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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY
PERIOD ENDED SEPTEMBER 30, 2000 OR

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

For the transition period from _____ to _____

Commission file number 001-15149

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

DELAWARE

42-0991521

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer
Identification No.)

2140 LAKE PARK BLVD.
RICHARDSON, TEXAS
75080

(Address of principal executive offices)
(Zip Code)

(972) 497-5000

(Registrant's telephone number, including area code)

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

YES NO

As of October 31, 2000, the number of shares outstanding of the registrant's common stock, par value \$.01 per share, was 55,509,455.

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PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of September 30, 2000 and December 31, 1999
(In thousands, except share data)

ASSETS	September 30, 2000 ----	December 31, 1999 ----
	(unaudited)	
CURRENT ASSETS:		
Cash and cash equivalents	\$ 45,473	\$ 29,174
Accounts and notes receivable, net	475,360	443,107
Inventories	380,427	345,424
Deferred income taxes	36,551	25,367
Other assets	43,783	44,526
	-----	-----
Total current assets	981,594	887,598
INVESTMENTS IN JOINT VENTURES	12,264	12,434
PROPERTY, PLANT AND EQUIPMENT, net	355,642	329,966
GOODWILL, net	676,618	394,252
OTHER ASSETS	53,697	59,423
	-----	-----
TOTAL ASSETS	\$ 2,079,815	\$ 1,683,673
	=====	=====
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Short-term debt	\$ 30,645	\$ 22,219
Current maturities of long-term debt	37,763	34,554
Accounts payable	241,597	196,143
Accrued expenses	258,155	200,221
Income taxes payable	8,406	9,859
	-----	-----
Total current liabilities	576,566	462,996
LONG-TERM DEBT	670,233	520,276
DEFERRED INCOME TAXES	500	928
POSTRETIREMENT BENEFITS, OTHER THAN PENSIONS	14,725	15,125
OTHER LIABILITIES	73,377	72,377
	-----	-----
Total liabilities	1,335,401	1,071,702
MINORITY INTEREST	2,010	14,075
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, 59,719,869 shares and 46,161,607 shares issued for 2000 and 1999, respectively	597	462
Additional paid-in capital	367,442	215,523
Retained earnings	443,993	409,851
Accumulated other comprehensive loss	(41,928)	(12,706)
Deferred compensation	(3,400)	(2,848)
Treasury stock, at cost, 2,474,784 and 1,172,200 shares for 2000 and 1999, respectively	(24,300)	(12,386)
	-----	-----
Total stockholders' equity	742,404	597,896
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,079,815	\$ 1,683,673
	=====	=====

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

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months and Nine Months Ended September 30, 2000 and 1999
(Unaudited, in thousands, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2000	1999	2000	1999
	-----	-----	-----	-----
NET SALES	\$ 857,618	\$ 669,053	\$ 2,468,142	\$ 1,749,953
COST OF GOODS SOLD	583,613	456,611	1,667,042	1,199,611
	-----	-----	-----	-----
Gross Profit	274,005	212,442	801,100	550,342
OPERATING EXPENSES:				
Selling, general and administrative	238,276	157,813	672,164	429,015
	-----	-----	-----	-----
Income from operations	35,729	54,629	128,936	121,327
INTEREST EXPENSE, net	13,968	9,093	41,960	24,193
OTHER	497	378	1,243	(403)
MINORITY INTEREST	88	832	(427)	212
	-----	-----	-----	-----
Income before income taxes	21,176	44,326	86,160	97,325
PROVISION FOR INCOME TAXES	8,790	17,042	35,757	39,840
	-----	-----	-----	-----
Net income	\$ 12,386	\$ 27,284	\$ 50,403	\$ 57,485
	=====	=====	=====	=====
EARNINGS PER SHARE:				
Basic	\$ 0.22	\$ 0.65	\$ 0.90	\$ 1.52
Diluted	\$ 0.22	\$ 0.64	\$ 0.89	\$ 1.48

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

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2000 and 1999
(Unaudited, in thousands)

	For the Nine Months Ended September 30,	
	2000	1999
	----	----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 50,403	\$ 57,485
Adjustments to reconcile net income to net cash provided by operating activities -		
Minority interest	(427)	212
Joint venture losses	1,106	2,409
Depreciation and amortization	65,018	41,825
Loss on disposal of equipment	1,297	701
Other	(220)	(994)
Changes in assets and liabilities, net of effects of acquisitions -		
Accounts and notes receivable	24,477	(94,086)
Inventories	(17,725)	(11,873)
Other current assets	(217)	(3,682)
Accounts payable	12,361	18,718
Accrued expenses	16,333	(9,946)
Deferred income taxes	(5,390)	2,184
Income taxes payable and receivable	2,679	17,014
Long-term warranty, deferred income and other liabilities	1,067	(2,559)
	-----	-----
Net cash provided by operating activities	150,762	17,408
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the disposal of property, plant and equipment	2,454	746
Purchases of property, plant and equipment	(39,749)	(53,203)
Investment in joint ventures	(1,029)	(567)
Acquisitions, net of cash acquired	(227,236)	(226,127)
Proceeds from sale of business	--	5,490
	-----	-----
Net cash used in investing activities	(265,560)	(273,661)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving short-term debt	11,697	96,554
Proceeds from revolving long-term debt	106,323	43,917
Proceeds from new long-term debt	60,000	--
Repayment of long-term debt	(14,564)	(2,619)
Proceeds from issuance of common stock	790	141,799
Repurchases of common stock	(15,532)	(152)
Cash dividends paid	(16,263)	(9,924)
	-----	-----
Net cash provided by financing activities	132,451	269,575
INCREASE IN CASH AND CASH EQUIVALENTS	17,653	13,322
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(1,354)	(589)
	-----	-----
CASH AND CASH EQUIVALENTS, beginning of period	29,174	28,389
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$ 45,473	\$ 41,122
	=====	=====
Supplementary disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 39,460	\$ 20,830
	=====	=====
Income taxes	\$ 41,727	\$ 21,637
	=====	=====

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

LENNOX INTERNATIONAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION AND OTHER ACCOUNTING INFORMATION:

The accompanying unaudited consolidated balance sheet as of September 30, 2000, and the consolidated statements of income for the three months and nine months ended September 30, 2000 and 1999 and the consolidated statements of cash flows for the nine months ended September 30, 2000 and 1999 should be read in conjunction with Lennox International Inc.'s (the "Company") consolidated financial statements and the accompanying footnotes as of December 31, 1999 and 1998 and for each of the three years in the period ended December 31, 1999. In the opinion of management, the accompanying consolidated financial statements contain all material adjustments, consisting principally of normal recurring adjustments, necessary for a fair presentation of the Company's financial position, results of operations, and cash flows. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to applicable rules and regulations, although the Company believes that the disclosures herein are adequate to make the information presented not misleading. The operating results for the interim periods are not necessarily indicative of the results to be expected for a full year.

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

2. REPORTABLE BUSINESS SEGMENTS:

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 131, the Company discloses business segment data for its reportable business segments, which have been determined using the "management approach." The management approach is based on the way segments are organized within the Company for making operating decisions and assessing performance. Operations for the North American retail segment include primarily the retail sale and service of heating and air conditioning products that have historically been included in the North American residential segment. As a result of the growth in operations of this segment, retail segment results have now been stated separately on a comparative basis. Therefore, the Company's business operations are organized within the following five reportable business segments (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
NET SALES	2000	1999	2000	1999
North American residential	\$308,370	\$328,173	\$ 954,040	\$ 917,257
North American retail	288,817	66,067	772,283	109,788
Commercial air conditioning	136,368	127,922	354,390	337,985
Commercial refrigeration	88,795	94,176	273,975	238,351
Heat transfer (1)	61,640	60,847	191,421	164,206
Eliminations	(26,372)	(8,132)	(77,967)	(17,634)
	<u>\$857,618</u>	<u>\$669,053</u>	<u>\$2,468,142</u>	<u>\$1,749,953</u>

[FN]

(1) The Heat Transfer segment had intersegment sales of \$5,503 and \$5,722 for the three months ended September 30, 2000 and 1999, respectively, and \$17,901 and \$17,696 for the nine months ended September 30, 2000 and 1999, respectively.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
INCOME (LOSS) FROM OPERATIONS	2000	1999	2000	1999
North American residential	\$23,663	\$42,824	\$ 86,631	\$105,812

North American retail	11,822	3,698	36,482	6,174
Commercial air conditioning	6,015	5,138	7,695	6,285
Commercial refrigeration	9,216	9,925	24,711	19,095
Heat transfer	3,525	2,851	12,792	10,308
Corporate and other (1)	(16,283)	(8,075)	(34,223)	(23,802)
Eliminations	(2,229)	(1,732)	(5,152)	(2,545)
	-----	-----	-----	-----
	\$35,729	\$54,629	\$128,936	\$121,327
	=====	=====	=====	=====

[FN]
(1) Includes \$5,100 for closing operations in Mexico and Argentina.

TOTAL ASSETS	As of September 30, 2000	As of December 31, 1999
-----	----	----
North American residential	\$ 571,822	\$ 596,895
North American retail	775,662	290,978
Commercial air conditioning	235,449	251,226
Commercial refrigeration	229,240	252,176
Heat transfer	154,785	179,615
Corporate and other	144,221	127,320
Eliminations	(31,364)	(14,537)
	-----	-----
	\$ 2,079,815	\$ 1,683,673
	=====	=====

3. INVENTORIES:

Components of inventories are as follows (in thousands):

	As of September 30, 2000	As of December 31, 1999
	----	----
Finished goods	\$243,583	\$219,303
Repair parts	50,776	36,153
Work in process	19,997	20,957
Raw materials	113,598	117,209
	-----	-----
Reduction for last-in, first-out	427,954	393,622
	47,527	48,198
	-----	-----
	\$380,427	\$345,424
	=====	=====

4. LINES OF CREDIT AND FINANCING ARRANGEMENTS:

The Company has bank lines of credit aggregating \$688 million, of which \$430 million was outstanding at September 30, 2000 with the remaining \$258 million available for future borrowings, subject to covenant limitations. Included in the lines of credit are two \$300 million domestic facilities governed by revolving credit facility agreements between the Company and syndicates of banks. The facilities contain certain financial covenants and bear interest, at the Company's option, at a rate equal to either (a) the greater of the bank's prime rate or the federal funds rate plus 0.5% or (b) the London Interbank Offered Rate plus a margin equal to 0.5% to 1.25%, depending upon the ratio of total funded debt to EBITDA. The Company pays a commitment fee equal to 0.10% to 0.30% of the unused commitment, depending upon the ratio of total funded debt to EBITDA. The agreements provide restrictions on the Company's ability to incur additional indebtedness, encumber its assets, sell its assets, or pay dividends.

