER AGAINST ANY LOSS, CALCULATED IN ACCORDANCE WITH THE NEXT SENTENCE, OR REASONABLE EXPENSE WHICH SUCH LENDER MAY SUSTAIN OR INCUR AS A CONSEQUENCE OF (A) ANY FAILURE BY THE BORROWER TO BORROW OR TO CONVERT OR CONTINUE ANY LOAN HEREUNDER (INCLUDING AS A RESULT OF THE BORROWER'S FAILURE TO FULFILL ANY OF THE APPLICABLE CONDITIONS SET FORTH IN ARTICLE IV) AFTER IRREVOCABLE NOTICE OF SUCH BORROWING, CONVERSION OR CONTINUATION HAS BEEN GIVEN PURSUANT TO SECTION 2.03 OR 2.04, (B) ANY PAYMENT, PREPAYMENT OR CONVERSION, OR ASSIGNMENT OF A EURODOLLAR LOAN OR OFFERED RATE LOAN OF THE BORROWER REQUIRED BY ANY OTHER PROVISION OF THIS AGREEMENT OR OTHERWISE MADE OR DEEMED MADE ON A DATE OTHER THAN THE LAST DAY OF THE INTEREST PERIOD, IF ANY, APPLICABLE THERETO, (C) ANY DEFAULT IN PAYMENT OR PREPAYMENT OF THE

PRINCIPAL AMOUNT OF ANY LOAN OR ANY PART THEREOF OR INTEREST ACCRUED THEREON, AS AND WHEN DUE AND PAYABLE (AT THE DUE DATE THEREOF, WHETHER BY SCHEDULED MATURITY, ACCELERATION, IRREVOCABLE NOTICE OF PREPAYMENT OR OTHERWISE) OR (D) THE OCCURRENCE OF ANY EVENT OF DEFAULT, INCLUDING, IN EACH SUCH CASE, ANY LOSS OR REASONABLE EXPENSE SUSTAINED OR INCURRED OR TO BE SUSTAINED OR INCURRED BY SUCH LENDER IN LIQUIDATING OR EMPLOYING DEPOSITS FROM THIRD PARTIES, OR WITH RESPECT TO COMMITMENTS MADE OR OBLIGATIONS UNDERTAKEN WITH THIRD PARTIES, TO EFFECT OR MAINTAIN ANY LOAN HEREUNDER OR ANY PART THEREOF AS A EURODOLLAR LOAN OR AN OFFERED RATE LOAN. SUCH LOSS SHALL INCLUDE AN AMOUNT EQUAL TO THE EXCESS, IF ANY, AS REASONABLY DETERMINED BY SUCH LENDER, OF (I) ITS COST OF OBTAINING THE FUNDS FOR THE LOAN BEING PAID, PREPAID, CONVERTED OR NOT BORROWED (ASSUMED TO BE THE LIBO RATE OR, IN THE CASE OF AN OFFERED RATE LOAN, THE FIXED RATE OF INTEREST APPLICABLE THERETO) FOR THE PERIOD FROM THE DATE OF SUCH PAYMENT, PREPAYMENT OR FAILURE TO BORROW TO THE LAST DAY OF THE INTEREST PERIOD FOR SUCH LOAN (OR, IN THE CASE OF A FAILURE TO BORROW THE INTEREST PERIOD FOR SUCH LOAN WHICH WOULD HAVE COMMENCED ON THE DATE OF SUCH FAILURE) OVER (II) THE AMOUNT OF INTEREST (AS REASONABLY DETERMINED BY SUCH LENDER) THAT WOULD BE REALIZED BY SUCH LENDER IN REEMPLOYING THE FUNDS SO PAID, PREPAID OR NOT BORROWED FOR SUCH PERIOD OR INTEREST PERIOD, AS THE CASE MAY BE.

(c) THE BORROWER AGREES TO INDEMNIFY THE AGENTS, EACH LENDER, EACH OF THEIR AFFILIATES AND THE DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS OF, THE FOREGOING (EACH SUCH PERSON BEING CALLED AN "INDEMNITEE") AGAINST, AND TO HOLD EACH INDEMNITEE HARMLESS FROM, ANY AND ALL LOSSES, CLAIMS, DAMAGES, LIABILITIES AND RELATED EXPENSES, INCLUDING REASONABLE COUNSEL FEES AND EXPENSES, INCURRED BY OR ASSERTED AGAINST ANY INDEMNITEE ARISING OUT OF (I) THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, (II) THE USE OF THE PROCEEDS OF THE LOANS OR (III) ANY CLAIM, LITIGATION, INVESTIGATION OR PROCEEDING RELATING TO ANY OF THE FOREGOING, WHETHER OR NOT ANY INDEMNITEE IS A PARTY THERETO (INCLUDING, WITHOUT LIMITATION, ANY LOSSES, CLAIMS, DAMAGES, LIABILITIES AND RELATED EXPENSES ARISING FROM THE SOLE OR CONTRIBUTORY NEGLIGENCE OF THE INDEMNITEE); PROVIDED THAT SUCH INDEMNITY SHALL NOT, AS TO ANY INDEMNITEE, BE AVAILABLE TO THE EXTENT THAT SUCH LOSSES, CLAIMS, DAMAGES, LIABILITIES OR RELATED EXPENSES (I) ARE DETERMINED TO HAVE RESULTED FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNITEE OR (II) RESULT FROM ANY LITIGATION BROUGHT BY SUCH INDEMNITEE AGAINST THE BORROWER OR BY THE BORROWER AGAINST SUCH INDEMNITEE, IN WHICH THE BORROWER IS THE PREVAILING PARTY.

(d) The provisions of this Section shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the invalidity or unenforceability of any term or provision of this Agreement or any investigation made by or on behalf of any Agent or any Lender. All amounts due under this Section shall be payable on written demand therefor.

SECTION 8.06. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized 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 such Lender to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 8.07. Applicable Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS.

SECTION 8.08. Waivers; Amendment.

(a) No failure or delay of Borrower, any Agent or any Lender in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Agents and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies which they would otherwise have. No waiver of any provision of this Agreement or consent to any departure therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Borrower or any Subsidiary in any case shall entitle such party to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders; provided, however, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any interest on any Loan, or waive or excuse any such payment or any part thereof, or decrease the rate of interest on any Loan, without the prior written consent of each Lender affected thereby, (ii) increase any Commitment or decrease the Facility Fee of any Lender without the prior written consent of such Lender, or (iii) amend or modify the provisions of Section 2.14 or Section 8.04(h), the provisions of this Section or the definition of the "Required Lenders", without the prior written consent of each Lender; provided further, however, that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent. Each Lender shall

be bound by any waiver, amendment or modification authorized by this Section and any consent by any Lender pursuant to this Section shall bind any assignee of its rights and interests hereunder. A Lender that has made an Offered Rate Loan to Borrower may without the consent of the other Lenders amend or otherwise modify the payment terms and interest rate provisions of its Offered Rate Loans without the consent of any other Lender or Agent.

SECTION 8.09. Entire Agreement. THIS AGREEMENT (INCLUDING THE SCHEDULES AND EXHIBITS HERETO) AND THE FEE LETTERS CONSTITUTE A "LOAN AGREEMENT" AS DEFINED IN SECTION 26.03(A) OF THE TEXAS BUSINESS AND COMMERCE CODE, AND REPRESENT THE ENTIRE CONTRACT AMONG THE PARTIES RELATIVE TO THE SUBJECT MATTER HEREOF AND THEREOF. ANY PREVIOUS AGREEMENT AMONG THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF IS SUPERSEDED BY THIS AGREEMENT AND THE FEE LETTERS. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. NOTHING IN THIS AGREEMENT, EXPRESSED OR IMPLIED, IS INTENDED TO CONFER UPON ANY PARTY OTHER THAN THE PARTIES HERETO ANY RIGHTS, REMEDIES, OBLIGATIONS OR LIABILITIES UNDER OR BY REASON OF THIS AGREEMENT.

SECTION 8.10. Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8.11. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract, and shall become effective as provided in Section 8.03.

SECTION 8.12. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 8.13. Interest Rate Limitation.

(a) Notwithstanding anything herein to the contrary, if at any time the applicable interest rate, together with all fees and charges which are treated as interest under applicable law (collectively the "Charges"), as provided for herein or in any other document executed in connection herewith, or otherwise contracted for, charged, received, taken or reserved by any Lender, shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by such Lender in accordance with applicable law, the rate of interest payable on the Loans of such Lender, together with all Charges payable to such Lender, shall be limited to the Maximum Rate.

(b) If the amount of interest, together with all Charges, payable for the account of any Lender in respect of any interest computation period is reduced pursuant to paragraph (a) of this Section and the amount of interest, together with all Charges, payable for such Lender's account in respect of any subsequent interest computation period, computed pursuant to Section 2.07, would be less than the Maximum Rate, then the amount of interest, together with all Charges, payable for such Lender's account in respect of such subsequent interest computation period shall, to the extent permitted by applicable law, be automatically increased to such Maximum Rate; provided that at no time shall the aggregate amount by which interest paid for the account of any Lender has been increased pursuant to this paragraph (b) exceed the aggregate amount by which interest, together with all Charges, paid for its account has theretofore been reduced pursuant to paragraph (a) of this Section.

(c) No provision of this Agreement shall require the payment or the collection of interest in excess of the maximum amount permitted by applicable law. If any excess of interest in such respect is hereby provided for, or shall be adjudicated to be so provided, in this Agreement or otherwise in connection with this loan transaction, the provisions of this Section shall govern and prevail and neither the Borrower nor the sureties, guarantors, successors, or assigns of the Borrower shall be obligated to pay the excess amount of such interest or any other excess sum paid for the use, forbearance, or detention of sums loaned pursuant hereto. In the event any Lender ever receives, collects, or applies as interest any such sum, such amount which would be in excess of the maximum amount permitted by applicable law shall be applied as a payment and reduction of the principal of the Loans; and, if the principal of the Loans has been paid in full, any remaining excess shall forthwith be paid to the Borrower. In determining whether or not the interest paid or payable exceeds the Maximum Rate, the Borrower and each Lender shall, to the extent permitted by applicable law, (a) characterize any non-principal payment as an expense, fee, or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the entire contemplated term of the Loans so that interest for the entire term does not exceed the Maximum Rate.

SECTION 8.14. Confidentiality. For the purposes of this Section 8.14, "Confidential Information" means information delivered to an Agent or a Lender by or on behalf of the Borrower or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by an Agent or a Lender as being confidential information of the Borrower or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to an Agent or a Lender prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by an Agent or a Lender or any Person acting on their behalf, (c) otherwise becomes known to an Agent or a Lender other than through disclosure by the Borrower or any Subsidiary or (d) constitutes financial statements delivered to you under Section 5.20 that are otherwise publicly available. Each Agent and each Lender agree that they will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by them in good faith to protect confidential information of third parties delivered to them, provided that an Agent or a Lender may deliver or disclose Confidential Information to (i) its directors, officers, employees, agents,

attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of this Agreement), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 8.14, (iii) any other Agent or Lender, (iv) any Transferee (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 8.14), (v) any Person from which it offers to purchase any security of the Borrower or a Subsidiary (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 8.14), (vi) any federal or state regulatory authority having jurisdiction over it, (vii) any nationally recognized rating agency that requires access to information about its investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to it, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which it is a party or (z) if an Event of Default has occurred and is continuing, to the extent an Agent or a Lender may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under this Agreement.

SECTION 8.15. Non-Application of Chapter 346 of the Texas Finance Code. The provisions of Chapter 346 of the Texas Finance Code are specifically declared by the parties hereto not to be applicable to this Agreement or to the transactions contemplated hereby.

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

LENNOX INTERNATIONAL INC.,
as Borrower

By: /s/ CLYDE WYANT

Clyde Wyant
Executive Vice President,
Chief Financial Officer and Treasurer

CHASE BANK TEXAS,
NATIONAL ASSOCIATION,
individually and as Administrative Agent

By: /s/ MAE KANTIPONG

Mae Kantipong
Vice President

WACHOVIA BANK, N.A.,
individually and as Documentation Agent

By: /s/ PAIGE D. MESAROS

Name: Paige D. Mesaros
Title: Vice President

THE NORTHERN TRUST COMPANY

By: /s/ JOHN E. BURDA

Name: John E. Burda
Title: Second Vice President

KEYBANK NATIONAL ASSOCIATION

By: /s/ FRANK E.JANCAR

Name: Frank E. Jancar

Title: Vice President

EXHIBITS AND SCHEDULES

Exhibit A-1	Form of Offered Rate Loan Confirmation
Exhibit A-2	Form of Standby Borrowing Request
Exhibit B	Administrative Questionnaire
Exhibit C	Form of Assignment and Acceptance
Exhibit D	Matters to be addressed by Opinion of Counsel
Exhibit E	Joinder Agreement
Schedule 2.01	Commitments
Schedule 3.05	Subsidiaries
Schedule 3.06	Financial Statements
Schedule 3.13	Indebtedness

EXHIBIT A-1

FORM OF OFFERED RATE LOAN CONFIRMATION

- ----------

- ----------

Attention:

Telecopy:

Ladies and Gentlemen:

The undersigned, Lennox International Inc. (the "Borrower"), refers to the Revolving Credit Facility Agreement dated as of July 13, 1998 (as it may hereafter be amended, modified, extended or restated from time to time, the "Agreement"), among the Borrower, the Lenders named therein, Chase Bank of Texas, National Association, as Administrative Agent, and Wachovia Bank, N.A., as Documentation Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Agreement. The Borrower hereby confirms with you pursuant to Section 2.03 of the Agreement the terms of an Offered Rate Loan under the Agreement, as set forth below:

(A) Date of Offered Rate Loan (which is a Business Day) ----------

(B) Principal amount of Offered Rate Loan ----------

(C) Interest rate ---------- %

(D) Interest Period and the last day thereof(1) ----------

Please execute this confirmation in the space indicated below to confirm your agreement to the foregoing terms of the Offered Rate Loan to be made by you on the date set forth above.

To induce you to make the Offered Rate Loan described herein, the Borrower represents and warrants that the conditions to lending specified in Section 4.01(b) and (c) of the Agreement have been satisfied as of the date of the proposed Offered Rate Loan described above.

- ----------

(1)Payments must be received by____p.m. on a Business Day or will be deemed received on the next Business Day.

Very truly yours,

LENNOX INTERNATIONAL INC.

By:

Name:

Title:

[Senior Financial Officer]

ACCEPTED AND AGREED TO AS OF
THE DATE OF THE PROPOSED OFFERED
RATE LOAN:

- ---

By:

Name:

Title:

EXHIBIT A-2

FORM OF STANDBY BORROWING REQUEST

Chase Bank of Texas, National Association, [Date]
as Administrative Agent for the Lenders referred to below
2200 Ross Avenue, 3rd floor
Dallas, TX 77002

Attention: Mae Kantipong
Telecopy: 214-965-2044

and

Chase Bank of Texas, National Association
Loan Syndications Services
712 Main Street, 8 TCB-N 96
Houston, Texas 77002

Telecopy: 713-216-2093

Ladies and Gentlemen:

The undersigned, Lennox International Inc. (the "Borrower"), refers to the Revolving Credit Facility Agreement dated as of July 13, 1998 (as it may hereafter be amended, modified, extended or restated from time to time, the "Agreement"), among the Borrower, the Lenders named therein, Chase Bank of Texas, National Association, as Administrative Agent, and Wachovia Bank, N.A., as Documentation Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Agreement. The Borrower hereby gives you notice pursuant to Section 2.04 of the Agreement that it requests a Standby Borrowing under the Agreement, and in that connection sets forth on Schedule A hereto a listing of all outstanding Offered Rate Loans and the Lenders to whom such Loans are payable and sets forth below the terms on which such Standby Borrowing is requested to be made:

(A) Date of Standby Borrowing (which is a Business Day) ----------

(B) Principal amount of Standby Borrowing(1) ----------

(C) Interest rate basis(2) ----------

- ------------------------------

(1)Not less than $3,000,000 (and in integral multiples of $1,000,000) or greater than the Total Commitment then available.

(2)Eurodollar Loan or ABR Loan.

(D) Interest Period and the last day thereof (3)

Upon acceptance of any or all of the Loans made by the Lenders in response to this request, the Borrower shall be deemed to have represented and warranted that the conditions to lending specified in Section 4.01(b) and (c) of the Agreement have been satisfied.

Very truly yours,

LENNOX INTERNATIONAL INC.

By: ----------
Name: ----------
Title: ----------
[Senior Financial Officer]

- ----------

(3) Which shall be subject or the definition of "Interest Period" and end not later than the Maturity Date.

EXHIBIT B

ADMINISTRATIVE QUESTIONNAIRE
LENNOX INTERNATIONAL INC.

PLEASE FORWARD THIS COMPLETED
FORM AS SOON AS POSSIBLE TO:

Gina Hardwick FAX (713) 216-2291

PLEASE TYPE ALL INFORMATION.

Agent:	Chase Bank of Texas, National Association 712 Main Street 8 TCB-N 96 Houston, Texas 77002	
Telex:		
Syndications Telecopier:		
Syndications Contacts:		(713)
	Ann Krevis Baumgartner	(713) 216-7582
	Gina Hardwick	(713) 216-2093
Operations:	Gale Manning	(713) 750-2784
Letters of Credit:	Gale Manning	(713) 750-2784
Full Legal Name of your Institution:		

Hard-copy documents, notices and periodic financial statements of the Borrower should be sent to the following account officer designated by your bank:

Officer's Name:	
Title:	
Street Address (No P.O. Boxes please):	
City, State, Zip:	
Phone #:	
Telefax #:	

PRIMARY CONTACT INFORMATION

We will send all telecopies regarding time-critical information (drawdowns, option changes, payments, etc.) to the Primary or Alternate Contact at the banking location you designate.

1. Your bank's primary contact for telefaxes concerning borrowings, options on interest rates, etc.:

Primary Name/ Phone No.	Department	Primary Telefax No.	Primary Telex No. & Answerback	Alternate Telefax No.	Alternate Telex No. & Answerback

Primary Name/ Phone No.	Department	Primary Telefax No.	Primary Telex No. & Answerback	Alternate Telefax No.	Alternate Telex No. & Answerback

If at any time any of the above information changes, please advise.

Publicity: Under what name would you prefer your Institution to appear in any further advertisements?

Movement of Funds:	TO US: Wire Fed Funds to:	
	Chase Bank of Texas, National Association ABA #113000609 for account number # ---------- Attention: Loan syndication Svcs./ Gale Manning Reference:	
	TO YOU: Wire Fed Funds to:	
	NAME: ABA # For Credit To: Attention: Reference:	
Other:		

If buyer is purchasing Letter of Credit facility as part of this participation/ syndication, please provide the information below:

L/C contact name:	
Street Address:	
City, State, Zip:	
Phone #:	
Telefax #:	
	Wire Fed Funds to:
NAME: ABA # For Credit To: Attention: Reference:	

EXHIBIT C

ASSIGNMENT AND ACCEPTANCE

Dated: _____, 19__

Reference is made to the Revolving Credit Facility Agreement dated as of July 13, 1998 (as amended, modified, extended or restated from time to time, the "Agreement"), among Lennox International Inc. (the "Borrower"), the lenders listed in Schedule 2.01 thereto (the "Lenders"), Wachovia Bank, N.A., as Documentation Agent and Chase Bank of Texas, National Association, as Administrative Agent for the Lenders. Terms defined in the Agreement are used herein with the same meanings.

1. The Assignor hereby sells and assigns, without recourse, to the Assignee, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the [Effective Date of Assignment set forth below], the interests set forth below (the "Assigned Interest") in the Assignor's rights and obligations under the Agreement, including, without limitation, the interests set forth below in the Commitment of the Assignor on the [Effective Date of Assignment] and the Offered Rate Loans and Standby Loans owing to the Assignor which are outstanding on the [Effective Date of Assignment], together with unpaid interest accrued on the assigned Loans to the [Effective Date of Assignment] and the amount, if any, set forth below of the Fees accrued to the [Effective Date of Assignment] for the account of the Assignor. Each of the Assignor and the Assignee hereby makes and agrees to be bound by all the representations, warranties and agreements set forth in Section 8.04 of the Agreement, a copy of which has been received by each such party. From and after the [Effective Date of Assignment], (i) the Assignee shall be a party to and be bound by the provisions of the Agreement and, to the extent of the interests assigned by this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the interests assigned by this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Agreement. After giving effect to this Assignment and Acceptance, Assignor=s Commitment shall be $_____.

2. This Assignment and Acceptance is being delivered to the Agent together with (i) if the Assignee is organized under the laws of a jurisdiction outside the United States, the forms specified in Section 2.16(g) of the Agreement, duly completed and executed by such Assignee, (ii) if the Assignee is not already a Lender under the Agreement, an Administrative Questionnaire in the form of Exhibit B to the Agreement and (iii) a processing and recordation fee of $3,000.

3. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of Texas.

Date of Assignment:

Legal Name of Assignor:

Legal Name of Assignee:
_____

Assignee's Address for Notices:
_____

Effective Date of Assignment (may not be fewer than 5 Business Days after the Date of Assignment unless otherwise agreed by the Agent):
_____

Facility	Principal Amount Assigned	Percentage Assigned of Facility/Commitment (set forth, to at least 8 decimals, as a percentage of the Facility and the aggregate Commitments of all Lender thereunder)
Commitment Assigned:	$_____	_____%
Standby Loans:	$_____	_____%
Offered Rate Loans:	$_____	_____%
Fees Assigned (if any):	$_____	_____%

The terms set forth herein are hereby agreed to:

_____, as
Assignor,

By:
_____
Name:
_____
Title:
_____

_____, as
Assignee,

By:
_____
Name:
_____
Title:
_____

Accepted:

LENNOX INTERNATIONAL INC.

By:
_____
Name:
_____
Title:
_____

CHASE BANK OF TEXAS,
NATIONAL ASSOCIATION,
as Administrative Agent

By:
_____
Name:
_____
Title:
_____

EXHIBIT D

Matters To Be Covered In

Opinion of Counsel to Borrower

1. Each of the Borrower and Lennox Industries Inc., Heatcraft Inc. and Armstrong Air Conditioning Inc. being duly incorporated, validly existing and in good standing and the Borrower having requisite corporate power and authority to execute, deliver and perform the Agreement.

2. Each of the Borrower and Lennox Industries Inc., Heatcraft Inc. and Armstrong Air Conditioning Inc. being duly qualified and in good standing as a foreign corporation in appropriate jurisdictions.

3. Due authorization and execution of the Agreement and the Agreement being legal, valid, binding and enforceable.

4. No conflicts with charter documents, laws or other agreements.

5. All consents required to execute, deliver or perform the Agreement having been obtained.

6. No litigation questioning validity of the Agreement or as to which there is otherwise the reasonable likelihood of a Material Adverse Effect.

7. No violation of Regulations T, U or X of the Federal Reserve Board.

8. borrower not an "investment company", or a company "controlled" by an "investment company", under the Investment Company Act of 1940, as amended.

EXHIBIT E

Joinder Agreement

[attached hereto]

EXHIBIT E - JOINDER AGREEMENT - Cover Page

SCHEDULE 2.01

Lender		Commitment
a.	Chase Bank of Texas, National Association	$35,000,000
b.	Wachovia Bank, N.A.	$35,000,000
c.	The Northern Trust Company	$25,000,000
d.	Key Corp.	$25,000,000
TOTAL		$120,000,000

Note: This Schedule 2.01 is subject to change, as provided in Section 2.01.

SCHEDULE 2.01 - Solo Page

SCHEDULE 3.05

Lennox International Inc. Subsidiaries
as of June 30, 1998

Name	Ownership	Jurisdiction of Inc.	Restricted/Unrestricted	Location of Operating Assets
(1) Lennox Industries Inc. SEE ATTACHED CHART	100%	Iowa	Restricted	United States
(2) Heatcraft Inc.	100%	Mississippi	Restricted	United States
(a) Frigus-Bohn S.A. de C.V.	50%	Mexico	Unrestricted	Mexico
(3) Heatcraft Technologies Inc.	100%	Delaware	Restricted	United States
(4) Armstrong Air Conditioning Inc.	100%	Ohio	Restricted	United States
(a) JOA Industries, Inc.	100%	Nebraska	Restricted	United States
(i) Albert O. Jensen Wholesale Furnace & Supply Co., d/b/a Jensen-Klich Supply Co.	100%	Nebraska	Restricted	United States
(5) Lennox Foreign Sales Corp.	100%	U.S. Virgin Islands	Unrestricted	N/A
(6) Lennox Commercial Realty Inc.	100%	Iowa	Restricted	United States
(7) Lennox Global Ltd. SEE ATTACHED CHART	100%	Delaware	Unrestricted	United States

Lennox International Inc. Subsidiaries
as of June 30, 1998

Name	Ownership	Jurisdiction of Inc.	Restricted/Unrestricted	Location of Operating Assets
Lennox Industries, Inc.				
(a) Products Acceptance Corporation	100%	Iowa	Restricted	N/A
(b) Lennox Industries (Canada) Ltd.	100%	Canada	Unrestricted	Canada
(c) Lennox Industries SW Inc.	100%	Iowa	Restricted	N/A
(d) Lennox Manufacturing Inc.	100%	Delaware	Restricted	United States
(e) Hearth Products Inc.	100%	Delaware	Restricted	United States
(i) SFC Holdings Inc.	100%	Delaware	Restricted	United States

Lennox International Inc. Subsidiaries
as of June 30, 1998

Name	Ownership	Jurisdiction of Inc.	Restricted/Unrestricted	Location of Substantial Operating Assets
Lennox Global Ltd.				
(a) UK Industries Inc.	100%	Delaware	Unrestricted	N/A
(b) UK Global Ltd.	100%	Delaware	Unrestricted	N/A
(c) Lennox Australia Pty. Ltd.	100%	Australia	Unrestricted	Australia
(d) LGL Asia-Pacific Pte. Ltd.	100%	Rep. of Singapore	Unrestricted	Singapore
(e) LGL (Australia) Pty. Ltd.	100%	Australia	Unrestricted	Australia
(f) LGL de Mexico, S.A. de C.V.	99%	Mexico	Unrestricted	Mexico
(g) Ets. Brancher S.A.	70%	France	Unrestricted	France
(1) SEE ATTACHED CHART				
(h) Fairco S.A.	50%	Argentina	Unrestricted	Argentina

Lennox International Inc. Subsidiaries
as of June 30, 1998

Name	Ownership	Jurisdiction of Inc.	Restricted/Unrestricted	Location of Operating Assets
Ets. Brancher S.A.				
(a) HCF-Lennox Limited	99%	United Kingdom	Unrestricted	United Kingdom
(1) Lennox Industries	100%	United Kingdom	Unrestricted	United Kingdom
(A) Environheat Limited	100%	United Kingdom	Unrestricted	N/A
(b) HCF Lennox S.A.	100%	France	Unrestricted	France
(1) SEE ATTACHED CHART				
(c) Frinotech S.A.	99.68%	France	Unrestricted	N/A
(d) Friga-Bohn S.A.	100%	France	Unrestricted	France
(1) Friga-Bohn Warmeauslauscher GmbH	100%	Germany	Unrestricted	Germany
(2) ERSA	79.5%	Spain	Unrestricted	Spain
(3) West	80%	Italy	Unrestricted	Italy
(4) Friga-Coil	50%	Czech Republic	Unrestricted	Czech Republic
(5) Herac Ltd.	100%	United Kingdom	Unrestricted	N/A
(e) SCI Geraval	99.83%	France	Unrestricted	France
(f) SCI Groupe Brancher	76%	France	Unrestricted	France

Lennox International Inc. Subsidiaries
as of June 30, 1998

Name	Ownership	Jurisdiction of Inc.	Restricted/Unrestricted	Location of Operating Assets
HCF Lennox S.A.				
(a) Refac B.V.	100%	Netherlands	Unrestricted	Netherlands
(1) Refac NV	100%	Belgium	Unrestricted	Belgium
(2) Refac Nord GmbH	100%	Germany	Unrestricted	N/A
(A) Refac West GmbH	100%	Germany	Unrestricted	N/A
(3) Refac Kalte-Klima Technik Vertriebs GmbH	50%	Germany	Unrestricted	N/A
(4) Refac UK Ltd.	100%	United Kingdom	Unrestricted	United Kingdom
(b) Hyfra GmbH	100%	Germany	Unrestricted	Germany
(c) Lennox-Refac S.A.	100%	Spain	Unrestricted	Spain
(1) Redi Andalucia S.A.	70%	Spain	Unrestricted	N/A
(2) Lennox Refac	100%	Portugal	Unrestricted	N/A
(3) Deutsche Bronswerk GmbH	100%	Germany	Unrestricted	Germany
(4) Bronswerk Refac GmbH	100%	Germany	Unrestricted	Germany

SCHEDULE 3.06

FINANCIAL STATEMENTS

1. Consolidated and consolidating financial statements for the Borrower and its Subsidiaries for the fiscal years ended December 31, 1992 through December 31, 1997.

2. Quarterly consolidated and consolidating financial statements for the Borrower and its Subsidiaries for the periods ended March 31, June 30, and September 30 for 1992-97 and for the period ended March 31, 1998.

SCHEDULE 3.13

LENNOX INTERNATIONAL INC.
AND RESTRICTED SUBSIDIARIES
INDEBTEDNESS AS OF
JULY 2, 1998 (EXCEPT AS NOTED)

A. LENNOX INTERNATIONAL INC.

(1) Agreement of Assumption and Restatement dated as of December 1, 1991 between Lennox International Inc. and the Noteholders identified at the end thereof, pursuant to which Lennox International Inc. delivered its:	
9.53% Series F Promissory Notes due 2001	$21,000,000
9.69% Series H Promissory Notes due 2003	29,500,000
(2) Note Purchase Agreement dated as of December 1, 1993 among Lennox International Inc. and the Noteholders identified at the end thereof, pursuant to which Lennox International Inc. delivered its 6.73% Senior Promissory Notes due 2008	100,000,000
(3) Note Purchase Agreement dated as of July 6, 1995 between Lennox International Inc. and Teachers Insurance and Annuity Association of America, pursuant to which Lennox International Inc. delivered its 7.06% Senior Promissory Notes due 2005	20,000,000
(4) Guaranty dated September 19, 1995 from Lennox International Inc. to First Bank of Natchitoches & Trust Company and Regions Bank of Louisiana guaranteeing 50% of debt of Alliance Compressors to such Banks under a Promissory Note dated September 19, 1995	1,303,166*
(5) Guaranty of 50% of amounts due from Alliance Compressors under a Master Equipment Lease Agreement dated March 28, 1995 with NationsBanc Leasing Corporation	463,598*
(6) Letter of Credit guaranteeing debt of Refac B.V. to Stork N.V. in connection with purchase of stock of Refac B.V. from Stork N.V.	1,537,427
(7) Guaranty of 50% of Frigus-Bohn S.A. de C.V. Line of Credit from Bank One, Texas, N.A., in the maximum amount of $1,500,000	750,000

	(8) Letter of Credit guaranteeing debt of Lennox Australia Pty Ltd. to Alcair Industries Pty Ltd. in connection with purchase of assets of Alcair Industries Pty Ltd.	992,002
	(9) Note Purchase Agreement dated as of April 3, 1998, between Lennox International Inc. and the Noteholders identified therein, pursuant to which Lennox International Inc. delivered its:	
	6.56% Senior Notes due April 3, 2005	25,000,000
	6.75% Senior Notes due April 3, 2008	50,000,000
B.	LENNOX INDUSTRIES INC.	
	Promissory Note dated December 22, 1992 issued to Texas Housing Opportunity Fund, Ltd.	109,358
C.	LENNOX COMMERCIAL REALTY INC.	
	11.1% Mortgage Note Agreement with Texas Commerce Bank, N.A. due January 1, 2000, secured by mortgage on headquarters building and an assignment of the Lease between Lennox Commercial Realty Inc. and Lennox Industries Inc.	7,546,885
TOTAL OUTSTANDING INDEBTEDNESS OF LENNOX INTERNATIONAL INC. AND RESTRICTED SUBSIDIARIES		$258,202,436

*50% as of September 30, 1997

EXHIBIT 10.7

LENNOX INTERNATIONAL INC.

ADVANCE TERM CREDIT AGREEMENT

Dated as of March 16, 1999

CHASE BANK OF TEXAS, NATIONAL ASSOCIATION,
as Administrative Agent

and

WACHOVIA BANK, N.A.,
as Documentation Agent

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EXHIBITS AND SCHEDULES

ADVANCE TERM CREDIT AGREEMENT

ADVANCE TERM CREDIT AGREEMENT (the "Agreement") dated as of March 16 1999, and effective as of the Effective Date, among LENNOX INTERNATIONAL INC., a Delaware corporation ("Borrower"); the lenders listed in Schedule 2.01 (together with their successors and assigns, the "Lenders"), CHASE BANK OF TEXAS, NATIONAL ASSOCIATION, a national banking association, ("Chase"), as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and WACHOVIA BANK, N.A., a national banking association ("Wachovia"), as documentation agent for the Lenders (in such capacity, the "Documentation Agent"). (The Administrative Agent and the Documentation Agent are referred to herein together as the "Agents").

The Lenders have been requested to extend credit to the Borrower to enable it, upon the terms and subject to the conditions set forth herein, to borrow on and after the Effective Date and at any time prior to the Maturity Date (as hereinafter defined) an aggregate principal amount not in excess of the amount set forth herein. The proceeds of any such borrowings are to be used for acquisitions, working capital and other corporate purposes. The Lenders are willing to extend such credit on the terms and subject to the conditions herein set forth.

Accordingly, the parties hereto agree as follows:

ARTICLE I. DEFINITIONS

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms shall have the meanings specified below:

"ABR Borrowing" shall mean a Borrowing comprised of ABR Loans.

"ABR Loan" shall mean any Loan bearing interest at a rate determined by reference to the Alternate Base Rate in accordance with the provisions of Article II.

"Additional Covenant" shall have the meaning assigned in Section 5.06.

"Additional Default" shall have the meaning assigned in Section 5.06.

"Administrative Questionnaire" shall mean an Administrative Questionnaire in the form of Exhibit B hereto.

"Affiliate" shall mean, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Borrower.

"Alternate Base Rate" shall mean, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%, and (b) the Prime Rate in effect on such day. For purposes hereof, "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by Chase as its prime rate in effect at its principal office in Houston, Texas; each change in the Prime Rate shall be effective on the date such change is publicly announced as effective; and "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as released on the next succeeding Business Day by the Federal Reserve Bank of Dallas, or, if such rate is not so released for any day which is a Business Day, the arithmetic average (rounded upwards to the next 1/100th of 1%), as determined by Chase, of the quotations for the day of such transactions received by Chase from three Federal funds brokers of recognized standing selected by it. If for any reason Chase shall have determined (which determination shall be conclusive absent manifest error; provided that Chase, shall, upon request, provide to the applicable Borrower a certificate setting forth in reasonable detail the basis for such determination) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability of Chase to obtain sufficient quotations in accordance with the terms hereof, the Alternate Base Rate shall be determined without regard to clause (a) of the first sentence of this definition until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Applicable Margin" shall have the meaning assigned in Section 2.06(d).

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by a Lender and an assignee in the form of Exhibit C.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States.

"Board of Directors" shall mean the Board of Directors of Borrower or any duly authorized committee thereof.

"Borrower" shall have the meaning given such term in the preamble hereto.

"Borrower Payments" shall have the meaning given such term in Section 2.16 (a).

"Borrowing" shall mean a group of Loans of a single Type made by the Lenders on a single date and, with respect to Eurodollar Loans made on a single date, as to which a single Interest Period is in effect.

"Borrowing Request" shall mean a request made pursuant to Section 2.03 in the form of Exhibit A.

"Business Day" shall mean any day (other than a day which is a Saturday, Sunday or legal holiday in the State of New York or the State of Texas) on which banks are open for business in New York City, New York and Houston, Texas; provided, however, that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Lease Obligation" shall mean, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"Capital Leases" shall mean, 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 of Control" shall have the meaning assigned it in Section 2.10(c).

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Commitment" shall mean, with respect to each Lender, the Commitment of such Lender set forth in Schedule 2.01 hereto, or in the most recent Assignment and Acceptance executed by such Lender, as such Commitment may be permanently terminated or reduced from time to time pursuant to Section 2.9. The Commitment of each Lender shall automatically and permanently terminate on the Maturity Date if not terminated earlier pursuant to the terms hereof.

"Commitment Fee" shall have the meaning assigned to such term in Section 2.04(a).

"Compliance Certificate" shall mean the certificate delivered pursuant to Section 5.20(g).

"Confidential Information" shall have the meaning assigned it in Section 8.14.

"Consolidated Assets" shall mean the total assets of the Borrower and its Restricted Subsidiaries which would be shown as assets on a consolidated balance sheet of the Borrower and its Restricted Subsidiaries prepared in accordance with GAAP, after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of Restricted Subsidiaries.

"Consolidated Capitalization" shall mean, at any time, the sum of Consolidated Net Worth and Consolidated Indebtedness.

"Consolidated Indebtedness" shall mean, as of any date of determination, the total of all Indebtedness of the Borrower and its Restricted Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between the Borrower and its Restricted Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Borrower and its Restricted Subsidiaries in accordance with GAAP.

"Consolidated Net Income" shall mean, for any period, the net income (or net loss) of the Borrower and its Restricted Subsidiaries for such period, determined in accordance with GAAP, excluding

(a) the proceeds of any life insurance policy;

(b) any gain arising from (1) the sale or other disposition of any assets (other than current assets) to the extent that the aggregate amount of gains exceeds the aggregate amount of losses from the sale, abandonment or other disposition of assets (other than current assets), (2) any write-up of assets, or (3) the acquisition by the Borrower or any Restricted Subsidiary of its outstanding securities constituting Indebtedness;

(c) any amount representing the interest of the Borrower or any Restricted Subsidiary in the undistributed earnings of any other Person;

(d) any earnings of any other Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Borrower or a Restricted Subsidiary and any earnings, prior to the date of acquisition, of any other Person acquired in any other manner; and

(e) any deferred credit (or amortization of a deferred credit) arising from the acquisition of any Person.

"Consolidated Net Worth" shall mean, at any time,

(a) the sum of (i) the par value (or value stated on the books of the Borrower) of the capital stock (but excluding treasury stock and capital stock subscribed and unissued) of the Borrower and its Restricted Subsidiaries at such time plus (ii) the amount of paid-in-capital and retained earnings of the Borrower and its Restricted Subsidiaries at such time, in each case as such amounts would be shown on a consolidated balance sheet of the Borrower and its Restricted Subsidiaries as of such time prepared in accordance with GAAP, minus

(b) to the extent included in clause (a), all amounts properly attributable to minority interests, if any, in the stock and surplus of Restricted Subsidiaries.

"Continue", "Continuation", and "Continued" shall refer to the continuation pursuant to Section 2.02 (d) of a Eurodollar Borrowing as a Eurodollar Borrowing from one Interest Period to the next Interest Period.

"Convert", "Conversion", and "Converted" shall refer to a conversion pursuant to Section 2.02 (d) or Section 2.12 of one Type of Borrowing into another Type of Borrowing.

"Debt to Total Capitalization Ratio" shall mean, as of the end of any quarterly fiscal period, the ratio expressed as a percentage, equal to the ratio of Consolidated Indebtedness to Consolidated Capitalization calculated as of the end of such fiscal period.

"Default" shall mean any event or condition which upon notice, lapse of time or both would constitute an Event of Default.

