SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO
SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(MARK ONE)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

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 Number)

2140 LAKE PARK BLVD.
RICHARDSON, TEXAS 75080
(Address of principal executive offices, including zip code)

(Registrant's telephone number, including area code): (972) 497-5000

Securities Registered Pursuant to Section 12(b) of the Act:

COMMON STOCK, $.01 PAR VALUE

Securities Registered Pursuant to Section 12(g) of the Act: NONE

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 last 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of March 1, 2000, there were 57,210,741 shares of the registrant's Common Stock outstanding, and the aggregate market value of the Common Stock held by non-affiliates of the registrant was $375,094,012 based on the closing price of the Common Stock on the New York Stock Exchange Composite Transactions on such date.*

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the registrant's Annual Report to Stockholders for the fiscal year ended December 31, 1999 (the "1999 Annual Report to Stockholders") are incorporated by reference into Part I and Part II of this Annual Report on Form 10-K where indicated.

(2) Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the 2000 annual meeting of stockholders (the "Proxy Statement") are incorporated herein by reference into Part III of this Report. Such proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year ended December 31, 1999.

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* Excludes the Common Stock held by executive officers, directors and stockholders whose ownership exceeds 5% of the Common Stock outstanding at March 1, 2000. Exclusion of such shares should not be construed to indicate that any such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the registrant or that such person is controlled by or under common control with the registrant.

LENNOX INTERNATIONAL INC.

FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

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PART I

ITEM 1. BUSINESS

THE COMPANY

Lennox International Inc. (including its subsidiaries, "Lennox" or the "Company") is a leading global provider of climate control solutions. The Company designs, manufactures and markets a broad range of products for the heating, ventilation, air conditioning and refrigeration ("HVACR") markets. The Company's products are sold under well-established brand names including "Lennox", "Armstrong Air", "Ducane", "Bohn", "Larkin", "Heatcraft", "Advanced Distributor Products" and others. The Company is also one of the largest manufacturers in North America of heat transfer products, such as evaporator coils and condenser coils. The Company has leveraged its expertise in heat transfer technology, which is critical to the efficient operation of any heating or cooling system, to become an industry leader known for its product innovation and the quality and reliability of its products. The Company is also a leader in the growing market for hearth products, which includes pre-fabricated fireplaces and related products. Historically, the Company has sold its "Lennox" brand of residential heating and air conditioning products directly to a network of installing dealers, which currently numbers approximately 6,500, making it the largest wholesale distributor of these products in North America. In September 1998, the Company initiated a program to acquire dealers in metropolitan areas in the United States and Canada so that it can provide heating and air conditioning products and services directly to consumers. The Company greatly expanded this program with the acquisition of Service Experts, Inc. in January 2000, bringing the total of Company-owned dealerships to approximately 220.

Shown below are the Company's four business segments, the key products and brand names within each segment and 1999 net sales by segment. The North American residential segment also includes installation, maintenance and repair services performed by Company-owned dealers. Segment financial data for the years 1997 through 1999, including financial information about foreign and domestic operations, is included in Note 4 of the Notes to Consolidated Financial Statements on pages 39 through 40 of the Company's 1999 Annual Report to Stockholders.

SEGMENT	PRODUCTS	BRAND NAMES	1999 NET SALES (IN MILLIONS)
North American residential	Furnaces, heat pumps, air conditioners, packaged heating and cooling systems and related products; pre-fabricated fireplaces, free standing stoves, fireplace inserts and accessories	Lennox, Armstrong Air, Air-Ease, Concord, Magic-Pak, Ducane, Advanced Distributor Products, Superior, Marco, Whitfield and Security Chimneys	$1,361.6
Commercial air conditioning	Unitary air conditioning and applied systems	Lennox, Alcair and Janka	452.8
Commercial refrigeration	Chillers, condensing units, unit coolers, fluid coolers, air cooled condensers and air handlers	Bohn, Friga-Bohn, Larkin, Climate Control, Chandler Refrigeration, Kirby, Muller and Lovelock	327.3
Heat transfer	Heat transfer coils, other heat transfer products, and equipment and tooling to manufacture coils	Heatcraft, Friga-Bohn, Kirby and Muller	220.0
		Total	$2,361.7

The Company was founded in 1895 in Marshalltown, Iowa when Dave Lennox, who owned a machine repair business for the railroads, successfully developed and patented a riveted steel coal-fired furnace which was substantially more durable than the cast iron furnaces used at the time. By 1904, the manufacture of these furnaces had grown into a significant business and was diverting the Lennox Machine Shop from its core business. As a result, in 1904, a group of investors headed by D.W. Norris bought the furnace business and named it the Lennox Furnace Company. Over the years, D.W. Norris ensured that ownership of the Company

was distributed to all generations of his family, and currently approximately sixty percent of the Company's ownership is broadly distributed among approximately 110 descendants of or persons otherwise related to D.W. Norris. In 1991, the Company reincorporated as a Delaware corporation. On August 3, 1999, the Company completed the initial public offering of its common stock.