On August 29, 2000, the Company borrowed \$25.0 million under a shelf agreement with The Prudential Insurance Company of America. Terms of the borrowing include an interest rate of 7.75%, interest to be paid semi-annually and an ultimate maturity date of August 25, 2005. Terms and conditions of the borrowing are similar to those of the existing revolving credit agreements.

5. 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 outstanding and the number of equivalent shares assumed outstanding, if dilutive, under the Company's stock-based compensation plans and from convertible securities. Diluted earnings per share are computed as follows (in thousands, except per share amounts):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2000	1999	2000	1999
Net income	\$12,386	\$27,284	\$50,403	\$57,485
Weighted average shares outstanding	56,308	42,164	56,070	37,910
Effect of diluted securities attributable to stock options and performance share awards	487	737	355	878
Weighted average shares outstanding, as adjusted	56,795	42,901	56,425	38,788
Diluted earnings per share	\$ 0.22	\$ 0.64	\$ 0.89	\$ 1.48

6. INVESTMENTS IN SUBSIDIARIES:

SERVICE EXPERTS, INC.

On January 21, 2000, the Company acquired Service Experts, Inc., a holding company owning retail outlets for heating and air conditioning products and services. The acquisition took place in the form of a merger wherein 0.67 of a share of the Company's common stock was exchanged for each share of Service Experts, Inc. common stock. The 12.2 million shares so exchanged were valued at approximately \$140.5 million. In addition, transaction costs of approximately \$4.1 million were paid, and \$162.7 million of Service Experts, Inc. debt was assumed and concurrently repaid, resulting in a total purchase price of \$307.3 million. The acquisition was accounted for under the purchase method of accounting. Based on current estimates, which may be revised at a later date, approximately \$169.0 million was allocated to the fair value of the assets acquired, approximately \$105.0 million was allocated to the fair value of liabilities assumed, and \$243.3 million was allocated to goodwill, which is being amortized on a straight-line basis over 40 years. The results of Service Experts, Inc. have been fully consolidated with those of the Company since the date of acquisition.

DEALERS

In September of 1998, the Company initiated a program to acquire high quality heating and air conditioning dealers in metropolitan areas of the United States and Canada (the "Dealers"). During the first nine months of 2000, nine Dealers in the United States and two Dealers in Canada were purchased for a total price of approximately \$40.6 million. In addition, approximately \$21.8 million was paid in the first nine months of 2000 as additional payments on Dealers acquired in 1999. Of this \$21.8 million, \$6.3 million was in the form of 558,835 shares of the Company's common stock. The purchase of the Dealers in the first nine months of 2000 and the additional payments on Dealers acquired in 1999 were accounted for under the purchase method of accounting. Based on current estimates, which may be revised at a later date, approximately \$12.9 million was allocated to the fair value of assets acquired, \$8.5 million was allocated to the fair value of liabilities assumed and \$57.9 million was allocated to goodwill which is being amortized on a straight-line basis over 40 years. The results of the acquired Dealers have been fully consolidated with those of the Company since the respective dates of acquisition.

As of September 30, 2000, the Company had commitments to acquire two additional Dealers for approximately \$8.0 million.

The following table presents the pro forma results as if the above companies had been acquired on January 1, 1999 (in thousands, except per share data):

	For the Three Months Ended September 30		For the Nine Months Ended September 30,	
	2000	1999	2000	1999
Net sales	\$859,008	\$846,117	\$2,516,773	\$2,226,415
Net income	12,481	29,859	51,661	70,122
Basic earnings per share	0.22	0.54	0.92	1.38
Diluted earnings per share	0.22	0.54	0.92	1.36

7. TREASURY STOCK:

On November 1, 1999, the Company's Board of Directors authorized the purchase of up to 5,000,000 shares of the issued and outstanding common stock. As of September 30, 2000, 2,729,300 of such shares had been purchased at a total cost of \$27.8 million. On March 6, 2000, the Company entered into forward purchase contracts to purchase 1,557,100 shares of its common stock. On May 5, 2000, the Company entered into forward purchase contracts to purchase an additional 858,000 shares of its common stock. In accordance with the terms of these contracts, settlement is permitted on either a net cash settlement, net share settlement, or a physical settlement basis. Therefore, the shares so contracted remain issued and outstanding until such time as the contracts are settled. The Company settled the first of the forward contracts to acquire shares of its common stock. On July 7, 2000, 1,557,100 shares were purchased for a net cash settlement of \$15.4 million. The Company expects to settle the remaining contracts in the fourth quarter of 2000. (See SUBSEQUENT EVENTS for further information.)

8. RECENT ACCOUNTING PRONOUNCEMENTS:

In September 2000, the Emerging Issues Task Force issued EITF00-10 which requires disclosure of shipping and handling costs that are not included in costs of goods sold. These costs, for the Company, are included in the Consolidated Statements of Income under OPERATING EXPENSES as part of selling, general and administrative expense. Following are the amounts for shipping and handling (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2000	1999	2000	1999
	\$32,240	\$29,505	\$93,783	\$85,614

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, for the Company, is effective beginning with the first quarter of 2001. Management does not believe that the adoption of this pronouncement will have a significant impact on the Company's financial statements.

9. COMPREHENSIVE INCOME:

Comprehensive income is computed as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2000	1999	2000	1999
Net income	\$ 12,386	\$27,284	\$ 50,403	\$ 57,485
Cumulative foreign currency translation adjustments	(12,741)	2,949	(29,222)	(3,487)
Total comprehensive income (loss)	\$ (355)	\$30,233	\$ 21,181	\$53,998

10. OTHER EVENTS:

On July 27, 2000, the Board of Directors of the Company declared a dividend of one right ("Right") for each outstanding share of its common stock to stockholders of record at the close of business on August 7, 2000. Each Right entitles the registered holder to purchase from the Company a unit consisting of one one-hundredth of a share (a "Fractional Share") of Series A Junior Participating Preferred Stock, par value \$.01 per share, at a purchase price of \$75.00 per Fractional Share, subject to adjustment.

11. SUBSEQUENT EVENTS:

The Company settled the last of the forward contracts to acquire shares of its common stock. On October 6, 2000, 858,000 shares were purchased for a net cash settlement of \$9.8 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

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

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

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

Lennox acquired James N. Kirby Pty. Ltd., an Australian company that participates in the commercial refrigeration and heat transfer markets in Australia, in June 1999 for approximately \$65 million in cash, common stock and seller financing. In addition, Lennox assumed approximately \$20.5 million of Kirby's debt.

Lennox, through its Excel Comfort Systems subsidiary, purchased the heating, ventilation and air conditioning ("HVAC") related assets of The Ducane Company, Inc. in October 1999 for approximately \$53 million in cash. This purchase adds to the brands offered in the North American residential segment.

In September 1998, Lennox initiated a program to acquire high quality heating and air conditioning dealers in metropolitan areas in the United States and Canada to market "Lennox" and other brands of heating and air conditioning products. This strategy enables Lennox to extend its distribution directly to the consumer and permits it to participate in the revenues and margins available at the retail level while strengthening and protecting its brand equity. Lennox believes 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 United States is comprised of over 30,000 dealers. In addition, Lennox believes 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 September 30, 2000, Lennox had acquired over 225 dealers in the U.S. and Canada, including the dealers acquired through the acquisition of Service Experts, Inc. The aggregate purchase price of these dealers was approximately \$611 million as of September 30, 2000.

On January 21, 2000, Lennox completed the acquisition of Service Experts, Inc., an HVAC company comprised of HVAC retail businesses across the United States, for approximately 12.2 million shares of Lennox common stock and the assumption of approximately \$163 million of debt, which was concurrently repaid. The success of the Service Experts acquisition, along with Lennox's other acquisitions, will depend on Lennox's ability to integrate these businesses into its business without substantial costs, delays or other operational or financial difficulties. The acquisition added over 120 dealers to the U.S. retail network.

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

RESULTS OF OPERATIONS

The following table sets forth, as a percentage of net sales, income data for the three months and nine months ended September 30, 2000 and 1999:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	68.1	68.2	67.5	68.6
Gross profit	31.9	31.8	32.5	31.4
Selling, general and administrative expenses	27.7	23.6	27.3	24.5
Income from operations	4.2	8.2	5.2	6.9
Interest expense, net	1.6	1.4	1.6	1.3
Other	0.1	0.1	0.1	0.0
Minority interest	--	0.1	--	--
Income before income taxes	2.5	6.6	3.5	5.6
Provision for income taxes	1.1	2.5	1.5	2.3
Net income	1.4%	4.1%	2.0%	3.3%

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

	THREE MONTHS ENDED SEPTEMBER 30,				NINE MONTHS ENDED SEPTEMBER 30,			
	2000		1999		2000		1999	
	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
BUSINESS SEGMENT:								
North American residential	\$308.4	36.0%	\$328.1	49.0%	\$ 954.0	38.7%	\$ 917.3	52.4%
North American retail	288.8	33.7	66.1	9.9	772.3	31.3	109.7	6.3
Commercial air conditioning	136.4	15.8	127.9	19.1	354.4	14.3	338.0	19.3
Commercial refrigeration	88.8	10.4	94.2	14.1	274.0	11.1	238.4	13.6
Heat transfer	61.6	7.2	60.9	9.1	191.4	7.8	164.2	9.4
Eliminations	(26.4)	(3.1)	(8.1)	(1.2)	(78.0)	(3.2)	(17.6)	(1.0)
Total net sales	\$857.6	100.0%	\$669.1	100.0%	\$2,468.1	100.0%	\$1,750.0	100.0%
GEOGRAPHIC MARKET:								
U.S.	\$684.6	79.8%	\$475.5	71.1%	\$1,952.1	79.1%	\$1,301.3	74.4%
International	173.0	20.2	193.6	28.9	516.0	20.9	448.7	25.6
Total net sales	\$857.6	100.0%	\$669.1	100.0%	\$2,468.1	100.0%	\$1,750.0	100.0%

THREE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1999

NET SALES. Net sales increased \$188.5 million, or 28.2%, to \$857.6 million for the quarter ended September 30, 2000 from \$669.1 million for the quarter ended September 30, 1999.