"Distribution" shall mean, in respect of any corporation, association or other business entity:

(a) dividends or other distributions or payments on capital stock or other equity interest of such corporation, association or other business entity (except distributions in such stock or other equity interests); and

(b) the redemption or acquisition of such stock or other equity interests or of warrants, rights or other options to purchase such stock or other equity interests (except when solely in exchange for such stock or other equity interests) unless made, contemporaneously, from the net proceeds of a sale of such stock or other equity interests.

"dollars" or "$" shall mean lawful money of the United States of America.

"Effective Date" shall mean the date on which each condition set forth in Section 4.02 has been satisfied.

"Environmental Laws" shall mean any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) that is treated as a single employer together with the Borrower under section 414 of the Code.

"Eurodollar Borrowing" shall mean a Borrowing comprised of Eurodollar Loans.

"Eurodollar Loan" shall mean any Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article II.

"Event of Default" shall have the meaning assigned to such term in Article VI.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Excluded Transfer" shall have the meaning assigned to it in Section 5.11.

"Existing Credit Agreement" shall mean that certain Revolving Credit Facility Agreement dated as of July 13, 1998, among Borrower, certain lenders, Administrative Agent, as

administrative agent for such lenders, and Documentation Agent, as documentation agent for such lenders, as such agreement has been or may be amended from time to time.

"Facility Fee" shall have the meaning assigned to such term in Section 2.04(c).

"Fair Market Value" shall mean, at any time and with respect to any property, the sale value of such property that would be realized in an arm's length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

"Federal Funds Effective Rate" shall have the meaning specified in the definition of Alternate Base Rate.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States of America.

"Governmental Authority" shall mean:

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Borrower or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Borrower or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Guaranty" shall mean, 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:

(a) to purchase such Indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such Indebtedness or obligation, or (ii) 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;

(c) 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

(d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect 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.

"Hazardous Substance" shall mean any contaminant, pollutant or toxic or hazardous substance, and any substance that is defined or listed as a hazardous, toxic or dangerous substance under any Environmental Law or that is otherwise regulated or prohibited under any Environmental Law as a hazardous, toxic or dangerous substance.

"Indebtedness" with respect to any Person shall mean, at any time, without duplication:

(a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(b) 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);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;

(d) 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);

(e) 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 (1) trade or commercial letters of credit issued for the account of such Person in the ordinary course of its business and (2) stand-by letters of credit issued to support obligations of such Person that do not constitute Indebtedness);

(f) Swaps of such Person; and

(g) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) above to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"Interest Payment Date" shall mean (a) with respect to any ABR Borrowing, each March 31, June 30, September 30 and December 31, beginning on the first such date after the date hereof; (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable thereto and, in the case of such a Loan with an Interest Period of more than three months or 90 day duration, each day that would have been an Interest Payment Date for such Loan had successive Interest Periods of three months duration or 90 days duration, as the case may be, been applicable to such Loan; and (c) in addition, with respect to all Loans, the date of any prepayment thereof and the Maturity Date.

"Interest Period" shall mean the period commencing on the date of a Eurodollar Borrowing and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2, 3 or 6 months thereafter, or, in addition, in the case of any Eurodollar Borrowing made during the 30-day period ending on the Maturity Date, the period commencing on the date of such Borrowing and ending on the seventh or fourteenth day thereafter, as the Borrower may elect, provided, however, that if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

"Intergroup Transfer" shall have the meaning assigned it in Section 5.11.

"LIBO Rate" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the rate at which dollar deposits approximately equal in principal amount to the Administrative Agent's portion of such Eurodollar Borrowing and for a maturity comparable to such Interest Period are offered to the principal London offices of Chase or one of its Affiliates in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" shall mean, 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).

"Loans" shall have the meaning assigned it in Section 2.01. Each Loan shall be a Eurodollar Loan or an ABR Loan.

"Material" shall mean material in relation to the business, operations, affairs, financial condition, assets, or properties of the Borrower and its Subsidiaries taken as a whole.

"Material Adverse Effect" shall mean a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Borrower and its Restricted Subsidiaries taken as a whole, or (b) the ability of the Borrower to perform its obligations under this Agreement, or (c) the validity or enforceability of this Agreement.

"Maturity Date" shall mean December 31, 1999.

"Multiemployer Plan" shall mean any Plan that is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"New Lending Office" shall have the meaning assigned it in Section 2.16(g).

"New Owner" shall have the meaning assigned it in Section 2.10(c).

"Non-U.S. Agent" shall have the meaning assigned it in Section 2.16(g).

"Norris Family" shall have the meaning assigned it in Section 2.10(c).

"Ordinary Course Transfer" shall have the meaning assigned it in Section 5.11.

"Other Taxes" shall have the meaning assigned it in Section 2.16(b).

"Prepayment Date" shall have the meaning assigned it in Section 2.10(c).

"PBGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"Person" shall mean an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"Plan" shall mean an "employee benefit plan" (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Borrower or any ERISA Affiliate or with respect to which the Borrower or any ERISA Affiliate may have any liability.

"Preferred Stock" shall mean 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.

"property" or "properties" shall mean, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"Property Disposition Date" shall have the meaning assigned to it in Section 5.11.

"Register" shall have the meaning given such term in Section 8.04 (d).

"Required Lenders" shall mean, at any time, Lenders having Commitments representing at least 51% of the Total Commitment or, for purposes of acceleration pursuant to clause (ii) of

Article VI, Lenders holding Loans representing at least 51% of the aggregate principal amount of the Loans outstanding.

"Responsible Officer" shall mean any Senior Financial Officer and any other officer of the Borrower with responsibility for the administration of the relevant portion of this agreement.

"Restricted Indebtedness" shall mean, without duplication, (i) Indebtedness of the Borrower or any Restricted Subsidiary which is secured by a Lien not otherwise permitted under subsections (a) through (h) of Section 5.13, and (ii) Indebtedness of a Restricted Subsidiary owing to any Person other than the Borrower or a Wholly-Owned Subsidiary.

"Restricted Payment" shall mean any Distribution in respect of the Borrower or any Restricted Subsidiary (other than on account of capital stock or other equity interests of a Restricted Subsidiary owned legally and beneficially by the Borrower or another Restricted Subsidiary), including, without limitation, any Distribution resulting in the acquisition by the Borrower of Securities which would constitute treasury stock. For purposes of this Agreement, the amount of any Restricted Payment made in property shall be the greater of (x) the Fair Market Value of such property (as determined in good faith by the board of directors (or equivalent governing body) of the Person making such Restricted Payment) and (y) the net book value thereof on the books of such Person, in each case determined as of the date on which such Restricted Payment is made.

"Restricted Subsidiary" shall mean any Subsidiary of the Borrower which is (a) listed as a Restricted Subsidiary in Schedule 3.05 or (b) organized under the laws of, and conducts substantially all of its business and maintains substantially all of its property and assets within, the United States or any state thereof (including the District of Columbia).

"Securities Act" shall mean the Securities Act of 1933, as amended from time to time.

"Security" shall have the meaning set forth in Section 2(1) of the Securities Act.

"Senior Financial Officer" shall mean the chief financial officer, principal accounting officer, treasurer or comptroller of the Borrower; provided that any executive vice president or the corporate controller of Borrower is authorized by Borrower to execute and deliver any Borrowing Request.

"Senior Note Purchase Agreements" shall mean those certain Note Purchase Agreements dated April 3, 1998 pursuant to which Borrower issued its 6.56% Senior Notes due April 3, 2005 and its 6.75% Senior Notes due April 3, 2008.

"Subsidiary" shall mean, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person

and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Borrower.

"Swaps" shall mean, 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 purposes of this Agreement, the amount of the obligation under any Swap shall be the 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" shall have the meaning assigned it in Section 2.16 (a).

"Total Commitment" shall mean, at any time, the aggregate amount of Commitments of all the Lenders, as in effect at such time.

"Transactions" shall have the meaning assigned it in Section 3.02.

"Transfer" shall mean, with respect to any Person, any transaction in which such Person sells, conveys, transfers or leases (as lessor) any of its property, including capital stock of, or a Security issued by, a Subsidiary.

"Transferee" shall have the meaning assigned to it in Section 2.16(a).

"Type", when used in respect of any Loan or Borrowing, shall refer to the Rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined. For purposes hereof, "Rate" shall include the LIBO Rate and the Alternate Base Rate.

"U.S. Lender" shall have the meaning assigned it in Section 2.16.

"Unrestricted Subsidiary"shall mean any Subsidiary other than a Restricted Subsidiary.

"Voting Rights" shall have the meaning assigned it in Section 2.10.

"Wholly-Owned Restricted Subsidiary" or "Wholly-Owned Subsidiary" means, at any time, any Restricted Subsidiary or Subsidiary, respectively, one hundred percent (100%) of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Borrower and the Borrower's other Wholly-Owned Restricted Subsidiaries or Wholly-Owned Subsidiaries, respectively, at such time.

SECTION 1.02. Terms Generally. The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time.

ARTICLE II. THE CREDITS

SECTION 2.01. Commitments. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, to make advances (each such advance a "Loan") to the Borrower, at any time and from time to time on and after the date hereof and until the earlier of the Maturity Date or the termination of the Commitment of such Lender, in a maximum principal amount not to exceed such Lender's Commitment, subject, however, to the conditions that (i) the aggregate principal amount of all Loans shall not exceed the Total Commitment and (ii) the aggregate principal amount of all Loans made by any Lender shall not exceed the amount of such Lender's Commitment. Within the foregoing limits, the Borrower may borrow, pay or prepay Loans hereunder, on and after the Effective Date and prior to the Maturity Date, subject to the terms, conditions and limitations set forth herein. Once a Loan has been paid or prepaid, it may not be reborrowed.

SECTION 2.02. Loans.

(a) Each Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their respective Commitments; provided, however, that the failure of any Lender to make any Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). The Loans comprising any Borrowing shall be in an aggregate principal amount which is an integral multiple of $1,000,000 and not less than $5,000,000 (or an aggregate principal amount equal to the remaining balance of the available Commitments).

(b) Each Borrowing shall be comprised entirely of Eurodollar Loans or ABR Loans, as the Borrower may request pursuant to Section 2.03. Each Lender may at its option make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time.

(c) Subject to paragraph (d) below, each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to the Administrative Agent in Houston, Texas, not later than 11:00 a.m., Houston time, and the

Administrative Agent shall by 2:00 p.m., Houston time, credit the amounts so received to the account or accounts specified from time to time in one or more notices delivered by the Borrower to the Administrative Agent or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders. Loans shall be made by the Lenders pro rata in accordance with Section 2.13. Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with this paragraph (c) and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have made such portion available to the Administrative Agent, such Lender and the Borrower (without waiving any claim against such Lender for such Lender's failure to make such portion available) severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) in the case of the Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, the Federal Funds Effective Rate. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement.

(d) Borrower may Convert all or any part of any Borrowing to a Borrowing of a different Type and Borrower may Continue all or any part of any Eurodollar Borrowing as a Borrowing of the same Type, by giving the Agent written notice on the Business Day of the Conversion into an ABR Borrowing and on the Business Day at least three Business Days before Conversion into or Continuation of a Eurodollar Borrowing specifying: (i) the Conversion or Continuation date, (ii) the amount of the Borrowing to be Converted or Continued, (iii) in the case of Conversions, the Type of Borrowing to be Converted into, and (iv) in the case of a Continuation of or Conversion into a Eurodollar Borrowing, the duration of the Interest Period applicable thereto; provided that (a) Eurodollar Borrowings may only be Converted on the last day of the Interest Period; (b) except for Conversions to ABR Borrowings, no Conversions shall be made while an Event of Default has occurred and is continuing; (c) only ten (10) Eurodollar Borrowings may be in existence at any one time; and (d) no Interest Period may end after the Maturity Date. All notices given under this Section shall be irrevocable and shall be given not later than 10:00 a.m. Houston, Texas time on the day which is not less than the number of Business Days specified above for such notice. If the Borrower shall fail to give the Agent the notice as specified above for Continuation or Conversion of a Eurodollar Borrowing prior to the end of the Interest Period with respect thereto, such Eurodollar Borrowing shall automatically be continued as a Eurodollar Borrowing with an Interest Period of one month's duration. The Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.02. Each Eurodollar Borrowing must be in an aggregate principal amount which is an integral multiple of $1,000,000 and not less than $5,000,000.

SECTION 2.03. Borrowing Procedure. In order to request a Borrowing, the Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Borrowing Request (a) in the case of a Eurodollar Borrowing, not later than 10:00 a.m., Houston, Texas time, three Business Days

before such Borrowing, and (b) in the case of an ABR Borrowing, not later than 10:00 a.m., Houston, Texas time, on the day of such Borrowing. Such notice shall be irrevocable and shall in each case specify (i) whether the Borrowing then being requested is to be a Eurodollar Borrowing or an ABR Borrowing; (ii) the date of such Borrowing (which shall be a Business Day) and the amount thereof; and (iii) if such Borrowing is to be a Eurodollar Borrowing, the Interest Period with respect thereto, which shall not end after the Maturity Date. If no election as to the Type of Borrowing is specified in any such notice, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any Eurodollar Borrowing is specified in any such notice, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Notwithstanding any other provision of this Agreement to the contrary, no Borrowing shall be requested if the Interest Period with respect thereto would end after the Maturity Date. The Administrative Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.03 and of each Lender's portion of the requested Borrowing.

SECTION 2.04. Fees.

(a) The Borrower agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31 (with the first payment being due on March 31, 1999) and on each date on which the Commitment of such Lender shall be terminated as provided herein, a commitment fee (a "Commitment Fee"), at a rate equal to 0.15% per annum on the amount of the daily average of the unused Commitment of such Lender during the preceding quarter (or other period commencing on the Effective Date or ending with the Maturity Date or any date on which the Commitment of such Lender shall be terminated). All Commitment Fees shall be computed on the basis of the actual number of days elapsed in a year of 365 or 366 days, as the case may be. The Commitment Fee due to each Lender shall commence to accrue on the Effective Date, and shall cease to accrue on the earlier of the Maturity Date and the termination of the Commitment of such Lender as provided herein.

(b) All Commitment Fees shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, as appropriate, among the Lenders or to the Agents. Once paid, the Commitment Fees shall not be refundable under any circumstances.

SECTION 2.05. Repayment of Loans; Evidence of Indebtedness.

(a) The outstanding principal balance of each Loan shall be due and payable on the Maturity Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder, the Type of each Loan made and the Interest Period applicable thereto, if any, (ii) the amount of any principal or interest due and payable or to become due and

payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraphs (b) and (c) of this Section 2.05 shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of the Borrower to repay the Loans in accordance with their terms.

SECTION 2.06. Interest on Loans.

(a) Subject to the provisions of Section 2.07, the Loans comprising each Eurodollar Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to the LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin from time to time in effect.

(b) Subject to the provisions of Section 2.07, the Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, for periods during which the Alternate Base Rate is determined by reference to the Prime Rate and 360 days for other periods and including for all calculations the first day of any period but excluding the last) at a rate per annum equal to the Alternate Base Rate plus the Applicable Margin.

(c) Interest on each Loan shall be payable on each Interest Payment Date applicable to such Loan except as otherwise provided in this Agreement. The applicable LIBO Rate or Alternate Base Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error; provided that the Administrative Agent shall, upon request, provide to the Borrower a certificate setting forth in reasonable detail the basis for such determination.

(d) As used in this Section 2.06, "Applicable Margin" shall mean, during each of the periods set forth below and with respect to each Type of Loan, the percent per annum set forth in the following chart below the applicable Type of Loan and opposite the applicable period:

Period	Eurodollar Loans	ABR Loans
From the Effective Date through and including July 15, 1999	1.00%	0.00%
From July 16, 1999, through and including September 30, 1999	1.25%	0.25%
From October 1, 1999, through the Maturity Date	1.75%	0.75%

SECTION 2.07. Default Interest. If the Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder, whether by

scheduled maturity, notice of prepayment, acceleration or otherwise, the Borrower shall on demand from time to time from the Administrative Agent pay interest, to the extent permitted by law, on such defaulted amount up to (but not including) the date of actual payment (after as well as before judgment) at a rate per annum (computed as provided in Section 2.06(b)) equal to the Alternate Base Rate plus 2%.

SECTION 2.08. Alternate Rate of Interest. In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a Eurodollar Borrowing the Administrative Agent shall have determined (i) that dollar deposits in the principal amounts of the Eurodollar Loans comprising such Borrowing are not generally available in the London interbank market or (ii) that reasonable means do not exist for ascertaining the LIBO Rate, the Administrative Agent shall, as soon as practicable thereafter, give telecopy notice of such determination to the Borrower and the Lenders. In the event of any such determination under clauses (i) or (ii) above, until the Administrative Agent shall have advised the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, any request by the Borrower for a Eurodollar Borrowing pursuant to Section 2.03 shall be deemed to be a request for an ABR Borrowing. In the event the Required Lenders notify the Administrative Agent that the rates at which dollar deposits are being offered will not adequately and fairly reflect the cost to such Lenders of making or maintaining Eurodollar Loans during such Interest Period, the Administrative Agent shall notify the Borrower of such notice and until the Required Lenders shall have advised the Administrative Agent that the circumstances giving rise to such notice no longer exist, any request by the Borrower for a Eurodollar Borrowing shall be deemed a request for an ABR Borrowing. Each determination by the Administrative Agent hereunder shall be made in good faith and shall be conclusive absent manifest error; provided that the Administrative Agent, shall, upon request, provide to the Borrower a certificate setting forth in reasonable detail the basis for such determination.

SECTION 2.09. Termination and Reduction of Commitments.

(a) The Commitments shall be automatically terminated on the Maturity Date. A Commitment of a Lender may also terminate as provided in Section 2.10(c).

(b) Upon at least three Business Days' prior irrevocable written notice to the Administrative Agent, the Borrower may, at any time, in whole permanently terminate, or, from time to time, in part permanently reduce, the Total Commitment; provided, however, that (i) each partial reduction of the Total Commitment shall be in an integral multiple of $5,000,000 and in a minimum principal amount of $5,000,000 and (ii) no such termination or reduction shall be made which would reduce the Total Commitment to an amount less than $25,000,000, unless the result of such termination or reduction is to reduce the Total Commitment to $0. The Administrative Agent shall advise the Lenders of any notice given pursuant to this Section 2.09(b) and of each Lender's portion of any such termination or reduction of the Commitments.

(c) Each reduction in the Total Commitment hereunder shall be made ratably among the Lenders in accordance with their respective Commitments. The Borrower shall pay to the Administrative Agent for the account of the Lenders, on the date of each termination or reduction

of the Total Commitment, the Commitment Fees that have accrued through the date of such termination or reduction on the amount of the Commitments so terminated or reduced.

SECTION 2.10. Prepayment Including Prepayment as a Result of a Change of Control.

(a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing, in whole or in part, upon giving telecopy notice (or telephone notice promptly confirmed by telecopy) to the Administrative Agent: (i) before 10:00 a.m., Houston, Texas time, three Business Days prior to prepayment, in the case of Eurodollar Loans which prepayment shall be accompanied by any amount owed under Section 8.05(b), and (ii) before 10:00 a.m., Houston, Texas time, one Business Day prior to prepayment, in the case of ABR Loans; provided, however, that each partial prepayment shall be in an amount which is an integral multiple of $1,000,000 and not less than $3,000,000.

(b) On the date of any termination or reduction of the Commitments pursuant to Section 2.09, the Borrower shall pay or prepay so much of the Borrowings as shall be necessary in order that the aggregate principal amount of the Loans outstanding will not exceed the Total Commitment, after giving effect to such termination or reduction.

(c) At least 15 Business Days (or, in the case of any transaction permitted by Section 5.10 resulting in a Change of Control, at least 45 days) and not more than 90 days prior to the occurrence of any Change of Control, the Borrower will give written notice thereof to each Lender. Such notice shall contain (i) an offer by the Borrower to prepay, on the date of such Change of Control or, if such notice shall be delivered less than 35 days prior to the date of such Change of Control, on the date 35 days after the date of such notice (the "Prepayment Date"), all Loans made by each Lender, together with interest accrued thereon to the Prepayment Date and all other obligations owed to such Lender under the terms hereof, (ii) the estimated amount of accrued interest, showing in reasonable detail the calculation thereof and (iii) the Borrower's estimate of the date on which such Change of Control shall occur. Said offer shall be deemed to lapse as to any such Lender which has not replied affirmatively thereto in writing within 35 days of the giving of such notice. As soon as practicable (and in any event at least 24 hours) prior to such Change of Control, the Borrower shall give written confirmation of the date thereof to each such Lender that has affirmatively replied to the notice given pursuant to the first sentence of this Section 2.10(c). Borrower shall, on the Prepayment Date, prepay to each Lender that has affirmatively replied to the notice given pursuant to the first sentence of this Section 2.10(c) all Loans then held by such Lender together with accrued interest thereon and all other obligations owed to such Lender under the terms hereof. Upon such payment, the Commitment of each Lender that shall have received such prepayment shall terminate.

For the purposes of this Section 2.10(c), a "Change of Control" shall be deemed to occur if any New Owner shall acquire beneficial ownership of shares in the Borrower having Voting Rights pertaining thereto which would allow such New Owner to elect more members of the Board of Directors than could be elected by the exercise of all Voting Rights pertaining to shares in the Borrower then owned beneficially by the Norris Family. As used in this Section 2.10(c):

(i) "Voting Rights" pertaining to shares of a corporation means the rights to cast votes for the election of directors of such corporation in ordinary circumstances (without consideration of voting rights which exist only in the event of contingencies).

(ii) "Norris Family" means all persons who are lineal descendants of D.W. Norris (by birth or adoption), all spouses of such descendants, all estates of such descendants or spouses which are in the course of administration, all trusts for the benefit of such descendants or spouses, and all corporations or other entities in which, directly or indirectly, such descendants or spouses (either alone or in conjunction with other such descendants or spouses) have the right, whether by ownership of stock or other equity interests or otherwise, to direct the management and policies of such corporations or other entities (each such person, spouse, estate, trust, corporation or entity being referred to herein as a "member" of the Norris Family). In addition, so long as any employee stock ownership plan exercises its Voting Rights in the same manner as members of the Norris Family (exclusive of employee stock ownership plans) who have a majority of the Voting Rights exercised by all such members of the Norris Family, such employee stock ownership plan shall be deemed a member of the Norris Family.

(iii) "New Owner" means any person (other than a member of the Norris Family), or any syndicate or group of persons (exclusive of all members of the Norris Family) which would be deemed a "person" for the purposes of Section 13(d) of the Exchange Act, who directly or indirectly acquires shares in the Borrower.

(d) In the event that the Borrower or any of its Subsidiaries issues any Securities (as defined below), no later than the tenth (10th) Business Day following the date of receipt of the proceeds from any such issuance, the Borrower shall prepay the Loans in an amount equal to the lessor of (a) all amounts owed to the Agents and the Lenders under this Agreement, including, without limitation, all outstanding loans, interest and fees or (b) one-hundred percent (100%) of the proceeds of such issuance, net of underwriting discounts and commissions and other reasonable costs associated therewith. "Securities" means any stock, shares, options, warrants, voting trust certificates, or other instruments evidencing an ownership interest or a right to acquire an ownership interest in a Person or any bonds, debentures, notes or other evidences of indebtedness, secured or unsecured. Immediately upon any such issuance of Securities, each Lender's Commitment shall permanently terminate.

(e) Each notice of prepayment shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the Borrower to prepay such Borrowing (or portion thereof) by the amount stated therein on the date stated therein. All prepayments under this Section 2.10 shall be subject to Section 8.05 but otherwise without premium or penalty. All prepayments under this Section 2.10 shall be accompanied by accrued interest on the principal amount being prepaid to the date of payment.

SECTION 2.11. Reserve Requirements; Change in Circumstances.

(a) Notwithstanding any other provision herein, if after the date of this Agreement any change in applicable law or regulation or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof (whether or not having the force of law) shall change the basis of taxation of payments to any Lender hereunder (except for changes in respect of taxes on the overall net income of such Lender or its lending office imposed by the jurisdiction in which such Lender's principal executive office or lending office is located), or shall result in the imposition, modification or applicability of any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by any Lender, or shall result in the imposition on any Lender or the London interbank market of any other condition affecting this Agreement, such Lender's Commitment or any Eurodollar Loan made by such Lender, and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise) by an amount deemed by such Lender to be material, then the Borrower shall, upon receipt of the notice and certificate provided for in Section 2.11(c), promptly pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender shall have determined that the adoption of any law, rule, regulation or guideline arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards," or the adoption after the date hereof of any other law, rule, regulation or guideline regarding capital adequacy, or any change in any of the foregoing or in the interpretation or administration of any of the foregoing by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or any lending office of such Lender) or any Lender's holding company with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, such Lender's Commitment or the Loans made by such Lender pursuant hereto to a level below that which such Lender or such Lender's holding company could have achieved but for such adoption, change or compliance (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time such additional amount or amounts as will compensate such Lender for any such reduction suffered will be paid by the Borrower to such Lender.

(c) A certificate of each Lender setting forth such amount or amounts as shall be necessary to compensate such Lender or its holding company as specified in paragraph (a) or (b) above, as the case may be, and containing an explanation in reasonable detail of the manner in which such amount or amounts shall have been determined, shall be delivered to the Borrower, and shall be conclusive absent manifest error. The Borrower shall pay each Lender the amount shown as due on any such certificate delivered by it within 10 days after its receipt of the same. Each Lender shall give prompt notice to the Borrower of any event of which it has knowledge, occurring after the date hereof, that it has determined will require compensation by the Borrower

pursuant to this Section; provided, however, that failure by such Lender to give such notice shall not constitute a waiver of such Lender's right to demand compensation hereunder.

(d) Failure on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital of the type described in paragraph (a) or (b) of this Section 2.11 with respect to any period shall not constitute a waiver of such Lender's right to demand compensation with respect to such period or any other period; provided, however, that no Lender shall be entitled to compensation under this Section 2.11 for any costs incurred or reductions suffered with respect to any date unless it shall have notified the Borrower that it will demand compensation for such costs or reductions under paragraph (c) above not more than 90 days after the later of (i) such date and (ii) the date on which it shall have become aware of such costs or reductions. The protection of this Section shall be available to each Lender regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, guideline or other change or condition which shall have occurred or been imposed.

(e) Each Lender agrees that it will designate a different lending office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the reasonable judgment of such Lender, be disadvantageous to such Lender.

SECTION 2.12. Change in Legality.

(a) Notwithstanding any other provision herein, if any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written notice to the Borrower and to the Administrative Agent, such Lender may:

(i) declare that Eurodollar Loans will not thereafter be made by such Lender hereunder, whereupon any request for a Eurodollar Borrowing shall, as to such Lender only, be deemed a request for an ABR Loan unless such declaration shall be subsequently withdrawn (any Lender delivering such a declaration hereby agreeing to withdraw such declaration promptly upon determining that such event of illegality no longer exists); and

(ii) require that all outstanding Eurodollar Loans made by it be converted to ABR Loans, in which event all such Eurodollar Loans shall be automatically converted to ABR Loans as of the effective date of such notice as provided in paragraph (b) below.

In the event any Lender shall exercise its rights under (i) or (ii) above, all payments and prepayments of principal which would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the Converted Eurodollar Loans of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the Conversion of, such Eurodollar Loans.

(b) For purposes of this Section 2.12, a notice by any Lender shall be effective as to each Eurodollar Loan, if lawful, on the last day of the Interest Period currently applicable to such Eurodollar Loan; in all other cases such notice shall be effective on the date of receipt.

SECTION 2.13. Pro Rata Treatment. Except as required under Sections 2.13 and 2.18, each Borrowing, each payment or prepayment of principal of any Borrowing, each payment of interest on the Loans, each payment of the Commitment Fees, each Conversion or Continuation of any Loans, and each reduction of the Commitments, shall be allocated pro rata among the Lenders in accordance with their respective Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Loans).

SECTION 2.14. Sharing of Setoffs. Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, obtain payment (voluntary or involuntary) in respect of any Loan or Loans as a result of which the unpaid principal portion of its Loans shall be proportionately less than the unpaid principal portion of the Loans of any other Lender, it shall be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the Loans of such other Lender, so that the aggregate unpaid principal amount of the Loans and participations in the Loans held by each Lender shall be in the same proportion to the aggregate unpaid principal amount of all Loans then outstanding as the principal amount of its Loans prior to such exercise of banker's lien, setoff or counterclaim or other event was to the principal amount of all Loans outstanding prior to such exercise of banker's lien, setoff or counterclaim or other event; provided, however, that, if any such purchase or purchases or adjustments shall be made pursuant to this Section 2.14 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. The Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in a Loan deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by the Borrower to such Lender by reason thereof as fully as if such Lender had made a Loan in the amount of such participation.

SECTION 2.15. Payments.

(a) The Borrower shall make each payment (including principal of or interest on any Borrowing or any fees or other amounts hereunder) from an account in the United States not later than 12:00 noon, Houston, Texas time, on the date when due in dollars to the Administrative Agent at its offices at 1111 Fannin Street, 9th floor, MS 46, Houston, Texas 77002, in immediately available funds.

(b) Whenever any payment (including principal of or interest on any Borrowing or any fees or other amounts) hereunder shall become due, or otherwise would occur, on a day that is not

a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or fees, if applicable.

SECTION 2.16. Taxes.

(a) Any and all payments of principal and interest on any Borrowings, or of any fees or indemnity or expense reimbursements by the Borrower hereunder ("Borrower Payments") shall be made, in accordance with Section 2.15, free and clear of and without deduction for any and all current or future United States Federal, state and local taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect to the Borrower Payments, but only to the extent reasonably attributable to the Borrower Payments, excluding (i) income taxes imposed on the net income of either Agent or any Lender (or any transferee or assignee thereof, including a participation holder (any such entity a "Transferee")) and (ii) franchise taxes imposed on the net income of either Agent or any Lender (or Transferee), in each case by the jurisdiction under the laws of which either Agent or such Lender (or Transferee) is organized or doing business through offices or branches located therein, or any political subdivision thereof (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities, collectively or individually, "Taxes"). If the Borrower shall be required to deduct any Taxes from or in respect of any sum payable hereunder to any Lender (or any Transferee) or the Agents, (i) the sum payable shall be increased by the amount (an "additional amount") necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.16) such Lender (or Transferee) or Agent (as the case may be) shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay to the relevant United States Governmental Authority in accordance with applicable law any current or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement ("Other Taxes").

(c) The Borrower shall indemnify each Lender (or Transferee thereof) and each Agent for the full amount of Taxes and Other Taxes with respect to Borrower Payments paid by such Lender (or Transferee) or such Agent, as the case may be, and any liability (including penalties, interest and expenses (including reasonable attorney's fees and expenses)) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted by the relevant United States Governmental Authority. A certificate setting forth and containing an explanation in reasonable detail of the manner in which such amount shall have been determined and the amount of such payment or liability prepared by a Lender or an Agent on their behalf, absent manifest error, shall be final, conclusive and binding for all purposes. Such indemnification shall be made within 30 days after the date the Lender (or Transferee) or any Agent, as the case may be, makes written demand therefor.

(d) If a Lender (or Transferee) or any Agent shall become aware that it is entitled to claim a refund from a United States Governmental Authority in respect of Taxes or Other Taxes as to

which it has been indemnified by the Borrower, or with respect to which the Borrower has paid additional amounts, pursuant to this Section 2.16, it shall promptly notify the Borrower of the availability of such refund claim and shall, within 30 days after receipt of a request by the Borrower, make a claim to such United States Governmental Authority for such refund at the Borrower's expense. If a Lender (or Transferee) or any Agent receives a refund (including pursuant to a claim for refund made pursuant to the preceding sentence) in respect of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower had paid additional amounts pursuant to this Section 2.16, it shall within 30 days from the date of such receipt pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.16 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of such Lender (or Transferee) or such Agent and without interest (other than interest paid by the relevant United States Governmental Authority with respect to such refund); provided, however, that the Borrower, upon the request of such Lender (or Transferee) or such Agent, agrees to repay the amount paid over to the Borrower (plus penalties, interest or other charges) to such Lender (or Transferee) or such Agent in the event such Lender (or Transferee) or such Agent is required to repay such refund to such United States Governmental Authority.

(e) As soon as practicable, but in any event within 30 days, after the date of any payment of Taxes or Other Taxes by the Borrower to the relevant United States Governmental Authority, the Borrower will deliver to the Administrative Agent, at its address referred to in Section 8.01, the original or a certified copy of a receipt issued by such United States Governmental Authority evidencing payment thereof.

(f) Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section 2.16 shall survive the payment in full of the principal of and interest on all Loans made hereunder.

(g) Each Lender or Agent (or Transferee) that is organized under the laws of a jurisdiction other than the United States, any State thereof or the District of Columbia (a "Non-U.S. Lender" or "Non U.S. Agent", as applicable) shall deliver to the Borrower and the Administrative Agent two copies of either United States Internal Revenue Service Form 1001 or Form 4224, properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or reduced rate of, United States Federal withholding tax on payments by the Borrower under this Agreement. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of a Transferee that is a participation holder, on or before the date such participation holder becomes a Transferee hereunder) and on or before the date, if any, such Non-U.S. Lender changes its applicable lending office by designating a different lending office (a "New Lending Office"). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Notwithstanding any other provision of this Section 2.16(g), a Non-U.S. Lender shall not be required to deliver any form pursuant to this Section 2.16(g) that such Non-U.S. Lender is not legally able to deliver.

(h) The Borrower shall not be required to indemnify any Non-U.S. Lender or Non-U.S. Agent (including any Transferee), or to pay any additional amounts to any Non-U.S. Lender or Non- U.S. Agent (including any Transferee), in respect of United States Federal, state or local withholding tax pursuant to paragraph (a) or (c) above to the extent that (i) the obligation to withhold amounts with respect to United States Federal, state or local withholding tax existed on the date such Non- U.S. Lender became a party to this Agreement (or, in the case of a Transferee that is a participation holder, on the date such participation holder became a Transferee hereunder) or, with respect to payments to a New Lending Office, the date such Non-U.S. Lender designated such New Lending Office with respect to a Loan; provided, however, that this clause (i) shall not apply to any Transferee or New Lending Office that becomes a Transferee or New Lending Office as a result of an assignment, participation, transfer or designation made at the request of the Borrower; and provided further, however, that this clause (i) shall not apply to the extent the indemnity payment or additional amounts any Transferee, or Lender (or Transferee) through a New Lending Office, would be entitled to receive (without regard to this clause (h)) do not exceed the indemnity payment or additional amounts that the Person making the assignment, participation or transfer to such Transferee, or Lender (or Transferee) making the designation of such New Lending Office, would have been entitled to receive in the absence of such assignment, participation, transfer or designation or (ii) the obligation to pay such additional amounts or such indemnity payments would not have arisen but for a failure by such Non-U.S. Lender (including any Transferee) to comply with time provisions of paragraph (g) above and (i) below.

(i) Any Lender (or Transferee) claiming any indemnity payment or additional amounts payable pursuant to this Section 2.16 shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document reasonably requested in writing by the Borrower or to change the jurisdiction of its applicable lending office if the making of such a filing or change would avoid the need for or reduce the amount of any such indemnity payment or additional amounts that may thereafter accrue and would not, in the good faith determination of such Lender (or Transferee), be otherwise disadvantageous to such Lender (or Transferee).

(j) Nothing contained in this Section 2.16 shall require any Lender (or Transferee) or any Agent to make available to the Borrower any of its tax return (or any other information) that it deems to be confidential or proprietary.

SECTION 2.17. Assignment of Commitments Under Certain Circumstances. In the event that any Lender shall have delivered a notice or certificate pursuant to Section 2.11 or 2.12, or the Borrower shall be required to make additional payments to any Lender under Section 2.16, the Borrower shall have the right, at its own expense, upon notice to such Lender and the Agents, to require such Lender to transfer and assign without recourse (in accordance with and subject to the restrictions contained in Section 8.04) all such Lender's interests, rights and obligations contained hereunder to another financial institution approved by the Agents and the Borrower (which approval shall not be unreasonably withheld) which shall assume such obligations; provided that (i) no such assignment shall conflict with any law, rule or regulation or order of any Governmental Authority and (ii) the assignee or the Borrower, as the case may be, shall pay to the affected Lender in immediately available funds on the date of such assignment the principal of and interest accrued to

the date of payment on the Loan made by it hereunder and all other amounts accrued for its account or owed to it hereunder.

SECTION 2.18. Payments by Agent to the Lenders. Any payment received by the Agent hereunder for the account of a Lender shall be paid to such Lender by 4:00 p.m. Houston time on (a) the Business Day the payment is received in immediately available funds, if such payment is received by 10:00 a.m. Houston time and (b) if such payment is received after 10:00 a.m. Houston time, on the next Business Day.

ARTICLE III. REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to each of the Lenders as follows:

SECTION 3.01. Organization; Powers. Borrower (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to own its property and assets and to carry on its business as now conducted and as proposed to be conducted, (c) is qualified to do business in every jurisdiction where such qualification is required, except where the failure so to qualify would not result in a Material Adverse Effect, and (d) has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and to borrow hereunder.

SECTION 3.02. Authorization. The execution, delivery and performance by the Borrower of this Agreement and the Borrowings hereunder (collectively, the "Transactions") (a) have been duly authorized by all requisite corporate action and (b) will not (i) violate (A) any provision of any law, statute, rule or regulation to which the Borrower is subject or of the certificate of incorporation or other constituent documents or by-laws of the Borrower or any of its Subsidiaries, (B) any order of any Governmental Authority or (C) any provision of any Material indenture, agreement or other instrument to which the Borrower or any of its Subsidiaries is a party or by which it or any of its property is or may be bound (including the Senior Note Purchase Agreements and the Indebtedness limitations set forth in Sections 10.4 and 10.9 thereof and the Existing Credit Agreement and the Indebtedness limitations set forth in Sections 5.12 and 5.17 thereof), (ii) be in conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under any such indenture, agreement or other instrument or (iii) result in the creation or imposition of any Lien upon any property or assets of the Borrower.

SECTION 3.03. Enforceability. This Agreement constitutes a legal, valid and binding obligation of the Borrower enforceable in accordance with its terms, as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 3.04. Governmental Approvals. No action, consent or approval of, registration or filing with or other action by any Governmental Authority is or will be required in connection with the Transactions, to the extent they relate to the Borrower.

SECTION 3.05. Organization and Ownership of Shares of Subsidiaries.

(a) Schedule 3.05 is (except as noted therein) a complete and correct list of the Borrower's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Borrower and each other Subsidiary, and specifying whether such Subsidiary is designated a Restricted Subsidiary.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 3.05 as being owned by the Borrower and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Borrower or another Sub sidiary free and clear of any Lien (except as otherwise disclosed in Schedule 3.05).

(c) Each Subsidiary identified in Schedule 3.05 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Sub sidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

SECTION 3.06. Financial Statements. The Borrower has delivered to each Lender copies of the financial statements of the Borrower and its Subsidiaries listed on Schedule 3.06. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Borrower and its Subsidiaries, and of the Borrower and its Restricted Subsidiaries, as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). Except as disclosed in the financial statements listed in Schedule 3.06, since December 31, 1998, there has been no change in the financial condition, operations, business, properties or prospects of the Borrower or any of its Subsidiaries except changes that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Borrower that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the financial statements listed in Schedule 3.06

SECTION 3.07. Litigation; Observance of Statutes and Orders.

(a) There are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any Subsidiary or any property of the Borrower or any Subsidiary in any court or before any arbitrator of any kind or before or by any

Governmental Authority that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(b) Neither the Borrower nor any Subsidiary is in default under any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

SECTION 3.08. Taxes. The Borrower and its Subsidiaries have filed all income tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments payable by them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Borrower or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Federal income tax liabilities of the Borrower and its Subsidiaries have been determined by the Internal Revenue Service and paid for all fiscal years up to and including the fiscal year ended December 31, 1992.