In 1999, the Company expanded its hearth products line through the acquisition of Security Chimneys International, Ltd. In May 1999, the Company acquired Livernois Engineering Holding Company and related patents. Livernois produces heat transfer manufacturing equipment for the HVACR and automotive industries. The Company acquired James N. Kirby Pty. Ltd., an Australian company that participates in the commercial refrigeration and heat transfer markets in Australia, in June 1999. In October 1999, the Company acquired substantially all of the assets of the air conditioning and heating division of The Ducane Company, Inc. based in South Carolina. This acquisition gives the Company additional capacity to manufacture heating and air conditioning products. In January 2000, the Company completed the acquisition of Service Experts, Inc. in exchange for approximately 12.2 million shares of Lennox common stock and the assumption of $160 million of debt. Service Experts provides residential heating, ventilation and air conditioning ("HVAC") services and replacement equipment through approximately 120 dealers in approximately 36 states. The success of the Service Experts acquisition, along with the Company's other acquisitions, will depend upon the Company's ability to integrate these businesses into its business without substantial costs, delays or other operational or financial difficulties. In addition, the operation of HVAC dealers is a new line of business for the Company for which it has limited experience.

Forward Looking Statements

This Annual Report on Form 10-K ("Form 10-K") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are based upon management's beliefs, as well as assumptions made by and information currently available to management. All statements other than statements of historical fact included in this Form 10-K 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 the current views of Lennox 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; the Company's ability to successfully complete and integrate acquisitions; the Company's ability to manage new lines of business; the consolidation trend in the HVACR industry; adverse reaction from the Company's customers from its acquisitions or other activities; the impact of the weather on the Company's 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. The Company 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.

GROWTH STRATEGY

The Company's growth strategy is designed to capitalize on its competitive strengths in order to expand its market share and profitability in the worldwide HVACR markets. The key elements of this strategy include:

Expand Market in North America

The Company's program to acquire heating and air conditioning dealers in the United States and Canada represents a new direction for the heating and air conditioning industry because, to its knowledge, no other major manufacturer has made a significant investment in retail distribution. This strategy will enable the Company to extend its distribution directly to the consumer, thereby permitting it to participate in the

revenues and margins available at the retail level while strengthening and protecting its brand equity. The Company 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. The Company started this program in September 1998, and as of December 31, 1999, it had acquired 60 dealers in Canada and 33 in the United States for an aggregate purchase price of approximately $241 million and had signed letters of intent to acquire 5 additional Canadian and 18 United States dealers for an aggregate purchase price of approximately $59 million. The acquisition of Service Experts in January 2000 greatly accelerated this program by adding approximately 120 dealers in approximately 36 states. The Company believes its long history of direct relationships with its dealers through the one-step distribution system and the resulting knowledge of local markets will give it advantages in identifying and acquiring suitable candidates. The Company has assembled an experienced management team to administer the dealer operations, and the Company has developed a portfolio of training programs, management procedures and goods and services that it believes will enhance the quality, effectiveness and profitability of dealer operations.

In addition to its acquisition program, the Company has initiated a program to strengthen its independent dealer network by providing all dealers with a broad array of services and support. Participants in the Company's associate dealer program receive retirement and other benefits in exchange for agreeing that at least 75% of their residential heating and air conditioning purchases will be of the Company's products and for granting the Company a right of first refusal to acquire their businesses. As of December 31, 1999, over 1,500 dealers in the United States and Canada had joined the Company's associate dealer program. All independent dealers, including participants in the associate dealer program, are provided with access to the Company-sponsored volume purchasing programs with third parties for goods and services used in their businesses. Additionally, Contractors Success Group, a wholly owned subsidiary acquired in January 2000 as part of the Service Experts acquisition, offers proprietary products and marketing, management, educational and advisory services to dealers (including Lennox-owned dealers) which are members of Contractors Success Group in exchange for specified fees.

The Company also intends to increase its market share in North America by:

- selectively expanding its "Lennox" independent dealer network;

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

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

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

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

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

Increase Presence in Hearth Products Market

The Company manufactures and sells one of the broadest lines of hearth products in North America, offering multiple brands of hearth products at a range of price points. The Company believes that this broad product line will allow it to compete successfully in the hearth products market since many distributors prefer to concentrate their product purchases with a limited number of suppliers. The Company believes that it can increase its penetration of this market by selling in the traditional hearth products distribution channels and through its historical HVAC distribution channels. Many of Lennox's heating and air conditioning dealers have begun to expand their product offerings to include hearth products.