Net sales related to the North American residential segment were \$308.4 million for the quarter ended September 30, 2000, a decrease of \$19.7 million, or 6.0%, from \$328.1 million for the quarter ended September 30, 1999. Included in the third quarter of 2000 are \$16.0 million of sales from the acquired Ducane operations. Excluding these acquired sales, North American residential net sales decreased \$35.7 million, or 10.9%, compared to the third quarter of 1999.

Over 50% of Lennox's North American residential equipment sales are concentrated in geographic locations that had a cold summer in 2000. Cooling degree days through August of this year were 50% below last year's levels in the Northeast region of the United States and 27% below last year's levels in the Midwest region of the United States. This unusually cool summer reduced the stress on existing air conditioning equipment, which depressed equipment sales and reduced demand for profitable add-on air conditioning in those markets where air conditioning is a discretionary purchase.

Lennox's hearth products business also contributed to the sales decrease as a result of declining housing starts and delays in realizing synergies from the individual hearth operations acquired in the past 24 months.

Net sales in the North American retail segment were \$288.8 million for the quarter ended September 30, 2000, an increase of \$222.7 million from the \$66.1 million of net sales for the quarter ended September 30, 1999. This increase was almost entirely due to acquisitions.

Commercial air conditioning net sales increased \$8.5 million, or 6.6%, to \$136.4 million for the quarter ended September 30, 2000 compared to the quarter ended September 30, 1999. North American sales were particularly strong, achieving growth of 14.7% for the quarter. The addition of two new commercial districts early in the year and the phase-in of Lennox's cost-effective Value line contributed to the growth. The increase domestically was offset by a decrease in net sales internationally, primarily due to the impact of the Euro exchange rate. International sales growth was 5.0%, after adjusting for the impact of currency exchange rate movements.

Net sales related to the commercial refrigeration segment were \$88.8 million for the quarter ended September 30, 2000, a decrease of \$5.4 million, or 5.7%, from \$94.2 million for the quarter ended September 30, 1999. North American commercial refrigeration net sales increased 3.7% due to strength in all served segments. Europe and Australia, two of Lennox's key refrigeration markets, had significant decreases in the value of their currency compared to the U.S. dollar. Excluding the impact of currency fluctuations, international sales decreased 2.8% for the third quarter of 2000. Some slowdown in the Australian business was a result of the Olympic games being held in Sydney for three weeks in the third quarter of 2000.

Heat transfer revenues increased \$0.7 million, or 1.3%, to \$61.6 million for the quarter ended September 30, 2000 compared to the quarter ended September 30, 1999. Net sales in the North American heat transfer business increased \$3.5 million, or 9.0%. Part of this increase can be attributed to the SAP system installation negatively impacting third quarter 1999 results. Installation of the SAP system included a one-week plant shutdown at the Grenada, Mississippi facility. International heat transfer operations net sales decreased \$2.7 million primarily due to the large drop in the U.S. exchange rate of the Euro and the Australian dollar.

GROSS PROFIT. Gross profit was \$274.0 million for the quarter ended September 30, 2000 compared to \$212.4 million for the quarter ended September 30, 1999, an increase of \$61.6 million. Gross profit margin was 31.9% for the quarter ended September 30, 2000 and 31.8% for the quarter ended September 30, 1999. Acquisitions account for the majority of the increase of \$80.1 million in gross profit. Acquired businesses contributed 0.6% to the increase in gross profit margins. The decrease in sales resulting from unfavorable weather conditions and foreign currency translations resulted in gross profit dollars of Lennox's traditional businesses decreasing \$18.5 million. The gross profit margins of Lennox's traditional businesses decreased 0.5% for the third quarter of 2000, compared to the third quarter of 1999, primarily due to a decrease in purchases of replacement and discretionary air conditioning in the Northern United States and Canada as a result of the cold summer. Lennox's European and Australian businesses' gross margins were negatively impacted to the extent components of U.S. origin were used, due to foreign currency exchange rate movements.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses were \$238.3 million for the quarter ended September 30, 2000, an increase of \$80.5 million, or 51.0%, from \$157.8 million for the quarter ended September 30, 1999. Selling, general and administrative expenses represented 27.7% and 23.6% of total revenues for the third quarter of 2000 and 1999, respectively. Of the \$80.5 million increase, acquired companies represented \$70.8 million, or 88.0%, of the increase in selling, general and administrative expenses. Acquired companies' selling, general and administrative expenses were 30.4% of sales. The majority of the remaining \$9.7 million increase was due to a \$5.1 million charge taken in the quarter to close two operations in Latin America. The two operations were a sales and distribution business in Mexico and a manufacturing plant that was part of our joint venture in Argentina. Fees of \$2.3 million for an accounts receivable asset securitization program implemented in June of 2000 were all incremental to the third quarter of 1999. Increased personnel and facilities costs account for the balance of the growth in selling, general and administrative expense.

INTEREST EXPENSE, NET. Interest expenses, net for the quarter ended September 30, 2000, increased to \$14.0 million from \$9.1 million for the quarter ended September 30, 1999. Increased borrowings to fund acquisitions were responsible for the increase in interest expense.

PROVISION FOR INCOME TAXES. The provision for income taxes was \$8.8 million for the quarter ended September 30, 2000 and \$17.0 million for the quarter ended September 30, 1999. The effective tax rate of 41.5% and 38.4% for the quarters ended September 30, 2000 and 1999, respectively, differs from the statutory federal rate of 35.0% principally due to state and local taxes, non-deductible goodwill expenses, and foreign operating losses for which no tax benefits have been recognized.

NINE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1999

NET SALES. Net sales increased \$718.1 million, or 41.0%, to \$2,468.1 million for the nine months ended September 30, 2000 from \$1,750.0 million for the nine months ended September 30, 1999.

Net sales related to the North American residential segment were \$954.0 million for the nine months ended September 30, 2000, an increase of \$36.7 million, or 4.0%, from \$917.3 million for the nine months ended September 30, 1999. Of the \$36.7 million increase, \$47.5 million was due to sales from an acquired hearth products company and the acquisition of Ducane's HVAC product lines. The resulting \$10.8 million decrease in North American residential net sales is due primarily to the following three factors:

- A warmer than normal winter in the first quarter of 2000 in the Northern United States.
- A cooler than normal summer in the third quarter of 2000 in the Northeast and Midwest regions of the United States and in Canada.
- A decrease in Lennox's hearth products business as a result of declining housing starts and delays in realizing synergies from individual hearth operations acquired in the past 24 months.

Net sales in the North American retail segment were \$772.3 million for the nine months ended September 30, 2000, an increase of \$662.6 million from the \$109.7 million of net sales for the nine months ended September 30, 1999. This increase was almost entirely due to acquisitions.

Commercial air conditioning net sales increased \$16.4 million, or 4.9%, to \$354.4 million for the nine months ended September 30, 2000 compared to the nine months ended September 30, 1999. North American commercial air conditioning sales increased 9.1% for the first nine months of 2000 compared to the first nine months of 1999. The addition of two new commercial districts early in the year and the phase-in of Lennox's cost-effective Value line contributed to the growth. The increase domestically was offset by a decrease in net sales internationally, due primarily to the impact of exchange rates. International sales growth was 9.0%, after adjusting for the impact of currency exchange rate movements. This growth is primarily due to the fact Lennox has rationalized its European products and they are being marketed throughout Europe rather than just within the country of manufacture.

Net sales related to the commercial refrigeration segment were \$274.0 million for the nine months ended September 30, 2000, an increase of \$35.6 million, or 14.9%, from \$238.4 million for the nine months ended September 30, 1999.

Of this increase, \$27.5 million was due to the acquisition of James N. Kirby Pty. Ltd. North American commercial refrigeration net sales increased 11.2% as a result of strong sales in the walk-in cooler and telecommunications segments and the completion of some large cold storage projects. The increase domestically was offset by a decrease in net sales internationally, due to the impact of exchange rates. International net sales increased 5.7%, after adjusting for the impact of currency exchange rate movements. International sales volume growth was primarily a result of Lennox's increased participation in two areas of the European refrigeration market - sales of supermarket rack systems and direct sales to contractors through Lennox's H K Refrigeration brand.

Heat transfer revenues increased \$27.2 million, or 16.6%, to \$191.4 million for the nine months ended September 30, 2000 compared to the nine months ended September 30, 1999. The acquisitions of James N. Kirby Pty. Ltd. and Livernois Engineering Holding Company contributed \$22.0 million to heat transfer revenues in the first nine months of 2000. Net sales growth in the North American heat transfer business increased 5.5%. The increase domestically was offset by a decrease in net sales internationally, primarily due to the impact of exchange rates. International net sales increased 5.0%, after adjusting for the impact of currency exchange rate movements.

GROSS PROFIT. Gross profit was \$801.1 million for the nine months ended September 30, 2000 compared to \$550.3 million for the nine months ended September 30, 1999, an increase of \$250.8 million. Gross profit margin was 32.5% for the nine months ended September 30, 2000 and 31.4% for the nine months ended September 30, 1999. Acquisitions account for an increase of \$256.1 million in gross profit. Acquired businesses contributed 0.5% to the increase in gross profit margins. The decrease in sales resulting from unfavorable weather conditions and foreign currency translations resulted in the gross profit dollars of Lennox's traditional businesses decreasing \$5.3 million. However, gross profit margins of Lennox's traditional businesses increased 0.6% for the first nine months of 2000 compared to the first nine months of 1999, primarily due to manufacturing efficiencies, product mix and selected price increases.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses were \$672.2 million for the nine months ended September 30, 2000, an increase of \$243.2 million, or 56.7%, from \$429.0 million for the nine months ended September 30, 1999. Selling, general and administrative expenses represented 27.3% and 24.5% of total revenues for the first nine months of 2000 and 1999, respectively. Of the \$243.2 million increase, acquired companies represented \$218.7 million, or 89.9%, of the increase in selling, general and administrative expenses. Acquired companies' selling, general and administrative expenses were 28.7% of sales. The remaining \$24.5 million increase includes a charge of \$5.1 million to close two operations in Latin America. The two operations were a sales and distribution business in Mexico and a manufacturing plant that was part of our joint venture in Argentina. Fees of \$3.0 million for an accounts receivable asset securitization program implemented in June of 2000 were all incremental to 1999. Increased advertising and promotion, personnel and facilities costs account for the balance of the growth in selling, general and administrative expense.