SECTION 3.09. Title to Property; Leases. The Borrower and its Subsidiaries have good and sufficient title to their respective Material properties, including all such properties reflected in the most recent audited balance sheet referred to in Section 3.06 or purported to have been acquired by the Borrower or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement, except for those defects in title and Liens that, individually or in the aggregate, would not have a Material Adverse Effect. All Material leases are valid and subsisting and are in full force and effect in all material respects.

SECTION 3.10. Licenses, Permits, etc. The Borrower and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that are Material, without known conflict with the rights of others, except for those conflicts that, individually or in the aggregate, would not have a Material Adverse Effect.

SECTION 3.11. Compliance with ERISA.

(a) The Borrower and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Borrower nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that would

reasonably be expected to result in the incurrence of any such liability by the Borrower or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Borrower or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate accrued plan benefit liabilities under each of the Plans that are subject to Title IV of ERISA (other than Multiemployer Plans), determined in accordance with Financial Accounting Standards Board Statement No. 87 as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by more than $3,000,000 in the case of any single Plan and by more than $3,000,000 in the aggregate for all Plans.

(c) The Borrower and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected post-retirement benefit obligation (determined as of the last day of the Borrower's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Borrower and its Subsidiaries was approximately $17,955,591 as of December 31, 1998.

SECTION 3.12. Use of Proceeds; Margin Regulation. The Borrower will apply the proceeds of the Loans for acquisitions, working capital and other general corporate purposes. No part of the proceeds from the Loans will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Borrower in a violation of Regulation X of the Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of the Board (12 CFR 220). Margin stock does not constitute more than 5% of the value of the consolidated assets of the Borrower and its Restricted Subsidiaries and the Borrower does not have any present intention that margin stock will constitute more than 5% of the value of such assets. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

SECTION 3.13. Existing Indebtedness. Except for the Indebtedness outstanding in connection with the Senior Note Purchase Agreements and the Existing Credit Agreement and except as described therein, Schedule 3.13 sets forth a complete and correct list of all outstanding Indebtedness of the Borrower and its Restricted Subsidiaries (other than Indebtedness of Restricted Subsidiaries to the Borrower or other Wholly-Owned Restricted Subsidiaries) as of December 31, 1998, since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Borrower or its Restricted Subsidiaries. Neither the Borrower nor any Restricted Subsidiary is in default, and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of

the Borrower or such Restricted Subsidiary, and no event or condition exists with respect to any Indebtedness of the Borrower or any Restricted Subsidiary the outstanding principal amount of which exceeds $3,000,000 in the aggregate that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment. To the knowledge of the Responsible Officers of the Borrower, no event or condition exists with respect to any Indebtedness of the Borrower or any Restricted Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

SECTION 3.14. Foreign Assets Control Regulations, etc. The use of the proceeds of the Loans will not violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

SECTION 3.15. Status under Certain Statutes. Neither the Borrower nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, the Interstate Commerce Act, as amended, or the Federal Power Act, as amended.

SECTION 3.16. No Material Misstatements. No report, financial statement or other information furnished by or on behalf of the Borrower to the Agents or any Lender pursuant to or in connection with this Agreement contains or will contain any material misstatement of fact or omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were or will be made, not misleading.

SECTION 3.17. Year 2000 Matters. Any programming required to permit the proper functioning, in and following the year 2000, of the Borrower's and its Subsidiaries' Material (i) computer systems and (ii) equipment containing imbedded microchips (including systems and equipment supplied by others or with which the Borrower's or its Subsidiaries' systems interface) and the testing of all such systems and equipment, as so reprogrammed, is expected to be completed by August 1, 1999. The cost to the Borrower and its Subsidiaries of such reprogramming and testing and of the reasonably foreseeable consequences of year 2000 to the Borrower and its Subsidiaries (including, without limitation, reprogramming errors and the failure of others' systems or equipment) will not result in a Default or a Material Adverse Effect. Except for such of the reprogramming referred to in the preceding sentence as may be necessary, the computer and management information systems of the Borrower and its Subsidiaries are, and with ordinary course upgrading and maintenance, will continue for the term of this Agreement to be, sufficient to permit the Borrower and its Subsidiaries to conduct its business without Material Adverse Effect.

ARTICLE IV. CONDITIONS OF LENDING

The obligations of the Lenders to make Loans hereunder are subject to the satisfaction of the following conditions:

SECTION 4.01. All Borrowings. On the date of each Borrowing:

(a) The Administrative Agent shall have received a notice of such Borrowing as required by Section 2.03.

(b) The representations and warranties set forth in Article III hereof shall be true and correct in all material respects on and as of the date of such Borrowing with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) At the time of and immediately after such Borrowing no Event of Default or Default shall have occurred and be continuing.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrower on the date of such Borrowing as to the matters specified in paragraphs (b) and (c) of this Section 4.01.

SECTION 4.02. Effective Date. On the Effective Date:

(a) The Administrative Agent shall have received a favorable written opinion from Anne W. Teeling, Assistant General Counsel to the Borrower, dated the Effective Date and addressed to the Lenders and satisfactory to Jenkens & Gilchrist, a Professional Corporation, counsel for the Administrative Agent, to the effect set forth in Exhibit D hereto (and the Borrower hereby instructs its counsel to deliver such opinion to the Administrative Agent for the benefit of the Lenders).

(b) The Administrative Agent shall have received (i) a copy of the certificate of incorporation, including all amendments thereto, of the Borrower, certified as of a recent date by the Secretary of State of its state of incorporation, and a certificate as to the good standing of the Borrower as of a recent date from such Secretary of State; (ii) a certificate of the Secretary or an Assistant Secretary of the Borrower dated the Effective Date and certifying (A) that attached thereto is a true and complete copy of the by-laws of the Borrower as in effect on the Effective Date and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions, duly adopted by the Board of Directors authorizing the execution, delivery and performance of this Agreement and the Transactions, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate of incorporation referred to in clause (i) above has not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to such clause (i) and (D) as to the incumbency and specimen

signature of each officer executing this Agreement or any other document delivered in connection herewith on behalf of the Borrower; (iii) a certificate of another officer of the Borrower as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to (ii) above; (iv) evidence satisfactory to the Administrative Agent that the requisite approvals, if any, referred to in Section 3.04 hereof have been obtained; and (v) such other documents as the Lenders or Jenkens & Gilchrist, a Professional Corporation, counsel for the Administrative Agent, shall reasonably request.

(c) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by a Senior Financial Officer of the Borrower, (i) confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 4.01 and (ii) providing the calculations demonstrating compliance with Sections 10.4 and 10.9 of the Senior Note Purchase Agreements and Sections 5.12 and 5.17 of the Existing Credit Agreement.

(d) The Agents shall have received all fees and other amounts due and payable on or prior to the Effective Date.

ARTICLE V. AFFIRMATIVE AND NEGATIVE COVENANTS

The Borrower agrees that, so long as any Lender has any Commitment hereunder or any amount payable hereunder remains unpaid:

SECTION 5.01. Compliance with Law. The Borrower will and will cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not reasonably be expected, individually or in the aggregate, to have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Borrower and its Restricted Subsidiaries taken as a whole.

SECTION 5.02. Insurance. The Borrower will and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

SECTION 5.03. Maintenance of Properties. The Borrower will and will cause each of its Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective

properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Borrower or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Borrower has concluded that such discontinuance would not, individually or in the aggregate, have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Borrower and its Restricted Subsidiaries taken as a whole.

SECTION 5.04. Payment of Taxes. The Borrower will and will cause each of its Subsidiaries to file all income tax or similar tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies payable by any of them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, provided that neither the Borrower nor any Subsidiary need pay any such tax or assessment if (i) the amount, applicability or validity thereof is contested by the Borrower or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Borrower or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Borrower or such Subsidiary or (ii) the nonpayment of all such taxes and assessments in the aggregate would not reasonably be expected to have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Borrower and its Restricted Subsidiaries taken as a whole.

SECTION 5.05. Corporate Existence, etc. The Borrower will at all times preserve and keep in full force and effect its corporate existence. Subject to Sections 5.10 and 5.11, the Borrower will at all times preserve and keep in full force and effect the corporate existence of each of its Restricted Subsidiaries (unless merged into the Borrower or a Restricted Subsidiary) and all rights and franchises of the Borrower and its Restricted Subsidiaries unless, in the good faith judgment of the Borrower, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not, individually or in the aggregate, have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Borrower and its Restricted Subsidiaries taken as a whole.

SECTION 5.06. Most Favored Lender Status. The Borrower will not and will not permit any Restricted Subsidiary to enter into, assume or otherwise be bound or obligated under any agreement creating or evidencing Indebtedness or any agreement executed and delivered in connection with any Indebtedness containing one or more Additional Covenants or Additional Defaults (as defined below), unless prior written consent to such agreement shall have been obtained from the Required Lenders; provided, however, in the event the Borrower or any Restricted Subsidiary shall enter into, assume or otherwise become bound by or obligated under any such agreement without the prior written consent of the Lenders, the terms of this Agreement shall, without any further action on the part of the Borrower or any of the Lenders, be deemed to be amended automatically to include each Additional Covenant and each Additional Default contained in such agreement. The Borrower further covenants to promptly execute and deliver at its expense an amendment to this Agreement in form and substance satisfactory to the Required Lenders evidencing the amendment of this Agreement to include such Additional Covenants and

Additional Defaults, provided that the execution and delivery of such amendment shall not be a precondition to the effectiveness of such amendment as provided for in this Section 5.06, but shall merely be for the convenience of the parties hereto.

For purposes of this Agreement, (i) the term "Additional Covenant" shall mean any affirmative or negative covenant or similar restriction applicable to the Borrower or any Restricted Subsidiary (regardless of whether such provision is labeled or otherwise characterized as a covenant) the subject matter of which either (A) is similar to that of the covenants in Article V of this Agreement, but contains one or more percentages, amounts or formulas that is more restrictive than those set forth herein or more beneficial to the holder or holders of such other Indebtedness (and such covenant or similar restriction shall be deemed an "Additional Covenant" only to the extent that it is more restrictive or more beneficial) or (B) is different from the subject matter of the covenants in Article V of this Agreement; and (ii) the term "Additional Default" shall mean any provision which permits the holder of such Indebtedness to accelerate (with the passage of time or giving of notice or both) the maturity thereof or otherwise require the Borrower or any Restricted Subsidiary to purchase such Indebtedness prior to the stated maturity of such Indebtedness and which either (A) is similar to the Defaults and Events of Default contained in Article VI of this Agreement, but contains one or more percentages, amounts or formulas that is more restrictive or has a shorter grace period than those set forth herein or is more beneficial to the holder or holders of such other Indebtedness (and such provision shall be deemed an "Additional Default" only to the extent that it is more restrictive, has a shorter grace period or is more beneficial) or (B) is different from the subject matter of the Defaults and Events of Default contained in Article VI of this Agreement.

SECTION 5.07. Covenant to Secure Loans Equally. If the Borrower shall create, assume or permit to exist any Lien upon any of its property or assets, or permit any Restricted Subsidiary to create, assume or permit to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, other than those Liens permitted by the provisions of Section 5.13 the Borrower shall make or cause to be made effective provision whereby the Loans will be secured equally and ratably with any and all other obligations thereby secured, with the documentation for such security to be reasonably satisfactory to the Required Lenders and, in any such case, the Loans shall have the benefit, to the fullest extent that, and with such priority as, the holders thereof may be entitled under applicable law, of an equitable Lien on such property. Any violation of Section 5.13 will constitute an Event of Default, whether or not provision is made for an equal and ratable Lien pursuant to this Section 5.07.

SECTION 5.08. Environmental Matters.

(a) The Borrower will and will cause each of its Subsidiaries to comply in all material respects with all applicable Environmental Laws if, individually or in the aggregate, failure to comply therewith could reasonably be expected to have a material adverse effect on the financial condition or results of operations of the Borrower or the Borrower and its Subsidiaries, taken as a whole.

(b) The Borrower will not and will not permit any of its Subsidiaries to cause or allow any Hazardous Substance to be present at any time on, in, under or above any real property or any part thereof in which the Borrower or any Subsidiary has a direct interest (including without limitation ownership thereof or any arrangement for the lease, rental or other use thereof, or the retention of any mortgage or security interest therein or thereon), except in a manner and to an extent that is in compliance in all material respects with all applicable Environmental Laws or that will not have a material adverse effect on the financial condition or results of operations of the Borrower or the Borrower and its Subsidiaries, taken as a whole.

SECTION 5.09. Transactions with Affiliates. The Borrower will not permit any Restricted Subsidiary to enter into directly or indirectly any Material transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Borrower or another Restricted Subsidiary), except pursuant to the reasonable requirements of the Borrower's or such Restricted Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Restricted Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

SECTION 5.10. Merger, Consolidation, etc. The Borrower will not consolidate with or merge with any other corporation or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to any Person unless:

(a) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease substantially all of the assets of the Borrower as an entirety, as the case may be, shall be a solvent corporation organized and existing under the laws of the United States or any State thereof (including the District of Columbia), and, if the Borrower is not such corporation, such corporation shall have executed and delivered to each Lender its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement, together with a favorable opinion of counsel satisfactory to each such Lender covering such matters relating to such corporation and such assumption as such Lender may reasonably request; and

(b) immediately after giving effect to such transaction, no Default or Event of Default would exist; and

(c) immediately prior to and after giving effect to such transaction, the Borrower or such successor, as the case may be, would be permitted by the provisions of Sections 5.12 and 5.17 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

No such conveyance, transfer or lease of substantially all of the assets of the Borrower shall have the effect of releasing the Borrower or any successor corporation that shall theretofore have become such in the manner prescribed in this Section 5.10 from its liability under this Agreement.

SECTION 5.11. Sale of Assets, etc. The Borrower will not, and will not permit any of its Restricted Subsidiaries to, make any Transfer, provided that the foregoing restriction does not apply to a Transfer if:

(a) the property that is the subject of such Transfer constitutes either (i) inventory held for sale, or (ii) equipment, fixtures, supplies or materials no longer required in the operation of the business of the Borrower or such Restricted Subsidiary or that is obsolete, and, in the case of any Transfer described in clause (i) or (ii), such Transfer is in the ordinary course of business (each such Transfer, an "Ordinary Course Transfer"); or

(b) such Transfer is from

(i) a Restricted Subsidiary to the Borrower or another Restricted Subsidiary, or

(ii) the Borrower to a Restricted Subsidiary, or

(iii) the Borrower to a Subsidiary (other than a Restricted Subsidiary) or from a Restricted Subsidiary to another Subsidiary (other than a Restricted Subsidiary) and in either case is for Fair Market Value, so long as immediately before and immediately after the consummation of such transaction, and after giving effect thereto, no Default or Event of Default exists or would exist (each such Transfer, an "Intergroup Transfer");

(c) such Transfer is not an Ordinary Course Transfer or an Intergroup Transfer (such Transfers collectively referred to as "Excluded Transfers"), and all of the following conditions shall have been satisfied with respect thereto (the date of the consummation of such Transfer being referred to herein as the "Property Disposition Date"):

(i) the book value of the assets included in such Transfer, together with the book value of the assets included in all other Transfers (other than Excluded Transfers) during the fiscal year which includes the Property Disposition Date, shall not exceed fifteen percent (15%) of Consolidated Assets as of the end of the most recent fiscal year;

(ii) the book value of the assets included in such Transfer, together with the book value of the assets included in all other Transfers (other than Excluded Transfers) from January 1, 1998 through the Property Disposition Date, shall not exceed thirty percent (30%) of Consolidated Assets as of the end of the most recent fiscal year; and

(iii) immediately after giving effect to such Transfer, no Default or Event of Default would exist and the Borrower would be permitted by the provisions of Sections 5.12 and 5.17 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

If, within twelve (12) months after the Property Disposition Date, the Borrower or a Restricted Subsidiary acquires assets similar to the assets included in the Transfer, then, only for the purpose of determining compliance with Sections 5.11(c)(i) and (ii), the lesser of the book value of the assets acquired or the book value of the assets included in the Transfer shall not be taken into account.

SECTION 5.12. Incurrence of Indebtedness. The Borrower will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume, guarantee, or otherwise become directly or indirectly liable with respect to any Indebtedness, unless on the date the Borrower or such Restricted Subsidiary becomes liable with respect to any such Indebtedness and immediately after giving effect thereto and to the substantially concurrent retirement of any other Indebtedness,

(a) no Default or Event of Default would exist, and

(b) Consolidated Indebtedness would not exceed sixty percent (60%) of Consolidated Capitalization.

For purposes of this Section 5.12 any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have incurred all of its then outstanding Indebtedness at the time it becomes a Restricted Subsidiary.

SECTION 5.13. Liens. The Borrower will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Borrower or any such Restricted Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom, or assign or otherwise convey any right to receive income or profits, except:

(a) Liens for taxes, assessments or other governmental charges the payment of which is not at the time required by Section 5.04;

(b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other similar Liens, in each case, incurred in the ordinary course of business for sums not yet due;

(c) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business (i) in connection with workers' compensation, unemployment insurance and other types of social security or retirement benefits, or (ii) to secure (or to obtain letters of credit that secure) the performance of tenders, statutory obligations, surety bonds, appeal bonds, bids, leases (other than Capital Leases), performance bonds, purchase, construction or sales contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property;

(d) any attachment or judgment Lien, unless the judgment or other obligation it secures (i) shall not, within ninety (90) days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within ninety (90) days after the expiration of any such stay or (ii) exceeds, together with the amounts of all other obligations secured by attachment or judgment Liens at the time existing in respect of property of the Borrower and its Restricted Subsidiaries, $5,000,000;

(e) leases or subleases granted to others, easements, rights-of-way, restrictions and other similar charges or encumbrances, in each case incidental to, and not interfering with, the ordinary conduct of the business of the Borrower or any of its Restricted Subsidiaries, provided that such Liens do not, in the aggregate, materially detract from the value of such property;

(f) Liens on property or assets of the Borrower or any of its Restricted Subsidiaries securing Indebtedness or other obligations owing to the Borrower or to a Wholly Owned Restricted Subsidiary;

(g) Liens existing on the date of this Agreement on the building referred to in item C of Schedule 3.13 and securing the Indebtedness referred to in item C of Schedule 3.13;

(h) any Lien renewing, extending or refunding any Lien permitted by Subsection (g) above, provided that (i) the principal amount of Indebtedness secured by such Lien immediately prior to such extension, renewal or refunding is not increased or the maturity thereof reduced, (ii) such Lien is not extended to any other property, and (iii) immediately after such extension, renewal or refunding no Default or Event of Default would exist and the Borrower would be permitted by the provisions of Sections 5.12 and 5.17 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively; and

(i) other Liens not otherwise permitted by Subsections (a) through (h) above, provided that (i) the total obligations secured by such other Liens shall not exceed 10% of Consolidated Capitalization and (ii) immediately after giving effect to the creation thereof, the Borrower would be permitted by the provisions of Sections 5.12 and 5.17 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

For purposes of this Section 5.13, any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have incurred all of its then outstanding Liens at the time it becomes a Restricted Subsidiary, and any Person extending, renewing or refunding any Indebtedness secured by any Lien shall be deemed to have incurred such Lien at the time of such extension, renewal or refunding.

SECTION 5.14. Restricted Payments. The Borrower will not, and will not permit any of its Restricted Subsidiaries to, declare or make, or incur any liability to declare or make, any Restricted Payment, unless immediately after giving effect to such action:

(a) no Default or Event of Default would exist; and

(b) the Borrower would be permitted by the provisions of Sections 5.12 and 5.17 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

SECTION 5.15. Consolidated Net Worth. The Borrower will not permit Consolidated Net Worth as at the last day of any fiscal quarter of the Borrower to be less than the sum of (a) $261,000,000, plus (b) 15% of its aggregate Consolidated Net Income (but only if a positive number) for the period beginning April 1, 1998 and ending at the end of each fiscal quarter thereafter.

SECTION 5.16. Limitation on Dividend Restrictions, etc. The Borrower will not permit any Restricted Subsidiary to enter into, adopt, create or otherwise be or become bound by or subject to any contract or charter or by-law provision limiting the amount of, or otherwise imposing restrictions on the declaration, payment or setting aside of funds for the making of, any Distributions in respect of the capital stock of such Restricted Subsidiary to the Borrower or another Restricted Subsidiary.

SECTION 5.17. Limitation on Restricted Indebtedness. The Borrower will not at any time permit the aggregate amount of Restricted Indebtedness to exceed 10% of Consolidated Capitalization.

SECTION 5.18. Preferred Stock of Restricted Subsidiaries. The Borrower will not permit any Restricted Subsidiary to issue or permit to remain outstanding any Preferred Stock unless such Preferred Stock is issued to and at all times owned and held by the Borrower or a Wholly-Owned Restricted Subsidiary.

SECTION 5.19. No Redesignation of Restricted Subsidiaries. The Borrower will not designate any Restricted Subsidiary as, or take or permit to be taken any action that would cause any Restricted Subsidiary to become, an Unrestricted Subsidiary.

SECTION 5.20. Financial and Business Information. The Borrower will furnish to the Agents and each Lender:

(a) Quarterly Statements. Within 60 days after the end of each quarterly fiscal period in each fiscal year of the Borrower (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of

(i) consolidated and consolidating balance sheets of the Borrower and its Restricted Subsidiaries and of the Borrower and its Subsidiaries as at the end of such quarter, and

(ii) consolidated and consolidating statements of income, changes in shareholders' equity and cash flows of the Borrower and its Restricted Subsidiaries and of the Borrower and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

all in reasonable detail and setting forth, in the case of such consolidated statements, in comparative form the figures for the corresponding periods in the previous fiscal year, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, provided that delivery within the time period specified above of copies of the Borrower's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 5.20(a); provided further that if such Form 10-Q does not contain consolidating information for the Borrower and its Restricted Subsidiaries, the Borrower shall also deliver to each such holder the consolidating information described in this Section 5.20(a);

(b) Annual Statements. Within 120 days after the end of each fiscal year of the Borrower, duplicate copies of

(i) consolidated and consolidating balance sheets of the Borrower and its Restricted Subsidiaries and of the Borrower and its Subsidiaries, as at the end of such year, and

(ii) consolidated and consolidating statements of income, changes in shareholders' equity and cash flows of the Borrower and its Restricted Subsidiaries and of the Borrower and its Subsidiaries, for such year;

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied, (1) in the case of the consolidated statements, by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and (2) in the case of the consolidating statements, either certified by a Senior Financial Officer as fairly stating, or accompanied by a report thereon by such accountants containing a statement to the effect that such consolidating financial statements fairly state, the financial position and the results of operations and cash flows of the companies being reported upon in all material respects in relation to the consolidated financial statements for the periods indicated as a whole; provided that the delivery within the time period specified above of the Borrower's Annual Report on Form 10-K for such fiscal year (together with the Borrower's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of clauses (i) and (ii) of this Section 5.20(b); provided further that if such Form 10-K does not contain consolidating information for the Borrower and its Restricted Subsidiaries, the Borrower

shall also deliver to each such holder the consolidating information described in this Section 5.20(b); and

(iii) a certificate of such accountants stating that in making the examination for such report, they have obtained no knowledge of any Default or Event of Default, or, if they have obtained knowledge of any Default or Event of Default, specifying the nature and period of existence thereof and the action the Borrower has taken or proposes to take with respect thereto.

(c) SEC and Other Reports. If the Borrower or any Restricted Subsidiary shall be required to file reports with the Securities and Exchange Commission, promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Borrower or any Restricted Subsidiary to public securities holders generally, and (ii) each regular or periodic report, each registration statement that shall have become effective (without exhibits except as expressly requested by such holder), and each final prospectus and all amendments thereto filed by the Borrower or any Restricted Subsidiary with the Securities and Exchange Commission;

(d) Notice of Default or Event of Default. Promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Borrower is taking or proposes to take with respect thereto;

(e) ERISA Matters. Promptly, and in any event within five days after a Responsible Officer becomes aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Borrower or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof and the potential cost to the Borrower or such ERISA Affiliate resulting therefrom exceeds $500,000; or

(ii) the taking by the PBGC of steps to institute, or the threatening in writing by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Borrower or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Borrower or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Borrower or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, would reasonably be expected to have a Material Adverse Effect; and

(f) Requested Information. With reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Borrower or any of its Restricted Subsidiaries or relating to the ability of the Borrower to perform its obligations hereunder as from time to time may be reasonably requested by any Lender.

(g) Officer's Certificate. Each set of financial statements delivered pursuant to Section 5.20(a) or Section 5.20(b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(i) Covenant Compliance. The information (including detailed calculations) required in order to establish the Debt to Total Capitalization Ratio and whether the Borrower was in compliance with the requirements of Section 5.11 through Section 5.17 hereof, inclusive, and with all Additional Covenants, if any, that involve calculations during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section or Additional Covenant, as the case may be, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections or Additional Covenants, as the case may be, and the calculation of the amount, ratio or percentage then in existence);

(ii) Event of Default. A statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Borrower and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Borrower or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Borrower shall have taken or proposes to take with respect thereto;

(iii) Management's Discussion and Analysis. A written discussion and analysis by management of the financial condition and results of operations of the lines of business conducted by each material Restricted Subsidiary for such accounting period; and

(iv) Litigation. A written statement that, to the best of such Officer's knowledge after due inquiry, except as otherwise disclosed in writing to you, there is no litigation (including derivative actions), arbitration proceeding or governmental proceeding pending to which the Borrower or any Subsidiary is a party, or with respect to the Borrower or any Subsidiary or their respective properties, which has a significant possibility of materially and adversely affecting the business, operations, properties or condition of the Borrower or of the Borrower and its Subsidiaries taken as a whole.

SECTION 5.21 Inspection; Confidentiality. The Borrower shall permit the representatives of each Agent and each Lender:

(a) No Default. If no Default or Event of Default then exists, at the expense of such Agent or Lender and upon reasonable prior notice to the Borrower, to visit the principal executive office of the Borrower, to discuss the affairs, finances and accounts of the Borrower and its Restricted Subsidiaries with the Borrower's officers and (with the consent of the Borrower, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Borrower, which consent will not be unreasonably withheld) to visit the other offices and properties of the Borrower and each Restricted Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing;

(b) Default. If a Default or Event of Default then exists, at the expense of the Borrower to visit and inspect any of the offices or properties of the Borrower or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Borrower authorizes said accountants to discuss the affairs, finances and accounts of the Borrower and its Subsidiaries), all at such times and as often as may be requested; and

(c) Technical Data. Anything herein to the contrary notwithstanding, neither the Borrower nor any of its Subsidiaries shall have any obligations to disclose pursuant to this Agreement any engineering, scientific, or other technical data without significance to the analysis of the financial position of the Borrower and its Subsidiaries.

ARTICLE VI. EVENTS OF DEFAULT

In case of the happening of any of the following events (each an "Event of Default"):

(a) the Borrower defaults in the payment of any principal on any Loan when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Borrower defaults in the payment of any interest on any Loan or the payment of any fees due with respect to this Agreement for more than five Business Days after the same becomes due and payable; or

(c) the Borrower defaults in the performance of or compliance with any term contained in Section 5.20(d) or 5.10 through 5.19; or

(d) the Borrower defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Article VI) or any Additional Covenant and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Borrower receiving

written notice of such default from either Agent or any Lender (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (d) of Article VI); or

(e) any representation or warranty made in writing by or on behalf of the Borrower or by any officer of the Borrower in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Borrower or any Restricted Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $5,000,000 beyond any period of grace provided with respect thereto, or (ii) the Borrower or any Restricted Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least $5,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared due and payable before its stated maturity or before its regularly scheduled dates of payment; or

(g) the Borrower or any Restricted Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Borrower or any of its Restricted Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Borrower or any of its Restricted Subsidiaries, or any such petition shall be filed against the Borrower or any of its Restricted Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of $5,000,000 are rendered against one or more of the Borrower and its Restricted Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) if (i) any Plan subject to the minimum funding standards of ERISA or the Code shall fail to satisfy such standards for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Borrower or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate amount of unfunded accrued plan benefit liabilities under all Plans subject to Title IV of ERISA, determined in accordance with Financial Accounting Standards Board Statement No. 87 or 132, as the case may be, as of the end of such Plans' most recently ended plan year on the basis of actuarial assumptions specified for funding purposes in such Plans' most recent actuarial valuation report, shall exceed $5,000,000, (iv) the Borrower or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Borrower or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Borrower or any Restricted Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Borrower or any Restricted Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, would reasonably be expected to have a Materially Adverse Effect (as used in Article VI, the terms "employee benefit plan" and "employee welfare benefit plan" shall have the respective meanings assigned to such terms in Section 3 of ERISA);

then, and in every such event, and at any time thereafter during the continuance of such event, the Administrative Agent, at the request of the Required Lenders, shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate forthwith the right of the Borrower to borrow pursuant to the Commitments and (ii) declare the Loans of the Borrower then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and any unpaid accrued fees and all other liabilities of the Borrower accrued hereunder, shall become forthwith due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or any other notice of any kind, all of which are hereby expressly waived, anything contained herein to the contrary notwithstanding; provided that in the case of any event described in paragraph (g) or (h) above with respect to the Borrower, the Commitments of the Lenders with respect to the Borrower shall automatically terminate and the principal of the Loans then outstanding of the Borrower with respect to which such event has occurred, together with accrued interest thereon and any unpaid accrued fees and all other liabilities of the Borrower accrued hereunder shall automatically become due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein to the contrary notwithstanding.

ARTICLE VII. THE ADMINISTRATIVE AGENT

In order to expedite the transactions contemplated by this Agreement, Chase Bank of Texas, National Association is hereby appointed to act as Administrative Agent, on behalf of the Lenders. Each of the Lenders hereby irrevocably authorizes the Administrative Agent to take such actions on behalf of such Lender or holder and to exercise such powers as are specifically delegated to the Administrative Agent by the terms and provisions hereof, together with such actions and powers as are reasonably incidental thereto. The Administrative Agent is hereby expressly authorized by the Lenders, without hereby limiting any implied authority, (a) to receive on behalf of the Lenders all payments of principal of and interest on the Loans and all other amounts due to the Lenders hereunder and promptly to distribute to each Lender its share of each payment so received; (b) to give notice on behalf of each of the Lenders to the Borrower of any Event of Default of which the Administrative Agent has actual knowledge acquired in connection with its agency hereunder; and (c) to distribute to each Lender copies of all notices, financial statements and other materials delivered by the Borrower pursuant to this Agreement as received by the Administrative Agent.

Neither Administrative Agent nor any of its directors, officers, employees or agents shall be liable as such for any action taken or omitted by any of them except for its or his or her own gross negligence or willful misconduct, or be responsible for any statement, warranty or representation herein or the contents of any document delivered in connection herewith, or be required to ascertain or to make any inquiry concerning the performance or observance by the Borrower of any of the terms, conditions, covenants or agreements contained in this Agreement. The Administrative Agent shall not be responsible to the Lenders for the due execution, genuineness, validity, enforceability or effectiveness of this Agreement or other instruments or agreements. The Administrative Agent may deem and treat the Lender which makes any Loan as the holder of the indebtedness resulting therefrom for all purposes hereof until it shall have received notice from such Lender, given as provided herein, of the transfer thereof. The Administrative Agent shall in all cases be fully protected in acting, or refraining from acting, in accordance with written instructions signed by the Required Lenders and, except as otherwise specifically provided herein, such instructions and any action or inaction pursuant thereto shall be binding on all the Lenders. The Administrative Agent shall, in the absence of knowledge to the contrary, be entitled to rely on any instrument or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper Person or Persons. Neither the Administrative Agent nor any of its directors, officers, employees or agents shall have any responsibility to the Borrower on account of the failure of or delay in performance or breach by any Lender of any of its obligations hereunder or any Lender on account of the failure of or delay in performance or breach by any Lender or the Borrower of any of their respective obligations hereunder or in connection herewith. The Administrative Agent may execute any and all duties hereunder by or through agents or employees and shall be entitled to rely upon the advice of legal counsel selected by it with respect to all matters arising hereunder and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel.

The Lenders hereby acknowledge that the Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement unless it shall be requested in writing to do so by the Required Lenders.

Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent acceptable to the Borrower. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Agent, having a combined capital and surplus of at least $500,000,000 or an Affiliate of any such bank. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor bank, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 8.05 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

With respect to the Loans made by it hereunder, the Administrative Agent, in its individual capacity and not as Administrative Agent shall have the same rights and powers as any other Lender and may exercise the same as though it were not the Administrative Agent, and the Administrative Agent and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent.

Each Lender agrees (i) to reimburse the Administrative Agent, on demand, in the amount of its pro rata share (based on its Commitment hereunder or, if the Commitments shall have been terminated, the amount of its outstanding Loans) of any expenses incurred for the benefit of the Lenders in its role as Administrative Agent, including counsel fees and compensation of agents and employees paid for services rendered on behalf of the Lenders, which shall not have been reimbursed by the Borrower AND (II) TO INDEMNIFY AND HOLD HARMLESS THE ADMINISTRATIVE AGENT AND ANY OF ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS, ON DEMAND, IN THE AMOUNT OF SUCH PRO RATA SHARE, FROM AND AGAINST ANY AND ALL LIABILITIES, TAXES, 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 IT IN ANY WAY RELATING TO OR ARISING OUT OF THIS AGREEMENT OR ANY ACTION TAKEN OR OMITTED BY IT UNDER THIS AGREEMENT TO THE EXTENT THE SAME SHALL NOT HAVE BEEN REIMBURSED BY THE BORROWER (INCLUDING WITHOUT LIMITATION, ALL LIABILITIES, TAXES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGEMENTS, SUITS, COSTS, EXPENSES, OR DISBURSEMENTS ARISING FROM THE SOLE CONTRIBUTORY NEGLIGENCE OF THE ADMINISTRATIVE AGENT); PROVIDED THAT NO LENDER SHALL BE LIABLE TO THE ADMINISTRATIVE AGENT FOR ANY PORTION OF SUCH

LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES OR DISBURSEMENTS RESULTING FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE ADMINISTRATIVE AGENT OR ANY OF ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement or any related agreement or any document furnished hereunder or thereunder.

Wachovia Bank, N.A. has been designated as a Documentation Agent hereunder in recognition of the level of its Commitment. Wachovia Bank, N.A. is not an agent for the Lenders and shall not have any obligation hereunder other than those existing in its capacity as Lender.

ARTICLE VIII. MISCELLANEOUS

SECTION 8.01. Notices. Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed or sent by telecopy, as follows:

(a) if to Borrower, at its principal executive offices at 2100 Lake Park Blvd., Richardson, Texas 75080, to the attention of Chief Financial Officer, telecopy number 972-497-6042 with a copy to the Corporate Controller, Telecopy 972- 497- 5015;

(b) if to the Administrative Agent, to Chase Bank of Texas, National Association, 2200 Ross Avenue, 3rd Floor, Dallas, TX 75201, Attention of Mae Kantipong (Telecopy No. 214-965-2044), with a copy to Chase Bank of Texas, National Association, Loan Syndications Services, 1 Chase Manhattan Plaza, 8th Floor, New York, New York, 10081, telecopy number (212) 552-5777;

(c) if to the Documentation Agent, to Wachovia Bank, N.A., 191 Peachtree Street, N.E., Atlanta, Georgia 30303, Attention: Paige Mesaros, telecopy number (404) 332- 6898; and

(d) if to a Lender, to it at its address (or telecopy number) set forth in the Administrative Questionnaire delivered to the Administrative Agent by such Lender in connection with the execution of this Agreement or in the Assignment and Acceptance pursuant to which such Lender became a party hereto.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or

overnight courier service or sent by telecopy to such party as provided in this Section or in accordance with the latest unrevoked direction from such party given in accordance with this Section.

SECTION 8.02. Survival of Agreement. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Lenders and shall survive the making by the Lenders of the Loans regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any Fee or any other amount payable under this Agreement is outstanding and unpaid or the Commitments have not been terminated.

SECTION 8.03. Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower and each Agent and when the Administrative Agent shall have received copies hereof (telecopied or otherwise) which, when taken together, bear the signature of each Lender, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower shall not have the right to assign any rights hereunder or any interest herein without the prior consent of all the Lenders (except as a consequence of a transaction expressly permitted under Section 5.10).

SECTION 8.04. Successors and Assigns.

(a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any party that are contained in this Agreement shall bind and inure to the benefit of its successors and assigns.

(b) Each Lender may assign to one or more assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided, however, that (i) except in the case of an assignment to a Lender or an Affiliate of such Lender or an assignment to a Federal Reserve Bank, the Borrower and the Agents must give their prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than $10,000,000, (iii) each such assignment shall be of a constant, and not a varying, percentage of all the assigning Lender's rights and obligations under this Agreement, (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, and a processing and recordation fee of $3,000, and the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. Upon acceptance and recording pursuant to Section 8.04(e), from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five Business Days after the execution thereof unless otherwise agreed by the Administrative Agent (the Borrower to be given reasonable notice of any shorter period), (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this

Agreement and (B) the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto (but shall continue to be entitled to the benefits of Sections 2.11, 2.16 and 8.05 afforded to such Lender prior to its assignment as well as to any fees accrued for its account hereunder and not yet paid)).

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, (ii) except as set forth in (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto or the financial condition of the Borrower or the performance or observance by the Borrower of any obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.03 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; such assignee will independently and without reliance upon the Agents, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such assignee appoints and authorizes each Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to such Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent shall maintain at one of its offices in the City of Houston a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and the principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive in the absence of manifest error and the Borrower, the Agents and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by each party hereto, at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee together with an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) above and, if required, the written consent of the

Borrower and the Agents to such assignment, the Administrative Agent shall (i) accept such Assignment and Acceptance and (ii) record the information contained therein in the Register.

(f) Each Lender may without the consent of the Borrower or the Agents sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) each participating bank or other entity shall be entitled to the benefit of the cost protection provisions contained in Sections 2.11, 2.16 and 8.05 to the same extent as if it were the selling Lender (and limited to the amount that could have been claimed by the selling Lender had it continued to hold the interest of such participating bank or other entity), except that all claims made pursuant to such Sections shall be made through such selling Lender, and (iv) the Borrower, the Agents, and the other Lenders shall continue to deal solely and directly with such selling Lender in connection with such Lender's rights and obligations under this Agreement.

(g) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure, each such assignee or participant or proposed assignee or participant shall execute an agreement whereby such assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of any such information in accordance with Section 8.14.

(h) The Borrower shall not assign or delegate any rights and duties hereunder without the prior written consent of all Lenders, and any attempted assignment or delegation (except as a consequence of a transaction expressly permitted under Section 5.10) by the Borrower without such consent shall be void.

(i) Any Lender may at any time pledge all or any portion of its rights under this Agreement to a Federal Reserve Bank; provided that no such pledge shall release any Lender from its obligations hereunder or substitute any such Bank for such Lender as a party hereto. In order to facilitate such an assignment to a Federal Reserve Bank, the Borrower shall, at the request of the assigning Lender, duly execute and deliver to the assigning Lender a promissory note or notes evidencing the Loans made to the Borrower by the assigning Lender hereunder.

SECTION 8.05. Expenses; Indemnity.

(a) The Borrower agrees to pay all reasonable out-of-pocket expenses incurred by the Administrative Agent in connection with entering into this Agreement or in connection with any amendments, modifications or waivers of the provisions hereof (but only if such amendments, modifications or waivers are requested by the Borrower) (whether or not the transactions hereby contemplated are consummated), or incurred by the Administrative Agent or any Lender in connection with the enforcement of their rights in connection with this Agreement or in connection

with the Loans made hereunder, including the reasonable fees and disbursements of counsel for the Administrative Agent or, in the case of enforcement following an Event of Default, the Lenders.