INTEREST EXPENSE, NET. Interest expenses, net for the nine months ended September 30, 2000 increased to \$42.0 million from \$24.2 million for the nine months ended September 30, 1999. Increased borrowings to fund acquisitions were responsible for the increase in interest expense.

PROVISION FOR INCOME TAXES. The provision for income taxes was \$35.8 million for the nine months ended September 30, 2000 and \$39.8 million for the nine months ended September 30, 1999. The effective tax rates of 41.5% and 40.9% for the nine months ended September 30, 2000 and 1999, respectively, differ from the statutory federal rate of 35.0% principally due to state and local taxes, non-deductible goodwill expenses, and foreign operating losses for which no tax benefits have been recognized.

LIQUIDITY AND CAPITAL RESOURCES

Lennox's recent capital requirements have related principally to acquisitions, the expansion of production capacity and increased working capital needs that have accompanied sales growth.

Net cash provided by operating activities was \$150.8 million and \$17.4 million for the nine months ended September 30, 2000 and 1999, respectively. The increase in cash provided by operations is primarily due to the proceeds from the sale of \$130 million in accounts receivables. Net cash used in investing activities totaled \$265.6 million and \$273.7 million for the nine months ended September 30, 2000 and 1999, respectively. Capital spending was \$13.5 million less in the nine months ended September 30, 2000 than for the comparable period in 1999, reflecting opportunities taken by Lennox to lease equipment rather than buy. Net cash provided by financing activities was \$132.5

million and \$269.6 million for the nine months ended September 30, 2000 and 1999, respectively. Net borrowing needs decreased \$25.6 million in the first nine months of 2000 versus the same period in 1999 primarily due to the cash received by Lennox from the sale of receivables. Due to the seasonality of the air conditioning and refrigeration businesses, Lennox typically uses cash in the first six months of the year and generates cash during the latter half of the year.

In the past, Lennox has used a combination of internally generated funds, external borrowings and common stock to make acquisitions. With a base of over 225 dealers established in the retail sector, future acquisitions of such retail centers will be on a very selective basis. The aggregate purchase price of the Dealers acquired through September 30, 2000 was approximately \$611 million. As of September 30, 2000, Lennox had commitments to acquire two additional Dealers for approximately \$8.0 million.

On April 5, 2000 Lennox purchased the remaining 30% of Ets. Brancher not already owned for 101,800,000 French francs (\$16.2 million). In June 1999, James N. Kirby Pty. Ltd. was acquired for approximately \$65 million. In addition, approximately \$20.5 million of Kirby's debt was assumed. The purchase price consisted of approximately \$16 million in cash, \$33 million in deferred payments and 650,430 shares of common stock. If Lennox's common stock does not trade at a price greater than \$29.09 per share for five consecutive days from the period of June 2000 to June 2001, then Lennox is obligated to pay the former owners of Kirby the difference between the trading price for the last five days of this period and \$29.09 for 577,500 of the shares of common stock.

Capital expenditures were \$39.7 million for the nine months ended September 30, 2000. These expenditures primarily related to production equipment (including tooling) and information systems.

Lennox has bank lines of credit aggregating \$688 million, of which \$430 million was outstanding at September 30, 2000 with the remaining \$258 million available for future borrowings, subject to covenant limitations. Included in the lines of credit are two \$300 million domestic facilities governed by revolving credit facility agreements between Lennox and syndicates of banks. The facilities contain certain financial covenants and bear interest, at Lennox's option, at a rate equal to either (a) the greater of the bank's prime rate or the federal funds rate plus 0.5% or (b) the London Interbank Offered Rate plus a margin equal to 0.5% to 1.25%, depending upon the ratio of total funded debt to EBITDA. Lennox pays a commitment fee equal to 0.10% to 0.30% of the unused commitment, depending upon the ratio of total funded debt to EBITDA. The agreements provide restrictions on Lennox's ability to incur additional indebtedness, encumber its assets, sell its assets, or pay dividends.

On August 29, 2000, Lennox borrowed \$25.0 million under a shelf agreement with The Prudential Insurance Company of America. Terms of the borrowing include an interest rate of 7.75%, interest to be paid semi-annually and an ultimate maturity date of August 25, 2005. Terms and conditions of the borrowing are similar to those of the existing revolving credit agreements.

Lennox believes its shares of stock are undervalued and has initiated programs to repurchase shares. Lennox's Board of Directors has authorized the purchase of up to 5,000,000 shares. Through December 1999, 1,172,000 shares had been repurchased at a total cost of \$12.4 million. To continue the repurchase program while maintaining available debt capacity, Lennox, on March 6, 2000, entered into forward purchase contracts for 1,557,100 shares that were settled on July 7, 2000 for a cash payment of \$15.4 million. On May 5, 2000 Lennox entered into additional forward purchase contracts for 858,000 shares, which were settled on October 6, 2000 for a cash payment of \$9.8 million. There are no forward purchase contracts unsettled as of the date of this report.

Lennox believes that cash flow from operations, as well as available borrowings under its credit facilities will be sufficient to fund operations for the foreseeable future.

RECENT ACCOUNTING PRONOUNCEMENTS

In September 2000, the Emerging Issues Task Force issued EITF00-10 which requires disclosure of shipping and handling costs that are not included in costs of goods sold. These costs, for Lennox, are included in the Consolidated Statements of Income under OPERATING EXPENSES as part of selling, general and administrative expense. Following are the amounts for shipping and handling (in thousands):

For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
2000	1999	2000	1999
\$32,240	\$29,505	\$93,783	\$85,614

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, for Lennox, is effective beginning with the first quarter of 2001. Management does not believe that the adoption of this pronouncement will have a significant impact on Lennox's financial statements.

FORWARD LOOKING INFORMATION

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Lennox's results of operations can be affected by changes in exchange rates. Net sales and expenses in currencies other than the U.S. dollar are translated into U.S. dollars for financial reporting purposes based on the average exchange rate for the period. During the nine months ended September 30, 2000 and 1999, net sales from outside the U.S. represented 20.9% and 25.6%, respectively, of total net sales. Historically, foreign currency transaction gains (losses) have not had a material effect on operations.

From time to time Lennox enters into foreign currency contracts to hedge receivables or payables denominated in foreign currencies. These contracts do not subject Lennox to risk from exchange rate movements because the gains or losses on the contracts offset losses or gains, respectively, on the items being hedged. As of September 30, 2000, Lennox had obligations to deliver the equivalent of \$36.5 million of various foreign currencies at various dates through December 31, 2001, and contracts to buy \$.3 million of various foreign currencies through December 29, 2000 for which the counterparties to the contracts will pay or receive fixed contract amounts. The net fair value of the currency contracts was a liability of \$3.2 million at September 30, 2000.

To minimize risks from fluctuations in the price of copper and aluminum, Lennox enters into combinations of long-term purchase commitments at fixed prices and forward contracts. Maturity dates on the forward contracts coincide with

expected actual cash purchases of the commodities. As of September 30, 2000, long-term purchase commitments for copper and aluminum aggregate \$11.9 million, which approximates the fair value of the commitments. Forward contracts for copper and aluminum aggregate \$63.2 million and have a fair value as an asset of \$2.9 million.

PART II -- OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

EXHIBIT NUMBER	DESCRIPTION
*3.1 --	Restated Certificate of Incorporation of Lennox (incorporated by reference to Exhibit 3.1 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
*3.2 --	Amended and Restated Bylaws of Lennox (incorporated by reference to Exhibit 3.2 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
*4.1 --	Specimen Stock Certificate for the Common Stock, par value \$.01 per share, of Lennox (incorporated by reference to Exhibit 4.1 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
10.1 --	Form of revised Employment Agreement entered into between Lennox and certain executive officers (filed herewith).
10.2 --	Form of revised Change of Control Employment Agreement entered into between Lennox and certain executive officers (filed herewith).
27.1 --	Financial Data Schedule (filed herewith).

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[FN]
* Incorporated herein by reference as indicated.

REPORTS ON FORM 8-K

A Current Report on Form 8-K dated July 27, 2000 was filed by Lennox. The Report includes information under Items 5 and 7 concerning a dividend by Lennox to its stockholders of certain preferred stock purchase rights.

SIGNATURE

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

LENNOX INTERNATIONAL INC.

Date: November 10, 2000

/S/ CLYDE W. WYANT

Principal Financial Officer
and Duly Authorized Signatory

EXHIBIT INDEX

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* Incorporated herein by reference as indicated.

Reports on Form 8-K

A Current Report on Form 8-K dated July 27, 2000 was filed by Lennox. The Report includes information under Items 5 and 7 concerning a dividend by Lennox to its stockholders of certain preferred stock purchase rights.

July 31, 2000

Employee
Address

Dear _____:

Lennox International Inc. ("Lennox") recognizes you as a key employee, important to its future profitability, growth and financial strength. Accordingly, Lennox proposes to enter into an agreement with you to establish certain terms of your employment, including a specified duration or term of employment, the basis for your compensation and assignments, certain post-employment covenants, mechanisms to resolve disputes and certain benefits and income to you in the event you leave the employ of Lennox under certain specified circumstances (the "Agreement"). We believe the Agreement benefits both you and Lennox by clarifying your employment relationship so that we all understand its terms. The Agreement provides you with greater certainty and security with various aspects of your employment relationship, as well as provides you with information to assist you with future financial planning. In that same regard, the Agreement assists Lennox in its own financial and business planning. The purpose of this letter is to describe the terms of your employment with Lennox after the effective date of this Agreement. You had originally entered into an employment agreement with Lennox, dated _____ (the "Original Agreement"), which both you and Lennox now wish to amend and restate as provided in this Agreement. The term "Employee" will be used to refer to you in this Agreement where appropriate. The controlling terms of this Agreement are set forth in the body of this letter Agreement as well as in the Exhibits to this Agreement which are incorporated by reference. The specific terms of the Exhibits are controlling should there be any confusion or conflict between them and this letter. With the signing by both parties of this Agreement, you and Lennox will have agreed to the following:

1. NATURE OF EMPLOYMENT. You and Lennox have agreed that your employment relationship with Lennox will no longer be "at will" and terminable by either party at any time. Instead, this employment relationship will be governed by the terms of this Agreement for as long as it remains in effect and even after its termination for any provisions, which by their terms survive. The terms agreed upon by you and Lennox provide the consideration and inducement for each party to enter into this Agreement and are described more fully throughout the body of this Agreement and the attached Exhibits A through C.
2. TERM OF AGREEMENT; TERMINATION DATE. This Agreement will become effective on the date of signing this Agreement by both parties (the "Effective Date") and the Original Agreement, as now amended and restated, will be in effect until December 31 of that year and thereafter for a series of one-year terms.
3. TERMINATION OF EMPLOYMENT. Your employment with Lennox may be terminated for a number of reasons prior to the expiration of any term of this Agreement as described below. The rights of each party under each circumstance will vary and are described in the attached Exhibits. More specifically, if Lennox terminates your employment for any reason other than for "Cause", as defined in Section B.3 of Exhibit A, you will be entitled to receive, in addition to any other compensation or benefits described in Section B.2 of Exhibit A, severance benefits consisting of either the Normal Severance Payment defined in Section 2 of Exhibit C or the Enhanced Severance Payment defined in Section 3 of Exhibit C as determined by those provisions. However, the provisions of Sections C.2(a)-(d) of Exhibit A will continue to be effective after the termination of this Agreement regardless of the reason for your termination.
 - a. TERMINATION BY EMPLOYEE. You may terminate your employment at any time upon 30 days notice to Lennox (or a lesser period if approved by Lennox) of your intent to terminate or not to renew this Agreement and, in that event, Lennox shall be obligated only to pay you your Base Salary and other applicable benefits provided to employees in your position that are effective at the time of the voluntary resignation up to the effective date of the termination only.
 - b. TERMINATION FOR CAUSE. Lennox may terminate your employment, at any time, for Cause, as defined in Section B.3 of Exhibit A, to be effective immediately upon delivery to you of notice of termination. If Lennox terminates you for Cause, you are only entitled to receive your Base Salary and other applicable benefits provided to employees in your position that are effective at the time of termination up through the effective date of termination.

- c. TERMINATION OTHER THAN FOR CAUSE. Your employment may also be terminated by Lennox other than for Cause at any time (including Lennox' non-renewal of the Agreement) but such a decision triggers certain defined benefits for you. In the event Lennox elects to terminate you under this provision, Lennox agrees to pay either the Normal Severance Payment as defined in Section 2 of Exhibit C or, solely at your option, the Enhanced Severance Payment as defined in Section 3 of Exhibit C, provided you comply with all requirements described in Section 3 of Exhibit C. These benefits are contractually defined by this Agreement and are not dependent on the other benefits policies of Lennox at the time of your termination.
- d. TERMINATION AS A RESULT OF DISABILITY OR DEATH. Should you die or become permanently disabled (completely unable to perform your duties as defined in the

benefit plans of Lennox) during the term of this Agreement, your employment will be terminated effective as of the date of your death or permanent disability.

e. WITHHOLDINGS FROM PAYMENT/OFFSET. Any payments made by Lennox to you under Section 3 will be subject to all applicable local, state, federal or foreign taxes, including, without limitation, income tax, withholding tax, and social security tax. Further, to the extent you have, on the date of termination, any outstanding debts or financial obligations to Lennox, including, but not limited to, loans, overpayment of wages, bonuses or other forms of incentive payments, unauthorized travel or purchasing expenses, or theft of Lennox' funds or property, you agree that Lennox shall be entitled to set off against and withhold from such payments due you for such debts or obligations.

4. NONPAYMENT UPON BREACH. Notwithstanding anything in this Agreement to the contrary, at any time after the date of termination, if you, by any intentional or grossly negligent action or omission to act, breach any covenant, agreement, condition or obligation contained herein, Lennox is entitled to cease making any payments and to cease providing any of the benefits to you under this Agreement. Additionally, Lennox reserves the right to seek repayment of any amounts previously paid hereunder along with recovery of any other damages caused by you.

5. RESOLUTION OF DISPUTES. In the event that any employment dispute as defined in Section A of Exhibit B arises between Lennox and any Employee, the parties involved will make all efforts to resolve any such dispute through informal means. If these informal attempts at resolution fail, Lennox and the Employee agree to and shall submit the dispute to final and binding arbitration pursuant to the policy and terms outlined in Exhibit B, to which the parties expressly agree to be bound. The parties fully and completely understand and agree that arbitration is the exclusive forum for all such arbitrable disputes and that the parties are giving up all rights to a court trial or jury trial; however, the parties, by agreeing to the policy for resolution of disputes outlined in Exhibit B are not waiving any substantive rights or remedies to which they would otherwise be entitled.

6. WAIVER, MODIFICATION, AND INTEGRATION. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by any party. This Agreement, which includes all Exhibits referenced or attached, expresses the entire agreement of the parties concerning matters contained herein and supersedes all prior and contemporaneous representations, understandings and agreement, either oral or in writing, between the parties hereto with respect to such matters and all such prior or contemporaneous representations, understandings and agreements, both oral and written, are hereby terminated. This Agreement may not be modified, altered or amended except by written agreement of the Employee and the Chief Executive Officer, except when the Chief Executive Officer is involved, and in that event, an official designated by the Board of Directors for Lennox.

7. BINDING EFFECT. This Agreement shall be binding and effective upon Lennox and its successors and permitted assigns, and upon the Employee, Employee's heirs and representatives. The Employee hereby represents and warrants to Lennox that Employee has not previously assumed any obligations inconsistent with those contained in this Agreement, including, but not limited to, covenants not to compete with another person, firm, corporation or other entity.

8. GOVERNING LAW, VENUE AND PERSONAL JURISDICTION. It is the intention of the parties that the laws of the State of Texas should govern the validity of this Agreement, the construction of its terms, and the interpretation of the rights and duties of the parties hereto. The parties agree that venue for all disputes shall be in Dallas County, Texas. The parties further agree to submit to personal jurisdiction in Dallas County, Texas.

Sincerely,

LENNOX INTERNATIONAL INC.

By: _____
Robert E. Schjerven

ACCEPTED AND AGREED this _____ day of _____, 2000.

EMPLOYEE

- - - - -
Signature

- - - - -
Printed Name

EXHIBIT A

TERMS OF EMPLOYMENT

The following are the specific agreements of Lennox and the Employee providing the details and basis for this Agreement and are intended by each as its consideration to induce the other party to enter into this Agreement. Each party agrees that the consideration provided by the other is adequate for its agreements to the following terms:

- A. RENEWAL. On January 1 of each year (the "Anniversary Date") after the end of the first term and for each year thereafter, this Agreement will be automatically renewed for an additional year, unless either party notifies the other, in writing, at least 30 days prior to the Anniversary Date, that it does not wish to renew the Agreement. No reason need be given by either party for the non-renewal of the Agreement. If Lennox elects not to renew, however, Employee is nevertheless entitled to the benefits provided in this Agreement, subject to all of its provisions. If Employee elects not to renew, Employee will receive only those benefits provided upon voluntary termination as described in Section 3(a) of the letter agreement.
- B. AGREEMENTS BY LENNOX.
1. EMPLOYEE DUTIES. Lennox will assign to the Employee such duties and responsibilities that would appropriately be performed by an employee holding Employee's position and/or job title on a permanent basis as it deems consistent with the Employee's qualifications and experience provided, however, that Lennox can assign other duties on a temporary basis. Lennox retains the right to change such duties and to change the location of the Employee's assignment as and when it deems appropriate.
 2. EMPLOYEE COMPENSATION. Employee shall receive a salary of that amount in effect at the initial effective or subsequent renewal dates of this Agreement (as may be, from time to time, adjusted in accordance with Lennox' applicable salary policies which may be changed by Lennox in its sole discretion), payable in accordance with the then applicable payroll policies and subject to all required and authorized withholdings and deductions ("Base Salary"). When calculated on an annual basis, this is referred to as Annual Base Salary, and when calculated on a monthly basis, this is referred to as Monthly Base Salary. The Base Salary will be set in accordance with Lennox' policy regarding salaries and will not be reduced during the annual term of the Agreement unless Employee's job duties are changed, in which circumstance Lennox reserves the right to lessen Employee's compensation by no more than ten percent for the remainder of the year without such change amounting to a breach or termination of this Agreement. Employee is also entitled to such short

term bonuses, stock options, long-term incentive program payments and fringe benefits as are applicable to employees in your position pursuant to Lennox' then applicable policies and plans. Benefits may be subject to periodic review and may be changed by Lennox in its sole discretion.

3. TERMINATION FOR CAUSE DEFINED. Lennox may terminate Employee's employment, at any time, for Cause as set forth in Section 3(b) of the body of the Letter Agreement. "Cause" is defined as (a) any violation by an Employee of Lennox' written policies as they may exist or be created or modified from time to time in the future, including, as examples and not as a limitation of the policies to which an Employee may be subject, those policies prohibiting discrimination in the workplace, including the prohibition of harassment, on the ground of race, sex, religion, age or any other prohibited basis; (b) any state or federal criminal conviction, including, but not limited to, entry of a plea of nolo contendere or deferred adjudication upon a felony or misdemeanor charge; (c) the commission by Employee of any material act of misconduct or dishonesty; (d) any intentional or grossly negligent action or omission to act which breaches any covenant, agreement, condition or obligation contained in this Agreement; or (e) acts that in any way have a direct, substantial and adverse effect on Lennox' reputation.

Lennox' termination for Cause determination is subject to the Employee's rights to a resolution of a dispute of that determination as provided in Exhibit B of this Agreement.