(b) THE BORROWER AGREES TO INDEMNIFY EACH LENDER AGAINST ANY LOSS, CALCULATED IN ACCORDANCE WITH THE NEXT SENTENCE, OR REASONABLE EXPENSE WHICH SUCH LENDER MAY SUSTAIN OR INCUR AS A CONSEQUENCE OF (A) ANY FAILURE BY THE BORROWER TO BORROW OR TO CONVERT OR CONTINUE ANY LOAN HEREUNDER (INCLUDING AS A RESULT OF THE BORROWER'S FAILURE TO FULFILL ANY OF THE APPLICABLE CONDITIONS SET FORTH IN ARTICLE IV) AFTER IRREVOCABLE NOTICE OF SUCH BORROWING, CONVERSION OR CONTINUATION HAS BEEN GIVEN PURSUANT TO SECTION 2.03, (B) ANY PAYMENT, PREPAYMENT OR CONVERSION, OR ASSIGNMENT OF A EURODOLLAR LOAN OF THE BORROWER REQUIRED BY ANY OTHER PROVISION OF THIS AGREEMENT OR OTHERWISE MADE OR DEEMED MADE ON A DATE OTHER THAN THE LAST DAY OF THE INTEREST PERIOD, IF ANY, APPLICABLE THERETO, (C) ANY DEFAULT IN PAYMENT OR PREPAYMENT OF THE PRINCIPAL AMOUNT OF ANY LOAN OR ANY PART THEREOF OR INTEREST ACCRUED THEREON, AS AND WHEN DUE AND PAYABLE (AT THE DUE DATE THEREOF, WHETHER BY SCHEDULED MATURITY, ACCELERATION, IRREVOCABLE NOTICE OF PREPAYMENT OR OTHERWISE) OR (D) THE OCCURRENCE OF ANY EVENT OF DEFAULT, INCLUDING, IN EACH SUCH CASE, ANY LOSS OR REASONABLE EXPENSE SUSTAINED OR INCURRED OR TO BE SUSTAINED OR INCURRED BY SUCH LENDER IN LIQUIDATING OR EMPLOYING DEPOSITS FROM THIRD PARTIES, OR WITH RESPECT TO COMMITMENTS MADE OR OBLIGATIONS UNDERTAKEN WITH THIRD PARTIES, TO EFFECT OR MAINTAIN ANY LOAN HEREUNDER OR ANY PART THEREOF AS A EURODOLLAR LOAN. SUCH LOSS SHALL INCLUDE AN AMOUNT EQUAL TO THE EXCESS, IF ANY, AS REASONABLY DETERMINED BY SUCH LENDER, OF (I) ITS COST OF OBTAINING THE FUNDS FOR THE LOAN BEING PAID, PREPAID, CONVERTED OR NOT BORROWED (ASSUMED TO BE THE LIBO RATE FOR THE PERIOD FROM THE DATE OF SUCH PAYMENT, PREPAYMENT OR FAILURE TO BORROW TO THE LAST DAY OF THE INTEREST PERIOD FOR SUCH LOAN (OR, IN THE CASE OF A FAILURE TO BORROW THE INTEREST PERIOD FOR SUCH LOAN WHICH WOULD HAVE COMMENCED ON THE DATE OF SUCH FAILURE) OVER (II) THE AMOUNT OF INTEREST (AS REASONABLY DETERMINED BY SUCH LENDER) THAT WOULD BE REALIZED BY SUCH LENDER IN REEMPLOYING THE FUNDS SO PAID, PREPAID OR NOT BORROWED FOR SUCH PERIOD OR INTEREST PERIOD, AS THE CASE MAY BE.

(c) THE BORROWER AGREES TO INDEMNIFY THE AGENTS, EACH LENDER, EACH OF THEIR AFFILIATES AND THE DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS OF, THE FOREGOING (EACH SUCH PERSON BEING CALLED AN "INDEMNITEE") AGAINST, AND TO HOLD EACH INDEMNITEE HARMLESS FROM, ANY AND ALL LOSSES, CLAIMS, DAMAGES, LIABILITIES AND RELATED EXPENSES, INCLUDING REASONABLE COUNSEL FEES AND EXPENSES, INCURRED BY OR ASSERTED AGAINST ANY INDEMNITEE ARISING OUT OF (I) THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, (II) THE USE OF THE

PROCEEDS OF THE LOANS OR (III) ANY CLAIM, LITIGATION, INVESTIGATION OR PROCEEDING RELATING TO ANY OF THE FOREGOING, WHETHER OR NOT ANY INDEMNITEE IS A PARTY THERETO (INCLUDING, WITHOUT LIMITATION, ANY LOSSES, CLAIMS, DAMAGES, LIABILITIES AND RELATED EXPENSES ARISING FROM THE SOLE OR CONTRIBUTORY NEGLIGENCE OF THE INDEMNITEE); PROVIDED THAT SUCH INDEMNITY SHALL NOT, AS TO ANY INDEMNITEE, BE AVAILABLE TO THE EXTENT THAT SUCH LOSSES, CLAIMS, DAMAGES, LIABILITIES OR RELATED EXPENSES (I) ARE DETERMINED TO HAVE RESULTED FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNITEE OR (II) RESULT FROM ANY LITIGATION BROUGHT BY SUCH INDEMNITEE AGAINST THE BORROWER OR BY THE BORROWER AGAINST SUCH INDEMNITEE, IN WHICH THE BORROWER IS THE PREVAILING PARTY.

(d) The provisions of this Section shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the invalidity or unenforceability of any term or provision of this Agreement or any investigation made by or on behalf of any Agent or any Lender. All amounts due under this Section shall be payable on written demand therefor.

SECTION 8.06. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized 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 such Lender to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 8.07. Applicable Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS.

SECTION 8.08. Waivers; Amendment.

(a) No failure or delay of Borrower, any Agent or any Lender in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Agents and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies which they would otherwise have. No waiver of any provision of this Agreement or consent to any departure therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Borrower or any Subsidiary in any case shall entitle such party to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders; provided, however, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any interest on any Loan, or waive or excuse any such payment or any part thereof, or decrease the rate of interest on any Loan, without the prior written consent of each Lender affected thereby, (ii) increase any Commitment or decrease the fees payable to any Lender without the prior written consent of such Lender, or (iii) amend or modify the provisions of Section 2.13 or Section 8.04(h), the provisions of this Section or the definition of the "Required Lenders", without the prior written consent of each Lender; provided further, however, that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent. Each Lender shall be bound by any waiver, amendment or modification authorized by this Section and any consent by any Lender pursuant to this Section shall bind any assignee of its rights and interests hereunder.

SECTION 8.09. Entire Agreement. THIS AGREEMENT (INCLUDING THE SCHEDULES AND EXHIBITS HERETO) AND THE FEE LETTERS CONSTITUTE A "LOAN AGREEMENT" AS DEFINED IN SECTION 26.03(A) OF THE TEXAS BUSINESS AND COMMERCE CODE, AND REPRESENT THE ENTIRE CONTRACT AMONG THE PARTIES RELATIVE TO THE SUBJECT MATTER HEREOF AND THEREOF. ANY PREVIOUS AGREEMENT AMONG THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF IS SUPERSEDED BY THIS AGREEMENT AND THE FEE LETTERS, PROVIDED THAT THE EXISTING CREDIT AGREEMENT WILL REMAIN IN EFFECT. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. NOTHING IN THIS AGREEMENT, EXPRESSED OR IMPLIED, IS INTENDED TO CONFER UPON ANY PARTY OTHER THAN THE PARTIES HERETO ANY RIGHTS, REMEDIES, OBLIGATIONS OR LIABILITIES UNDER OR BY REASON OF THIS AGREEMENT.

SECTION 8.10. Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8.11. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract, and shall become effective as provided in Section 8.03.

SECTION 8.12. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 8.13. Interest Rate Limitation.

(a) Notwithstanding anything herein to the contrary, if at any time the applicable interest rate, together with all fees and charges which are treated as interest under applicable law (collectively the "Charges"), as provided for herein or in any other document executed in connection herewith, or otherwise contracted for, charged, received, taken or reserved by any Lender, shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by such Lender in accordance with applicable law, the rate of interest payable on the Loans of such Lender, together with all Charges payable to such Lender, shall be limited to the Maximum Rate.

(b) If the amount of interest, together with all Charges, payable for the account of any Lender in respect of any interest computation period is reduced pursuant to paragraph (a) of this Section and the amount of interest, together with all Charges, payable for such Lender's account in respect of any subsequent interest computation period, computed pursuant to Section 2.06, would be less than the Maximum Rate, then the amount of interest, together with all Charges, payable for such Lender's account in respect of such subsequent interest computation period shall, to the extent permitted by applicable law, be automatically increased to such Maximum Rate; provided that at no time shall the aggregate amount by which interest paid for the account of any Lender has been increased pursuant to this paragraph (b) exceed the aggregate amount by which interest, together with all Charges, paid for its account has theretofore been reduced pursuant to paragraph (a) of this Section.

(c) No provision of this Agreement shall require the payment or the collection of interest in excess of the maximum amount permitted by applicable law. If any excess of interest in such respect is hereby provided for, or shall be adjudicated to be so provided, in this Agreement or otherwise in connection with this loan transaction, the provisions of this Section shall govern and prevail and neither the Borrower nor the sureties, guarantors, successors, or assigns of the Borrower shall be obligated to pay the excess amount of such interest or any other excess sum paid for the use, forbearance, or detention of sums loaned pursuant hereto. In the event any Lender ever receives, collects, or applies as interest any such sum, such amount which would be in excess of the maximum amount permitted by applicable law shall be applied as a payment and reduction of the principal of the Loans; and, if the principal of the Loans has been paid in full, any remaining excess shall forthwith be paid to the Borrower. In determining whether or not the interest paid or payable exceeds the Maximum Rate, the Borrower and each Lender shall, to the extent permitted by applicable law, (a) characterize any non-principal payment as an expense, fee, or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the entire contemplated term of the Loans so that interest for the entire term does not exceed the Maximum Rate.

SECTION 8.14. Confidentiality. For the purposes of this Section 8.14, "Confidential Information" means information delivered to an Agent or a Lender by or on behalf of the Borrower or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by an Agent or a Lender as being confidential information of the Borrower or such Subsidiary, provided that such term does not include information that (a) was

publicly known or otherwise known to an Agent or a Lender prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by an Agent or a Lender or any Person acting on their behalf, (c) otherwise becomes known to an Agent or a Lender other than through disclosure by the Borrower or any Subsidiary or (d) constitutes financial statements delivered to you under Section 5.20 that are otherwise publicly available. Each Agent and each Lender agree that they will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by them in good faith to protect confidential information of third parties delivered to them, provided that an Agent or a Lender may deliver or disclose Confidential Information to (i) its directors, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of this Agreement), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 8.14, (iii) any other Agent or Lender, (iv) any Transferee (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 8.14), (v) any Person from which it offers to purchase any security of the Borrower or a Subsidiary (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 8.14), (vi) any federal or state regulatory authority having jurisdiction over it, (vii) any nationally recognized rating agency that requires access to information about its investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to it, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which it is a party or (z) if an Event of Default has occurred and is continuing, to the extent an Agent or a Lender may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under this Agreement.

SECTION 8.15. Non-Application of Chapter 346 of the Texas Finance Code. The provisions of Chapter 346 of the Texas Finance Code are specifically declared by the parties hereto not to be applicable to this Agreement or to the transactions contemplated hereby.

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

LENNOX INTERNATIONAL INC.,
as Borrower

By: /s/ Clyde Wyant

Clyde Wyant
Executive Vice President,
Chief Financial Officer and Treasurer

CHASE BANK OF TEXAS,
NATIONAL ASSOCIATION,
individually and as Administrative Agent

By: /s/ Mae Kantipong

Mae Kantipong
Vice President

WACHOVIA BANK, N.A.,
individually and as Documentation Agent

By: /s/ Paige D. Mesaros

Paige D. Mesaros
Vice President

EXHIBITS AND SCHEDULES

Exhibit A	Form of Borrowing Request
Exhibit B	Administrative Questionnaire
Exhibit C	Form of Assignment and Acceptance
Exhibit D	Matters to be addressed by Opinion of Counsel

Schedule 2.01	Commitments
Schedule 3.05	Subsidiaries
Schedule 3.06	Financial Statements
Schedule 3.13	Indebtedness

EXHIBIT A

FORM OF BORROWING REQUEST

Chase Bank of Texas, National Association, [Date]
as Administrative Agent for the Lenders referred to below
2200 Ross Avenue, 3rd floor
Dallas, TX 77002

Attention: Brenda Harris
Telecopy: 214-965-2044

and

Chase Bank of Texas, National Association
Loan Syndications Services
1 Chase Manhattan Plaza, 8th Floor
New York, New York 10081

Telecopy: 212-552-5777

Ladies and Gentlemen:

The undersigned, Lennox International Inc. (the "Borrower"), refers to the Advance Term Credit Agreement dated as of March 16, 1999 (as it may hereafter be amended, modified, extended or restated from time to time, the "Agreement"), among the Borrower, the Lenders named therein, Chase Bank of Texas, National Association, as Administrative Agent, and Wachovia Bank, N.A., as Documentation Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Agreement. The Borrower hereby gives you notice pursuant to Section 2.03 of the Agreement that it requests a Borrowing under the Agreement, and in that connection sets forth below the terms on which such Borrowing is requested to be made:

(A) Date of Borrowing (which is a Business Day) ----------

(B) Principal amount of Borrowing (1) ----------

(C) Interest rate basis (2) ----------

- ----------

(1) Not less than $5,000,000 (and in integral multiples of $1,000,000) or greater than the Total Commitment then available.

(2) Eurodollar Loan or ABR Loan.

(D) Interest Period and the last day thereof (3)

Upon acceptance of any or all of the Loans made by the Lenders in response to this request, the Borrower shall be deemed to have represented and warranted that the conditions to lending specified in Section 4.01(b) and (c) of the Agreement have been satisfied.

Very truly yours,

LENNOX INTERNATIONAL INC.

By:

Name:

Title:

[Senior Financial Officer]

- ---

(3) Which shall be subject to the definition of "Interest Period" and end not later than the Maturity Date.

EXHIBIT B

ADMINISTRATIVE QUESTIONNAIRE
LENNOX INTERNATIONAL INC.

PLEASE FORWARD THIS COMPLETED
FORM AS SOON AS POSSIBLE TO:

Gina Hardwick FAX (713) 216-2291

PLEASE TYPE ALL INFORMATION.

Agent:	Chase Bank of Texas, National Association 712 Main Street 8 TCB-N 96 Houston, Texas 77002
Telex:	
Syndications Telecopier:	
Syndications Contacts:	_____ (713) _____ Ann Krevis Baumgartner (713) 216-7582 Gina Hardwick (713) 216-2093
Operations:	Gale Manning (713) 750-2784
Letters of Credit:	Gale Manning (713) 750-2784
Full Legal Name of your Institution:	

Hard-copy documents, notices and periodic financial statements of the Borrower should be sent to the following account officer designated by your bank:

Officer's Name:	
Title:	
Street Address (No P.O. Boxes please):	
City, State, Zip:	
Phone #:	
Telefax #:	

PRIMARY CONTACT INFORMATION

We will send all telecopies regarding time-critical information (drawdowns, option changes, payments, etc.) to the Primary or Alternate Contact at the banking location you designate.

1. Your bank's primary contact for telefaxes concerning borrowings, options on interest rates, etc.:

Primary Name/ Phone No.	Department	Primary Telefax No.	Primary Telex No. & Answerback	Alternate Telefax No.	Alternate Telex No. & Answerback

Primary Name/ Phone No.	Department	Primary Telefax No.	Primary Telex No. & Answerback	Alternate Telefax No.	Alternate Telex No. & Answerback

If at any time any of the above information changes, please advise.

Publicity: Under what name would you prefer your Institution to appear in any further advertisements?

- ---

Movement of Funds: TO US: Wire Fed Funds to:
Chase Bank of Texas, National Association
ABA #113000609

for account number #_____
Attention: Loan syndication Svcs./ Gale Manning
Reference:

- ---

TO YOU: Wire Fed Funds to:

- ---

NAME:
ABA #
For Credit To:
Attention:
Reference:

- ---

Other:

- ---

If buyer is purchasing Letter of Credit facility as part of this participation/syndication, please provide the information below:

- ---

L/C contact name:

- ---

Street Address:

- ---

City, State, Zip:

- ---

Phone #:

- ---

Telefax #:

- ---

Wire Fed Funds to:

- ---

NAME:
ABA #
For Credit To:
Attention:
Reference:

- ---

EXHIBIT C

ASSIGNMENT AND ACCEPTANCE

Dated: _____, 19__

Reference is made to the Advance Term Credit Agreement dated as of March 16, 1999 (as amended, modified, extended or restated from time to time, the "Agreement"), among Lennox International Inc. (the "Borrower"), the lenders listed in Schedule 2.01 thereto (the "Lenders"), Wachovia Bank, N.A., as Documentation Agent and Chase Bank of Texas, National Association, as Administrative Agent for the Lenders. Terms defined in the Agreement are used herein with the same meanings.

1. The Assignor hereby sells and assigns, without recourse, to the Assignee, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the [Effective Date of Assignment set forth below], the interests set forth below (the "Assigned Interest") in the Assignor's rights and obligations under the Agreement, including, without limitation, the interests set forth below in the Commitment of the Assignor on the [Effective Date of Assignment] and the Loans owing to the Assignor which are outstanding on the [Effective Date of Assignment], together with unpaid interest accrued on the assigned Loans to the [Effective Date of Assignment] and the amount, if any, set forth below of the fees accrued to the [Effective Date of Assignment] for the account of the Assignor. Each of the Assignor and the Assignee hereby makes and agrees to be bound by all the representations, warranties and agreements set forth in Section 8.04 of the Agreement, a copy of which has been received by each such party. From and after the [Effective Date of Assignment], (i) the Assignee shall be a party to and be bound by the provisions of the Agreement and, to the extent of the interests assigned by this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the interests assigned by this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Agreement. After giving effect to this Assignment and Acceptance, Assignor's Commitment shall be $_____.

2. This Assignment and Acceptance is being delivered to the Agent together with (i) if the Assignee is organized under the laws of a jurisdiction outside the United States, the forms specified in Section 2.15(g) of the Agreement, duly completed and executed by such Assignee, (ii) if the Assignee is not already a Lender under the Agreement, an Administrative Questionnaire in the form of Exhibit B to the Agreement and (iii) a processing and recordation fee of $3,000.

3. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of Texas.

Date of Assignment:

Legal Name of Assignor:

Legal Name of Assignee:

Assignee's Address for Notices:
_____

Effective Date of Assignment (may not be fewer than 5 Business Days after the Date of Assignment unless otherwise agreed by the Agent):

Facility	Principal Amount Assigned	Percentage Assigned of Facility/Commitment (set forth, to at least 8 decimals, as a percentage of the Facility and the aggregate Commitments of all Lender thereunder)
Commitment Assigned:	$ _____	_____ %
Loans:	$ _____	_____ %
Fees Assigned (if any):	$ _____	_____ %

The terms set forth herein are hereby agreed to:

_____ as
_____,
Assignor,

By:
_____
Name:
Title:

_____, as
_____
Assignee,

By:
_____
Name:
Title:

Accepted:

LENNOX INTERNATIONAL INC.

By:
_____
Name:
Title:

CHASE BANK OF TEXAS, NATIONAL ASSOCIATION, as Administrative Agent

By:
_____
Name:
Title:

EXHIBIT D

Matters To Be Covered In

Opinion of Counsel to Borrower

1. Each of the Borrower and Lennox Industries Inc., Heatcraft Inc. and Armstrong Air Conditioning Inc. being duly incorporated, validly existing and in good standing and the Borrower having requisite corporate power and authority to execute, deliver and perform the Agreement.

2. Each of the Borrower and Lennox Industries Inc., Heatcraft Inc. and Armstrong Air Conditioning Inc. being duly qualified and in good standing as a foreign corporation in appropriate jurisdictions.

3. Due authorization and execution of the Agreement and the Agreement being legal, valid, binding and enforceable.

4. No conflicts with charter documents, laws or other agreements.

5. All consents required to execute, deliver or perform the Agreement having been obtained.

6. No litigation questioning validity of the Agreement or as to which there is otherwise the reasonable likelihood of a Material Adverse Effect.

7. No violation of Regulations T, U or X of the Federal Reserve Board.

8. borrower not an "investment company", or a company "controlled" by an "investment company", under the Investment Company Act of 1940, as amended.

SCHEDULE 2.01

Lender	Commitment
a. Chase Bank of Texas, National Association	$ 57,500,000
b. Wachovia Bank, N.A.	$ 57,500,000
TOTAL	$115,000,000

EXHIBIT E - JOINDER AGREEMENT - Cover Page

SCHEDULE 3.05

Lennox International Inc. Subsidiaries
as of June 30, 1999

Name	Ownership	Jurisdiction of Inc.	Restricted/Unrestricted	Location of Operating Assets
(1) Lennox Industries Inc. SEE ATTACHED CHART	100%	Iowa	Restricted	United States
(2) Heatcraft Inc.	100%	Mississippi	Restricted	United States
(a) Frigus-Bohn S.A. de C.V.	50%	Mexico	Unrestricted	Mexico
(3) Heatcraft Technologies Inc.	100%	Delaware	Restricted	United States
(4) Armstrong Air Conditioning Inc.	100%	Ohio	Restricted	United States
(a) JOA Industries, Inc.	100%	Nebraska	Restricted	United States
(i) Albert O. Jensen Wholesale Furnace & Supply Co., d/b/a Jensen-Klich Supply Co.	100%	Nebraska	Restricted	United States
(5) Lennox Foreign Sales Corp.	100%	U.S. Virgin Islands	Unrestricted	N/A
(6) Lennox Commercial Realty Inc.	100%	Iowa	Restricted	United States
(7) Lennox Global Ltd. SEE ATTACHED CHART	100%	Delaware	Unrestricted	United States

Lennox International Inc. Subsidiaries
as of June 30, 1999

Name	Ownership	Jurisdiction of Inc.	Restricted/Unrestricted	Location of Operating Assets
Lennox Industries, Inc.				
(a) Products Acceptance Corporation	100%	Iowa	Restricted	N/A
(b) Lennox Industries (Canada) Ltd.	100%	Canada	Unrestricted	Canada
(c) Lennox Industries SW Inc.	100%	Iowa	Restricted	N/A
(d) Lennox Manufacturing Inc.	100%	Delaware	Restricted	United States
(e) Hearth Products Inc.	100%	Delaware	Restricted	United States
(i) SFC Holdings Inc.	100%	Delaware	Restricted	United States

Lennox International Inc. Subsidiaries
as of June 30, 1999

Name	Ownership	Jurisdiction of Inc.	Restricted/Unrestricted	Location of Operating Assets
Lennox Global Ltd.				
(a) UK Industries Inc.	100%	Delaware	Unrestricted	N/A
(b) UK Global Ltd.	100%	Delaware	Unrestricted	N/A
(c) Lennox Australia Pty. Ltd.	100%	Australia	Unrestricted	Australia
(d) LGL Asia-Pacific Pte. Ltd.	100%	Rep. of Singapore	Unrestricted	Singapore
(e) LGL (Australia) Pty. Ltd.	100%	Australia	Unrestricted	Australia
(f) LGL de Mexico, S.A. de C.V.	99%	Mexico	Unrestricted	Mexico
(g) Ets. Brancher S.A.	70%	France	Unrestricted	France
(1) SEE ATTACHED CHART				
(h) Fairco S.A.	50%	Argentina	Unrestricted	Argentina

Lennox International Inc. Subsidiaries
as of June 30, 1999

Name	Ownership	Jurisdiction of Inc.	Restricted/Unrestricted	Location of Operating Assets
Ets. Brancher S.A.				
(a) HCF-Lennox Limited	99%	United Kingdom	Unrestricted	United Kingdom
(1) Lennox Industries	100%	United Kingdom	Unrestricted	United Kingdom
(A) Environheat Limited	100%	United Kingdom	Unrestricted	N/A
(b) HCF Lennox S.A.	100%	France	Unrestricted	France
(1) SEE ATTACHED CHART				
(c) Frinotech S.A.	99.68%	France	Unrestricted	N/A
(d) Friga-Bohn S.A.	100%	France	Unrestricted	France
(1) Friga-Bohn Warmeauslauscher GmbH	100%	Germany	Unrestricted	Germany
(2) ERSA	79.5%	Spain	Unrestricted	Spain
(3) West	80%	Italy	Unrestricted	Italy
(4) Friga-Coil	50%	Czech Republic	Unrestricted	Czech Republic
(5) Herac Ltd.	100%	United Kingdom	Unrestricted	N/A
(e) SCI Geraval	99.83%	France	Unrestricted	France
(f) SCI Groupe Brancher	76%	France	Unrestricted	France

Lennox International Inc. Subsidiaries
as of June 30, 1999

Name	Ownership	Jurisdiction of Inc.	Restricted/Unrestricted	Location of Operating Assets
HCF Lennox S.A.				
(a) Refac B.V.	100%	Netherlands	Unrestricted	Netherlands
(1) Refac NV	100%	Belgium	Unrestricted	Belgium
(2) Refac Nord GmbH	100%	Germany	Unrestricted	N/A
(A) Refac West GmbH	100%	Germany	Unrestricted	N/A
(3) Refac Kalte-Klima Technik Vertriebs GmbH	50%	Germany	Unrestricted	N/A
(4) Refac UK Ltd.	100%	United Kingdom	Unrestricted	United Kingdom
(b) Hyfra GmbH	100%	Germany	Unrestricted	Germany
(c) Lennox-Refac S.A.	100%	Spain	Unrestricted	Spain
(1) Redi Andalucia S.A.	70%	Spain	Unrestricted	N/A
(2) Lennox Refac	100%	Portugal	Unrestricted	N/A
(3) Deutsche Bronswerk GmbH	100%	Germany	Unrestricted	Germany
(4) Bronswerk Refac GmbH	100%	Germany	Unrestricted	Germany

SCHEDULE 3.06

FINANCIAL STATEMENTS

1. Consolidated and consolidating financial statements for the Borrower and its Subsidiaries for the fiscal years ended December 31, 1992 through December 31, 1997.

2. Quarterly consolidated and consolidating financial statements for the Borrower and its Subsidiaries for the periods ended March 31, June 30, and September 30 for 1992-98.

SCHEDULE 3.13

LENNOX INTERNATIONAL INC.
AND RESTRICTED SUBSIDIARIES
INDEBTEDNESS AS OF
DECEMBER 31, 1998 (EXCEPT AS NOTED)

A.	LENNOX INTERNATIONAL INC.	
	(1) Agreement of Assumption and Restatement dated as of December 1, 1991 between Lennox International Inc. and the Noteholders identified at the end thereof, pursuant to which Lennox International Inc. delivered its:	
	9.53% Series F Promissory Notes due 2001	$21,000,000
	9.69% Series H Promissory Notes due 2003	24,600,000
	(2) Note Purchase Agreement dated as of December 1, 1993 among Lennox International Inc. and the Noteholders identified at the end thereof, pursuant to which Lennox International Inc. delivered its 6.73% Senior Promissory Notes due 2008	100,000,000
	(3) Note Purchase Agreement dated as of July 6, 1995 between Lennox International Inc. and Teachers Insurance and Annuity Association of America, pursuant to which Lennox International Inc. delivered its 7.06% Senior Promissory Notes due 2005	20,000,000
	(4) Guaranty dated September 19, 1995 from Lennox International Inc. to First Bank of Natchitoches & Trust Company and Regions Bank of Louisiana guaranteeing 50% of debt of Alliance Compressors to such Banks under a Promissory Note dated September 19, 1995	1,070,586*
	(5) Guaranty of 50% of amounts due from Alliance Compressors under a Master Equipment Lease Agreement dated March 28, 1995 with NationsBanc Leasing Corporation	343,844*
	(6) Letter of Credit guaranteeing debt of Refac B.V. to Stork N.V. in connection with purchase of stock of Refac B.V. from Stork N.V.	1,701,440
	(7) Guaranty of 50% of Frigus-Bohn S.A. de C.V. Line of Credit from Bank One, Texas, N.A., in the maximum amount of $1,500,000	750,000

	(8) Letter of Credit guaranteeing debt of Lennox Australia Pty Ltd. to Alcair Industries Pty Ltd. in connection with purchase of assets of Alcair Industries Pty Ltd.	547,000
	(9) Note Purchase Agreement dated as of April 3, 1998, between Lennox International Inc. and the Noteholders identified therein, pursuant to which Lennox International Inc. delivered its:	
	6.56% Senior Notes due April 3, 2005	25,000,000
	6.75% Senior Notes due April 3, 2008	50,000,000
	(10) Existing Credit Agreement	38,000,000
B.	LENNOX INDUSTRIES INC.	
	Promissory Note dated December 22, 1992 issued to Texas Housing Opportunity Fund, Ltd.	109,358
	Balance Due for deferred price payment for Pyro Industries, Inc.	3,763,182
C.	LENNOX COMMERCIAL REALTY INC.	
	11.1% Mortgage Note Agreement with Texas Commerce Bank, N.A. due January 1, 2000, secured by mortgage on headquarters building and an assignment of the Lease between Lennox Commercial Realty Inc. and Lennox Industries Inc.	7,546,885
D.	MISCELLANEOUS CAPITAL LEASES	280,954
TOTAL OUTSTANDING INDEBTEDNESS OF LENNOX INTERNATIONAL INC. AND RESTRICTED SUBSIDIARIES		$294,713,249

*50% AS OF DECEMBER 31, 1998

SCHEDULE 5.15 - LENNOX INTERNATIONAL INC. AND RESTRICTED SUBSIDIARIES - Page 2 of 2

1998 INCENTIVE PLAN

OF

LENNOX INTERNATIONAL INC.

1. Plan. This 1998 Incentive Plan of Lennox International Inc. (the "Plan") is an amendment and restatement of the Lennox International Inc. 1994 Stock Option and Restricted Stock Plan (the "Existing Plan"), which was adopted by Lennox International Inc. to reward certain corporate officers and key employees of Lennox International Inc. and its Subsidiaries (as herein defined) by enabling them to acquire shares of common stock of Lennox International Inc. Upon the Amendment Effective Date (as hereinafter defined), the Existing Plan shall be amended and restated in its entirety as set forth herein. At the same time the Plan shall replace and incorporate herein certain provisions of the Company's existing incentive compensation plans.

2. Objectives. This Plan is designed to attract and retain employees of the Company and its Subsidiaries, to attract and retain qualified directors of the Company, to attract and retain consultants and other independent contractors, to encourage the sense of proprietorship of such employees, directors and independent contractors and to stimulate the active interest of such persons in the development and financial success of the Company and its Subsidiaries. These objectives are to be accomplished by making Awards (as hereinafter defined) under this Plan and thereby providing Participants (as hereinafter defined) with a proprietary interest in the growth and performance of the Company and its Subsidiaries.

3. Definitions. As used herein, the terms set forth below shall have the following respective meanings:

"Amendment Effective Date" has the meaning set forth in paragraph 19 hereof.

"Authorized Officer" means the Chairman of the Board or the Chief Executive Officer of the Company (or any other senior officer of the Company to whom either of them shall delegate the authority to execute any Award Agreement).

"Award" means an Employee Award, a Director Award or an Independent Contractor Award.

"Award Agreement" means any Employee Award Agreement, Director Award Agreement or Independent Contractor Award Agreement.

"Board" means the Board of Directors of the Company.

"Cash Award" means an award denominated in cash.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Committee" means the Compensation Committee of the Board or such other committee of the Board as is designated by the Board to administer the Plan.

"Common Stock" means the Common Stock, par value $.01 per share, of the Company.

"Company" means Lennox International Inc., a Delaware corporation.

"Director" means an individual serving as a member of the Board.

"Director Award" means the grant of a Director Option.

"Director Award Agreement" means a written agreement between the Company and a Participant who is a Nonemployee Director setting forth the terms, conditions and limitations applicable to a Director Award.

"Director Options" means Nonqualified Options granted to Nonemployee Directors pursuant to the applicable terms, conditions and limitations specified in paragraph 9 hereof.

"Disability" means, with respect to a Nonemployee Director, the inability to perform the duties of a Director for a continuous period of more than three months by reason of any medically determinable physical or mental impairment.

"Dividend Equivalents" means, with respect to shares of Restricted Stock that are to be issued at the end of the Restriction Period, an amount equal to all dividends and other distributions (or the economic equivalent thereof) that are payable to stockholders of record during the Restriction Period on a like number of shares of Common Stock.

"Employee" means an employee of the Company or any of its Subsidiaries and an individual who has agreed to become an Employee of the Company or any of its Subsidiaries and actually becomes such an Employee within the following six months.

"Employee Award" means the grant of any Option, SAR, Stock Award, Cash Award or Performance Award, whether granted singly, in combination or in tandem, to a Participant who is an Employee pursuant to such applicable terms, conditions and limitations as the Committee may establish in order to fulfill the objectives of the Plan.

"Employee Award Agreement" means a written agreement between the Company and a Participant who is an Employee setting forth the terms, conditions and limitations applicable to an Employee Award.

"Fair Market Value" of a share of Common Stock means, as of a particular date, (i) if shares of Common Stock are listed on a national securities exchange, the mean between the highest and lowest sales price per share of Common Stock on the consolidated transaction reporting system for the principal national securities exchange on which shares of Common Stock are listed on that date, or, if there shall have been no such sale so reported on that date, on the last preceding date on which such a sale was so reported, (ii) if shares of Common Stock are not so listed but are quoted on the Nasdaq National Market, the mean between the highest and lowest sales price per share of Common Stock reported by the Nasdaq National Market on that date, or, if there shall have been no such sale so reported on that date, on the last preceding date on which such a sale was so reported, (iii) if the Common Stock is not so listed or quoted, the mean between the closing bid and asked price on that date, or, if there are no quotations available for such date, on the last preceding date on which such quotations shall be available, as reported by the Nasdaq Stock Market, or, if not reported by the Nasdaq Stock Market, by the National Quotation Bureau Incorporated or (iv) if shares of Common Stock are not publicly traded, the most recent value determined by an independent appraiser appointed by the Company for such purpose; provided, however, that, notwithstanding the foregoing, "Fair Market Value" in the case of any Award granted in connection with the IPO means the price per share of Common Stock set on the IPO Pricing Date, as set forth in the final prospectus relating to the IPO.

"Incentive Option" means an Option that is intended to comply with the requirements set forth in Section 422 of the Code.

"Independent Contractor" means a person providing services to the Company or any of its Subsidiaries except an Employee or Nonemployee Director.

"Independent Contractor Award" means the grant of any Nonqualified Stock Option, SAR, Stock Award, Cash Award or Performance Award, whether granted singly, in combination or in tandem, to a Participant who is an Independent Contractor pursuant to such applicable terms, conditions and limitations as the Committee may establish in order to fulfill the objectives of the Plan.

"Independent Contractor Award Agreement" means a written agreement between the Company and a Participant who is an Independent Contractor setting forth the terms, conditions and limitations applicable to an Independent Contractor Award.

"IPO" means the first time a registration statement filed under the Securities Act of 1933 and respecting, in whole or in part, an underwritten primary offering by the Company of shares of Common Stock is declared effective under that Act and the shares registered by that registration statement are issued and sold by the Company (otherwise than pursuant to the exercise of any overallotment option).

"IPO Closing Date" means the date on which the Company first receives payment for the shares of Common Stock it sells in the IPO.

"IPO Pricing Date" means the date of the execution and delivery of an underwriting or other purchase agreement among the Company and the underwriters relating to the IPO setting forth the price at which shares of Common Stock will be issued and sold by the Company to the underwriters and the terms and conditions thereof.

"Nonemployee Director" has the meaning set forth in paragraph 4(b) hereof.

"Nonqualified Stock Option" means an Option that is not an Incentive Option.

"Option" means a right to purchase a specified number of shares of Common Stock at a specified price.

"Participant" means an Employee, Director or Independent Contractor to whom an Award has been made under this Plan.

"Performance Award" means an award made pursuant to this Plan to a Participant who is an Employee or Independent Contractor who is subject to the attainment of one or more Performance Goals.

"Performance Goal" means one or more standards established by the Committee, to determine in whole or in part whether a Performance Award shall be earned.

"Restricted Stock" means any Common Stock that is restricted or subject to forfeiture provisions.

"Restriction Period" means a period of time beginning as of the date upon which an Award of Restricted Stock is made pursuant to this Plan and ending as of the date upon which the Common Stock subject to such Award is no longer restricted or subject to forfeiture provisions.

"SAR" means a right to receive a payment, in cash or Common Stock, equal to the excess of the Fair Market Value or other specified valuation of a specified number of shares of Common Stock on the date the right is exercised over a specified strike price, in each case, as determined by the Committee.

"Stock Award" means an award in the form of shares of Common Stock or units denominated in shares of Common Stock.

"Subsidiary" means (i) in the case of a corporation, any corporation of which the Company directly or indirectly owns shares representing more than 50% of the combined voting power of the shares of all classes or series of capital stock of such corporation which have the right to vote generally on matters submitted to a vote of the stockholders of such corporation and (ii) in the case of a partnership or other business entity not organized as a corporation, any such business

entity of which the Company directly or indirectly owns more than 50% of the voting, capital or profits interests (whether in the form of partnership interests, membership interests or otherwise).

4. Eligibility.

(a) Employees. Employees eligible for Employee Awards under this Plan are (i) those who hold positions of responsibility and whose performance, in the judgment of the Committee, can have a significant effect on the success of the Company and its Subsidiaries, including those individuals who are expected to become Employees within six months, and (ii) in the sole discretion of the Committee, salaried Employees generally who can be expected to be motivated by Performance Goals to work toward the achievement of Company profitability objectives.

(b) Directors. Directors eligible for Director Awards under this Plan are those who are not employees of the Company or any of its Subsidiaries ("Nonemployee Directors").

(c) Independent Contractors. Independent Contractors eligible for Independent Contractor Awards under this Plan are those Independent Contractors providing services to, or who will provide services to, the Company or any of its Subsidiaries.

5. Common Stock Available for Awards. Subject to the provisions of paragraph 15 hereof, there shall be available for Awards under this Plan granted wholly or partly in Common Stock (including rights or options that may be exercised for or settled in Common Stock) an aggregate of 139,500 shares of Common Stock, of which an aggregate of not more than 20,000 shares shall be available for Director Awards and the remainder shall be available for Employee Awards and Independent Contractor Awards. The number of shares of Common Stock that are the subject of Awards under this Plan, that are forfeited or terminated, expire unexercised, are settled in cash in lieu of Common Stock or in a manner such that all or some of the shares covered by an Award are not issued to a Participant or are exchanged for Awards that do not involve Common Stock, shall again immediately become available for Awards hereunder. The Committee may from time to time adopt and observe such procedures concerning the counting of shares against the Plan maximum as it may deem appropriate. The Board and the appropriate officers of the Company shall from time to time take whatever actions are necessary to file any required documents with governmental authorities, stock exchanges and transaction reporting systems to ensure that shares of Common Stock are available for issuance pursuant to Awards.

6. Administration.

(a) This Plan, as it applies to Participants who are Employees or Independent Contractors but not with respect to Participants who are Nonemployee Directors, shall be administered by the Committee.