4. PAYMENTS UPON DISABILITY OR DEATH. In the event Employee dies or becomes permanently disabled during the term of the Agreement, Employee or Employee's designated beneficiaries will be entitled to the payments described in Section 3(c) of the Agreement, together with any other benefits provided to employees in an equivalent position in effect at that time. Should Employee die during the severance period, all payments of severance amounts shall cease upon the later of Employee's death or the expiration of the twenty-fourth month after the date of Employee's termination in the event the employee has agreed to the terms of the enhanced severance benefit. Any payments after Employee's death that may be due hereunder will be paid to Employee's beneficiary named in connection with Exhibit D of this Agreement, or if no such designation has been made by Employee, then to Employee's executors, administrators, heirs, personal representatives, successors, or assigns, as the case may be.

C. AGREEMENTS BY EMPLOYEE.

1. EFFORT AND COOPERATION. Employee agrees to devote his or her full efforts and time to the performance of this Agreement and shall not, without the prior written consent of the Chief Executive Officer, or in the event the Chief Executive Officer is

involved, a designee assigned by the Board of Directors, engage in any other employment, business or other activity that would materially interfere with the performance of his or her duties under this Agreement. Employee further agrees that following his or her termination from employment, Employee will provide reasonable cooperation with and assistance to Lennox in all respects, including, but not limited to, the transition of his or her duties and responsibilities, cooperation on any project for a reasonable period not to exceed six months, or any litigation involving Lennox related to your employment at Lennox at any time such litigation may occur. Lennox will reimburse the Employee any reasonable expenses incurred.

2. PROTECTIVE COVENANTS. Employee recognizes that Employee's employment by Lennox is one of the highest trust and confidence. In return for the Employee's agreement to the protective covenants herein, Lennox agrees that the (i) Employee will become fully familiar with many aspects of Lennox' business, including future changes customarily related to the performance of the duties of Employee's position during the term of the Agreement, (ii) Employee will be given access to proprietary confidential information of Lennox or its customers and other information which is of special and peculiar commercial or competitive value to Lennox or its customers for use in connection with Lennox' business, which proprietary confidential information is for the sole and exclusive benefit of Lennox, (iii) Employee will be given all specialized training necessary to perform his or her assigned duties, and (iv) Employee will be provided with Lennox' goodwill in dealing with customers, vendors and potential business contacts.

Employee acknowledges and agrees that if any such proprietary and confidential information of either Lennox or its customers were to become known by any persons outside of Lennox with a need to have such information, hardship, loss or irreparable injury and damage could result to Lennox or its customers which would be difficult if not impossible to measure. Therefore, Employee agrees that (i) it is necessary for Lennox to protect its business and that of its customers from such damage, (ii) that the information is of a confidential nature, (iii) that the following covenants constitute a reasonable and appropriate means, consistent with the best interests of both Employee and Lennox, to protect Lennox and its customers against such damage and to protect the value of their confidential proprietary information, (iv) that the following covenants are agreed to as a term and condition of Employee's continued employment with Lennox and are supported by adequate consideration from Lennox, and (v) shall apply to and be binding upon Employee as provided herein:

- a. TRADE SECRETS, PROPRIETARY AND CONFIDENTIAL INFORMATION. Employee will have access to, and contact with certain trade secrets and confidential and proprietary information of Lennox, including, without limitation, unique skills, concepts, sales presentations, marketing programs, marketing strategy,

business practices, methods of operation, systems, sales methods, proposals, customer lists, customer leads, documents identifying past, present and future customers, hiring and training methods, financial and other customer data, lists of agents, and other confidential information ("Trade Secrets"). Employee agrees to protect and safeguard the Trade Secrets, business practices, and confidential and proprietary information of Lennox. Employee further agrees and covenants that, except as may be required by Lennox in connection with this Agreement, or with the prior written consent of Lennox, Employee shall not, either during his or her employment with Lennox or thereafter, directly or indirectly, use for Employee's own benefit or for the benefit of another, disclose, disseminate, or distribute to another, any Trade Secret, business practice, or confidential or proprietary information (whether or not acquired, learned, obtained, or developed by Employee alone or in conjunction with others) of Lennox or of others with whom Lennox has a business relationship. Such Trade Secrets, business practices, and confidential and proprietary information include, but are not limited to, Lennox' patents, trademarks, licenses and technical information concerning its operations, data bases, Lennox' sales information and marketing strategy, the identities of Lennox' customers, contractors, suppliers, and others with whom Lennox has a business relationship, Lennox arrangements with such parties, Lennox' customer list and Lennox' pricing policies and strategy. All memoranda, notes, records, drawings, documents, or other writings whatsoever made, compiled, acquired, or received by Employee during the term of Employee's employment with Lennox, arising out of, in connection with, or related to any activity or business of Lennox, including, but not limited to, Lennox' customers, contractors, suppliers, or others with whom Lennox has a business relationship, Lennox' arrangements with such parties, and Lennox' pricing policies and strategy, are, and shall continue to be, the sole and exclusive property of Lennox, and shall, together with all copies thereof and all advertising literature, be returned and delivered to Lennox by Employee immediately, without demand, upon the termination of the Employee's employment with Lennox or shall be returned at any time upon Lennox demand.

- b. RESTRICTIONS ON DIVERTING EMPLOYEES OF LENNOX. Employee agrees that during employment with Lennox, and for a period of 24 complete calendar months following the termination of employment, Employee will not, either directly or indirectly, call on, solicit, induce or attempt to induce any of the employees or officers of Lennox that Employee had knowledge of or association with during Employee's employment with Lennox to terminate their association with Lennox either personally or through the efforts of his or her subordinates.

- c. RESTRICTIONS ON DIVERTING VENDORS OR CONTRACTORS. Employee agrees that during his or her employment with Lennox, and for a period of 24 complete calendar months following his or her termination of employment, Employee will not, either directly or indirectly, call on, solicit, or induce any of Lennox' vendors or suppliers that Employee had contact with, direct knowledge of through his or her position with Lennox, or associated with in the course of employment with Lennox to terminate their association with Lennox either personally or through the efforts of his or her subordinates.
- d. RESTRICTIONS ON SOLICITING CUSTOMERS. For a period of 24 calendar months following the termination of employment, Employee will not directly or indirectly call on, service, or solicit competing business or provide consulting services regarding the same from customers of Lennox that Employee had (i) direct contact with or (ii) access to information and files about as part of Employee's duties with Lennox within the previous 24 months. This restriction is limited, by geography, to the specific places, addresses, or locations where a covered customer is present and available for solicitation or servicing.
- A competing business is defined as a business that is the same or so substantially similar in nature to Lennox so as to have the possibility to affect or usurp Lennox' business opportunities.
- e. REMEDIES. In the event of breach or threatened breach by Employee of any provision of Paragraph C.2 hereof, Lennox shall be entitled to (i) cease any payments under this Agreement as set forth in Section 4 of the body of the Agreement, (ii) relief by temporary restraining order, temporary injunction, and/or permanent injunction, (iii) recovery of all attorneys fees and costs incurred by Lennox in obtaining such relief, and (iv) any other legal and equitable relief to which it may be entitled, including any and all monetary damages. Lennox has the right to pursue partial enforcement and/or to seek declaratory relief regarding the enforceable scope of this Agreement without penalty and without waiving Lennox' right to pursue any other available remedy.
- f. SURVIVAL OF COVENANTS. Each covenant of Employee set forth in Paragraph C.2 shall survive the termination of Employee's employment. The existence of any claim or cause of action by Employee against Lennox, whether related to this Agreement or otherwise, shall not constitute a defense to the enforcement of the covenants in Paragraph C.2. In the event an enforcement remedy is necessary under Paragraph C.2, the restricted time periods provided for in Paragraph C.2 shall commence on the date enforcement is

ordered and complied with by Employee and shall be extended by the period of noncompliance.

- g. ACKNOWLEDGMENT OF ANCILLARY AGREEMENTS AND CONSIDERATION. Employee acknowledges that his or her agreement to be bound by the protective covenants set forth in Paragraph C.2 is the inducement for Lennox (i) to enter into the other terms of this Agreement (ii) to modify existing employment agreements or other contracts, if any, affected by this Agreement, (iii) to initiate or continue the employment of Employee pursuant to the terms of this Agreement, (iv) to provide Employee with initial or continued use or access to confidential proprietary information of Lennox, and (v) to provide the Employee with unique and specialized training regarding Lennox' Trade Secrets, business practices and marketing strategy, to provide use of goodwill as a representative of Lennox and to ensure business expertise in developing relations with third parties. Employee agrees that each agreement set forth in this Agreement is otherwise enforceable and independently sufficient to support all the protective covenants in Paragraph C.2.

D. SEVERABILITY. If any provision contained in this Agreement is determined to be Void, illegal or unenforceable, in whole or in part, then it will be treated as though it never was contained herein and all other provisions shall remain in full force and effect.

E. NOTICES. All communications required or allowed under this Agreement shall be in writing and shall be deemed to have been delivered on the date personally delivered or on the date deposited in the United States Postal Service, postage prepaid, by certified mail, return receipt requested, addressed to you at the address provided above and to Lennox at:

Lennox International Inc.
2140 Lake Park Blvd.
Richardson, Texas 75080-2254
Attn: General Counsel

EXHIBIT B

POLICY FOR RESOLUTION OF DISPUTES

A. AGREEMENT TO ARBITRATE.

1. ARBITRABLE DISPUTES. This Policy covers any legal dispute between the parties, as set forth below, except for Lennox's right to seek enforcement of Employee's protective covenants set forth in Paragraph C.2 of Exhibit A or Employee's claims related to workers compensation and/or unemployment insurance. The disputes subject to this policy are all those disputes between the parties arising from any breach or alleged breach of this Agreement or as to Employee's termination or as to any allegation by the Employee that Lennox has violated any of the Employee's rights under state or federal employment or civil rights laws, or any other laws, statutes or constitutional provisions, including, but not limited to, the following: unlawful discrimination or harassment; claims based on any purported breach of contractual obligations; claims based on any purported breach of duty arising in tort, including violations of public policy; as well as any actions recognized under common law or the combination of any of these claims; and any claims against supervisors or agents of Lennox for which the supervisors or agents were acting in the course and scope of their employment or making any decisions or comments related to or connected with employment, even if the supervisor or agent was not acting within the course and scope of employment, shall be resolved in accordance with the provisions of this Policy for Resolution of Disputes as set forth herein. All arbitrable disputes are subject to applicable statutes of limitations and other affirmative defenses recognized by law. Employee or Lennox may seek a court order to enforce or compel arbitration pursuant to the terms of this Policy.
2. ACCEPTANCE OF POLICY. By accepting or continuing employment with Lennox, for the provision of a term of employment provided by Lennox, for Lennox' agreement to pay a severance package, and for Lennox' agreement to provide Employee access to confidential information, Employee and Lennox agree that arbitration is the exclusive remedy for all arbitrable disputes.
3. GOVERNING LAW/WAIVER OF RIGHTS. THIS POLICY AND AGREEMENT TO ARBITRATE IS MADE PURSUANT TO THE FEDERAL ARBITRATION ACT AND APPLICABLE STATE LAWS REGARDING ARBITRATION AND IS A FULL AND COMPLETE WAIVER OF THE PARTIES' RIGHTS TO A CIVIL COURT ACTION AND RIGHTS TO A TRIAL BY JURY.

B. REQUEST FOR ARBITRATION.

1. ATTEMPT AT INFORMAL RESOLUTION OF DISPUTES.

- a. Prior to submission of any dispute to arbitration, Lennox and the Employee shall attempt to resolve the dispute informally as set forth below.
- b. Lennox and the Employee will select a mutually acceptable mediator from a list provided by an American Arbitration Association Employment Dispute Division or other similar agency who will assist the parties in attempting to reach a settlement of the dispute. The mediator may make settlement suggestions to the parties but shall not have the power to impose a settlement upon them. If the dispute is resolved in mediation, the matter shall be deemed closed. If the dispute is not resolved in mediation and goes to the next step (binding arbitration), any proposals or compromises suggested by either of the parties or the mediator shall not be referred to or have any bearing on the arbitration procedure. The mediator cannot also serve as the arbitrator in the subsequent proceeding unless all parties expressly agree in writing.

2. ARBITRATION PROCEDURES. The Employee or his/her representative must submit a "Request for Arbitration" in writing to the Chief Executive Officer of Lennox within the greater of 300 days or the applicable statute of limitation that would apply if the claim had been brought in court of (i) the termination of employment (including resignation), (ii) the incident giving rise to the dispute or claim, or (iii) in the case of unlawful discrimination, including sexual or other unlawful harassment, the alleged conduct. This time limitation will not be extended for any reason and shall not be subject to tolling, equitable or otherwise. If the "Request for Arbitration" is not submitted in accordance with the aforementioned time limitations, the Employee will not be able to bring his/her claim to this or any other forum. The Employee can obtain a "Request for Arbitration" form from the Human Resource Department of Lennox International Inc. or other party designated by the Chief Executive Officer. Alternatively, the Employee can create his/her own "Request for Arbitration" form, as long as it clearly states "Request for Arbitration" at the beginning of the first page. The "Request for Arbitration" must include the following information:

- a. A factual description of the dispute in sufficient detail to advise Lennox of the nature of the dispute;
- b. The date when the dispute first arose;
- c. The names, work locations, telephone numbers of any co-workers or supervisors with knowledge of the dispute; and

d. The relief requested by the Employee.

Lennox will respond in a timely manner to this "Request for Arbitration," so that the parties can begin the process of selecting an arbitrator. Such response may include any counterclaims that Lennox chooses to bring against the Employee.

3. SELECTION OF THE ARBITRATOR. All disputes will be resolved by a single arbitrator. The arbitrator will be mutually selected by Lennox and the Employee. If the parties cannot agree on an arbitrator, then a list of seven arbitrators, experienced in employment matters, shall be provided by the American Arbitration Association. The arbitrator will be selected by the parties who will alternately strike names from the list. The last name remaining on the list will be the arbitrator selected to resolve the dispute. Upon selection, the arbitrator shall set an appropriate time, date, and place for the arbitration, after conferring with the parties to the dispute.

4. ARBITRATOR'S AUTHORITY. The arbitrator shall have the powers enumerated below:

a. Ruling on motions regarding discovery, and ruling on procedural and evidentiary issues arising during the arbitration;

b. Issuing protective orders on the motion of any party or third party witness (such protective orders may include, but not be limited to, sealing the record of the arbitration, in whole or in part (including discovery proceedings and motions, transcripts, and the decision and award), to protect the privacy or other constitutional or statutory rights of parties and/or witnesses);

c. Determining only the issue(s) submitted to him/her (the issue(s) must be identified in the "Request for Arbitration" or counterclaims, and any issue(s) not so identified in those documents shall be deemed to be and is/are outside the scope of the arbitrator's jurisdiction, and any award involving those issue(s) shall be subject to a motion to vacate);

d. Shall have no authority to violate state or federal law; and

e. Issuing written opinions on the issues raised in the Arbitration.

5. PLEADINGS.

a. A copy of the "Request for Arbitration" shall be forwarded to the arbitrator within five calendar days of his/her selection.

b. Within 10 calendar days following submission of the "Request for Arbitration" to the arbitrator, Lennox shall respond in writing to the "Request

for Arbitration" to the arbitrator, Lennox shall respond in writing to the "Request for Arbitration" by answer and/or demurrer. The answer or demurrer shall be served on the arbitrator and the Employee.

- c. The answer to the "Request for Arbitration" shall include the following information:
 - (1) a response, by admission or denial, to each claim set forth in the "Request for Arbitration";
 - (2) all affirmative defenses asserted by Lennox to each claim; and
 - (3) all counterclaims Lennox asserts against the Employee and any related third party claims.
- d. If Lennox contends that some or all of the Employee's claims set forth in the "Request for Arbitration" are barred as a matter of law, it may respond by demurrer setting forth the legal authorities in support of its position. If Lennox demurs to less than the entire "Request for Arbitration," Lennox must answer those claims to which it does not demur at the same time that it submits its demurrer.
- e. The Employee shall have 20 calendar days to oppose Lennox' demurrer. Any opposition must be in writing and served on the arbitrator and Lennox.
- f. If the answer alleges a counterclaim, within 20 days of service of the answer, the Employee shall answer and/or demur to the counterclaim in writing and serve the answer and/or demurrer on the arbitrator and Lennox. If the Employee demurs to any counterclaim, Lennox shall have 20 calendar days from its receipt of the demurrer to submit a written opposition to the demurrer to the Employee and the arbitrator.
- g. The arbitrator shall rule on demurrer(s) to any claims and/or counterclaims within 15 calendar days of service of the moving and opposition papers.
- h. If any demurrer is overruled, the moving party must answer those claims to which it demurred within five calendar days of the receipt of the arbitrator's ruling. The answer must be served on the arbitrator and the opposing party.
- i. When all claims and counterclaims have been answered, the arbitrator shall set a time and place for hearing which shall be no earlier than three months from the day on which the parties are notified of the date of hearing and no

later than 12 months from the date on which the arbitrator sets the date for the hearing.

6. DISCOVERY. The discovery process shall proceed and be governed as follows:

- a. Parties may obtain discovery by any of the following methods:
 - (1) depositions upon oral examination, one per side as of right, with more permitted if leave is obtained from the arbitrator;
 - (2) written interrogatories, up to a maximum combined total of 20, with the responding party having 20 days to respond;
 - (3) request for production of documents or things or permission to enter upon land or other property for inspection, with the responding party having 20 days to produce the documents and allow entry or to file objections to the request; and
 - (4) physical and mental examination, in accordance with the Federal Rules of Civil Procedure, Rule 35(a).
- b. Any motion to compel production, answers to interrogatories or entry onto land or property must be made to the arbitrator within 15 days of receipt of objections.
- c. All discovery requests shall be submitted no less than 60 days before the hearing date.
- d. The scope of discoverable evidence shall be in accordance with Federal Rule of Civil Procedure 26(b)(1).
- e. The arbitrator shall have the power to enforce the aforementioned discovery rights and obligations by the imposition of the same terms, conditions, consequences, liabilities, sanctions, and penalties as can or may be imposed in like circumstances in a civil action by a federal court under the Federal Rules of Civil Procedure, except the power to order the arrest or imprisonment of a person.

7. HEARING PROCEDURE. The hearing shall proceed according to the American Arbitration Association's Rules with the following amendments:

- a. The arbitrator shall rule at the outset of the arbitration on procedural issues that bear on whether the arbitration is allowed to proceed.

- b. Each party has the burden of proving each element of its claim or counterclaims, and each party has the burden of proving any of its affirmative defenses.
 - c. In addition to, or in lieu of, closing arguments, either party shall have the right to present post-hearing briefs, and the due date for exchanging post-hearing briefs shall be mutually agreed on by the parties and the arbitrator.
8. **SUBSTANTIVE LAW.** The applicable substantive law shall be the law of the State of Texas or federal law. If both federal and state law speak to a cause of action, the Employee shall have the right to elect his/her choice of law. However, choice of law in no way affects the procedural aspects of the arbitration, which are exclusively governed by the provisions of this Policy.
9. **OPINION AND AWARD.** The arbitrator shall issue a written opinion and award, in conformance with the following requirements:
- a. The opinion and award must be signed and dated by the arbitrator.
 - b. The arbitrator's opinion and award shall decide all issues submitted.
 - c. The arbitrator's opinion and award shall set forth the legal principles supporting each part of the opinion.
 - d. The arbitrator shall have the same authority to award remedies and damages as provided to a judge and/or jury under parallel circumstances.
10. **ENFORCEMENT OF ARBITRATOR'S AWARD.** Following the issuance of the arbitrator's decision, any party may petition a court to confirm, enforce, correct or vacate the arbitrator's opinion and award under the Federal Arbitration Act, and/or applicable state law.
11. **FEES AND COSTS.** Fees and costs shall be allocated in the following manner:
- a. Each party shall be responsible for its own attorneys' fees, except as provided by law.
 - b. The Employee will pay a \$150 filing fee to be paid to the arbitration agency. Lennox will bear the remainder of the arbitrator's fees and any costs associated with the facilities for the arbitration.
 - c. Lennox and the Employee shall each bear an equal one-half of any court reporters' fees, assuming both parties want a transcript of the proceeding. If

one party elects not to receive a transcript of the proceedings, the other party will bear all of the court reporters' fee. However, such an election must be made when the arrangements for the court reporter are being made.

d. Each party shall be responsible for its costs associated with discovery.