(b) Subject to the provisions hereof, insofar as this Plan relates to the Employee Awards or Independent Contractor Awards, the Committee shall have full and exclusive power and authority to administer this Plan and to take all actions that are specifically contemplated hereby or are necessary or appropriate in connection with the administration hereof. Insofar as this Plan relates to Employee Awards or Independent Contractor Awards, the Committee shall also have full and exclusive power to interpret this Plan and to adopt such rules, regulations and guidelines for carrying out this Plan as it may deem necessary or proper, all of which powers shall be exercised in the best interests of the Company and in keeping with the objectives of this Plan. The Committee may, in its discretion, provide for the extension of the exercisability of an Employee Award or Independent Contractor Award, accelerate the vesting or exercisability of an Employee Award or Independent Contractor Award, eliminate or make less restrictive any restrictions contained in an Employee Award or Independent Contractor Award, waive any restriction or other provision of this Plan or an Employee Award or Independent Contractor Award or otherwise amend or modify an Employee Award or Independent Contractor Award in any manner that is either (i) not adverse to the Participant to whom such Employee Award or Independent Contractor Award was granted or (ii) consented to by such Participant. The Committee may make an award to an individual who it expects to become an Employee of the Company or any of its Subsidiaries within the next six months, with such award being subject to the individual's actually becoming an Employee within such time period, and subject to such other terms and conditions as may be established by the Committee. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Plan or in any Employee Award or Independent Contractor Award in the manner and to the extent the Committee deems necessary or desirable to further the Plan purposes. Any decision of the Committee in the interpretation and administration of this Plan shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned.

(c) No member of the Committee or officer of the Company to whom the Committee has delegated authority in accordance with the provisions of paragraph 7 of this Plan shall be liable for anything done or omitted to be done by him or her, by any member of the Committee or by any officer of the Company in connection with the performance of any duties under this Plan, except for his or her own willful misconduct or as expressly provided by statute.

7. Delegation of Authority. The Committee may delegate to the Chief Executive Officer and to other senior officers of the Company its duties under this Plan pursuant to such conditions or limitations as the Committee may establish.

8. Employee and Independent Contractor Awards.

(a) The Committee shall determine the type or types of Employee Awards to be made under this Plan and shall designate from time to time the Employees who are to be the recipients of such Awards. Each Employee Award may be embodied in an Employee Award

Agreement, which shall contain such terms, conditions and limitations as shall be determined by the Committee in its sole discretion and shall be signed by the Participant to whom the Employee Award is made and by an Authorized Officer for and on behalf of the Company. Employee Awards may consist of those listed in this paragraph 8(a) hereof and may be granted singly, in combination or in tandem. Employee Awards may also be made in combination or in tandem with, in replacement of, or as alternatives to, grants or rights under this Plan or any other employee plan of the Company or any of its Subsidiaries, including the plan of any acquired entity. An Employee Award may provide for the grant or issuance of additional, replacement or alternative Employee Awards upon the occurrence of specified events, including the exercise of the original Employee Award granted to a Participant. All or part of an Employee Award may be subject to conditions established by the Committee, which may include, but are not limited to, continuous service with the Company and its Subsidiaries, achievement of specific business objectives, increases in specified indices, attainment of specified growth rates and other comparable measurements of performance. Upon the termination of employment by a Participant who is an Employee, any unexercised, deferred, unvested or unpaid Employee Awards shall be treated as set forth in the applicable Employee Award Agreement.

(i) Stock Option. An Employee Award may be in the form of an Option. An Option awarded pursuant to this Plan may consist of an Incentive Option or a Nonqualified Option. The price at which shares of Common Stock may be purchased upon the exercise of an Incentive Option shall be not less than the Fair Market Value of the Common Stock on the date of grant. The price at which shares of Common Stock may be purchased upon the exercise of a Nonqualified Option shall be not less than the Fair Market Value of the Common Stock on the date of grant. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Options awarded pursuant to this Plan, including the term of any Options and the date or dates upon which they become exercisable, shall be determined by the Committee.

(ii) Stock Appreciation Right. An Employee Award may be in the form of an SAR. The terms, conditions and limitations applicable to any SARs awarded pursuant to this Plan, including the term of any SARs and the date or dates upon which they become exercisable, shall be determined by the Committee.

(iii) Stock Award. An Employee Award may be in the form of a Stock Award. The terms, conditions and limitations applicable to any Stock Awards granted pursuant to this Plan shall be determined by the Committee.

(iv) Cash Award. An Employee Award may be in the form of a Cash Award. The terms, conditions and limitations applicable to any Cash Awards granted pursuant to this Plan shall be determined by the Committee.

(v) Performance Award. Without limiting the type or number of Employee Awards that may be made under the other provisions of this Plan, an Employee Award may be in the form of a Performance Award. A Performance Award shall be paid, vested or otherwise deliverable solely on account of the attainment of one or more pre-established, objective Performance Goals established by the Committee prior to the earlier to occur of (x) 90 days after the commencement of the period of service to which the Performance Goal relates and (y) the lapse of 25% of the period of service (as scheduled in good faith at the time the goal is established), and in any event while the outcome is substantially uncertain. A Performance Goal is objective if a third party having knowledge of the relevant facts could determine whether the goal is met. Such a Performance Goal may be based on one or more business criteria that apply to the individual, one or more business units of the Company, or the Company as a whole, and may include one or more of the following: increased revenue, net income, earnings before interest and taxes, operating income, stock price, market share, earnings per share, improvement of working capital ratios, return on equity, return on assets, sales growth or decrease in costs. Unless otherwise stated, such a Performance Goal need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). In interpreting Plan provisions applicable to Performance Goals and Performance Awards, it is the intent of the Plan to conform with the standards of Section 162(m) of the Code and Treasury Regulation Sections. 1.162-27(e)(2)(i), and the Committee in establishing such goals and interpreting the Plan shall be guided by such provisions. Prior to the payment of any compensation based on the achievement of Performance Goals, the Committee must certify in writing that applicable Performance Goals and any of the material terms thereof were, in fact, satisfied. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Performance Awards made pursuant to this Plan shall be determined by the Committee.

(b) Notwithstanding anything to the contrary contained in this Plan, the following limitations shall apply to any Employee Awards made hereunder:

(i) no Participant may be granted, during any one-year period, Employee Awards consisting of Options or SARs that are exercisable for more than 5,000 shares of Common Stock;

(ii) no Participant may be granted, during any one-year period, Stock Awards covering or relating to more than 5,000 shares of Common Stock (the limitation set forth in this clause (ii), together with the limitation set forth in clause (i) above, being hereinafter collectively referred to as the "Stock Based Awards Limitations"); and

(iii) no Participant may be granted Employee Awards consisting of cash or in any other form permitted under this Plan (other than Employee Awards consisting of Options or SARs or otherwise consisting of shares of Common Stock or units denominated in such shares) in respect of any one-year period having a value determined on the date of grant in excess of $5,000,000.

(c) Prior to the Amendment Effective Date, certain awards consisting of options on 85,610 shares of Common Stock (the "Existing Options") have been granted under the Existing Plan as in effect from time to time. As of the Amendment Effective Date, each Existing Option shall continue to be outstanding and the shares of Common Stock that are the subject of such Existing Options shall be subject to adjustment in accordance with Section 15 and to the other provisions of the Plan.

(d) The Committee shall have the sole responsibility an authority to determine the type or types of Independent Contractor Awards to be made under this Plan and may make any such Awards as could be made to an Employee, other than Incentive Options; provided that the limitations described in paragraph 8(b) shall be inapplicable to Independent Contractor Awards.

9. Director Awards. Each Nonemployee Director of the Company shall be granted Director Options in accordance with this paragraph 9 and subject to the applicable terms, conditions and limitations set forth in this Plan and the applicable Director Award Agreement. Notwithstanding anything to the contrary contained herein, Director Awards shall not be made in any year in which a sufficient number of shares of Common Stock are not available to make such Awards under this Plan. The Board may determine annually, or at such other time or times it deems appropriate, in its sole discretion, to award Director Options to Nonemployee Directors. No such Director Option made in any year shall provide for the purchase of more than 500 shares of Common Stock. Each Director Option shall have a term of ten years from the date of grant, notwithstanding any earlier termination of the status of the holder as a Nonemployee Director. The purchase price of each share of Common Stock subject to a Director Option shall be equal to the Fair Market Value of the Common Stock on the date of grant. All Director Options shall vest and become exercisable in increments of one-third of the total number of shares of Common Stock that are subject thereto (rounded up to the nearest whole number) on the first and second anniversaries of the date of grant and of all remaining shares of Common Stock that are subject thereto on the third anniversary of the date of grant. All unvested Director Options shall be forfeited if the Nonemployee Director resigns as a Director without the consent of a majority of the other Directors.

Any Award of Director Options shall be embodied in a Director Award Agreement, which shall contain the terms, conditions and limitations set forth above and shall be signed by the Participant to whom the Director Options are granted and by an Authorized Officer for and on behalf of the Company.

10. Payment of Awards.

(a) General. Payment of Employee Awards or Independent Contractor Awards may be made in the form of cash or Common Stock, or a combination thereof, and may include such restrictions as the Committee shall determine, including, in the case of Common Stock, restrictions on transfer and forfeiture provisions. If payment of an Employee Award or Independent Contractor Award is made in the form of Restricted Stock, the applicable Award Agreement relating to such shares shall specify whether they are to be issued at the beginning or end of the Restriction Period. In the event that shares of Restricted Stock are to be issued at the beginning of the Restriction Period, the certificates evidencing such shares (to the extent that such shares are so evidenced) shall contain appropriate legends and restrictions that describe the terms and conditions of the restrictions applicable thereto. In the event that shares of Restricted Stock are to be issued at the end of the Restricted Period, the right to receive such shares shall be evidenced by book entry registration or in such other manner as the Committee may determine.

(b) Deferral. With the approval of the Committee amounts payable in respect of Employee Awards or Independent Contractor Awards may be deferred and paid either in the form of installments or as a lump-sum payment. The Committee may permit selected Participants to elect to defer payments of some or all types of Awards in accordance with procedures established by the Committee. Any deferred payment of an Award, whether elected by the Participant or specified by the Award Agreement or by the Committee, may be forfeited if and to the extent that the Award Agreement so provides.

(c) Dividends and Interest. Rights to dividends or Dividend Equivalents may be extended to and made part of any Employee Award or Independent Contractor Award consisting of shares of Common Stock or units denominated in shares of Common Stock, subject to such terms, conditions and restrictions as the Committee may establish. The Committee may also establish rules and procedures for the crediting of interest on deferred cash payments and Dividend Equivalents for Employee Awards or Independent Contractor Awards consisting of shares of Common Stock or units denominated in shares of Common Stock.

(d) Substitution of Awards. At the discretion of the Committee, a Participant who is an Employee or Independent Contractor may be offered an election to substitute an Employee Award or Independent Contractor Award for another Employee Award or Independent Contractor Award or Employee Awards or Independent Contractor Awards of the same or different type.

11. Stock Option Exercise. The price at which shares of Common Stock may be purchased under an Option shall be paid in full at the time of exercise in cash or, if elected by the optionee, the optionee may purchase such shares by means of tendering Common Stock or surrendering another Award, including Restricted Stock, valued at Fair Market Value on the date of

exercise, or any combination thereof. The Committee shall determine acceptable methods for Participants who are Employees or Independent Contractors to tender Common Stock or other Employee Awards or Independent Contractor Awards; provided that any Common Stock that is or was the subject of an Employee Award or Independent Contractor Award may be so tendered only if it has been held by the Participant for six months. The Committee may provide for procedures to permit the exercise or purchase of such Awards by use of the proceeds to be received from the sale of Common Stock issuable pursuant to an Employee Award or Independent Contractor Award. Unless otherwise provided in the applicable Award Agreement, in the event shares of Restricted Stock are tendered as consideration for the exercise of an Option, a number of the shares issued upon the exercise of the Option, equal to the number of shares of Restricted Stock used as consideration therefor, shall be subject to the same restrictions as the Restricted Stock so submitted as well as any additional restrictions that may be imposed by the Committee.

12. Taxes. The Company shall have the right to deduct applicable taxes from any Employee Award payment and withhold, at the time of delivery or vesting of cash or shares of Common Stock under this Plan, an appropriate amount of cash or number of shares of Common Stock or a combination thereof for payment of taxes required by law or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for withholding of such taxes. The Committee may also permit withholding to be satisfied by the transfer to the Company of shares of Common Stock theretofore owned by the holder of the Employee Award with respect to which withholding is required. If shares of Common Stock are used to satisfy tax withholding, such shares shall be valued based on the Fair Market Value when the tax withholding is required to be made. The Committee may provide for loans, on either a short term or demand basis, from the Company to a Participant who is an Employee or Independent Contractor to permit the payment of taxes required by law.

13. Amendment, Modification, Suspension or Termination. The Board may amend, modify, suspend or terminate this Plan for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law, except that (i) no amendment or alteration that would adversely affect the rights of any Participant under any Award previously granted to such Participant shall be made without the consent of such Participant and (ii) no amendment or alteration shall be effective prior to its approval by the stockholders of the Company to the extent such approval is required by applicable legal requirements.

14. Assignability. Unless otherwise determined by the Committee and provided in the Award Agreement, no Award or any other benefit under this Plan shall be assignable or otherwise transferable except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder. The Committee may prescribe and include in applicable Award Agreements other restrictions on transfer. Any attempted assignment of an Award or any other benefit under this Plan in violation of this paragraph 14 shall be null and void.

15. Adjustments.

(a) The existence of outstanding Awards shall not affect in any manner the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the capital stock of the Company or its business or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock (whether or not such issue is prior to, on a parity with or junior to the Common Stock) or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding of any kind, whether or not of a character similar to that of the acts or proceedings enumerated above.

(b) In the event of any subdivision or consolidation of outstanding shares of Common Stock, declaration of a dividend payable in shares of Common Stock or other stock split (including in connection with the IPO), then, (i) the number of shares of Common Stock reserved under this Plan, (ii) the number of shares of Common Stock covered by outstanding Awards in the form of Common Stock or units denominated in Common Stock, (iii) the exercise or other price in respect of such Awards, (iv) the appropriate Fair Market Value and other price determinations for such Awards, and (v) the Stock Based Awards Limitations shall each be proportionately adjusted by the Board to reflect such transaction. In the event of any other recapitalization or capital reorganization of the Company, any consolidation or merger of the Company with another corporation or entity, the adoption by the Company of any plan of exchange affecting the Common Stock or any distribution to holders of Common Stock of securities or property (other than normal cash dividends or dividends payable in Common Stock), the Board shall make appropriate adjustments to (i) the number of shares of Common Stock covered by Awards in the form of Common Stock or units denominated in Common Stock, (ii) the exercise or other price in respect of such Awards, (iii) the appropriate Fair Market Value and other price determinations for such Awards, and (iv) the Stock Based Awards Limitations to give effect to such transaction shall each be proportionately adjusted by the Board to reflect such transaction; provided that such adjustments shall only be such as are necessary to maintain the proportionate interest of the holders of the Awards and preserve, without exceeding, the value of such Awards. In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Board shall be authorized to issue or assume Awards by means of substitution of new Awards, as appropriate, for previously issued Awards or to assume previously issued Awards as part of such adjustment.

16. Restrictions. No Common Stock or other form of payment shall be issued with respect to any Award unless the Company shall be satisfied based on the advice of its counsel that such issuance will be in compliance with applicable federal and state securities laws. Certificates evidencing shares of Common Stock delivered under this Plan (to the extent that such shares are so evidenced) may be subject to such stop transfer orders and other restrictions as the

Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any securities exchange or transaction reporting system upon which the Common Stock is then listed or to which it is admitted for quotation and any applicable federal or state securities law. The Committee may cause a legend or legends to be placed upon such certificates (if any) to make appropriate reference to such restrictions.

17. Unfunded Plan. Insofar as it provides for Awards of cash, Common Stock or rights thereto, this Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Participants who are entitled to cash, Common Stock or rights thereto under this Plan, any such accounts shall be used merely as a bookkeeping convenience. The Company shall not be required to segregate any assets that may at any time be represented by cash, Common Stock or rights thereto, nor shall this Plan be construed as providing for such segregation, nor shall the Company, the Board or the Committee be deemed to be a trustee of any cash, Common Stock or rights thereto to be granted under this Plan. Any liability or obligation of the Company to any Participant with respect to an Award of cash, Common Stock or rights thereto under this Plan shall be based solely upon any contractual obligations that may be created by this Plan and any Award Agreement, and no such liability or obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. Neither the Company nor the Board nor the Committee shall be required to give any security or bond for the performance of any obligation that may be created by this Plan.

18. Governing Law. This Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by mandatory provisions of the Code or the securities laws of the United States, shall be governed by and construed in accordance with the laws of the State of Delaware.

19. Effectiveness. The Existing Plan shall be amended and restated in its entirety as set forth herein as of the effective date of the Board action approving this Plan, subject only to approval of the Plan by the stockholders of the Company (the "Amendment Effective Date").

EXHIBIT 10.9

LENNOX INTERNATIONAL INC.
PROFIT SHARING RESTORATION PLAN

THIS PROFIT SHARING RESTORATION PLAN, made and executed at Richardson, Texas, by LENNOX INTERNATIONAL INC., a Delaware corporation (the "Company"),

WITNESSETH THAT:

WHEREAS, Lennox International Inc., an Iowa corporation, heretofore established an unfunded employee benefit plan known as the Lennox International Inc. Profit Sharing Restoration Plan (the "Plan") to supplement the benefits payable under the Lennox Industries Inc. Profit Sharing Retirement Plan to or with respect to any participant therein whose interest under the Lennox Industries Inc. Profit Sharing Retirement Plan has been limited because of (a) the maximum annual addition limitation imposed by Section 415 of the Internal Revenue Code of 1986, as amended (the "Code"), and/or (b) the annual compensation limitation imposed by Section 401(a)(17) of the Code; and

WHEREAS, said Lennox International Inc. subsequently merged into the Company and the Company thereupon approved, adopted and assumed the sponsorship of the Plan; and

WHEREAS, effective as of January 1, 1991, Lennox Industries Inc. amended by restatement in its entirety the Lennox Industries Inc. Profit Sharing Retirement Plan, renaming it the Lennox International Inc. Profit Sharing Retirement Plan; and

WHEREAS, the Company now desires to amend the Plan to reflect the provisions of the restated Lennox Industries Inc. Profit Sharing Retirement Plan and to make certain other changes;

NOW, THEREFORE, pursuant to the provisions of Section 5 thereof, the Plan is hereby amended by restatement in its entirety to read as follows:

Section 1. Defined Terms. As used herein, (a) the term "Profit Sharing Plan" means the Lennox International Inc. Profit Sharing Retirement Plan, except that for periods of time prior to January 1, 1991, such term means the Lennox Industries Inc. Profit Sharing Retirement Plan, (b) the term "Employers" means the Company and any other incorporated or unincorporated trade or business which may adopt both the Profit Sharing Plan and this Plan, and (c) the term "Executive" means any employee in the employ of an Employer assigned an executive labor grade of 8 or above. Unless the context clearly indicates otherwise, the other words and phrases used in this Plan shall have the meanings assigned to them under the provisions of the Profit Sharing Plan.

Section 2. Administration. This Plan shall be administered by the Company in a manner consistent with the administration of

the Profit Sharing Plan, except that this Plan shall be administered as an unfunded plan which is not intended to qualify under the provisions of Section 401(a) of the Code. The Company shall interpret the provisions of this Plan and perform and exercise all of the duties and powers granted to it under the terms of this Plan by action of its Chief Executive Officer or his delegate (or, in the case of any matters relating to benefits payable under the Plan to or on behalf of its Chief Executive Officer, by action of its Board of Directors). The Company may adopt such rules and regulations for the administration of this Plan as are consistent with the terms hereof and shall keep adequate records of its proceedings and acts with respect to the Plan. All interpretations and decisions made and other action taken by the Company shall be conclusive and binding upon all parties having or claiming to have an interest under this Plan.

Section 3. Deferred Compensation Accounts. Each Employer shall establish and maintain on its books a deferred compensation account for each Executive in its employ whose allocable share of Employer contributions and/or forfeitures under the Profit Sharing Plan has been limited in a Plan Year commencing after December 31, 1982 by the maximum annual addition limitation imposed by Section 415 of the Code and/or the annual compensation limitation imposed by Section 401(a)(17) of the Code. Such account shall be designated by the name of the Executive for whom established and shall be credited as of the end of each such Plan Year with an amount equal to the excess of (a) the total amount of Employer contributions and forfeitures which would have been allocated to such Executive under the Profit Sharing Plan for such year in the absence of said maximum annual addition limitation and annual compensation limitation, over (b) the amount of Employer contributions and forfeitures actually allocated to such Executive under the Profit Sharing Plan for such year. In addition, as of the date of each valuation and adjustment of Accounts under the Profit Sharing Plan (including any such date within a period during which installment distributions are being made pursuant to Section 4 of this Plan), such Executive's deferred compensation account shall be adjusted to reflect the same rate of increase or decrease in value as is used to adjust his or her Employer Account under the Profit Sharing Plan for the valuation and adjustment period ending as of such date.

Section 4. Account Payments. Upon the termination of an Executive's employment with an Employer the amount credited to such Executive's deferred compensation account shall be paid to such Executive (or, in the event of his or her death, to the beneficiary or beneficiaries designated by such Executive for the purposes of the Profit Sharing Plan) in approximately equal annual installments over a period of ten years; provided, however, that with the consent of the Company, such Executive (or, in the event of his or her death, the beneficiary or

beneficiaries of such Executive) may elect to receive such amount either in a single lump sum payment or in approximately equal annual installments over a period of five years; provided further, however, that if such Executive is not fully vested in the amount credited to his or her Employer Account under the Profit Sharing Plan at the time of such termination of employment, then the amount credited to such Executive's deferred compensation account under this Plan shall be reduced at the time of such termination of employment to an amount equal to (y) the amount then credited to his or her deferred compensation account under this Plan, multiplied by (z) the vested percentage applicable to such Executive's Employer Account under Section 4.2 of the Profit Sharing Plan as of the date of such termination of employment. For the purposes of this Plan, an Executive's employment with an Employer shall not be considered to have terminated so long as such Executive is in the employ of any Employer or Affiliated Company.

Section 5. Amendment and Termination. The Company shall have the right and power at any time and from time to time to amend this Plan, in whole or in part, on behalf of all Employers, and at any time to terminate this Plan or any Employer's participation hereunder; provided, however, that no such amendment or termination shall reduce the amount actually credited to an Executive's deferred compensation account under this Plan on the date of such amendment or termination, or further defer the due date for the payment of such amount, without the consent of the affected Executive.

Section 6. Nature of Plan and Rights. This Plan is unfunded and maintained by the Employers primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees of the Employers. The deferred compensation accounts established and maintained under this Plan by an Employer are for accounting purposes only and shall not be deemed or construed to create a trust fund of any kind or to grant a property interest of any kind to any Executive or his or her beneficiaries. The amounts credited by an Employer to said accounts are and for all purposes shall continue to be a part of the general assets of such Employer and, to the extent that an Executive or beneficiary acquires a right to receive payments from such Employer pursuant to this Plan, such right shall be no greater than the right of any unsecured general creditor of such Employer.

Section 7. Spendthrift Provision. No account balance or other right or interest of an Executive or beneficiary under this Plan may be assigned, transferred or alienated, in whole or in part, either directly or by operation of law, and no such balance, right or interest shall be liable for or subject to any debt, obligation or liability of such Executive or beneficiary.

Section 8. Employment Noncontractual. The establishment of this Plan shall not enlarge or otherwise affect the terms of any Executive's employment with his or her Employer, and such Employer may terminate the employment of such Executive as freely and with the same effect as if this Plan had not been established.

Section 9. Adoption of Other Employers. This Plan may be adopted by any Employer participating under the Profit Sharing Plan, such adoption to be effective as of the date specified by such Employer at the time of adoption.

Section 10. Applicable Law. This Plan shall be governed by and construed in accordance with the laws of the State of Texas.

EXHIBIT 10.9

LENNOX INTERNATIONAL INC.

SUPPLEMENTAL RETIREMENT PLAN

THIS SUPPLEMENTAL RETIREMENT PLAN, made and executed in Richardson, Texas, by Lennox International Inc., a Delaware corporation, Lennox Industries Inc., an Iowa corporation, Heatcraft Inc., a Mississippi corporation, and Armstrong Air Conditioning Inc., an Ohio corporation (collectively the "Employers"),

WITNESSETH THAT:

WHEREAS, effective as of September 30, 1981, Lennox Industries Inc. established an unfunded supplemental retirement plan known as the Lennox Industries Inc. Supplemental Retirement Plan (the "Plan") to supplement the benefits provided by the Lennox Industries Inc. Pension Plan for Salaried Employees to certain executives of Lennox Industries Inc. in its employ on or after September 30, 1981 and their beneficiaries; and

WHEREAS, Lennox Industries Inc. now desires to amend and restate the Plan to change the plan sponsor of the Plan to Lennox International Inc., to enable certain executives of all Employers to participate in the Plan, to modify the formula for calculating supplemental retirement benefits provided under the Plan and to make certain other changes;

NOW, THEREFORE, pursuant to Section 8.2 thereof, the Plan is hereby renamed as the Lennox International Inc. Supplemental Retirement Plan and amended and restated in its entirety to read as follows:

Article 1. Definitions

1.1 Definitions. Whenever used in the Plan, the following terms shall have the respective meanings set forth below unless otherwise expressly provided herein, and when the defined meaning is intended the term is capitalized:

(a) "Company" means Lennox International Inc., a Delaware corporation.

(b) "Covered Compensation" shall have the meaning assigned to the term under the Qualified Pension Plan.

(c) "Early Retirement Date" of a Participant means the earlier of (i) the first day on or after his 62nd birthday that he has completed 10 or more Years of Vesting Service, or (ii) the first day on or after his 55th birthday that his age and Years of Vesting Service total 80 or more.

(d) "Employer" means the Company, Lennox Industries Inc., Heatcraft Inc., Armstrong Air Conditioning Inc. and any other trade or business which may subsequently adopt the Plan with the consent of the Board of Directors of the Company.

(e) "Executive" means any employee in the employ of an Employer assigned an executive labor grade of 8 or above, John Dugan and David Chase.

(f) "Final Average Compensation" shall have the meaning assigned to the term under the Qualified Pension Plan, except that in determining Final Average Compensation for purposes of this Plan (i) the dollar limitation imposed by Section 401(a)(17) of the Internal Revenue Code shall not apply, and (ii) any bonus paid to a Participant during 1991 for personal services rendered to an Employer during 1990 shall be included in determining the compensation paid to the Participant for both 1990 and 1991.

(g) "Normal Retirement Date" of a Participant means his 65th birthday.

(h) "Participant" means any individual who has become a Participant in the Plan under Article 2 and whose benefits under the Plan have not been fully distributed.

(i) "Plan" means this Lennox International Inc. Supplemental Retirement Plan as amended and restated effective as of January 1, 1991 and as from time to time in effect thereafter.

(j) "Qualified Pension Plan" means the Lennox International Inc. Pension Plan for Salaried Employees effective as of January 1, 1991 and as from time to time in effect thereafter, except that the supplements to the Qualified Pension Plan shall be disregarded for purposes of determining actuarial equivalence, forms of benefits and benefit commencement dates under this Plan.

(k) "Year of Credited Service" shall have the meaning assigned to the term under the Qualified Pension Plan, except that for purposes of determining the Years of Credited Service under this Plan, (i) if the Participant is a Participant in the Plan on January 1, 1991, periods of his employment after December 31, 1990 while not an Executive shall be disregarded, and (ii) if the Participant becomes a Participant in the Plan

after January 1, 1991, all periods of his employment while not an Executive shall be disregarded.

(l) "Year of Vesting Service" shall have the meaning assigned to the term under the Qualified Pension Plan.

1.2 Gender and Number. Except when otherwise indicated by the context, any masculine terminology herein shall also include the feminine and neuter, and the definition of any term herein in the singular may also include the plural.

Article 2. Participation

2.1 Participation. Each Executive shall become a Participant in this Plan on the later of January 1, 1991 or the date he becomes an Executive.

Article 3. Benefits

3.1 Normal Retirement Benefit.

(a) Eligibility. Subject to Section 3.4, a Participant shall be eligible for a normal retirement benefit under the Plan upon termination of employment from the Employers and their affiliates on or after his Normal Retirement Date.

(b) Amount. A Participant eligible for a normal retirement benefit under the Plan shall be entitled to a monthly normal retirement benefit calculated as follows:

Step (1). There shall first be determined 2.0% of one-twelfth of the Participant's Final Average Compensation.

Step (2). To the amount determined under Step (1) above, there shall be added 1.2% of one-twelfth of the excess of the Participant's Final Average Compensation over his Covered Compensation.

Step (3). The sum determined under Step (2) above shall be multiplied by the Years of Credited Service (not in excess of 15) credited to the Participant at his termination of employment.

Step (4). From the amount thus determined, there shall be deducted the actuarial equivalence (determined in accordance with the Qualified Pension Plan) of the monthly benefit under a single-premium nontransferable single-life annuity which could be provided by the sum

of (i) the vested balance in the Participant's Employer Account in the Lennox International Inc. Profit Sharing Retirement Plan and (ii) the vested balance in the Participant's deferred compensation account, if any, in the Lennox International Inc. Profit Sharing Restoration Plan, as of the date the Participant terminated employment.

Step (5). From the amount thus determined, there shall be deducted the monthly normal retirement benefit the Participant is entitled to receive in the form of a single-life annuity under the Qualified Pension Plan, and the remainder shall be the monthly normal retirement benefit in the form of a single-life annuity under this Plan.

(c) Commencement. Normal retirement benefit payments under this Plan to a Participant shall commence at the same time that his normal retirement benefit payments commence under the Qualified Pension Plan, or if no normal retirement benefit payments are payable to him under the Qualified Pension Plan, at the earliest time such payments would commence under the Qualified Pension Plan if such payments were payable to him.

3.2 Early Retirement Benefit.

(a) Eligibility. Subject to Section 3.4, a Participant shall be eligible for an early retirement benefit under the Plan upon termination of employment from the Employers and their affiliates on or after his Early Retirement Date but prior to his Normal Retirement Date.

(b) Amount. A Participant eligible for an early retirement benefit under the Plan shall be entitled to a monthly early retirement benefit calculated in the same manner as a monthly normal retirement benefit under Section 3.1(b), except that (i) prior to the deduction described in Step (5), the amount determined under Step (4) shall be reduced by 0.5% for each month (or any fraction thereof) that the Participant's early retirement benefit under the Plan commences prior to his 60th birthday, and (ii) instead of the monthly normal retirement benefit under the Qualified Pension Plan, there shall be deducted under Step (5) the monthly early retirement benefit the Participant is entitled to receive in the form of a single-life annuity under the Qualified Pension Plan, determined assuming that the early retirement benefit commences under the Qualified Pension Plan on the same day that

the Participant's early retirement benefit commences under this Plan.

(c) Commencement. Early retirement benefit payments under the Plan to a Participant shall commence on the first day of the month following the later of his 60th birthday or his termination of employment. However, in the case of a Participant who terminated employment prior to his 60th birthday, (i) if he elected to commence receiving early retirement benefit payments under the Qualified Pension Plan on some day prior to his 60th birthday, with the consent of the Company he may elect to commence receiving his early retirement benefit payments under this Plan on that same day, or (ii) if no early retirement benefit payments are payable to him under the Qualified Pension Plan, with the consent of the Company he may elect to commence receiving his early retirement benefit payments under this Plan on any day prior to his 60th birthday that early retirement benefit payments to him could commence under the Qualified Pension Plan if such payments were payable to him.

3.3 Deferred Vested Retirement Benefit.

(a) Eligibility. Subject to Section 3.4, a Participant shall be eligible for a deferred vested retirement benefit under the Plan upon termination of employment from the Employers and their affiliates after completion of five Years of Vesting Service but prior to his Early Retirement Date.

(b) Amount. A Participant eligible for a deferred vested retirement benefit under the Plan shall be entitled to a monthly deferred vested retirement benefit calculated in the same manner as a monthly normal retirement benefit under Section 3.1(b), except that instead of the monthly normal retirement benefit under the Qualified Pension Plan, there shall be deducted under Step (5) the monthly deferred vested retirement benefit the Participant is entitled to receive in the form of a single-life annuity under the Qualified Pension Plan.

(c) Commencement. Deferred vested retirement benefit payments under this Plan to a Participant shall commence at the same time that his deferred vested retirement benefit payments commence under the Qualified Pension Plan, or if no deferred vested retirement benefit payments are payable to him under the Qualified Pension Plan, at the earliest time such payments would commence under the Qualified Pension Plan if such payments were payable to him.

3.4 Form of Retirement Benefits.

(a) Single Participant. If a Participant is not married on the date his retirement benefit payments commence under this Plan, his payments shall be made in the form of a single-life annuity, except that if he is entitled to early retirement benefit payments under this Plan and he elected a temporary annuity form of payment for his early retirement benefit payments under the Qualified Pension Plan, with the consent of the Company he may elect a temporary annuity form of payment for his early retirement benefit payments under this Plan.

(b) Married Participant. If a Participant is married on the date his retirement benefit payments commence under this Plan, his payments shall be made in the form of a joint and 100% survivor annuity, except that (i) if he has elected any other annuity form of payment for his retirement benefit payments under the Qualified Pension Plan, with the consent of the Company but without spousal consent he may elect that other form of payment for his retirement benefit payments under this Plan, and (ii) if no retirement benefit payments are payable to him under the Qualified Pension Plan in an annuity form, with the consent of the Company but without spousal consent he may elect any other joint and survivor annuity form of payment available under the Qualified Pension Plan for his retirement benefit payments under this Plan, or with the consent of the Company and with spousal consent he may elect a single-life annuity for such benefit payments.

(c) Actuarial Equivalence. Whenever the amount of retirement benefit payments under this Plan is calculated in the form of a single-life annuity but such payments commence in any other annuity form, the amount so calculated shall be adjusted on the basis of actuarial equivalence (as determined in accordance with the Qualified Pension Plan) and the adjusted amount shall be the amount of the payments made in the other annuity form.

3.5 Death Benefit.

(a) Eligibility. If a Participant dies on or after either his Normal Retirement Date or his completion of five Years of Vesting Service but prior to the date his retirement benefit commences under the Plan, and if he had been married during the entire one-year period ending on the date of his death, his surviving spouse shall be eligible for a death benefit under the Plan.

(b) Amount. A surviving spouse eligible for a death benefit under the Plan shall be entitled to a monthly death benefit calculated as the monthly retirement benefit that would have been payable under the Plan to the surviving spouse under a joint and 50% survivor annuity had the Participant (i) terminated employment on the date of his death (unless he was no longer in the employ of the Employers and their affiliates on such date), (ii) subsequently commenced receiving a deferred vested retirement benefit, early retirement benefit or normal retirement benefit, whichever would be applicable, under the Plan in the form of a joint and 50% survivor annuity with his surviving spouse, and (iii) then died immediately thereafter. The monthly payment of the retirement benefit described in clause (ii) of the preceding sentence shall be calculated as if the Participant had survived until the commencement of a retirement benefit of the same type under the Qualified Pension Plan. Any early retirement death benefit payable to a surviving spouse shall be calculated assuming that an early retirement benefit to the Participant under the Qualified Pension Plan commenced on the day that the surviving spouse's early retirement death benefit commences under this Plan.

(c) Commencement. Death benefit payments under the Plan to a surviving spouse shall be paid during the spouse's lifetime, commencing at the time the deceased Participant would have commenced receiving the retirement benefit described in clause (ii) of Section 3.5(b). However, in the case of a retirement benefit described in clause (ii) of Section 3.5(b) that is an early retirement benefit for a Participant who died prior to his 60th birthday, (i) if the surviving spouse elected to commence receiving early retirement death benefit payments under the Qualified Pension Plan on some day prior to the Participant's 60th birthday, with the consent of the Company the surviving spouse may elect to commence receiving early retirement death benefit payments under this Plan on that same day, or (ii) if no early retirement death benefit payments are payable to the surviving spouse under the Qualified Pension Plan, with the consent of the Company the surviving spouse may elect to commence receiving early retirement death benefit payments under this Plan on any day prior to the Participant's 60th birthday that early retirement death benefit payments to the surviving spouse could commence under the Qualified Pension Plan if such payments were payable.

Article 4. Financing

4.1 Financing. The benefits under the Plan shall be paid out of the general assets of the Employers. The benefits shall not be funded in advance of payment in any way.

4.2 No Trust Created. No provision of the Plan and no action taken under the Plan shall create or be construed to create either a trust of any kind or a fiduciary relationship between the Employers and any Participant, spouse of a Participant or any other person.

4.3 Unsecured Interest. No Participant shall have any interest whatsoever in any specific asset of the Employers. To the extent that any person acquires a right to receive payments under the Plan, the right shall be no greater than the right of any unsecured general creditor of the Employers.

Article 5. Administration

5.1 Administration. The Plan shall be administered by the Company. The Company shall be authorized to construe and interpret all of the provisions of the Plan, to adopt rules and practices concerning the administration of the same and to make any determinations necessary hereunder, which shall be binding and conclusive on all parties. The Company may appoint one or more persons from members of management whose functions shall be to act for the Company in the administration of the Plan and to establish rules and regulations for such administration.

5.2 Company Consent. Whenever the consent of the Company is required under the terms of this Plan, such consent may be given only by the Chief Executive Officer of the Company in his sole discretion, except that with respect to any matters relating to the benefits payable under the Plan to or on behalf of the Chief Executive Officer, such consent may be given only by the Board of Directors of the Company in its sole discretion.

5.3 Expenses. The cost of payments from the Plan and the expenses of administering the Plan shall be borne by the Employers.

5.4 Tax Withholding. Each Employer may withhold, or require the withholding, from any payment which it is required to make, any federal, state or local taxes required by law to be withheld with respect to such payment and such sum as the Employer may reasonably estimate as necessary to cover any taxes for which the Employer may be liable and which may be assessed with regard to such payment. Upon discharge or settlement of such tax liability, the Employer shall distribute the balance of such sum, if any, to the Participant for whose payment it was

withheld, or if such Participant is then deceased, to the surviving spouse of such Participant. Prior to making any payment hereunder, each Employer may require such documents from any taxing authority, or may require such indemnities or surety bond as the Employer shall reasonably deem necessary for its protection.

Article 6. Miscellaneous

6.1 Nontransferability. In no event shall an Employer make any payment under the Plan to any assignee or creditor of a Participant or his spouse. Prior to the time of a payment under the Plan, a Participant or his spouse shall have no rights by way of anticipation or otherwise to assign or otherwise dispose of any interest under the Plan, nor shall rights be assigned or transferred by operation of law.

6.2 Amendment or Termination. The Plan may be amended or terminated at any time by the Company. Notice of any such amendment or termination shall be given in writing to each Participant and surviving spouse of a deceased Participant having an interest in the Plan.

6.3 Superseded Plan Benefits. If a participant in the Lennox Industries Inc. Supplemental Retirement Plan retired from Lennox Industries Inc. prior to January 1, 1991, any supplemental retirement benefit payments to which he and his spouse may be entitled shall be governed solely by the provisions of that plan as in effect on the date he retired.

6.4 Employment Noncontractual. The establishment of the Plan shall not enlarge or otherwise affect the terms of any Executive's employment with his Employer, and any Employer may terminate the employment of an Executive as freely and with the same effect as if the Plan had not been established.

6.5 Applicable Law. This instrument shall be construed in accordance with and governed by the laws of the State of Texas to the extent not superseded by the laws of the United States.

AMENDMENT NO. 1 TO THE
LENNOX INTERNATIONAL INC.
SUPPLEMENTAL RETIREMENT PLAN

Pursuant to Section 6.2 thereof, the Lennox International Inc. Supplemental Retirement Plan (the "Plan") is hereby amended in the following respects only:

FIRST: Section 3.3(b) of the Plan is hereby amended by restatement in its entirety to read as follows:

(b) Amount. A Participant eligible for a deferred vested retirement benefit under the Plan shall be entitled to a monthly deferred vested retirement benefit calculated in the same manner as a monthly normal retirement benefit under Section 3.1(b), except that (i) prior to the deduction described in Step (5), the amount determined under Step (4) shall be reduced by 0.5% for each month (or any fraction thereof) that the Participant's deferred vested retirement benefit under the Plan commences prior to his 62nd birthday, and (ii) instead of the monthly normal retirement benefit under the Qualified Pension Plan, there shall be deducted under Step (5) the monthly deferred vested retirement benefit the Participant is entitled to receive in the form of a single-life annuity under the Qualified Pension Plan, determined assuming that the deferred vested retirement benefit commences under the Qualified Pension Plan on the same day that the Participant's deferred vested retirement benefit commences under this Plan.

SECOND: Section 3.3(c) of the Plan is hereby amended by restatement in its entirety to read as follows:

(c) Commencement. Deferred vested retirement benefit payments under the Plan to a Participant shall commence on the first day of the month following the later of his 62nd birthday or his termination of employment. However, in the case of a Participant who terminated employment prior to his 62nd birthday, (i) if he elected to commence receiving deferred vested retirement benefit payments under the Qualified Pension Plan on some day prior to his 62nd birthday, with the consent of the Company he may elect to commence receiving his deferred vested retirement benefit payments under this Plan on that same day, or (ii) if no deferred vested retirement benefit payments are payable to him under the Qualified Pension Plan, with the consent of the Company he may elect to commence

receiving his deferred vested retirement benefit payments under this Plan on any day prior to his 62nd birthday that deferred vested retirement benefit payments to him could commence under the Qualified Pension Plan if such payments were payable to him.

THIRD: Article 3 of the Plan is hereby amended by adding to the end thereof sections to read as follows:

3.6 Continuation of Normal Retirement Benefit. If a Participant receiving a normal retirement benefit under the Plan dies survived by a spouse and/or minor children prior to attaining the age of 70 years, and if such Participant was receiving such benefit in the form of a single-life annuity, the monthly normal retirement benefit payments that had been payable to him under the Plan shall be continued to such spouse and/or minor children until the date the Participant would have attained the age of 70 years.

3.7 Continuation of Early or Deferred Vested Retirement Benefit. If a Participant receiving either an early retirement benefit or a deferred vested retirement benefit under the Plan dies survived by a spouse and/or minor children prior to attaining the age specified in the following table that corresponds to such Participant's age at the commencement of such benefit, and if he was receiving such benefit in the form of a single-life annuity, the monthly retirement benefit payments that had been payable to him under the Plan shall be continued to such spouse and/or minor children until the date the Participant would have attained the age specified in the following table that corresponds to his age at the commencement of such benefit:

Benefit Commencement Age	Participant's Age
62 or less	64
63	66
64	68

AMENDMENT NO. 2 TO THE
LENNOX INTERNATIONAL INC.
SUPPLEMENTAL RETIREMENT PLAN

Pursuant to Section 6.2 thereof, the Lennox International Inc. Supplemental Retirement Plan is hereby amended by restating Section 1.1(k) thereof in its entirety to read as follows:

(k) "Year of Credited Service" shall have the meaning assigned to the term under the Qualified Pension Plan, except that for purposes of determining the Years of Credited Service under this Plan, (i) if the Participant is a Participant in the Plan on January 1, 1991, periods of his employment after December 31, 1990 while not an Executive shall be disregarded, and (ii) if the Participant becomes a Participant in the Plan after January 1, 1991, all periods of his employment while not an Executive shall be disregarded. For purposes of the preceding sentence, a Participant shall be considered a Participant in the Plan on January 1, 1991 only if on such date he was a participant in the Lennox Industries Inc. Supplemental Retirement Plan as that plan existed prior to the adoption of this Plan.

EXHIBIT 10.10

June 23, 1998

Mr. Jean-Jacques Brancher
Ets. Brancher S.A.
11, rue d'Alsace-Lorraine
69500 Bron, France

Re: Letter of Intent

Dear Jean-Jacques:

This Letter of Intent will confirm the intentions of Lennox Global Ltd., a Delaware corporation ("Global"), and you, to further amend the existing agreements between various parties described below regarding the joint venture for the manufacturing, marketing and sale of heating, ventilating, air conditioning and refrigeration equipment ("HVAC") in Europe (the "Business"). On 13 May 1996, Global, Ets. Brancher S.A., its subsidiary Fibel S.A. and you entered into an agreement to form a joint venture to engage in the Business in Europe and other areas (the "Venture Agreement"). The Venture Agreement included provisions for Global to purchase a part of the shares of the companies involved in the Business which were owned, directly or indirectly, by you. The Venture Agreement was subsequently amended on 13 and 24 May 1996 and amended and completely restated on 20 October 1997 (all agreements relating to the Venture as amended and existing at the time of this Letter of Intent are collectively referred to as the "Prior Agreements"). This Letter of Intent is to describe the principles by which the parties will further amend the Prior Agreements to allow for the most efficient operational, fiscal and tax structure for the Business while preserving the rights of the parties under the Prior Agreements ("Proposed Restructure"). Upon acceptance by you, this Letter of Intent shall represent the binding agreement of you and Global, and will allow the Proposed Restructure of the Business to proceed while the final detailed terms of the necessary amendments to the Prior Agreements are prepared and agreed to by the parties.

The Prior Agreements

The Prior Agreements provided for: (i) the transfer of all companies and assets necessary for the operation of the Business to Ets. Brancher S.A. (the "Venture Holding Company"); (ii) the purchase by Global of approximately Seventy Percent (70%) of the outstanding shares of Ets. Brancher S.A. (the "Shares") and (iii) the eventual purchase by Global of all of the remaining Shares from you under agreed upon terms and conditions. The future purchases of Shares were to be based on a price calculated based on the book

value and net income of the Venture Holding Company using the formula described on EXHIBIT "A". The Prior Agreements also described any other applicable terms and the timing of the purchases by Global.

Proposed Restructure

On such dates and under such terms as the parties may agree, the Business will be restructured according to the following principles:

1. Creation of a European Holding Company. To allow for certain fiscal and tax benefits, a holding company or holding companies will be created for the Business in those countries where the Business operates which providing the best fiscal and tax arrangements while not adversely effecting the operations of the Business. Certain of the companies of the Business will be transferred to this Company (the "European Holding Company"). It is agreed that operating companies of the Business will remain as subsidiaries of Ets. Brancher S.A. for so long as Jean-Jacques Brancher owns more than Twenty-Five Percent (25%) of Ets. Brancher. Global or its affiliated companies will own One Hundred Percent (100%) of the European Holding Company. The parties agree to prepare and execute any necessary documents to transfer title to the companies of the Business as required.

2. Creation of Country Holding Companies. The parties further agree, where appropriate, to create holding companies in each country where more than one company of the Business exists regardless of the type of business of those companies where there are fiscal, tax, operational or other justifications for such structure.

3. Merger of the Operating Companies in France. The parties have agreed to undertake the merger of the operational companies of the Business, HCF Lennox S.A., Friga Bohn S.A. and SCI Geraval, in France to accomplish certain operational objectives.

Proposed Amendments

The parties agree to amend the Prior Agreements according to the following:

1. General Principles. The parties have agreed to amend the Prior Agreements to achieve the following: (i) allow for the restructuring of the companies of the Business as described above even though it may result in a different proportion of ownership among the parties of the individual companies of the Business from the present; (ii) preserve intact your ownership of Ets. Brancher in accordance with the Prior Agreements; (iii) amend the formula for the future purchase of your Shares so as to base it on the book value and income of those companies which are a part of the Business as of 31 December 1997(as represented in the financial statements of the Business attached hereto as EXHIBIT "B") regardless of whether such companies are owned in the future by Ets Brancher S.A. or the European Holding Company at the time of such purchase; (iv) allow for the free introduction and removal of capital in the European or Country Holding Companies by

Global with an appropriate adjustment to the formula to allow for the adjustment of your proportion of ownership in the companies of the Business to reflect the change in capital; and (v) take no action which would diminish the value of the Shares or the rights of either party under the Prior Agreements.

2. Specific Provisions. The specific amendments will address the following:

a. The price paid by Global for the Shares is to be calculated based on the net book value ("Net Book Value") and net income or loss ("Net Income") of the European Holding Company as calculated according to its books and records maintained based on the applicable generally accepted accounting principles at the time of the sale of the Shares.

b. The price to be paid will be adjusted to reflect the impact of any capital in flow or out flow which is disproportionate to the ownership percentage of the parties. This adjustment will be based on two ratios of ownership. The first ratio is percentage of ownership which you own of Ets. Brancher S.A. at any given time ("Brancher Ownership Percentage" or "BOP"). The second is the effective ownership percentage ("EOP") of the European Holding Company which is based on any capital in-flow to or out-flow from the European Holding Company to or from the parties in a proportion different the ownership percentage of the parties. The EOP will initially be the BOP. Thereafter, the EOP will be adjusted when capital adjustments are made disproportionate to the existing EOP. In the event of a disproportionate capital in-flow or out-flow to or from the European Holding Company the EOP will be re-calculated based on the following:

(i). Determine the Net Book Value of the European Holding Company immediately prior to any disproportionate capital in-flow or out-flow.

(ii) Each party will be assigned a part of this net book value equal to the party's then applicable EOP.

(iii) Each party's allocation of capital will be adjusted based on this change of capital.

(iv) The new EOP for each party will equal the ratio of that party's capital (allocation of capital adjusted for the change) to the total capital of the European Holding Company after the adjustment.

For example: At the effective date of the Letter of Intent, Global's EOP is 70% and yours ("JJB") is 30%.

Assume Global makes 20 French Francs ("FF") capital contribution and JJB makes no capital contribution to the European Holding Company on 1/1/99.

On 1/1/99, prior to the capital contributions the Net Book Value of the European Holding Company is 100 FF and the respective capital allocations are:

Global = 70% of 100 or 70 FF JJB = 30% of 100 or 30 FF

20 FF of capital is contributed by Global resulting in the following changes to the respective capital allocations:

Global = 90 FF JJB = 30 FF Total = 120 FF

The resulting Effective Ownership Percentage after the capital contribution will be:

Global = 90/120 = 75% JJB = 30/120 = 25%

c. In the event of a future purchase, the price for the Shares will be calculated using the existing formula based on the Net Book Value and Net Income of the European Holding Company as defined above. If the EOP is different than the actual ownership of JJB, the price for the Shares will be further adjusted as follows:

The aggregate Price for the Shares being purchased will be multiplied by an adjustment factor equal to the EOP times the ratio of the Shares being sold to the total number of Shares you own. The EOP will be then reduced by the actual percentage of Ets. Brancher which has been sold times this same adjustment factor and the your BOP will be reduced by the percentage sold.

EXAMPLE ONE:

Assume Global has made the 20 FF capital contribution described above and JJB wishes to sell all of his shares. In addition assume that the formula produces a company value or CV of 200 FF using the European Holding Company financial data.

The price paid for the shares will be:

Price = CV*(EOP for JJB)
Price = 200 FF * (25%) = 50 FF

EXAMPLE TWO:

Assume Global has made the 20 FF capital contribution described above and JJB wishes to sell an additional 5% of Ets Brancher S.A. and retain 25% BOP interest in Ets. Brancher S. A. In addition assume that the formula produces a company value or CV of 200 FF using the European Holding Company financial data.

The price paid by Global for the additional 5% of for Ets. Brancher S.A. will be:

Price = CV *(# Shares sold by JJB)/(total # Shares owned by JJB) * (EOP for JJB)

Price = 200 FF * (5%/30%) * (25%) = 200 FF * 0.1667 * 0.25 = 200 FF * 0.04167

Price = 8.3335 FF

d. The parties further agree to modify the existing agreements in such a way so as to provide for the planned conversion to the European-currency without altering the basic intent of the parties with respect to such agreements.

Conditions to Closing

The parties have further agreed to the following to complete this transaction:

1. Definitive Agreement. The negotiation and execution of an appropriate Amendment to the existing agreements with terms and conditions satisfactory to each party.

2. Corporate Approvals. The Boards of Directors of Global and its parent company shall have approved the execution and delivery of this Letter of Intent and the Amendments to Prior Agreement.

Please indicate your acceptance and approval of the foregoing by signing below and returning a copy of this letter to Global.

Very truly yours,

LENNOX GLOBAL LTD.

By: /s/ Robert L. Jenkins
Robert L. Jenkins
President and Chief Operating Officer

ACCEPTED AND APPROVED:

Jean-Jacques Brancher

Signature: /s/ Jean-Jacques Brancher
Date: July 7, 1998

EXHIBIT "A"

SECTION 3.3. PHASED ACQUISITION OF REMAINING OWNERSHIP OF ETS. BRANCHER.

At the times specified below for a change in the Lennox percentage ownership in Ets. Brancher, Lennox will purchase the amount of additional Company Stock of Ets. Brancher prescribed below using the Company Stock Price defined below.

A. STOCK PRICE. The stock price for any specified purchase shall be calculated by dividing the Ets. Brancher yearly Company Value for the applicable year by the number of shares of Ets. Brancher Company Stock issued and outstanding at time of the calculation (the "Stock Price").

(i) Yearly Ets. Brancher Company Value. The yearly Ets. Brancher Company value (Ets. Brancher Company Value or "CV") shall be calculated using its consolidated Net Book Value as defined below at the close of each business year ("Yearly Book Value" or "YBV"). The Yearly Book Value will be the consolidated Net Book Value of Ets. Brancher as of 30 September 1997 after taking into account all restructuring steps and as adjusted for any consolidated profits or losses accumulated through the business year just ended. The Ets. Brancher Company Value is computed as follows:

CV = [YBV + 9*{(Y-2+2 * Y-1+3 * Y-0)/6}]/2

Where:

YBV = its Yearly Book Value for the business year just ended.

Y-2 = its consolidated Net Income or loss for the business year two years before the year just ended.

Y-1 = its consolidated Net Income or loss for the business year one year before the year just ended.

Y-0 = its consolidated Net Income or loss for the business year just ended.

CV = the Company Value will never be less than its Yearly Book Value for any business year.

(ii) The Effect of Goodwill on Ets. Brancher Company Value. In the event assets or companies are acquired by Ets. Brancher for a cost greater than their net book value, the amortization of goodwill will be over a period of not less than thirty (30) years or in the event changes in generally accepted accounting practices, the goodwill will be accounted for so as not to materially damage the CV of Ets. Brancher.

B. SALE OF ETS. BRANCHER COMPANY STOCK. The further sale of Ets. Brancher Company Stock shall take place using the stock price (as defined above) within thirty (30) days after adequate audited financial data is available in the year of purchase to calculate the Ets. Brancher Company Value, Lennox will pay to Brancher an amount equal to the Ets. Brancher Company Stock Price defined above times the number of additional shares necessary for Lennox to achieve the Lennox Percentage of Ownership applicable at that time. In exchange for this payment, Brancher agrees to transfer to Lennox sufficient shares of the Ets. Brancher Company Stock to represent the Additional Percentage of Ownership (as defined below) being acquired by Lennox for that specified year.

C. ADDITIONAL PERCENTAGE OF OWNERSHIP AND SCHEDULE. In the event that Brancher has not sold and Lennox has not purchased at least 74% of Ets. Brancher by the end of calendar year 2005, Lennox will acquire sufficient additional ownership of the Ets. Brancher to allow the percentage then owned by Lennox to equal 74%. Further, in the event that Brancher has not sold and Lennox has not purchased all the remaining ownership of Ets. Brancher by the end of calendar year 2006, Lennox will acquire all the remaining ownership of the Ets. Brancher. These purchases may be accelerated as described below.

D. ACCELERATION OF PURCHASE. The Lennox purchases described above may be accelerated in any of the following circumstances:

(i) Death of Jean-Jacques Brancher. In the event of the death of Jean-Jacques Brancher, Lennox will purchase and Brancher shall sell all of the remaining Additional Percentage of Ownership of Ets. Brancher for a purchase price equal to the greater of (1) the number of shares representing the remaining Additional

Percentage of Ownership times the applicable Ets. Brancher Company Stock Price or (2) the minimum company value described in Section 3.3.A(ii). Jean-Jacques Brancher agrees to comply with any reasonable request of Lennox to take any action which, under French Law, will increase the enforceability of the agreement to sell Ets. Brancher Company Stock as described in this Section 3.3.D(i). The purchase will be completed within three (3) months of the notice to Lennox of the date of the death of Jean-Jacques Brancher.

(ii) Option of Brancher. In addition, Brancher shall have the right but not the obligation, at any time, to require Lennox to purchase all or any portion of the remaining shares in Ets. Brancher at a purchase price per share equal to Stock Price. The accelerated purchase will be completed within ninety (90) days of the date of the exercise of this option in writing by Brancher.

EXHIBIT "B"

FINANCIAL STATEMENTS

1. ETS BRANCHER US GAAP UNAUDITED BALANCE SHEET AS AT SEPTEMBER 30, 1997 AND DECEMBER 31, 1997 AND PROFIT AND LOSS STATEMENT AS OF DECEMBER 31, 1997 (3 MONTHS)

#	ASSETS	SEPTEMBER 30, 1997 UNAUDITED	DECEMBER 31, 1997 UNAUDITED
1	Cash and cash equivalents	18.216	10.483
2	Trade accounts & notes receivables - Gross	330.887	295.248
3	Less - reserve for doubtful accounts	(33.072)	(29.757)
4	Net trade accounts & notes receivables	297.815	265.491
5	Inventories	196.366	186.661
6	Loans to affiliate	1.173	592
7	Current deferred taxes	12.239	10.827
8	Other current assets	30.496	20.877
9	TOTAL CURRENT ASSETS	556.305	494.931
10	Investments in subsidiaries and affiliates	1.312	1.057
11	Less allowances for decrease in value	(214)	(238)
12	NET INVESTMENTS IN AFFILIATES	1.098	819
13	Property plant and equipment	416.644	425.566
14	Accumulated depreciation	(230.452)	(236.825)
15	NET PROPERTY PLANT AND EQUIPMENT	186.192	188.741
16	Goodwill (West)	0	2.121
17	Amortizable long term assets	12.954	13.131
18	Other non current assets	1.362	2.133
19	TOTAL NON CURRENT ASSETS	201.606	206.945
20	TOTAL ASSETS	757.911	701.876

Such statement is based on the work of Ets Brancher chartered accountant and includes some restatements we considered necessary as described in Section 2 and 3.

#	LIABILITIES AND EQUITY	SEPTEMBER 30, 1997 UNAUDITED	DECEMBER 31, 1997 UNAUDITED
21	Short-term loans from banks	55.670	41.392
22	Current long term debt to banks	5.532	8.874
23	Account payables - Non affiliates	178.196	146.001
24	Account payables - Affiliates	93	0
25	Current warranty liability	6.685	7.167
26	Accrued expenses	126.803	96.554
27	Current income taxes payable	2.598	8.413
28	Other	1.976	2.764
29	TOTAL CURRENT LIABILITIES	377.553	311.165
30	Long term loans from banks	41.033	62.096
31	Long term loans from affiliates	59	0
32	Non current warranty liability	3.157	3.102
33	Non current deferred taxes	8.797	6.987
34	Other non current liabilities	56.953	62.926
35	TOTAL LONG TERM LIABILITIES	109.999	135.111
36	TOTAL LIABILITIES	487.552	446.276
37	NET ASSETS AND LIABILITIES	270.359	255.600
38	Retained earnings	270.359	270.753
39	Exchange variances		(1.076)
40	Net Income (loss)		(14.077)
41	TOTAL NET EQUITY	270.359	255.600
42	TOTAL LIABILITIES AND EQUITY	757.911	701.876

Such statement is based on the work of Ets Brancher chartered accountant and includes some restatements we considered necessary as described in Section 2 and 3.

	DECEMBER 31, 1997 3 MONTHS
Gross sales trade	241.007
Less cash discounts	(871)
NET SALES TRADE	240.136
COST OF SALES	(146.606)
VARIABLE MARGIN	93.530
Outbound freight	(3.537)
Commissions	(3.854)
Replacements and allowances	(5.410)
Bad debt expenses	(693)
Other variable costs	194
SUB TOTAL VARIABLE OPERATING EXPENSES	(13.300)
CONTRIBUTION MARGIN	80.230
Manufacturing overhead	(22.347)
Distribution and selling	(31.341)
Administration expenses	(26.629)
Research and development	(5.687)
SUB TOTAL PERIOD EXPENSES	(86.004)
OPERATING INCOME (LOSS)	(5.774)
Amortization of intangibles	(206)
Goodwill amortization	(38)
Currency exchange	(12)
Miscellaneous	(4.107)
EARNINGS BEFORE INTEREST AND TAXES	(10.137)
Interest income/expenses	(1.170)
INCOME (LOSS) BEFORE TAX	(11.307)
Income tax	(3.333)
NET INCOME (LOSS)	(14.640)
Minority interest	(563)
NET INCOME (LOSS) OF THE GROUP	(14.077)

Such statement is based on the work of Ets Brancher chartered accountant and includes some restatements we considered necessary as described in Section 2 and 3.

EXHIBIT 10.11

Ets. Brancher S.A.
11 rue d'Alsace-Lorraine
69500 Bron, France

Lennox Global Ltd.
2100 Lake Park Blvd.
Richardson, Texas 75080 U.S.A.

This is the First Amendment to the Amended and Restated Venture Agreement (the "Amendment") entered into by and between Lennox Global Ltd. and Lennox International Inc. (collectively referred to as "Lennox") and Ets. Brancher S.A. and its subsidiary, Fibel S.A. (collectively referred to as "Brancher")(Lennox and Brancher collectively referred to as "Shareholders"), dated 11 October 1997 (the "Prior Agreement").

The effective date of the Amendment is 27 December 1997.

This Amendment is to amend and modify the Prior Agreement as set forth below:

1. In the Prior Agreement, the Shareholders agreed to sell the assets of Lennox Industries ("Lennox UK") to HCF Lennox S.A., a subsidiary of Brancher ("HCF"), on or about 31 December 1997, for a purchase price of Thirty Million French Francs (30,000,000Ffs) and subject to the condition that Lennox UK will have a net book value of at least Thirty Million French Francs (30,000,000Ffs) at the time of the transfer.

2. The Shareholders have agreed to further modify the Prior Agreement as follows:

    a. the purchase price for Lennox UK is agreed to be Twenty-Five Million, Ten Thousand, Eight Hundred and Eighty Eight French Francs (25,010,888Ffs) which will be paid to Lennox as agreed by the parties to be completed no later than 1 May 1998;

    b. the Shareholders have further agreed that the transfer will be to Brancher rather than HCF;

    c. with respect to the tax loss carried forward of Lennox UK, the Shareholders further agree as follows:

        (i) no portion of the losses, expenses or deductions incurred by Lennox UK prior to 1 January 1998 shall be used to offset income for non-U.S. foreign tax purposes for any entity or person other than Lennox UK, under the laws of any country other than the U.S. at any time after 1 January 1998;

        (ii) Brancher agrees that the agreements set out above in subparagraph 2.c(i) shall remain in effect until the year 2010 and that it will supply Lennox, or any third party, any documentation requested by Lennox to substantiate the terms of this Amendment;

2

(iii) Brancher further agrees that the failure of Brancher to comply with the terms of the agreements set out above in subparagraph 2.c(i) may result in substantial damage, and Brancher agrees to indemnify or otherwise provide any remedies available under the applicable law to any party damaged as a result of this noncompliance.

3. The Shareholders agree that all remaining terms of the Prior Agreement shall remain in full force and effect as written.

Lennox and Brancher agree to act and vote as Shareholders of Ets. Brancher S.A. consistent with the terms of this Amendment and the Prior Agreement.

Ets. Brancher S.A.	Lennox Global Ltd.
By: /s/ Jean-Jacques Brancher	By: /s/ Clyde Wyant
Title: President	Title: Executive Vice President

EXHIBIT 10.15

LENNOX INTERNATIONAL INC.

INDEMNIFICATION AGREEMENT

THIS AGREEMENT is entered into as of March 12, 1999 ("Agreement"), between Lennox International Inc., a Delaware corporation (the "Company"), and _____ ("Indemnitee").

BACKGROUND STATEMENT AND RECITALS

Highly competent and experienced persons are becoming more reluctant to serve corporations as directors or in other capacities unless they are provided with adequate protection through insurance and adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation.

The Board of Directors of the Company (the "Board") has determined that the inability to attract and retain such persons would be detrimental to the best interests of the Company and its stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future.

The Board has also determined that it is reasonable, prudent and necessary for the Company, in addition to purchasing and maintaining directors' and officers' liability insurance (or otherwise providing for adequate arrangements of self-insurance), contractually to obligate itself to indemnify such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified.

Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that he be so indemnified.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

As used herein, the following words and terms shall have the following respective meanings:

"Beneficial Owner" means, with reference to any securities, any Entity if:

1. such Entity is the "beneficial owner" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on the date of this Agreement) such securities; provided, however, that a Entity shall not be deemed the "Beneficial Owner" of, or to "beneficially own," any security under this subsection (i) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding: (x) arises solely from a revocable proxy or consent given in response to a public (i.e., not including a solicitation exempted by Rule 14a- 2(b)(2) of the General Rules and Regulations under the Exchange Act) proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act and (y) is not then reportable by such Entity on Schedule 13D under the Exchange Act (or any comparable or successor report); or

2. such Entity is a member of a group (as that term is used in Rule 13d- 5(b) of the General Rules and Regulations under the Exchange Act) that includes any other Entity that beneficially owns such securities;

provided, however, that a Entity shall not be deemed the "Beneficial Owner" of, or to "beneficially own" any security held by a Norris Family Trust with respect to which such Entity acts in the capacity of trustee, personal representative, custodian, administrator, executor or other fiduciary; provided, further, that nothing in this definition shall cause a Entity engaged in business as an underwriter of securities to be the Beneficial Owner of, or to "beneficially own," any securities acquired through such Entity's participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition. For purposes hereof, "voting" a security shall include voting, granting a proxy, consenting or making a request or demand relating to corporate action (including, without limitation, a demand for a stockholder list, to call a stockholder meeting or to inspect corporate books and records) or otherwise giving an authorization (within the meaning of Section 14(a) of the Exchange Act) in respect of such security.

The terms "beneficially own" and "beneficially owning" shall have meanings that are correlative to this definition of the term "Beneficial Owner."

"Change of Control" means any of the following occurring on or after the date hereof:

(i) Any Entity (other than an Exempt Person) shall become the Beneficial Owner of 35% or more of the shares of Common Stock then outstanding or 35% or more of the combined voting power of the Voting Stock of the Company then outstanding; provided, however, that no Change of Control shall be deemed to occur for purposes of this subsection (i) if such Entity shall become a Beneficial Owner of 35% or more of the shares of Common Stock or 35% or more of the combined voting power of the Voting Stock of the Company solely as a result of (x) an Exempt Transaction or (y) an acquisition by a Entity pursuant to a reorganization, merger or consolidation, if, following such reorganization, merger or consolidation, the conditions described in clauses (x), (y) and (z) of subsection (iii) of this definition are satisfied;

(ii) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; provided, further, that there shall be excluded, for this purpose, any such individual whose initial assumption of office occurs as a result of any actual or threatened election contest that is subject to the provisions of Rule 14a-11 under the Exchange Act;

(iii) Approval by the shareholders of the Company of a reorganization, merger or consolidation, in each case, unless, following such reorganization, merger or consolidation, (x) more than 65% of the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding Voting Stock of such corporation is beneficially owned, directly or indirectly, by all or substantially all of the Entities who were the Beneficial Owners of the outstanding Common Stock immediately prior to such reorganization, merger or consolidation (ignoring, for purposes of this clause (x), the first proviso in the definition of "Beneficial Owner" set forth in this Article I) in substantially the same proportions as their ownership immediately prior to such reorganization, merger or consolidation of the outstanding Common Stock, (y) no Entity (excluding any Exempt Person or any Entity beneficially owning, immediately prior to such reorganization, merger or consolidation, directly or indirectly, 35% or more of the Common Stock then outstanding or 35% or more of the combined voting power of the Voting Stock of the Company then outstanding) beneficially owns, directly or indirectly, 35% or more of the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding Voting Stock of such corporation and (z) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the execution of the initial agreement or initial action by the Board providing for such reorganization, merger or consolidation; or

(iv) Approval by the shareholders of the Company of (x) a complete liquidation or dissolution of the Company, unless such liquidation or dissolution is approved as part of a plan of liquidation and dissolution involving a sale or disposition of all or substantially all of the assets of the Company to a corporation with respect to which, following such sale or other disposition, all of the requirements of clauses (y)(A), (B) and (C) of this subsection (iv) are satisfied, or (y) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, with respect to which, following such sale or other disposition, (A) more than 65% of the then outstanding shares of common stock of such corporation and the combined voting power of the Voting Stock of such corporation is then beneficially owned, directly or indirectly, by all or substantially all of the Entities who were the Beneficial Owners of the outstanding Common Stock immediately prior to such sale or other disposition (ignoring, for purposes of this clause (y)(A), the first proviso in the definition of "Beneficial Owner" set forth in this Article I) in substantially the same proportions as their ownership, immediately prior to such sale or other disposition, of the outstanding Common Stock, (B) no Entity (excluding any Exempt Person and any Entity beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 35% or more of the Common Stock then outstanding or 35% or more of the combined voting power of the Voting Stock of the Company then outstanding) beneficially owns, directly or indirectly, 35% or more of the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding Voting Stock of such corporation and (C) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement or initial action of the Board providing for such sale or other disposition of assets of the Company.

"Claim" means an actual or threatened claim or request for relief.

"Common Stock" means the common stock, par value $0.01 per share, of the Company.

"Corporate Status" means the status of a person who is or was a director, nominee for director, officer, employee, agent or fiduciary of the Company (including any predecessors to the Company), or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the request of the Company.

"Disinterested Director," with respect to any request by Indemnitee for indemnification hereunder, means a director of the Company who neither is nor was a party to the Proceeding or subject to a Claim, issue or matter in respect of which indemnification is sought by Indemnitee.

"DGCL" means the Delaware General Corporation Law and any successor statute thereto as either of them may be amended from time to time.

"Entity" means any individual, firm, corporation, partnership, association, trust, unincorporated organization or other entity.

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

"Exempt Person" means (i) the Company, any subsidiary of the Company, any employee benefit plan of the Company or any subsidiary of the Company, and any Entity organized, appointed or established by the Company for or pursuant to the terms of any such plan and (ii) any Person who is shown under the caption "Principal and Selling Stockholders" in the Company's Registration Statement on Form S-1 related to the initial public offering of the Common Stock as beneficially owning (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on the date of this Agreement) five percent or more of the Common Stock unless and until such Person individually becomes the Beneficial Owner, other than as a result of a distribution from a Norris Family Trust, of an amount of Common Stock that is 103% or more of the amount of such Common Stock beneficially owned by such Person on the date the Registration Statement is declared effective by the Securities and Exchange Commission.

"Exempt Transaction" means an increase in the percentage of the outstanding shares of Common Stock or the percentage of the combined voting power of the outstanding Voting Stock of the Company beneficially owned by any Entity solely as a result of a reduction in the number of shares of Common Stock then outstanding due to the repurchase of Common Stock by the Company, unless and until such time as such Entity shall purchase or otherwise become the Beneficial Owner of additional shares of Common Stock constituting 3% or more of the then outstanding shares of Common Stock or additional Voting Stock representing 3% or more of the combined voting power of the then outstanding Voting Stock.

"Expenses" means all attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or participating in (including on appeal), a Proceeding.

"Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither contemporaneously is, nor in the five years theretofore has been, retained to represent (a) the Company or Indemnitee in any matter material to either such party, (b) any other party to the Proceeding giving rise to a claim for indemnification hereunder or (c) the beneficial owner, directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding voting securities (other than, in each such case, with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnification

agreements). Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

"Norris Family Trust" means any trust, estate, custodianship or other fiduciary arrangement (collectively, a "Family Entity") formed, owned, held or existing primarily for the benefit of the lineal descendants of D.W. Norris, but only if such Family Entity shall not at any time hold Common Stock or Voting Stock of the Company with the primary purpose of effecting with respect to the Company (i) an extraordinary corporate transaction, such as a merger, reorganization or liquidation (ii) a sale or transfer of a material amount of assets, (iii) any material change in capitalization, (iv) any other material change in business or corporate structure or operations, (v) changes in corporate charter or bylaws, or (vi) a change in the composition of the Board or of the members of senior management.

"person" shall have the meaning ascribed to such term in Sections 13(d) and 14(d) of the Exchange Act.

"Proceeding" means any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative and whether or not based upon events occurring, or actions taken, before the date hereof (except any of the foregoing initiated by Indemnitee pursuant to Article VI or Section 7.8 to enforce his rights under this Agreement), and any inquiry or investigation that could lead to, and any appeal in or related to, any such action, suit, arbitration, alternative dispute resolution mechanism, hearing or proceeding.

"Voting Stock" means, with respect to a corporation, all securities of such corporation of any class or series that are entitled to vote generally in the election of directors of such corporation (excluding any class or series that would be entitled so to vote by reason of the occurrence of any contingency, so long as such contingency has not occurred).

ARTICLE II

SERVICES BY INDEMNITEE

Section 2.1 Services. Indemnitee agrees to serve, or continue to serve, as a director of the Company and, as the Company has requested or may request from time to time, as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise. Indemnitee and Company each acknowledge that they have entered into this Agreement as a means of inducing Indemnitee to serve, or continue to serve, the Company in such capacities. Indemnitee may at any time and for any reason resign from such position or positions (subject to any other contractual obligation or

any obligation imposed by operation of law). The Company shall have no obligation under this Agreement to continue Indemnitee in any such position or positions.

ARTICLE III

INDEMNIFICATION

Section 3.1 General. The Company shall indemnify, and advance Expenses to, Indemnitee to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may thereafter from time to time permit. The rights of Indemnitee provided under the preceding sentence shall include, but shall not be limited to, the right to be indemnified and to have Expenses advanced in all Proceedings to the fullest extent permitted by Section 145 of the DGCL. The provisions set forth in this Agreement are provided in addition to and as a means of furtherance and implementation of, and not in limitation of, the obligations expressed in this Article III.

Section 3.2 Proceedings Other Than by or in Right of the Company. Indemnitee shall be entitled to indemnification pursuant to this Section 3.2 if, by reason of his Corporate Status, he was, is or is threatened to be made, a party to any Proceeding, other than a Proceeding by or in the right of the Company. Pursuant to this Section 3.2, the Company shall indemnify Indemnitee against Expenses, judgments, penalties, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with any such Expenses, judgments, penalties, fines and amounts paid in settlement) actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any Claim, issue or matter therein, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful. Nothing in this Section 3.2 shall limit the benefits of Section 3.1 or any other Section hereunder.

Section 3.3 Proceedings by or in Right of the Company. Indemnitee shall be entitled to indemnification pursuant to this Section 3.3 if, by reason of his Corporate Status, he was, is or is threatened to be made, a party to any Proceeding brought by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3.3, the Company shall indemnify Indemnitee against Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any Claim, issue or matter therein, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. Notwithstanding the foregoing, no indemnification against such Expenses shall be made in respect of any Claim, issue or matter in such Proceeding as to which Indemnitee shall have been adjudged to be liable to the Company if applicable law prohibits such indemnification; provided, however, that, if applicable law so permits, indemnification against such Expenses shall nevertheless be made by the Company in such event if and only to the extent that the Court of

Chancery of the State of Delaware or other court of competent jurisdiction (the "Court"), or the court in which such Proceeding shall have been brought or is pending, shall so determine. Nothing in this Section 3.3 shall limit the benefits of Section 3.1 or any other Section hereunder.

ARTICLE IV

EXPENSES

Section 4.1 Expenses of a Party Who Is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement to the contrary (except as set forth in Section 7.2(c) or 7.6), and without a requirement for any determination described in Section 5.2, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with any Proceeding to which Indemnitee was or is a party by reason of his Corporate Status and in which Indemnitee is successful, on the merits or otherwise. If Indemnitee is not wholly successful, on the merits or otherwise, in a Proceeding but is successful, on the merits or otherwise, as to any Claim, issue or matter in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf relating to each successfully resolved Claim, issue or matter. For purposes of this Section 4.1 and without limitation, the termination of a Claim, issue or matter in a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such Claim, issue or matter.

Section 4.2 Expenses of a Witness or Non-Party. Notwithstanding any other provision of this Agreement to the contrary, to the extent that Indemnitee is, by reason of his Corporate Status, a witness or otherwise participates in any Proceeding at a time when he is not a party in the Proceeding, the Company shall indemnify him against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

Section 4.3 Advancement of Expenses. The Company shall pay all reasonable Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding, whether brought by or in the right of the Company or otherwise, in advance of any determination with respect to entitlement to indemnification pursuant to Article V within 15 days after the receipt by the Company of a written request from Indemnitee requesting such payment or payments from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee. Indemnitee hereby undertakes and agrees that he will reimburse and repay the Company for any Expenses so advanced to the extent that it shall ultimately be determined (in a final adjudication by a court from which there is no further right of appeal or in a final adjudication of an arbitration pursuant to Section 6.1 if Indemnitee elects to seek such arbitration) that Indemnitee is not entitled to be indemnified by the Company against such Expenses.

ARTICLE V

PROCEDURE FOR DETERMINATION OF ENTITLEMENT
TO INDEMNIFICATION

Section 5.1 Request by Indemnitee. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary or an Assistant Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the members of the Board in writing that Indemnitee has requested indemnification.

Section 5.2 Determination of Request. Upon written request by Indemnitee for indemnification pursuant to Section 5.1, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case as follows:

(a) If a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee unless Indemnitee shall request that such determination be made by the Disinterested Directors, in which case in the manner provided for in clause (i) or (ii) of paragraph (b) below;

(b) If a Change in Control shall not have occurred, (i) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (ii) by a committee of Disinterested Directors designated by majority vote of the Disinterested Directors, even though less than a quorum of the Board, (iii) if there are no Disinterested Directors, or if such Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee, or (iv) if Indemnitee and the Company mutually agree, by the stockholders of the Company; or

(c) As provided in Section 5.4(b).

If it is so determined that Indemnitee is entitled to indemnification hereunder, payment to Indemnitee shall be made within 15 days after such determination. Indemnitee shall cooperate with the person or persons making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person upon reasonable advance request any documentation or information that is not privileged or otherwise protected from disclosure and that is reasonably available to Indemnitee and reasonably necessary for such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person or persons making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification), and the Company shall indemnify and hold harmless Indemnitee therefrom.