C. SEVERABILITY. In the event that any provision of this Policy is determined by a court of competent jurisdiction to be illegal, invalid, or unenforceable to any extent, such term or provision shall be enforced to the extent permissible under the law and all remaining terms and provisions of this Policy shall continue in full force and effect.

EXHIBIT C

SEVERANCE TERMS

1. EFFECT OF PROTECTIVE COVENANTS. The provisions of Paragraphs C2(a)-(d) of Exhibit A of this Agreement will continue in full force and effect regardless of whether Employee continues to be employed by Lennox and regardless of the reason Employee's employment is terminated and regardless of the severance compensation to which Employee is entitled as set forth below, if any.
2. NORMAL SEVERANCE COMPENSATION. Should Employee be terminated by Lennox prior to the expiration of the term specified in Section 2 of the body of the Agreement or the Agreement is not renewed by Lennox for any reason other than for Cause as defined in Section B.3 of Exhibit A, and provided the Employee does not elect and qualify for the Enhanced Severance Payment described in Section 3 of Exhibit C set forth below, Employee will be entitled to receive monthly payments of the greater of the Employee's Monthly Base Salary for the remainder of the Agreement's term or three months of Employee's Monthly Base Salary in addition to any other compensation or benefits applicable to an employee at Employee's level to the extent the Employee would be eligible for such compensation or benefits under the terms of those formal programs which are applicable to all employees at Employee's level in effect at the time of termination and, for any benefits which continue after termination, subject to any modification which is made to such programs applicable to the all of the participants at such time.
3. ENHANCED SEVERANCE BENEFITS. If Lennox terminates an Employee other than for Cause (including Lennox' non-renewal of the Agreement) and that Employee elects and meets the conditions of this Paragraph 3 of Exhibit C, Lennox agrees to pay an Enhanced Severance Payment and provide the other benefits described below ("Enhanced Severance Benefits"). The Employee must agree to execute a written General Release of any and all possible claims against Lennox existing at the time of termination in exchange for which Lennox agrees to the following severance provisions:
 - (i) SEVERANCE PAYMENT. Lennox agrees to pay Employee's Monthly Base Salary for a period of 24 months following the date of termination. In addition, Lennox agrees to pay to the Employee, within 45 days of termination, in a lump sum, the total of any short-term bonus payments actually paid to the Employee over the twenty-four (24) month period prior to the date of termination. The severance payments will be paid in installments in accordance with the regular payroll policies of Lennox then in effect and each installment will be subject to regular payroll deductions and all applicable taxes.

- (ii) PERQUISITES. Within 45 days following the date of termination, the Employee will receive in addition to (i) above, in a lump sum, a payment of a sum equal to 10% of the Employee's Annual Base Salary in effect at the time of termination in lieu of the continuation of or payment for any perquisites, including, without limitation, automobile, club membership, tax preparation, physical examination or others being received by the Employee at the time of termination.
- (iii) COBRA CONTINUATION. Lennox agrees to pay COBRA premiums to allow Employee to continue to participate in Lennox group health plan on the same terms as other Lennox employees for up to 18 months while Employee is unemployed and not eligible for other group health insurance coverage. Should Employee remain unemployed at the end of 18 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 for his or her use in obtaining health insurance coverage outside the group health plan.
- (iv) OUTPLACEMENT. Lennox agrees to provide Employee with outplacement services in accordance with Lennox' then applicable policy. In lieu of such outplacement services, Lennox agrees to pay Employee a lump sum payment of 10% of Employee's Annual Base Salary within 45 days following the date of termination should Employee elect not to receive outplacement services.
- (v) DEATH BENEFIT. Employee's beneficiary, as set forth in Exhibit D, will receive, in a lump sum, a death benefit equivalent to six months of Employee's Monthly Base Salary in the event that the Employee should die during the period in which the Employee is entitled to any severance payment described above.

Nothing herein shall be construed to limit Employee's right to receive any benefits and entitlements under Lennox' ERISA or other employee benefit plans, with all such benefits being received by the Employee only to the extent allowed by and subject to the terms of any such plan as it may from time to time exist or be modified. Further, this Agreement is not intended and the parties agree that it will not be interpreted as creating any obligation for Lennox to create or maintain any employee benefit, compensation, perquisite or other plan, policy or program for its employees and Lennox retains the sole discretion to eliminate or modify any existing plan, program or policy as it deems to be appropriate.

EXHIBIT D

DESIGNATION OF BENEFICIARY

The following represent the designation of Beneficiary for the Employee named below:

EMPLOYEE: _____

PRIMARY BENEFICIARY(S):

_____	_____	_____ %*
Name	Relationship	Percent

_____	_____	_____ %*
Name	Relationship	Percent

*The total should add to 100%

CONTINGENT BENEFICIARY(S):

_____	_____	_____ %*
Name	Relationship	Percent

_____	_____	_____ %*
Name	Relationship	Percent

*The total should add to 100%

This is to confirm the designation of my Beneficiary(s) to receive any benefits provided under this Agreement which are not otherwise covered by Employee benefit plans with other designations of beneficiary which I intend to supersede any designation made above.

EMPLOYEE

Signature

Printed Name

Date

AMENDED AND RESTATED
CHANGE OF CONTROL EMPLOYMENT AGREEMENT

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AMENDED AND RESTATED
CHANGE OF CONTROL EMPLOYMENT AGREEMENT

This AMENDED AND RESTATED CHANGE OF CONTROL EMPLOYMENT AGREEMENT (the "Agreement") by and between Lennox International Inc., a Delaware corporation (the "Company"), and _____ (the "Executive"), dated as of the 31st day of July, 2000, 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. In order to accomplish these objectives, the Board caused the Company to enter into a Change of Control Employment Agreement, dated as of April 23, 1999 (the "Original Agreement"), with the Executive. The Company and the Executive wish to amend and restate the Original Agreement as provided in 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.

(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 or, if more favorable to the Executive, the base salary in effect at any time after 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 or, if more favorable to the Executive, the benefits and perquisites in effect at any time after the Employment Effective Date .

(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; WINDOW PERIOD. The Executive's employment may be terminated during the Employment Period by the Executive for Good Reason or during a Window Period by the Executive without any reason. For purposes of this Agreement, "Window Period" shall mean the 90-day period commencing 366 days after any Change of Control as defined in Section 9 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean:

(i) any change in the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 2 of this Agreement, excluding for this purpose any de minimus changes and excluding 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, or any other assignment to the Executive of any duties inconsistent in any respect with such position, authority, duties or responsibilities, other than de minimus inconsistencies or other than, in each case, any such change in duties or such assignment that would clearly constitute a promotion or other improvement in Executive's position;

(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 or without any reason during a Window Period, 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 during a Window Period or 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 OR DURING A WINDOW PERIOD; 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 or his employment shall be terminated for any reason during a Window Period:

(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, undiscounted, 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 highest Annual Bonus paid or awarded to or for the benefit of the Executive during the three fiscal years preceding 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. 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 highest Annual Bonus paid or awarded to or for the benefit of the Executive during the three fiscal years preceding the Date of Termination (the amounts in this clause D. to reflect the equity component of Executive's overall compensation);

E. in a lump sum in cash, undiscounted, within 10 days after the Date of Termination, an amount equal to the sum of (1) 15% of the Annual Base Salary (this amount being paid in lieu of the provision of out placement services) and (2) three times 15% of the Annual Base Salary 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 (this amount to reflect the perquisites component of Executive's overall compensation);

F. 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 third 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 in the case of medical and health benefits for the COBRA continuation period commencing thereafter, the Company shall continue medical and health benefits and group life and supplemental group life 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 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, and other than during a Window Period in which event the provisions of Section 4(a) shall govern and the Executive shall be entitled to the amounts and benefits set forth therein, 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 third 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, and other than during a Window Period in which event the provisions of Section 4(a) shall govern and the Executive shall be entitled to the amounts and benefits set forth therein, 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 third 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 OR DURING A WINDOW PERIOD . If the Executive's employment shall be terminated for Cause during the Employment Period, and other than during a Window Period in which event the provisions of Section 4(a)

shall govern and the Executive shall be entitled to the amounts and benefits set forth therein, 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 and other than during a Window Period, 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 expressly 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 (unless the Executive's claim is found by a court of competent jurisdiction to have been frivolous) 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 or whether such termination occurred during a Window Period, 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 the determination by the Executive of the existence of Good Reason was not made in good faith or that the termination by the Executive did not occur during a Window Period, 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 or during a Window Period; 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; provided further that such undertaking need not be secured, whether by bond or otherwise.

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 (other than Exempt Persons) 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, officer, partner, member, 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, (ii) any Person who is shown under the caption "Principal and Selling Stockholders" in the Company's final prospectus dated July 28, 1999 relating to its 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) one percent or more of the Common Stock and (iii) any lineal descendant and any spouse of any such lineal descendant of D.W. Norris, but only if such lineal descendant and any spouse of any such lineal descendant shall not at any time hold shares of Common Stock or Voting Stock of the Company with the primary purpose of effecting with respect to the Company (A) an extraordinary corporate transaction, such as a merger, reorganization or liquidation, (B) a sale or transfer of a material amount of assets, (C) any material change in the capitalization, (D) any other material change in the business or corporate structure or operations, (E) changes in the corporate charter or bylaws or (F) a change in the composition of the Board or of the members of senior management.

"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, other fiduciary arrangement, corporation, limited partnership, limited liability company or other business entity (collectively, a "Family Entity") formed, owned, held, or existing primarily for the benefit of the lineal descendants of D.W. Norris and any spouses of such lineal descendants, 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).

(a) 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.
2140 Lake Park Blvd.
Richardson, Texas 75080-2254
Telecommunications Number: (972) 497-6660
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 or during a Window Period 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 July 31, 2000 (the "Agreement Effective Date"), and upon effectiveness of this Agreement, the Original Agreement shall be amended and restated in its entirety to read as set forth herein.

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

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF INCOME FILE AS PART OF SUCH FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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