Section 5.3 Independent Counsel. If a Change in Control shall not have occurred and the determination of entitlement to indemnification is to be made by Independent Counsel, the Independent Counsel shall be selected by (a) a majority vote of the Disinterested Directors, even though less than a quorum of the Board or (b) if there are no Disinterested Directors, by a majority vote of the Board, and the Company shall give written notice to Indemnitee, within 10 days after receipt by the Company of Indemnitee's request for indemnification, specifying the identity and address of the Independent Counsel so selected. If a Change in Control shall have occurred and the determination of entitlement to indemnification is to be made by Independent Counsel, the Independent Counsel shall be selected by Indemnitee, and Indemnitee shall give written notice to the Company, within 10 days after submission of Indemnitee's request for indemnification, specifying the identity and address of the Independent Counsel so selected (unless Indemnitee shall request that such selection be made by the Disinterested Directors, in which event the Company shall give written notice to Indemnitee, within 10 days after receipt of Indemnitee's request for the Disinterested Directors to make such selection, specifying the identity and address of the Independent Counsel so selected). In either event, (i) such notice to Indemnitee or the Company, as the case may be, shall be accompanied by a written affirmation of the Independent Counsel so selected that it satisfies the requirements of the definition of "Independent Counsel" in Article I and that it agrees to serve in such capacity and (ii) Indemnitee or the Company, as the case may be, may, within seven days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection. Any objection to selection of Independent Counsel pursuant to this Section 5.3 may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of the definition of "Independent Counsel" in Article I, and the objection shall set forth with particularity the factual basis of such assertion. If such written objection is timely made, the Independent Counsel so selected may not serve as Independent Counsel unless and until the Court has determined that such objection is without merit. In the event of a timely written objection to a choice of Independent Counsel, the party originally selecting the Independent Counsel shall have seven days to make an alternate selection of Independent Counsel and to give written notice of such selection to the other party, after which time such other party shall have five days to make a written objection to such alternate selection. If, within 30 days after submission of Indemnitee's request for indemnification pursuant to Section 5.1, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Court for resolution of any objection that shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom an objection is so resolved or the person so appointed shall act as Independent Counsel under Section 5.2. The Company shall pay any and all reasonable fees and expenses incurred by such Independent Counsel in connection with acting pursuant to Section 5.2, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 5.3, regardless of the manner in which such Independent Counsel was selected or appointed. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 6.1, Independent

Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

Section 5.4 Presumptions and Effect of Certain Proceedings.

(a) Indemnitee shall be presumed to be entitled to indemnification under this Agreement upon submission of a request for indemnification pursuant to Section 5.1, and the Company shall have the burden of proof in overcoming that presumption in reaching a determination contrary to that presumption. Such presumption shall be used by Independent Counsel (or other person or persons determining entitlement to indemnification) as a basis for a determination of entitlement to indemnification unless the Company provides information sufficient to overcome such presumption by clear and convincing evidence.

(b) If the person or persons empowered or selected under this Article V to determine whether Indemnitee is entitled to indemnification shall not have made a determination within 60 days after receipt by the Company of Indemnitee's request for indemnification, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a knowing misstatement by Indemnitee of a material fact, or knowing omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with Indemnitee's request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional 30 days, if the person making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating to such determination; provided further, that the 60-day limitation set forth in this Section 5.4(b) shall not apply and such period shall be extended as necessary (i) if within 30 days after receipt by the Company of Indemnitee's request for indemnification under Section 5.1 Indemnitee and the Company have agreed, and the Board has resolved, to submit such determination to the stockholders of the Company pursuant to Section 5.2(b) for their consideration at an annual meeting of stockholders to be held within 90 days after such agreement and such determination is made thereat, or a special meeting of stockholders for the purpose of making such determination to be held within 60 days after such agreement and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel, in which case the applicable period shall be as set forth in clause (c) of Section 6.1.

(c) The termination of any Proceeding or of any Claim, issue or matter by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere or its equivalent, shall not by itself adversely affect the rights of Indemnitee to indemnification or create a presumption that Indemnitee did not act

in good faith or in a manner that he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful. Indemnitee shall be deemed to have been found liable in respect of any Claim, issue or matter only after he shall have been so adjudged by the Court after exhaustion of all appeals therefrom.

ARTICLE VI

CERTAIN REMEDIES OF INDEMNITEE

Section 6.1 Indemnitee Entitled to Adjudication in an Appropriate Court. If (a) a determination is made pursuant to Article V that Indemnitee is not entitled to indemnification under this Agreement, (b) there has been any failure by the Company to make timely payment or advancement of any amounts due hereunder, or (c) the determination of entitlement to indemnification is to be made by Independent Counsel and such determination shall not have been made and delivered in a written opinion within 90 days after the latest of (i) such Independent Counsel's being appointed, (ii) the overruling by the Court of objections to such counsel's selection or (iii) expiration of all periods for the Company or Indemnitee to object to such counsel's selection, Indemnitee shall be entitled to commence an action seeking an adjudication in the Court of his entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the commercial arbitration rules of the American Arbitration Association. Indemnitee shall commence such action seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such action pursuant to this Section 6.1, or such right shall expire. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

Section 6.2 Adverse Determination Not to Affect any Judicial Proceeding. If a determination shall have been made pursuant to Article V that Indemnitee is not entitled to indemnification under this Agreement, any judicial proceeding or arbitration commenced pursuant to this Article VI shall be conducted in all respects as a de novo trial or arbitration on the merits, and Indemnitee shall not be prejudiced by reason of such initial adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Article VI, Indemnitee shall be presumed to be entitled to indemnification or advancement of Expenses, as the case may be, under this Agreement and the Company shall have the burden of proof in overcoming such presumption and to show by clear and convincing evidence that Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

Section 6.3 Company Bound by Determination Favorable to Indemnitee in any Judicial Proceeding or Arbitration. If a determination shall have been made or deemed to have been made pursuant to Article V that Indemnitee is entitled to indemnification, the Company shall be irrevocably bound by such determination in any judicial proceeding or arbitration commenced

pursuant to this Article VI and shall be precluded from asserting that such determination has not been made or that the procedure by which such determination was made is not valid, binding and enforceable, in each such case absent (a) a knowing misstatement by Indemnitee of a material fact, or a knowing omission of a material fact necessary to make a statement by Indemnitee not materially misleading, in connection with Indemnitee's request for indemnification or (b) a prohibition of such indemnification under applicable law.

Section 6.4 Company Bound by the Agreement. The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Article VI that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

Section 6.5 Indemnitee Entitled to Expenses of Judicial Proceeding. If Indemnitee seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and the Company shall indemnify Indemnitee against, any and all expenses (of the types described in the definition of Expenses in Article I) actually and reasonably incurred by him in such judicial adjudication or arbitration but only if Indemnitee prevails therein. If it shall be determined in such judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advancement of expenses or other benefit sought, the expenses incurred by Indemnitee in connection with such judicial adjudication or arbitration shall be equitably allocated between the Company and Indemnitee. Notwithstanding the foregoing, if a Change in Control shall have occurred, Indemnitee shall be entitled to indemnification under this Section 6.5 regardless of whether Indemnitee ultimately prevails in such judicial adjudication or arbitration.

ARTICLE VII

MISCELLANEOUS

Section 7.1 Non-Exclusivity. The rights of Indemnitee to receive indemnification and advancement of Expenses under this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation or Bylaws of the Company, any other agreement, vote of stockholders or a resolution of directors, or otherwise. No amendment or alteration of the Certificate of Incorporation or Bylaws of the Company or any provision thereof shall adversely affect Indemnitee's rights hereunder and such rights shall be in addition to any rights Indemnitee may have under the Company's Certificate of Incorporation, Bylaws and the DGCL or otherwise. To the extent that there is a change in the DGCL or other applicable law (whether by statute or judicial decision) that allows greater indemnification by agreement than would be afforded currently under the Company's Certificate of Incorporation or Bylaws and this Agreement, it is

the intent of the parties hereto that the Indemnitee shall enjoy by virtue of this Agreement the greater benefit so afforded by such change.

Section 7.2 Insurance and Subrogation.

(a) To the extent the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, agents or fiduciaries of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee, agent or fiduciary under such policy or policies.

(b) In the event of any payment by the Company under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(c) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under the Company's Certificate of Incorporation or Bylaws or any insurance policy, contract, agreement or otherwise.

Section 7.3 Certain Settlement Provisions. The Company shall have no obligation to indemnify Indemnitee under this Agreement for amounts paid in settlement of a Proceeding or Claim without the Company's prior written consent. The Company shall not settle any Proceeding or Claim in any manner that would impose any fine or other obligation on Indemnitee without Indemnitee's prior written consent. Neither the Company nor Indemnitee shall unreasonably withhold their consent to any proposed settlement.

Section 7.4 Duration of Agreement. This Agreement shall continue for so long as Indemnitee serves as a director, nominee for director, officer, employee, agent or fiduciary of the Company or, at the request of the Company, as a director, nominee for director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, and thereafter shall survive until and terminate upon the latest to occur of (a) the expiration of 10 years after the latest date that Indemnitee shall have ceased to serve in any such capacity; (b) the final termination of all pending Proceedings in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Article VI relating thereto; or (c) the expiration of all statutes of limitation applicable to possible Claims arising out of Indemnitee's Corporate Status.

Section 7.5 Notice by Each Party. Indemnitee shall promptly notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document or communication relating to any Proceeding or Claim for which Indemnitee may be entitled to indemnification or advancement of Expenses hereunder; provided, however, that any failure of Indemnitee to so notify the Company shall not adversely affect Indemnitee's rights under this Agreement except to the extent the Company shall have been materially prejudiced as a direct result of such failure. The Company shall notify promptly Indemnitee in writing, as to the pendency of any Proceeding or Claim that may involve a claim against the Indemnitee for which Indemnitee may be entitled to indemnification or advancement of Expenses hereunder.

Section 7.6 Certain Persons Not Entitled to Indemnification. Notwithstanding any other provision of this Agreement to the contrary, Indemnitee shall not be entitled to indemnification or advancement of Expenses hereunder with respect to any Proceeding or any Claim, issue or matter therein, brought or made by Indemnitee against the Company or any affiliate of the Company, except as specifically provided in Article V or Article VI.

Section 7.7 Indemnification for Negligence, Gross Negligence, etc. Without limiting the generality of any other provision hereunder, it is the express intent of this Agreement that Indemnitee be indemnified and Expenses be advanced regardless of Indemnitee's acts of negligence, gross negligence or intentional or willful misconduct to the extent that indemnification and advancement of Expenses is allowed pursuant to the terms of this Agreement and under applicable law.

Section 7.8 Enforcement. The Company agrees that its execution of this Agreement shall constitute a stipulation by which it shall be irrevocably bound in any court or arbitration in which a proceeding by Indemnitee for enforcement of his rights hereunder shall have been commenced, continued or appealed, that its obligations set forth in this Agreement are unique and special, and that failure of the Company to comply with the provisions of this Agreement will cause irreparable and irremediable injury to Indemnitee, for which a remedy at law will be inadequate. As a result, in addition to any other right or remedy he may have at law or in equity with respect to breach of this Agreement, Indemnitee shall be entitled to injunctive or mandatory relief directing specific performance by the Company of its obligations under this Agreement.

Section 7.9 Successors and Assigns. All of the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the parties hereto and their respective successors, assigns, heirs, executors, administrators, legal representatives. The Company shall require and cause any direct or indirect successor (whether by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, by written agreement in form and substance reasonably satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to

the same extent that the Company would be required to perform if no such succession had taken place.

Section 7.10 Amendment. This Agreement may not be modified or amended except by a written instrument executed by or on behalf of each of the parties hereto.

Section 7.11 Waivers. The observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) by the party entitled to enforce such term only by a writing signed by the party against which such waiver is to be asserted. Unless otherwise expressly provided herein, no delay on the part of any party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party hereto of any right, power or privilege hereunder operate as a waiver of any other right, power or privilege hereunder nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

Section 7.12 Entire Agreement. This Agreement and the documents expressly referred to herein constitute the entire agreement between the parties hereto with respect to the matters covered hereby, and any other prior or contemporaneous oral or written understandings or agreements with respect to the matters covered hereby are expressly superseded by this Agreement.

Section 7.13 Severability. If any provision of this Agreement (including any provision within a single section, paragraph or sentence) or the application of such provision to any person or circumstance, shall be judicially declared to be invalid, unenforceable or void, such decision will not have the effect of invalidating or voiding the remainder of this Agreement or affect the application of such provision to other persons or circumstances, it being the intent and agreement of the parties that this Agreement shall be deemed amended by modifying such provision to the extent necessary to render it valid, legal and enforceable while preserving its intent, or if such modification is not possible, by substituting therefor another provision that is valid, legal and enforceable and that achieves the same objective. Any such finding of invalidity or unenforceability shall not prevent the enforcement of such provision in any other jurisdiction to the maximum extent permitted by applicable law.

Section 7.14 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given upon (a) transmitter's confirmation of a receipt of a facsimile transmission, (b) confirmed delivery of a standard overnight courier or when delivered by hand or (c) the expiration of five business days after the date mailed by certified or registered mail (return receipt requested), postage prepaid, to the parties at the following addresses (or at such other addresses for a party as shall be specified by like notice):

If to the Company, to:

Lennox International Inc.
2100 Lake Park Blvd.
Richardson, Texas 75080
Attention: Carl E. Edwards, Jr., Secretary
Facsimile: (972) 497-5268

If to Indemnitee, to:

Facsimile:

Section 7.15 Certain Construction Rules.

(a) The article and section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. As used in this Agreement, unless otherwise provided to the contrary, (i) all references to days shall be deemed references to calendar days and (ii) any reference to a "Section" or "Article" shall be deemed to refer to a section or article of this Agreement. The words "hereof," "herein" and "hereunder" and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." Unless otherwise specifically provided for herein, the term "or" shall not be deemed to be exclusive. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, nominee for director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, nominee, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

Section 7.16 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to the conflicts of laws principles thereof.

Section 7.17 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument, notwithstanding that both parties are not signatories to the original or same counterpart.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered to be effective as of the date first above written.

LENNOX INTERNATIONAL INC.

By:

John W. Norris, Jr.
Chairman of the Board and
Chief Executive Officer

INDEMNITEE

Signature

Printed Name:

EXHIBIT 10.16

CHANGE OF CONTROL

EMPLOYMENT AGREEMENT

September 3, 1998

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September 3, 1998

CHANGE OF CONTROL
EMPLOYMENT AGREEMENT

This AGREEMENT (the "Agreement") by and between Lennox International Inc., a Delaware corporation (the "Company"), and (the "Executive"), dated as of the _____ day of _____, 1998, to be effective as of the Agreement Effective Date (as defined in Section 11(h) hereof).

The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its shareholders to assure that, in the event of a Change of Control or Potential Change of Control (in each case as defined in Section 9 hereof), the Company will have the continued services of the Executive and the Executive will be provided with compensation and benefits arrangements that meet his expectations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement. It is understood that the Executive has an existing employment agreement (the "Existing Agreement") with the Company. This Agreement is intended to provide certain protections to Executive that are not afforded by the Existing Agreement. This Agreement is not, however, intended to provide benefits that are duplicative of the Executive's current benefits. To the extent that this Agreement provides benefits of the same types as those provided under the Existing Agreement, the Company shall provide the better of the benefits in each case during the Employment Period. If Executive remains employed by the Company at the conclusion of an Employment Period, the Existing Agreement shall continue in effect in accordance with its terms thereafter, except that Executive's Base Salary for purposes of the Existing Agreement shall be equal to the Executive's Annual Base Salary under this Agreement at the conclusion of the Employment Period.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Employment Period. Upon a Change of Control or Potential Change of Control, the Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company, in accordance with, and subject to, the terms and provisions of this Agreement, for the period (the "Employment Period") commencing on the date upon which there occurs a Change of Control or a Potential Change of Control and ending on (i) if a Change of Control has occurred, the second anniversary of the Employment Effective Date or (ii) if a Potential Change of Control has occurred but a Change of Control has not occurred, the earliest of (x) the date upon which the Board determines in good faith that a Change of Control is unlikely to occur, (y) any anniversary of the Potential Change of Control, if at least 30 days prior to such anniversary the Executive notifies the Company in writing that he elects to terminate his employment with the Company as of such anniversary and (z) the second anniversary of the Employment Effective Date. If the Employment Period commences by reason of a

Potential Change of Control and the Employment Period is thereafter terminated pursuant to clause (ii) (x) of the preceding sentence, this Agreement shall nevertheless remain in effect and a new Employment Period shall commence upon a subsequent Change of Control or Potential Change of Control. The Company shall promptly notify the Executive in writing of the occurrence of a Change of Control or Potential Change of Control and of any determination made by the Board pursuant to clause (ii)(x) above that a Change of Control is unlikely to occur. As used herein, the term "Employment Effective Date" shall mean, with respect to any Employment Period, the date upon which such Employment Period commences in accordance with this Section 1.

2. Terms of Employment.

(a) Position and Duties.

(i) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 90-day period immediately preceding the Employment Effective Date, and (B) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Employment Effective Date or at another location within 35 miles thereof, unless, in accordance with the normal business practice of the Company, Executive is asked to move to another business location in connection with a promotion or other improvement in Executive's status with the Company or an affiliated Company.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Employment Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Employment Effective Date shall not thereafter be

deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation.

(i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary equal to the base salary in effect immediately prior to the Employment Effective Date ("Annual Base Salary"), which shall be paid in accordance with the normal business practice of the Company. During the Employment Period, the Annual Base Salary shall be reviewed at least annually and shall be increased at any time and from time to time as shall be substantially consistent with increases in base salary generally awarded in the ordinary course of business to executives of the Company and its affiliated companies. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term "Annual Base Salary" as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include, when used with reference to the Company, any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year or portion thereof during the Employment Period, an annual bonus (the "Annual Bonus") in cash equal to the greater of (A) the greatest dollar amount of annual bonus paid or awarded to or for the benefit of the Executive in respect of any of the preceding three fiscal years or (B) an amount comparable to the annual bonus awarded to other Company executives taking into account Executive's position and responsibilities with the Company, prorated in the case of either (A) or (B) for any period consisting of less than twelve full months. The Annual Bonus awarded for a particular fiscal year shall (unless the Executive elects to defer receipt thereof) be paid no later than the last day of the third month after the end of such year.

(iii) Qualified Plans. During the Employment Period, the Executive shall be entitled to participate in all profit-sharing, savings and retirement plans that are tax-qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended ("Code"), and all plans that are supplemental to any such tax-qualified plans, in each case to the extent that such plans are applicable generally to other executives of the Company and its affiliated companies, but in no event shall such plans provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities that are, in each case, less favorable, in the aggregate, than the most

favorable plans of the Company and its affiliated companies. As used in this Agreement, the term "most favorable" shall, when used with reference to any plans, practices, policies or programs of the Company and its affiliated companies, be deemed to refer to the most favorable plans, practices, policies or programs of the Company and its affiliated companies as in effect at any time during the three months preceding the Employment Effective Date or, if more favorable to the Executive, provided generally at any time after the Employment Effective Date to other executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, vision, disability, salary continuance, group life and supplemental group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits that are less favorable, in the aggregate, than the most favorable such plans, practices, policies and programs of the Company and its affiliated companies.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies.

(vi) Fringe Benefits and Perquisites. During the Employment Period, the Executive shall be entitled to fringe benefits and perquisites in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies applicable to similarly situated executives, which, in the aggregate, shall not be less than Executive's benefits and perquisites in effect prior to the commencement of the Employment Period.

(vii) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the three months preceding the Employment Effective Date.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies, but

not less than the amount of vacation time to which Executive was entitled prior to the commencement of the Employment Period.

(ix) Equity and Performance Based Awards. During the Employment Period, the Executive shall be granted on an annual basis a long-term incentive package consisting of stock options, restricted stock or restricted stock units and other equity-based awards and performance grants, as selected by the Company, with an aggregate value (as determined by an independent consulting firm selected by Executive and reasonably acceptable to the Company) that shall be not less than the aggregate value of the long-term incentive package awarded the Executive in any of the three years immediately preceding such Employment Period.

3. Termination of Employment.

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 11(d) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be withheld unreasonably).

(b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean (i) dishonesty by Executive which results in substantial personal enrichment at the expense of the Company or (ii) demonstratively willful repeated violations of Executive's obligations under this Agreement which are intended to result and do result in material injury to the Company.

(c) Good Reason. The Executive's employment may be terminated during the Employment Period by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any material respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 2 of this Agreement, other than any such assignment that would clearly constitute a promotion or other improvement in Executive's position, or any other action by the Company which results in a significant diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than that described in Section 2(a)(i)(B) hereof;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement;

(v) any failure by the Company to comply with and satisfy the requirements of Section 10 of this Agreement, provided that (A) the successor described in Section 10(c) has received, at least ten days prior to the Date of Termination (as defined in subparagraph (e) below), written notice from the Company or the Executive of the requirements of such provision and (B) such failure to be in compliance and satisfy the requirements of Section 10 shall continue as of the Date of Termination; or

(vi) in the event that the Executive is serving as a member of the Board immediately prior to the Employment Effective Date, any failure to reelect Executive as a member of the Board, unless such reelection would be prohibited by the Company's By-laws as in effect at the beginning of the Employment Period.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 11(d) of this Agreement. The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company hereunder or preclude the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Date of Termination. For purposes of this Agreement, the term "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

4. Obligations of the Company Upon Termination.

(a) Good Reason; Other than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay or provide to or in respect of the Executive the following amounts and benefits:

A. in a lump sum in cash within 10 days after the Date of Termination, an amount equal to the sum of (1) the Executive's Annual Base Salary through the Date of Termination, (2) the product of (x) the highest Annual Bonus paid or awarded to or for the benefit of Executive during the three fiscal years preceding the Date of Termination and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination and the denominator of which is 365, (3) any deferred compensation previously awarded to or earned by the Executive (together with any accrued interest or earnings thereon) and (4) any compensation for unused vacation time for which the Executive is eligible in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), (3) and (4) shall be hereinafter referred to as the "Accrued Obligation");

B. in a lump sum in cash, undiscounted, within 10 days after the Date of Termination, an amount equal to the sum of (1) three times the Annual Base Salary and (2) three times the Annual Bonus that would have been paid or awarded to or for the benefit of the Executive during the fiscal year that includes the Date of Termination;

C. an additional three Years of Vesting Service and Years of Credited Service, as well as an incremental three years added to

Executive's age, for purposes of the Company's Supplemental Retirement Plan and Profit Sharing Restoration Plan;

D. effective as of the Date of Termination, (x) immediate vesting and exercisability of, termination of any restrictions on sale or transfer (other than any such restriction arising by operation of law) with respect to and treatment of any performance goals as having been satisfied at the highest possible level with respect to each and every stock option, restricted stock award, restricted stock unit award and other equity-based award and performance award (each, a "Compensatory Award") that is outstanding as of a time immediately prior to the Date of Termination, (y) the extension of the term during which each and every Compensatory Award may be exercised by the Executive until the earlier of (1) the first anniversary of the Date of Termination or (2) the date upon which the right to exercise any Compensatory Award would have expired if the Executive had continued to be employed by the Company under the terms of this Agreement until the second anniversary of the Employment Effective Date and (z) at the sole election of Executive, in exchange for any or all Compensatory Awards that are either denominated in or payable in Common Stock, an amount in cash equal to the number of shares of Common Stock that are subject to the Compensatory Award multiplied by the excess of (i) the Highest Price Per Share (as defined below) over (ii) the exercise or purchase price, if any, of such Compensatory Awards. As used herein, the term "Highest Price Per Share" shall mean the highest price per share that can be determined to have been paid or agreed to be paid for any share of Common Stock by a Covered Person (as defined below) at any time during the Employment Period or the six-month period immediately preceding the Employment Effective Date. As used herein, the term "Covered Person" shall mean any Person other than an Exempt Person (in each case as defined in Section 9 hereof) who (i) is the Beneficial Owner (as defined in Section 9 hereof) of 35% or more of the outstanding shares of Common Stock or 35% or more of the combined voting power of the outstanding Voting Stock (as defined in Section 9 hereof) of the Company at any time during the Employment Period or the two-year period immediately prior to the Employment Effective Date, or (ii) is a Person who has any material involvement in proposing or effecting the Change of Control or Potential Change of Control (but excluding any Person whose involvement in proposing or effecting the Change of Control or Potential Change of Control resulted solely from such Person's voting or selling of Common Stock in connection with the Change of Control or Potential Change of Control, from such Person's status as a director or officer of the Company in evaluating and/or approving a Change of Control or Potential Change of Control or both). In determining the Highest Price Per Share, the

price paid or agreed to be paid by a Covered Person will be appropriately adjusted to take into account (W) distributions paid or payable in stock, (X) subdivisions of outstanding stock, (Y) combinations of shares of stock into a smaller number of shares and (Z) similar events.

(ii) for the three-year period commencing with the Date of Termination, and for the COBRA continuation period commencing thereafter, the Company shall continue medical and health benefits to the Executive and/or the Executive's family at least equal to those that would have been provided to them in accordance with the medical plans, programs, practices and policies described in Section 2(b)(iv) of this Agreement if the Executive's employment had not been terminated (such continuation of such benefits for the applicable period herein set forth shall be hereinafter referred to as "Welfare Benefit Continuation"). For purposes of determining eligibility of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until the third anniversary of Executive's Date of Termination and to have retired on such date; and

(iii) the Company shall timely pay or provide to the Executive and/or the Executive's family any other amounts or benefits required to be paid or provided or which the Executive and/or the Executive's family is eligible to receive pursuant to this Agreement and under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies as in effect and applicable generally to other executives and their families on the Employment Effective Date (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate and the Company shall be obligated to pay to the Executive's legal representatives under this Agreement the greater of (i) such benefits as would be provided to Executive under the Existing Agreement or (ii)(A) the payment of the Accrued Obligations (which shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination), (B) the payment of an amount equal to the Annual Salary that would have been paid to the Executive pursuant to this Agreement for the period beginning on the Date of Termination and ending on the first anniversary thereof if the Executive's employment had not terminated by reason of death (which shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination), (C) the timely payment or provision of the Welfare Benefit Continuation and Other Benefits and (D) effective as of the Date of Termination, (x) immediate vesting and exercisability of, and termination of any restrictions on sale or transfer (other than any such restriction arising by operation of law) with respect to, each and every Compensatory Award outstanding as of a time immediately prior to the Date of Termination, (y) the

extension of the term during which each and every Compensatory Award may be exercised or purchased by the Executive until the earlier of (I) the first anniversary of the Date of Termination or (II) the date upon which the right to exercise or purchase any Compensatory Award would have expired if the Executive had continued to be employed by the Company under the terms of this Agreement until the second anniversary of the Employment Effective Date and (z) at the sole election of Executive's legal representative, in exchange for any Compensatory Award that is either denominated in or payable in Common Stock, an amount in cash equal to the excess of (I) the Highest Price Per Share over (II) the exercise or purchase price, if any, of such Compensatory Award.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate and the Company shall be obligated to pay to the Executive, the greater of (i) such benefits as would be provided to Executive under the Existing Agreement or (ii)(A) the payment of the Accrued Obligations (which shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination), (B) the payment of an amount equal to the Annual Salary that would have been paid to the Executive pursuant to this Agreement for the period beginning on the Date of Termination and ending on the first anniversary thereof if the Executive's employment had not terminated by reason of Disability (which shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination), (C) the timely payment or provision of the Welfare Benefit Continuation and Other Benefits and (D) effective as of the Date of Termination, (x) immediate vesting and exercisability of, and termination of any restrictions on sale or transfer (other than any such restriction arising by operation of law) with respect to, each and every Compensatory Award outstanding as of a time immediately prior to the Date of Termination, (y) the extension of the term during which each and every Compensatory Award may be exercised or purchased by the Executive until the earlier of (I) the first anniversary of the Date of Termination or (II) the date upon which the right to exercise or purchase any Compensatory Award would have expired if the Executive had continued to be employed by the Company under the terms of this Agreement until the second anniversary of the Employment Effective Date and (z) at the sole election of Executive, in exchange for any Compensatory Award that is either denominated in or payable in Common Stock, an amount in cash equal to the excess of (I) the Highest Price Per Share over (II) the exercise or purchase price, if any, of such Compensatory Award.

(d) Cause; Other than for Good Reason. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations under this Agreement to the Executive other than for Accrued Obligations. If the Executive terminates employment during the Employment Period other than for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for the payment of Accrued Obligations. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

5. Non-exclusivity of Rights. Except as provided in Section 4 of this Agreement, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as such plan, policy, practice or program is superseded by this Agreement.

6. Full Settlement; Resolution of Disputes.

(a) The Company's obligation to make payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, mitigation or other claim, right or action which the Company may have against the Executive or others. The Company agrees to pay promptly as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (in which the Executive is successful, in whole or in part, on the merits) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement (other than Section 8 hereof) or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any such payment pursuant to this Agreement), plus in each case interest on any delayed payment at the Applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.

(b) If there shall be any dispute between the Company and the Executive concerning (i) in the event of any termination of the Executive's employment by the Company, whether such termination was for Cause, or (ii) in the event of any termination of employment by the Executive, whether Good Reason existed, then, unless and until there is a final, nonappealable judgment by a court of competent jurisdiction declaring that such termination was for Cause or that Good Reason did not exist, the Company shall pay all amounts, and provide all benefits, to the Executive and/or the Executive's family or other beneficiaries, as the case may be, that the Company would be required to pay or provide pursuant to Section 4(a) hereof as though such termination were by the Company without Cause or by the Executive with Good Reason; provided, however, that the Company shall not be required to pay any disputed amounts pursuant to this paragraph except upon receipt of an undertaking by or on behalf of the Executive to repay all such amounts to which the Executive is ultimately adjudged by such court not to be entitled.

7. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 7) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 7(c), all determinations required to be made under this Section 7, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Arthur Andersen LLP (the "Accounting Firm"); provided, however, that the Accounting Firm shall not determine that no Excise Tax is payable by the Executive unless it delivers to the Executive a written opinion (the "Accounting Opinion") that failure to report the Excise Tax on the Executive's applicable Federal income tax return would not result in the imposition of a negligence or similar penalty. In the event that Arthur Andersen LLP has served, at any time during the two years immediately preceding a Change of Control Date, as accountant or auditor for the individual, entity or group that is involved in effecting or has any material interest in the Change of Control, the Executive, at his option, shall appoint another nationally recognized accounting firm to make the determinations and perform the other functions specified in this Section 7 (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company, the Accounting Firm shall make all determinations required under this Section 7, shall provide to the Company and the Executive a written report setting forth such determinations, together with detailed supporting calculations, and, if the Accounting Firm determines that no Excise Tax is payable, shall deliver the Accounting Opinion to the Executive. Any Gross-Up Payment, as determined pursuant to this Section 7, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Subject to the remainder of this Section 7, any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the

Accounting Firm hereunder, it is possible that a Gross-Up Payment that will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that it is ultimately determined in accordance with the procedures set forth in Section 7(c) that the Executive is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claims by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but not later than 30 days after the Executive actually receives notice in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid; provided, however, that the failure of the Executive to notify the Company of such claim (or to provide any required information with respect thereto) shall not affect any rights granted to the Executive under this Section 7 except to the extent that the Company is materially prejudiced in the defense of such claim as a direct result of such failure. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which he gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney selected by the Company and reasonably acceptable to the Executive;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) if the Company elects not to assume and control the defense of such claim, permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the

foregoing provisions of this Section 7(c), the Company shall have the right, at its sole option, to assume the defense of and control all proceedings in connection with such contest, in which case it may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis, and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's right to assume the defense of and control the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 7(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 7(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 7(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

8. Confidential Information; Certain Prohibited Activities.

(a) The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After the Executive's Date of Termination, the Executive shall not, without the prior written

consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. Except as provided in subsection (c) below, in no event shall an asserted violation of the provisions of this Section 8 constitute a basis for deferring or withholding any amounts otherwise payable to Executive under this Agreement. Also, within 14 days of the termination of Executive's employment for any reason, Executive shall return to the Company all documents and other tangible items of or containing Company information which are in Executive's possession, custody or control.

(b) Executive agrees that for a period of 24 complete calendar months following his Date of Termination, Executive will not, either directly or indirectly, call on, solicit, induce or attempt to induce any of the employees or officers of the Company whom Executive had knowledge of or association with during Executive's employment with the Company to terminate their association with the Company either personally or through the efforts of his or her subordinates.

(c) In the event of a breach by Executive of any provision of this Section 8, the Company shall be entitled to (i) cease any Welfare Benefit Contribution entitlement provided pursuant to Section 4(a)(ii) hereof, (ii) relief by temporary restraining order, temporary injunction and/or permanent injunction, (iii) recovery of all attorneys' fees and costs incurred in obtaining such relief and (iv) any other legal and equitable relief to which it may be entitled, including monetary damages.

9. Change of Control; Potential Change of Control.

(a) As used in this Agreement, the terms set forth below shall have the following respective meanings:

"Beneficial Owner" shall mean, with reference to any securities, any Person if:

(i) such Person is the "beneficial owner" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on the date of this Agreement) such securities; provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own," any security under this subsection (i) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding: (x) arises solely from a revocable proxy or consent given in response to a public (i.e., not including a solicitation exempted by Rule 14a-2(b)(2) of the General Rules and Regulations under the Exchange Act) proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act and (y) is not then

reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(ii) such Person is a member of a group (as that term is used in Rule 13d-5(b) of the General Rules and Regulations under the Exchange Act) that includes any other Person that beneficially owns such securities; provided, however, that no Person who is shown in the Registration Statement on Form S-1 ("Registration Statement") under the Securities Act of 1933 related to the initial public offering of the Common Stock as beneficially owning (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on the date of this Agreement) five percent or more of the Common Stock shall be deemed a member of any group that includes as its sole members Persons who also are shown in the Registration Statement as beneficially owning five percent or more of the Common Stock unless and until such time as each such Person individually becomes the Beneficial Owner, other than as a result of a distribution from a Norris Family Trust, of an amount of Common Stock that is 103% or more of the amount of such Common Stock beneficially owned by such Person on the date the Registration Statement is declared effective by the Securities and Exchange Commission;

provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own" any security held by a Norris Family Trust with respect to which such Person acts in the capacity of trustee, executor or other fiduciary; provided, further, that nothing in this definition shall cause a Person engaged in business as an underwriter of securities to be the Beneficial Owner of, or to "beneficially own," any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition. For purposes hereof, "voting" a security shall include voting, granting a proxy, consenting or making a request or demand relating to corporate action (including, without limitation, a demand for a stockholder list, to call a stockholder meeting or to inspect corporate books and records) or otherwise giving an authorization (within the meaning of Section 14(a) of the Exchange Act) in respect of such security.

The terms "beneficially own" and "beneficially owning" shall have meanings that are correlative to this definition of the term "Beneficial Owner."

"Change of Control" shall mean any of the following occurring on or after the Agreement Effective Date:

(i) Any Person (other than an Exempt Person) shall become the Beneficial Owner of 35% or more of the shares of Common Stock then outstanding or 35% or more of the combined voting power of the Voting Stock of the Company then outstanding; provided, however, that no Change of Control shall be deemed

to occur for purposes of this subsection (i) if such Person shall become a Beneficial Owner of 35% or more of the shares of Common Stock or 35% or more of the combined voting power of the Voting Stock of the Company solely as a result of (x) an Exempt Transaction or (y) an acquisition by a Person pursuant to a reorganization, merger or consolidation, if, following such reorganization, merger or consolidation, the conditions described in clauses (x), (y) and (z) of subsection (iii) of this definition are satisfied;

(ii) Individuals who, as of the Agreement Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Agreement Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; provided, further, that there shall be excluded, for this purpose, any such individual whose initial assumption of office occurs as a result of any actual or threatened election contest that is subject to the provisions of Rule 14a-11 under the Exchange Act;

(iii) Approval by the shareholders of the Company of a reorganization, merger or consolidation, in each case, unless, following such reorganization, merger or consolidation, (x) more than 65% of the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding Voting Stock of such corporation is beneficially owned, directly or indirectly, by all or substantially all of the Persons who were the Beneficial Owners of the outstanding Common Stock immediately prior to such reorganization, merger or consolidation in substantially the same proportions as their ownership immediately prior to such reorganization, merger or consolidation of the outstanding Common Stock, (y) no Person (excluding any Exempt Person or any Person beneficially owning, immediately prior to such reorganization, merger or consolidation, directly or indirectly, 35% or more of the Common Stock then outstanding or 35% or more of the combined voting power of the Voting Stock of the Company then outstanding) beneficially owns, directly or indirectly, 35% or more of the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding Voting Stock of such corporation and (z) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the execution of the initial agreement or initial action by the Board providing for such reorganization, merger or consolidation; or

(iv) Approval by the shareholders of the Company of (x) a complete liquidation or dissolution of the Company, unless such liquidation or dissolution is approved as part of a plan of liquidation and dissolution involving a sale or disposition of all or substantially all of the assets of the Company to a corporation with respect to which, following such sale or other disposition, all of the requirements of clauses (y)(A), (B) and (C) of this subsection (iv) are satisfied, or (y) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, with respect to which, following such sale or other disposition, (A) more than 65% of the then outstanding shares of common stock of such corporation and the combined voting power of the Voting Stock of such corporation is then beneficially owned, directly or indirectly, by all or substantially all of the Persons who were the Beneficial Owners of the outstanding Common Stock immediately prior to such sale or other disposition in substantially the same proportions as their ownership, immediately prior to such sale or other disposition, of the outstanding Common Stock, (B) no Person (excluding any Exempt Person and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 35% or more of the Common Stock then outstanding or 35% or more of the combined voting power of the Voting Stock of the Company then outstanding) beneficially owns, directly or indirectly, 35% or more of the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding Voting Stock of such corporation and (C) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement or initial action of the Board providing for such sale or other disposition of assets of the Company.

"Common Stock" shall mean the common stock, par value $.01 per share, of the Company, and shall include, for purposes of Section 4 hereof, stock of any successor, within the meaning of Section 10(c).

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Exempt Person" shall mean the Company, any subsidiary of the Company, any employee benefit plan of the Company or any subsidiary of the Company, and any Person organized, appointed or established by the Company for or pursuant to the terms of any such plan.

"Exempt Transaction" shall mean an increase in the percentage of the outstanding shares of Common Stock or the percentage of the combined voting power of the outstanding Voting Stock of the Company beneficially owned by any Person solely as a result of a reduction in the number of shares of Common Stock then outstanding due to the repurchase of Common Stock by the Company, unless and until such time as such

Person shall purchase or otherwise become the Beneficial Owner of additional shares of Common Stock constituting 3% or more of the then outstanding shares of Common Stock or additional Voting Stock representing 3% or more of the combined voting power of the then outstanding Voting Stock.

"Norris Family Trust" shall mean any trust, other fiduciary arrangement or family planning device formed or existing for the benefit of the descendants of D.W. Norris but only if such entity shall not at any time act with the primary purpose of effecting with respect to the Company (i) an extraordinary corporate transaction, such as a merger, reorganization or liquidation (ii) a sale or transfer of a material amount of assets, (iii) any material change in capitalization, (iv) any other material change in business or corporate structure or operations, (v) changes in corporate charter or bylaws, or (vi) a change in the composition of the Board or of the members of senior management.

"Person" shall mean any individual, firm, corporation, partnership, association, trust, unincorporated organization or other entity.

"Potential Change of Control" shall mean any of the following:

(i) a tender offer or exchange offer is commenced by any Person which, if consummated, would constitute a Change of Control;

(ii) an agreement is entered into by the Company providing for a transaction which, if consummated, would constitute a Change of Control;

(iii) any election contest is commenced that is subject to the provisions of Rule 14a-11 under the Exchange Act; or

(iv) any proposal is made, or any other event or transaction occurs or is continuing, which the Board determines, if consummated, would result in a Change of Control.

"Voting Stock" shall mean, with respect to a corporation, all securities of such corporation of any class or series that are entitled to vote generally in the election of directors of such corporation (excluding any class or series that would be entitled so to vote by reason of the occurrence of any contingency, so long as such contingency has not occurred).

(b) In the event that the Company is a party to a transaction that is otherwise intended to qualify for "pooling of interests" accounting treatment, such transaction constitutes a Change of Control within the meaning of this Agreement and individuals who satisfy the requirements in clauses (i) and (ii) below constitute at least 51%

of the number of directors of the entity surviving such transaction or any parent thereof: individuals who (i) immediately prior to such transaction constituted the Board and (ii) on the date hereof constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least 51% of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended, then this Section 9 and other Agreement provisions concerning a Change of Control shall, to the extent practicable, be interpreted so as to permit such accounting treatment, and to the extent that the application of this sentence does not preserve the availability of such accounting treatment, then, to the extent that any provision or combination of provisions of this Section 9 and other Agreement provisions concerning a Change of Control disqualifies the transaction as a "pooling" transaction (including, if applicable, all provisions of the Agreement relating to a Change of Control), the Board shall amend such provision or provisions if and to the extent necessary (including declaring such provision or provisions to be null and void as of the date hereof, which declaration shall be binding on Executive) so that such transaction may be accounted for as a "pooling of interests." All determinations with respect to this paragraph shall be made by the Company, based upon the advice of the accounting firm whose opinion with respect to "pooling of interests" is required as a condition to the consummation of such transaction.

10. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's heirs, executors and other legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and may only be assigned to a successor described in Section 10(c).

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

11. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws that would require the application of the laws of any other state or jurisdiction.

(b) The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(c) This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and heirs, executors and other legal representatives.

(d) All notices and other communications hereunder shall be in writing and shall be given, if by the Executive to the Company, by telecopy or facsimile transmission at the telecommunications number set forth below and, if by either the Company or the Executive, either by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

If to the Company:

Lennox International Inc.
2100 Lake Park Blvd.
Richardson, Texas 75080-2254
Telecommunications Number: (972) _____
Attention: Corporate Secretary

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(e) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(f) The Company may withhold from any amounts payable under this Agreement such Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(g) The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 3(c) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(h) This Agreement shall become effective as of _____ (the "Agreement Effective Date ").

IN WITNESS WHEREOF, the Executive has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

LENNOX INTERNATIONAL INC.

By: ----------

Name: ----------

Title: ----------

EXECUTIVE

Signature

September 3, 1998

EXHIBIT 10.17

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CHANGE OF CONTROL
EMPLOYMENT AGREEMENT

This AGREEMENT (the "Agreement") by and between Lennox International Inc., a Delaware corporation (the "Company"), and _____ (the "Executive"), dated as of the _____ day of _____, 1999, to be effective as of the Agreement Effective Date (as defined in Section 11(h) hereof).

The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its shareholders to assure that, in the event of a Change of Control or Potential Change of Control (in each case as defined in Section 9 hereof), the Company will have the continued services of the Executive and the Executive will be provided with compensation and benefits arrangements that meet his expectations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement. It is understood that the Executive has an existing employment agreement (the "Existing Agreement") with the Company. This Agreement is intended to provide certain protections to Executive that are not afforded by the Existing Agreement. This Agreement is not, however, intended to provide benefits that are duplicative of the Executive's current benefits. To the extent that this Agreement provides benefits of the same types as those provided under the Existing Agreement, the Company shall provide the better of the benefits in each case during the Employment Period. If Executive remains employed by the Company at the conclusion of an Employment Period, the Existing Agreement shall continue in effect in accordance with its terms thereafter, except that Executive's Base Salary for purposes of the Existing Agreement shall be equal to the Executive's Annual Base Salary under this Agreement at the conclusion of the Employment Period.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Employment Period. Upon a Change of Control or Potential Change of Control, the Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company, in accordance with, and subject to, the terms and provisions of this Agreement, for the period (the "Employment Period") commencing on the date upon which there occurs a Change of Control or a Potential Change of Control and ending on (i) if a Change of Control has occurred, the second anniversary of the Employment Effective Date or (ii) if a Potential Change of Control has occurred but a Change of Control has not occurred, the earliest of (x) the date upon which the Board determines in good faith that a Change of Control is unlikely to occur, (y) any anniversary of the Potential Change of Control, if at least 30 days prior to such anniversary the Executive notifies the Company in writing that he elects to terminate his employment with the Company as of such anniversary and (z) the second anniversary of the Employment Effective Date. If the Employment Period commences by reason of a

Potential Change of Control and the Employment Period is thereafter terminated pursuant to clause (ii) (x) of the preceding sentence, this Agreement shall nevertheless remain in effect and a new Employment Period shall commence upon a subsequent Change of Control or Potential Change of Control. The Company shall promptly notify the Executive in writing of the occurrence of a Change of Control or Potential Change of Control and of any determination made by the Board pursuant to clause (ii)(x) above that a Change of Control is unlikely to occur. As used herein, the term "Employment Effective Date" shall mean, with respect to any Employment Period, the date upon which such Employment Period commences in accordance with this Section 1.

2. Terms of Employment.

(a) Position and Duties.

(i) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 90-day period immediately preceding the Employment Effective Date, and (B) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Employment Effective Date or at another location within 35 miles thereof, unless, in accordance with the normal business practice of the Company, Executive is asked to move to another business location in connection with a promotion or other improvement in Executive's status with the Company or an affiliated Company.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Employment Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Employment Effective Date shall not thereafter be

deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation.

(i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary equal to the base salary in effect immediately prior to the Employment Effective Date ("Annual Base Salary"), which shall be paid in accordance with the normal business practice of the Company. During the Employment Period, the Annual Base Salary shall be reviewed at least annually and shall be increased at any time and from time to time as shall be substantially consistent with increases in base salary generally awarded in the ordinary course of business to executives of the Company and its affiliated companies. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term "Annual Base Salary" as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include, when used with reference to the Company, any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year or portion thereof during the Employment Period, an annual bonus (the "Annual Bonus") in cash equal to the greater of (A) the greatest dollar amount of annual bonus paid or awarded to or for the benefit of the Executive in respect of any of the preceding three fiscal years or (B) an amount comparable to the annual bonus awarded to other Company executives taking into account Executive's position and responsibilities with the Company, prorated in the case of either (A) or (B) for any period consisting of less than twelve full months. The Annual Bonus awarded for a particular fiscal year shall (unless the Executive elects to defer receipt thereof) be paid no later than the last day of the third month after the end of such year.

(iii) Qualified Plans. During the Employment Period, the Executive shall be entitled to participate in all profit-sharing, savings and retirement plans that are tax-qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended ("Code"), and all plans that are supplemental to any such tax-qualified plans, in each case to the extent that such plans are applicable generally to other executives of the Company and its affiliated companies, but in no event shall such plans provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities that are, in each case, less favorable, in the aggregate, than the most

favorable plans of the Company and its affiliated companies. As used in this Agreement, the term "most favorable" shall, when used with reference to any plans, practices, policies or programs of the Company and its affiliated companies, be deemed to refer to the most favorable plans, practices, policies or programs of the Company and its affiliated companies as in effect at any time during the three months preceding the Employment Effective Date or, if more favorable to the Executive, provided generally at any time after the Employment Effective Date to other executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, vision, disability, salary continuance, group life and supplemental group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits that are less favorable, in the aggregate, than the most favorable such plans, practices, policies and programs of the Company and its affiliated companies.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies.

(vi) Fringe Benefits and Perquisites. During the Employment Period, the Executive shall be entitled to fringe benefits and perquisites in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies applicable to similarly situated executives, which, in the aggregate, shall not be less than Executive's benefits and perquisites in effect prior to the commencement of the Employment Period.

(vii) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the three months preceding the Employment Effective Date.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies, but

not less than the amount of vacation time to which Executive was entitled prior to the commencement of the Employment Period.

(ix) Equity and Performance Based Awards. During the Employment Period, the Executive shall be granted on an annual basis a long-term incentive package consisting of stock options, restricted stock or restricted stock units and other equity-based awards and performance grants, as selected by the Company, with an aggregate value (as determined by an independent consulting firm selected by Executive and reasonably acceptable to the Company) that shall be not less than the aggregate value of the long-term incentive package awarded the Executive in any of the three years immediately preceding such Employment Period.

3. Termination of Employment.

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 11(d) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be withheld unreasonably).

(b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean (i) dishonesty by Executive which results in substantial personal enrichment at the expense of the Company or (ii) demonstratively willful repeated violations of Executive's obligations under this Agreement which are intended to result and do result in material injury to the Company.

(c) Good Reason. The Executive's employment may be terminated during the Employment Period by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any material respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 2 of this Agreement, other than any such assignment that would clearly constitute a promotion or other improvement in Executive's position, or any other action by the Company which results in a significant diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than that described in Section 2(a)(i)(B) hereof;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement;

(v) any failure by the Company to comply with and satisfy the requirements of Section 10 of this Agreement, provided that (A) the successor described in Section 10(c) has received, at least ten days prior to the Date of Termination (as defined in subparagraph (e) below), written notice from the Company or the Executive of the requirements of such provision and (B) such failure to be in compliance and satisfy the requirements of Section 10 shall continue as of the Date of Termination; or

(vi) in the event that the Executive is serving as a member of the Board immediately prior to the Employment Effective Date, any failure to reelect Executive as a member of the Board, unless such reelection would be prohibited by the Company's By-laws as in effect at the beginning of the Employment Period.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 11(d) of this Agreement. The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company hereunder or preclude the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

April ___, 1999

(e) Date of Termination. For purposes of this Agreement, the term "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

4. Obligations of the Company Upon Termination.

(a) Good Reason; Other than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay or provide to or in respect of the Executive the following amounts and benefits:

A. in a lump sum in cash within 10 days after the Date of Termination, an amount equal to the sum of (1) the Executive's Annual Base Salary through the Date of Termination, (2) the product of (x) the highest Annual Bonus paid or awarded to or for the benefit of Executive during the three fiscal years preceding the Date of Termination and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination and the denominator of which is 365, (3) any deferred compensation previously awarded to or earned by the Executive (together with any accrued interest or earnings thereon) and (4) any compensation for unused vacation time for which the Executive is eligible in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), (3) and (4) shall be hereinafter referred to as the "Accrued Obligation");

B. in a lump sum in cash, undiscounted, within 10 days after the Date of Termination, an amount equal to the sum of (1) three times the Annual Base Salary and (2) three times the Annual Bonus that would have been paid or awarded to or for the benefit of the Executive during the fiscal year that includes the Date of Termination;

C. an additional three Years of Vesting Service and Years of Credited Service, as well as an incremental three years added to

Executive's age, for purposes of the Company's Supplemental Retirement Plan and Profit Sharing Restoration Plan;

D. effective as of the Date of Termination, (x) immediate vesting and exercisability of, termination of any restrictions on sale or transfer (other than any such restriction arising by operation of law) with respect to and treatment of any performance goals as having been satisfied at the highest possible level with respect to each and every stock option, restricted stock award, restricted stock unit award and other equity- based award and performance award (each, a "Compensatory Award") that is outstanding as of a time immediately prior to the Date of Termination, (y) the extension of the term during which each and every Compensatory Award may be exercised by the Executive until the earlier of (1) the first anniversary of the Date of Termination or (2) the date upon which the right to exercise any Compensatory Award would have expired if the Executive had continued to be employed by the Company under the terms of this Agreement until the second anniversary of the Employment Effective Date and (z) at the sole election of Executive, in exchange for any or all Compensatory Awards that are either denominated in or payable in Common Stock, an amount in cash equal to the number of shares of Common Stock that are subject to the Compensatory Award multiplied by the excess of (i) the Highest Price Per Share (as defined below) over (ii) the exercise or purchase price, if any, of such Compensatory Awards. As used herein, the term "Highest Price Per Share" shall mean the highest price per share that can be determined to have been paid or agreed to be paid for any share of Common Stock by a Covered Person (as defined below) at any time during the Employment Period or the six-month period immediately preceding the Employment Effective Date. As used herein, the term "Covered Person" shall mean any Person other than an Exempt Person (in each case as defined in Section 9 hereof) who (i) is the Beneficial Owner (as defined in Section 9 hereof) of 35% or more of the outstanding shares of Common Stock or 35% or more of the combined voting power of the outstanding Voting Stock (as defined in Section 9 hereof) of the Company at any time during the Employment Period or the two-year period immediately prior to the Employment Effective Date, or (ii) is a Person who has any material involvement in proposing or effecting the Change of Control or Potential Change of Control (but excluding any Person whose involvement in proposing or effecting the Change of Control or Potential Change of Control resulted solely from such Person's voting or selling of Common Stock in connection with the Change of Control or Potential Change of Control, from such Person's status as a director or officer of the Company in evaluating and/or approving a Change of Control or Potential Change of Control or both). In determining the Highest Price Per Share, the

price paid or agreed to be paid by a Covered Person will be appropriately adjusted to take into account (W) distributions paid or payable in stock, (X) subdivisions of outstanding stock, (Y) combinations of shares of stock into a smaller number of shares and (Z) similar events.

(ii) for the three-year period commencing with the Date of Termination, and for the COBRA continuation period commencing thereafter, the Company shall continue medical and health benefits to the Executive and/or the Executive's family at least equal to those that would have been provided to them in accordance with the medical plans, programs, practices and policies described in Section 2(b)(iv) of this Agreement if the Executive's employment had not been terminated (such continuation of such benefits for the applicable period herein set forth shall be hereinafter referred to as "Welfare Benefit Continuation"). For purposes of determining eligibility of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until the third anniversary of Executive's Date of Termination and to have retired on such date; and

(iii) the Company shall timely pay or provide to the Executive and/or the Executive's family any other amounts or benefits required to be paid or provided or which the Executive and/or the Executive's family is eligible to receive pursuant to this Agreement and under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies as in effect and applicable generally to other executives and their families on the Employment Effective Date (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate and the Company shall be obligated to pay to the Executive's legal representatives under this Agreement the greater of (i) such benefits as would be provided to Executive under the Existing Agreement or (ii)(A) the payment of the Accrued Obligations (which shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination), (B) the payment of an amount equal to the Annual Salary that would have been paid to the Executive pursuant to this Agreement for the period beginning on the Date of Termination and ending on the first anniversary thereof if the Executive's employment had not terminated by reason of death (which shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination), (C) the timely payment or provision of the Welfare Benefit Continuation and Other Benefits and (D) effective as of the Date of Termination, (x) immediate vesting and exercisability of, and termination of any restrictions on sale or transfer (other than any such restriction arising by operation of law) with respect to, each and every Compensatory Award outstanding as of a time immediately prior to the Date of Termination, (y) the

extension of the term during which each and every Compensatory Award may be exercised or purchased by the Executive until the earlier of (I) the first anniversary of the Date of Termination or (II) the date upon which the right to exercise or purchase any Compensatory Award would have expired if the Executive had continued to be employed by the Company under the terms of this Agreement until the second anniversary of the Employment Effective Date and (z) at the sole election of Executive's legal representative, in exchange for any Compensatory Award that is either denominated in or payable in Common Stock, an amount in cash equal to the excess of (I) the Highest Price Per Share over (II) the exercise or purchase price, if any, of such Compensatory Award.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate and the Company shall be obligated to pay to the Executive, the greater of (i) such benefits as would be provided to Executive under the Existing Agreement or (ii)(A) the payment of the Accrued Obligations (which shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination), (B) the payment of an amount equal to the Annual Salary that would have been paid to the Executive pursuant to this Agreement for the period beginning on the Date of Termination and ending on the first anniversary thereof if the Executive's employment had not terminated by reason of Disability (which shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination), (C) the timely payment or provision of the Welfare Benefit Continuation and Other Benefits and (D) effective as of the Date of Termination, (x) immediate vesting and exercisability of, and termination of any restrictions on sale or transfer (other than any such restriction arising by operation of law) with respect to, each and every Compensatory Award outstanding as of a time immediately prior to the Date of Termination, (y) the extension of the term during which each and every Compensatory Award may be exercised or purchased by the Executive until the earlier of (I) the first anniversary of the Date of Termination or (II) the date upon which the right to exercise or purchase any Compensatory Award would have expired if the Executive had continued to be employed by the Company under the terms of this Agreement until the second anniversary of the Employment Effective Date and (z) at the sole election of Executive, in exchange for any Compensatory Award that is either denominated in or payable in Common Stock, an amount in cash equal to the excess of (I) the Highest Price Per Share over (II) the exercise or purchase price, if any, of such Compensatory Award.

(d) Cause; Other than for Good Reason. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations under this Agreement to the Executive other than for Accrued Obligations. If the Executive terminates employment during the Employment Period other than for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for the payment of Accrued Obligations. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

5. Non-exclusivity of Rights. Except as provided in Section 4 of this Agreement, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as such plan, policy, practice or program is superseded by this Agreement.

6. Full Settlement; Resolution of Disputes.

(a) The Company's obligation to make payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, mitigation or other claim, right or action which the Company may have against the Executive or others. The Company agrees to pay promptly as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (in which the Executive is successful, in whole or in part, on the merits) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement (other than Section 8 hereof) or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any such payment pursuant to this Agreement), plus in each case interest on any delayed payment at the Applicable Federal Rate provided for in Section 7872(f)(2)(A) of the Code.

(b) If there shall be any dispute between the Company and the Executive concerning (i) in the event of any termination of the Executive's employment by the Company, whether such termination was for Cause, or (ii) in the event of any termination of employment by the Executive, whether Good Reason existed, then, unless and until there is a final, nonappealable judgment by a court of competent jurisdiction declaring that such termination was for Cause or that Good Reason did not exist, the Company shall pay all amounts, and provide all benefits, to the Executive and/or the Executive's family or other beneficiaries, as the case may be, that the Company would be required to pay or provide pursuant to Section 4(a) hereof as though such termination were by the Company without Cause or by the Executive with Good Reason; provided, however, that the Company shall not be required to pay any disputed amounts pursuant to this paragraph except upon receipt of an undertaking by or on behalf of the Executive to repay all such amounts to which the Executive is ultimately adjudged by such court not to be entitled.

7. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 7) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 7(c), all determinations required to be made under this Section 7, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Arthur Andersen LLP (the "Accounting Firm"); provided, however, that the Accounting Firm shall not determine that no Excise Tax is payable by the Executive unless it delivers to the Executive a written opinion (the "Accounting Opinion") that failure to report the Excise Tax on the Executive's applicable Federal income tax return would not result in the imposition of a negligence or similar penalty. In the event that Arthur Andersen LLP has served, at any time during the two years immediately preceding a Change of Control Date, as accountant or auditor for the individual, entity or group that is involved in effecting or has any material interest in the Change of Control, the Executive, at his option, shall appoint another nationally recognized accounting firm to make the determinations and perform the other functions specified in this Section 7 (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company, the Accounting Firm shall make all determinations required under this Section 7, shall provide to the Company and the Executive a written report setting forth such determinations, together with detailed supporting calculations, and, if the Accounting Firm determines that no Excise Tax is payable, shall deliver the Accounting Opinion to the Executive. Any Gross-Up Payment, as determined pursuant to this Section 7, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Subject to the remainder of this Section 7, any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the

Accounting Firm hereunder, it is possible that a Gross-Up Payment that will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that it is ultimately determined in accordance with the procedures set forth in Section 7(c) that the Executive is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claims by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but not later than 30 days after the Executive actually receives notice in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid; provided, however, that the failure of the Executive to notify the Company of such claim (or to provide any required information with respect thereto) shall not affect any rights granted to the Executive under this Section 7 except to the extent that the Company is materially prejudiced in the defense of such claim as a direct result of such failure. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which he gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney selected by the Company and reasonably acceptable to the Executive;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) if the Company elects not to assume and control the defense of such claim, permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the

foregoing provisions of this Section 7(c), the Company shall have the right, at its sole option, to assume the defense of and control all proceedings in connection with such contest, in which case it may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis, and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's right to assume the defense of and control the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 7(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 7(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 7(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

8. Confidential Information; Certain Prohibited Activities.

(a) The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After the Executive's Date of Termination, the Executive shall not, without the prior written

consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. Except as provided in subsection (c) below, in no event shall an asserted violation of the provisions of this Section 8 constitute a basis for deferring or withholding any amounts otherwise payable to Executive under this Agreement. Also, within 14 days of the termination of Executive's employment for any reason, Executive shall return to the Company all documents and other tangible items of or containing Company information which are in Executive's possession, custody or control.

(b) Executive agrees that for a period of 24 complete calendar months following his Date of Termination, Executive will not, either directly or indirectly, call on, solicit, induce or attempt to induce any of the employees or officers of the Company whom Executive had knowledge of or association with during Executive's employment with the Company to terminate their association with the Company either personally or through the efforts of his or her subordinates.

(c) In the event of a breach by Executive of any provision of this Section 8, the Company shall be entitled to (i) cease any Welfare Benefit Contribution entitlement provided pursuant to Section 4(a)(ii) hereof, (ii) relief by temporary restraining order, temporary injunction and/or permanent injunction, (iii) recovery of all attorneys' fees and costs incurred in obtaining such relief and (iv) any other legal and equitable relief to which it may be entitled, including monetary damages.

9. Change of Control; Potential Change of Control.

(a) As used in this Agreement, the terms set forth below shall have the following respective meanings:

"Beneficial Owner" shall mean, with reference to any securities, any Person if:

(i) such Person is the "beneficial owner" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on the date of this Agreement) such securities; provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own," any security under this subsection (i) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding: (x) arises solely from a revocable proxy or consent given in response to a public (i.e., not including a solicitation exempted by Rule 14a-2(b)(2) of the General Rules and Regulations under the Exchange Act) proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act and (y) is not then

reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(ii) such Person is a member of a group (as that term is used in Rule 13d-5(b) of the General Rules and Regulations under the Exchange Act) that includes any other Person that beneficially owns such securities;

provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own" any security held by a Norris Family Trust with respect to which such Person acts in the capacity of trustee, personal representative, custodian, administrator, executor or other fiduciary; provided, further, that nothing in this definition shall cause a Person engaged in business as an underwriter of securities to be the Beneficial Owner of, or to "beneficially own," any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition. For purposes hereof, "voting" a security shall include voting, granting a proxy, consenting or making a request or demand relating to corporate action (including, without limitation, a demand for a stockholder list, to call a stockholder meeting or to inspect corporate books and records) or otherwise giving an authorization (within the meaning of Section 14(a) of the Exchange Act) in respect of such security.

The terms "beneficially own" and "beneficially owning" shall have meanings that are correlative to this definition of the term "Beneficial Owner."

"Change of Control" shall mean any of the following occurring on or after the Agreement Effective Date:

(i) Any Person (other than an Exempt Person) shall become the Beneficial Owner of 35% or more of the shares of Common Stock then outstanding or 35% or more of the combined voting power of the Voting Stock of the Company then outstanding; provided, however, that no Change of Control shall be deemed to occur for purposes of this subsection (i) if such Person shall become a Beneficial Owner of 35% or more of the shares of Common Stock or 35% or more of the combined voting power of the Voting Stock of the Company solely as a result of (x) an Exempt Transaction or (y) an acquisition by a Person pursuant to a reorganization, merger or consolidation, if, following such reorganization, merger or consolidation, the conditions described in clauses (x), (y) and (z) of subsection (iii) of this definition are satisfied;

(ii) Individuals who, as of the Agreement Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Agreement Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a

majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; provided, further, that there shall be excluded, for this purpose, any such individual whose initial assumption of office occurs as a result of any actual or threatened election contest that is subject to the provisions of Rule 14a-11 under the Exchange Act;

(iii) Approval by the shareholders of the Company of a reorganization, merger or consolidation, in each case, unless, following such reorganization, merger or consolidation, (x) more than 65% of the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding Voting Stock of such corporation is beneficially owned, directly or indirectly, by all or substantially all of the Persons who were the Beneficial Owners of the outstanding Common Stock immediately prior to such reorganization, merger or consolidation (ignoring, for purposes of this clause (x), the first proviso in the definition of "Beneficial Owner" set forth in Section 9(a)) in substantially the same proportions as their ownership immediately prior to such reorganization, merger or consolidation of the outstanding Common Stock, (y) no Person (excluding any Exempt Person or any Person beneficially owning, immediately prior to such reorganization, merger or consolidation, directly or indirectly, 35% or more of the Common Stock then outstanding or 35% or more of the combined voting power of the Voting Stock of the Company then outstanding) beneficially owns, directly or indirectly, 35% or more of the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding Voting Stock of such corporation and (z) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the execution of the initial agreement or initial action by the Board providing for such reorganization, merger or consolidation; or

(iv) Approval by the shareholders of the Company of (x) a complete liquidation or dissolution of the Company, unless such liquidation or dissolution is approved as part of a plan of liquidation and dissolution involving a sale or disposition of all or substantially all of the assets of the Company to a corporation with respect to which, following such sale or other disposition, all of the requirements of clauses (y)(A), (B) and (C) of this subsection (iv) are satisfied, or (y) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, with respect to which, following such sale or other disposition, (A) more than 65% of the then outstanding shares of common stock of such corporation and the combined voting power of the Voting Stock of such corporation is then beneficially owned, directly or indirectly, by all or substantially all of the Persons who were the Beneficial Owners of the outstanding

Common Stock immediately prior to such sale or other disposition (ignoring, for purposes of this clause (y)(A), the first proviso in the definition of "Beneficial Owner" set forth in Section 9(a)) in substantially the same proportions as their ownership, immediately prior to such sale or other disposition, of the outstanding Common Stock, (B) no Person (excluding any Exempt Person and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 35% or more of the Common Stock then outstanding or 35% or more of the combined voting power of the Voting Stock of the Company then outstanding) beneficially owns, directly or indirectly, 35% or more of the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding Voting Stock of such corporation and (C) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement or initial action of the Board providing for such sale or other disposition of assets of the Company.

"Common Stock" shall mean the common stock, par value $.01 per share, of the Company, and shall include, for purposes of Section 4 hereof, stock of any successor, within the meaning of Section 10(c).

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Exempt Person" shall mean (i) the Company, any subsidiary of the Company, any employee benefit plan of the Company or any subsidiary of the Company, and any Person organized, appointed or established by the Company for or pursuant to the terms of any such plan and (ii) any Person who is shown under the caption "Principal and Selling Stockholders" in the Company's Registration Statement on Form S-1 related to the initial public offering of the Common Stock as beneficially owning (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on the date of this Agreement) five percent or more of the Common Stock unless and until such Person individually becomes the Beneficial Owner, other than as a result of a distribution from a Norris Family Trust, of an amount of Common Stock that is 103% or more of the amount of such Common Stock beneficially owned by such Person on the date the Registration Statement is declared effective by the Securities and Exchange Commission.

"Exempt Transaction" shall mean an increase in the percentage of the outstanding shares of Common Stock or the percentage of the combined voting power of the outstanding Voting Stock of the Company beneficially owned by any Person solely as a result of a reduction in the number of shares of Common Stock then outstanding due to the repurchase of Common Stock by the Company, unless and until such time as such Person shall purchase or otherwise become the Beneficial Owner of additional shares of

Common Stock constituting 3% or more of the then outstanding shares of Common Stock or additional Voting Stock representing 3% or more of the combined voting power of the then outstanding Voting Stock.

"Norris Family Trust" shall mean any trust, estate, custodianship or other fiduciary arrangement (collectively, a "Family Entity") formed, owned, held, or existing primarily for the benefit of the lineal descendants of D.W. Norris, but only if such Family Entity shall not at any time hold Common Stock or Voting Stock of the Company with the primary purpose of effecting with respect to the Company (i) an extraordinary corporate transaction, such as a merger, reorganization or liquidation (ii) a sale or transfer of a material amount of assets, (iii) any material change in capitalization, (iv) any other material change in business or corporate structure or operations, (v) changes in corporate charter or bylaws, or (vi) a change in the composition of the Board or of the members of senior management.

"Person" shall mean any individual, firm, corporation, partnership, association, trust, unincorporated organization or other entity.

"Potential Change of Control" shall mean any of the following:

(i) a tender offer or exchange offer is commenced by any Person which, if consummated, would constitute a Change of Control;

(ii) an agreement is entered into by the Company providing for a transaction which, if consummated, would constitute a Change of Control;

(iii) any election contest is commenced that is subject to the provisions of Rule 14a-11 under the Exchange Act; or

(iv) any proposal is made, or any other event or transaction occurs or is continuing, which the Board determines, if consummated, would result in a Change of Control.

"Voting Stock" shall mean, with respect to a corporation, all securities of such corporation of any class or series that are entitled to vote generally in the election of directors of such corporation (excluding any class or series that would be entitled so to vote by reason of the occurrence of any contingency, so long as such contingency has not occurred).

(b) In the event that the Company is a party to a transaction that is otherwise intended to qualify for "pooling of interests" accounting treatment, such transaction constitutes a Change of Control within the meaning of this Agreement and individuals who satisfy the requirements in clauses (i) and (ii) below constitute at least 51%

of the number of directors of the entity surviving such transaction or any parent thereof: individuals who (i) immediately prior to such transaction constituted the Board and (ii) on the date hereof constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least 51% of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended, then this Section 9 and other Agreement provisions concerning a Change of Control shall, to the extent practicable, be interpreted so as to permit such accounting treatment, and to the extent that the application of this sentence does not preserve the availability of such accounting treatment, then, to the extent that any provision or combination of provisions of this Section 9 and other Agreement provisions concerning a Change of Control disqualifies the transaction as a "pooling" transaction (including, if applicable, all provisions of the Agreement relating to a Change of Control), the Board shall amend such provision or provisions if and to the extent necessary (including declaring such provision or provisions to be null and void as of the date hereof, which declaration shall be binding on Executive) so that such transaction may be accounted for as a "pooling of interests." All determinations with respect to this paragraph shall be made by the Company, based upon the advice of the accounting firm whose opinion with respect to "pooling of interests" is required as a condition to the consummation of such transaction.

10. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's heirs, executors and other legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and may only be assigned to a successor described in Section 10(c).

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

11. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws that would require the application of the laws of any other state or jurisdiction.

(b) The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(c) This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and heirs, executors and other legal representatives.

(d) All notices and other communications hereunder shall be in writing and shall be given, if by the Executive to the Company, by telecopy or facsimile transmission at the telecommunications number set forth below and, if by either the Company or the Executive, either by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

If to the Company:

Lennox International Inc.
2100 Lake Park Blvd.
Richardson, Texas 75080-2254
Telecommunications Number: (972) 497-5075
Attention: Corporate Secretary

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(e) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(f) The Company may withhold from any amounts payable under this Agreement such Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(g) The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 3(c) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(h) This Agreement shall become effective as of _____ (the "Agreement Effective Date ").

IN WITNESS WHEREOF, the Executive has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

LENNOX INTERNATIONAL INC.

By:

Name:

Title:

EXECUTIVE

Signature

EXHIBIT 21.1

LENNOX INTERNATIONAL INC. SUBSIDIARIES
AS OF MARCH 3, 1999
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NAME	OWNERSHIP	JURISDICTION OF INC.	NO. OF SHARES OUTSTANDING	LOCATION OF SUBSTANTIAL OPERATING ASSETS
Lennox Industries Inc.	100%	Iowa	994,394 Common	United States
SEE ATTACHED CHART				
Heatcraft Inc.	100%	Mississippi	20 Common	United States
Frigus-Bohn S.A. de C.V.	50%	Mexico		Mexico
LGL de Mexico, S.A. de C.V.	1%	Mexico	50,000 Common	Mexico
Lennox Participacoes Ltda.	1%	Brazil		
Frigo-Bohn do Brasil Ltda.	99%	Brazil		
Armstrong Air Conditioning Inc.	100%	Ohio	1,030 Common	United States
Jensen-Klich Supply Co.	100%	Nebraska	1,750 Common	United States
Armstrong Distributors Inc.	100%	Delaware	1,000 Common	United States
Lennox Global Ltd.	100%	Delaware	1,000 Common	United States
SEE ATTACHED CHART				
Lennox Commercial Realty Inc.	100%	Iowa	10 Common	United States
Heatcraft Technologies Inc.	100%	Delaware	1,000 Common	United States
Lennox Industries	1%	United Kingdom	300,00 Cum. Preference 13,900 Ordinary	United Kingdom
Strong LGL Colombia Ltda.	50%	Colombia	10,000	Colombia
Alliance Compressor Partnership	24.5%			

LENNOX INTERNATIONAL INC. SUBSIDIARIES
AS OF MARCH 3, 1999
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NAME	OWNERSHIP	JURISDICTION OF INC.	NO. OF SHARES OUTSTANDING	LOCATION OF SUBSTANTIAL OPERATING ASSETS
Lennox Industries Inc.				
Lennox Industries (Canada) Ltd. SEE ATTACHED CHART	100%	Canada	5,250 Pref. 35,031 Common	Canada
Lennox Industries SW Inc.	100%	Iowa	1,000 Common	N/A
Hearth Products Inc.	100%	Delaware	1,000 Common	United States
Superior Fireplace Company	100%	Delaware	1,000 Common	United States
Marco Mfg., Inc. Marcomp	100%	California		United States
Pyro Industries, Inc.	100%	Washington		United States
SecuriteCheminees International Ltee	100%	Canada		Canada
-Security Chimneys International USA Ltd.	100%			United States
-Cheminees Securite SARL	100%	France		France
Products Acceptance Corporation	100%	Iowa	3,500 Common	N/A
Lennox Manufacturing Inc.	100%	Delaware	1,000 Common	United States
LXR Acquisition Inc.	100%	Delaware	1,000 Common	United States

LENNOX INTERNATIONAL INC. SUBSIDIARIES
AS OF MARCH 3, 1999
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Lennox Industries (Canada) Ltd.

The following are all in Canada and are all owned 100% by Lennox Industries (Canada) unless otherwise noted:

- A+ Heating and Air Conditioning
- 1054413 Ontario Inc.
  - Cronin-Emery Mechanical Ltd.
  - C-E-V Heating-Cooling Service Ltd.
- Tri-Energy Heating Ltd.
- Tomahdia Associates Inc.
- Overland Plumbing & Heating
  - Accent Heating & Cooling Services, Inc.
  - Lexington Electric Ltd.
- 1069395 Ontario Ltd.
- 1068312 Ontario Ltd.
- K&M Combustion Services Limited
- Peel Gas Services Limited
- Peel Heating & Air Conditioning Ltd.
  - Peel Duct Cleaning Services Ltd. (Inactive)
- 1057664 Ontario Inc.
- Bering Inc.
- Bering Refrigeration Ltd.
- Kimian Mechanical Corp.
  - Mersey Gas Services Limited
- Goldberg Heating Ltd.
- MKG Precision Mechanical Inc.
- 1149530 Ontario Inc.
  - Debruyn Enterprises Ltd.
- The Home Environment Centre Ltd.
- Francis H.E.C. Protection Services Ltd.
- Home Environment Appliance Technologies Distribution Limited
- Fahrhall Mechanical Contractors Limited
- 510799 Ontario Ltd. (dba Campeau Heating)
- M&T Heating Company Limited
- Bryant Heating & Cooling Company - 90%
- 413899 Ontario Limited (Limcan Heating & Air Conditioning Sales)
- M. & L. Development Limited
  - Foster Air Conditioning Company, Limited - 50%
- DAC Holdings Limited
  - Foster Air Conditioning Company, Limited - 50%
- Roy Inch & Sons Limited
- McRae Heating & Air Conditioning Limited

LENNOX INTERNATIONAL INC. SUBSIDIARIES
AS OF MARCH 3, 1999
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NAME	OWNERSHIP	JURISDICTION OF INC.	NO. OF SHARES OUTSTANDING	LOCATION OF SUBSTANTIAL OPERATING ASSETS
Lennox Global Ltd.				
Lennox Australia Pty. Ltd.	100%	Australia	1,575,000 Com/Cl.A 1,575,000 Com/Cl.B	Australia
LGL Asia-Pacific Pte. Ltd.	100%	Rep. of Singapore	2 Ordinary	Singapore
Fairco S.A.	50%	Argentina		Argentina
LGL Europe Holding Co.	100%	Delaware	1,000 Common	N/A
SEE ATTACHED CHART				
LGL (Australia) Pty. Ltd.	100%	Australia		Australia
UK Industries Inc.	100%	Delaware	1,000 Common	N/A
LGL de Mexico, S.A. de C.V.	99%	Mexico	50,000 Common	Mexico
Lennox Participacoes Ltda.	99%	Brazil		
Frigo-Bohn do Brasil Ltda.	1%	Brazil		Brazil
McQuay do Brasil	79%	Brazil		Brazil
SIWA S.A.	100%	Uruguay		Uruguay
Str. LGL Dominicana S.A.	100%	Dominican Republic		
Strong LGL Colombia Ltda.	50%	Colombia		
LGL Belgium S.P.R.L.	.4%	Belgium	1 Common	Belgium
LGL Refrigeration Pty. Ltd.	100%	Australia		Australia
LGL (Thailand) Ltd.	100%	Thailand		Thailand

LENNOX INTERNATIONAL INC. SUBSIDIARIES
AS OF MARCH 3, 1999
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NAME	OWNERSHIP	JURISDICTION OF INC.	NO. OF SHARES OUTSTANDING	LOCATION OF SUBSTANTIAL OPERATING ASSETS
LGL Europe Holding Co.				
- -LGL Holland B.V.	100%	Holland		Holland
-Ets. Brancher S.A.	70%	France		France
-Frinotec S.A.	99.68%	France		France
-LGL France	100%	France		France
-Herac Ltd.	100%	United Kingdom		N/A
-Friga-Coil S.R.O	50%	Czech Republic		Czech Republic
-LGL Netherlands B.V.	100%	Netherlands		Netherlands
-LGL Germany GmbH	100%	Germany	500 Common	Germany
-Friga-Bohn Warmeaustauscher GmbH	100%	Germany		
-Hyfra Ind. GmbH	99.9%	Germany		Germany
-Ruhaak	100%	Germany		Germany
-Refac Nord GmbH	100%	Germany		Germany
-Refac West	100%	Germany		Germany
-Lennox Global Spain S.L.	100%	Spain		
-ERSA	90.1%	Spain		
-Aldo Marine	70%	Spain		
-Lennox Refac, S.A.	100%	Spain		
-Redi sur Andalucia	70%	Spain		Spain
-RefacPortugal Lda.	50%	Portugal		Portugal
-LGL Belgium S.P.R.L.	99.6%	Belgium	249 Common	Belgium
-Refac B.V.	100%	Netherlands		Netherlands
-Refac N.V	100%	Belgium		Belgium
-Refac Kalte-Klima Technik Vertriebs GmbH	50%			
-HCF Lennox Ltd.	100%	United Kingdom	100 Ordinary	United Kingdom
-Lennox Industries	99%	United Kingdom	300,000 Cum.Preference 13,900 Ordinary	United Kingdom
-Environheat Limited	100%	United Kingdom	32,765 Ordinary	N/A
-West S.R.L.	100%	Italy		Italy
- -Janka Radotin a.s.	100%	Czech Republic		Czech Republic
-Friga Coil S.R.O.	50%	Czech Republic		Czech Republic

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports (and to all references to our Firm) included in or made a part of this registration statement.

ARTHUR ANDERSEN LLP

Dallas, Texas
April 5, 1999

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12-MOS	12-MOS
DEC-31-1997	DEC-31-1998
JAN-01-1997	JAN-01-1998
DEC-31-1997	DEC-31-1998
147,802	28,389
0	0
290,177	337,358
16,948	18,500
183,077	274,679
670,505	695,535
485,736	586,295
270,403	331,170
970,892	1,152,952
334,614	432,246
0	0
0	0
0	0
10	11
325,468	376,440
970,892	1,152,952
1,444,442	1,821,836
1,444,442	1,821,836
1,005,913	1,245,623
1,005,913	1,245,623
7,488	8,467
0	0
8,515	16,184
(45,043)	89,686
(11,493)	37,161
(35,550)	52,525
0	0
0	0
0	0
(35,550)	52,525
(32.64)	49.65
(32.64)	48.50