Exploit International Opportunities

Worldwide demand for residential and commercial heating, air conditioning, refrigeration and heat transfer products is increasing. The Company believes that the increasing international demand for these products presents substantial opportunities, especially in emerging markets and particularly for heat transfer and refrigeration products. An example is the increasing use of refrigeration products to preserve perishables including food products in underdeveloped countries. Refrigeration products generally have the same design and applications globally. To take advantage of international opportunities, the Company has made substantial investments in manufacturing facilities in Europe, Latin America and Asia Pacific through acquisitions, including James N. Kirby Pty. Ltd. and a 70% interest in Ets. Brancher. The Company's international sales have grown from $112.0 million in 1996 to $631.3 million in 1999. The Company intends to continue to focus on expanding its international operations through acquisitions and internal growth to take advantage of international growth opportunities. The Company is also investing additional resources in its international operations with the goal of achieving manufacturing and distribution efficiencies comparable to that of its North American operations.

Technology and Product Innovation

An important part of Lennox's growth strategy is to continue to invest in research and new product development. The Company has designated a number of its facilities as "centers for excellence" that are responsible for the research and development of core competencies vital to its success, such as combustion technology, vapor compression, heat transfer and low temperature refrigeration. Technological advances are disseminated from these "centers for excellence" to all of Lennox's operating divisions.

PRODUCTS

North American Residential Products and Services

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

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

Hearth Products. The Company believes that it is the only North American HVACR manufacturer that also designs, manufactures and markets residential hearth products. The Company's hearth products include prefabricated gas and wood burning fireplaces, free standing pellet and gas stoves, fireplace inserts, gas logs and accessories. Many of the fireplaces are built with a blower or fan option and are efficient heat sources as well as attractive amenities to the home. The Company currently markets its hearth products under the "Lennox", "Superior", "Marco", "Whitfield", "Earth Stove", and "Security Chimneys" brand names. The Company believes that its strong relationship with its dealers and its brand names will assist in selling into this market.

Retail Service. Through Company-owned dealers in the United States and Canada, the Company provides installation, maintenance, repair and replacement services for heating and air conditioning systems

directly to both residential and light commercial customers. Installation services include the installation of heating and air conditioning systems in new construction and the replacement of existing systems. Other services include preventative maintenance, emergency repairs and the replacement of parts associated with heating and air conditioning systems. The Company also sells a wide range of mechanical and electrical equipment, parts and supplies in connection with these services.

Commercial Air Conditioning

The Company manufactures and sells commercial air conditioning equipment in North America, Europe, Asia Pacific and South America.

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

International. The Company competes in the commercial air conditioning market in Europe through its ownership of 70% of Ets. Brancher and its operating subsidiaries. The Company has agreed to buy the remaining 30% interest in Ets. Brancher during the first half of 2000 for 102.5 million French francs, or approximately $17 million. Lennox France manufactures and sells unitary products which range from two to 30 tons and applied systems which range up to 500 tons. Lennox's European products consist of chillers, air handlers, fan coils and large rooftop units and serve medium rise buildings, shopping malls, other retail and entertainment buildings, institutional applications and other field engineered applications. Lennox manufactures its air conditioning products in several locations throughout Europe, including sites in the United Kingdom, France, Holland and Spain, and markets such products through various distribution channels in these countries and in Italy, Germany, Belgium, the Czech Republic, Eastern Europe and the Middle East.

In Australia the Company distributes its residential and light commercial heating and air conditioning products manufactured in North America and also manufactures commercial heating and air conditioning products (packaged and split systems) ranging in size from two to 60 tons.

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

Commercial Refrigeration

North America. The Company is one of the leading manufacturers of commercial refrigeration products in North America. The Company's refrigeration products include chillers, condensing units, unit coolers, fluid coolers, air cooled condensers and air handlers. The Company's refrigeration products are sold for cold storage applications to preserve food and other perishables. These products are used by supermarkets, convenience stores, restaurants, warehouses and distribution centers. As part of its sale of commercial refrigeration products, the Company routinely provides application engineering for consulting engineers, contractors and others.

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

The Company also owns 50% of a joint venture in Mexico that produces unit coolers and condensing units of the same design and quality as those manufactured by the Company in the United States. Since this venture produces a smaller range of products, the product line is complemented with imports from the United States which are sold through the joint venture's distribution network. Sales are made in Mexico to wholesalers, installing contractors and original equipment manufacturers. As production volumes increase, there exists the potential to export some of the high labor content products from the joint venture into North America and Latin America.

The Company owns an 84% interest in Heatcraft do Brasil S.A., a Brazilian company that manufactures condensing units and unit coolers. The Company believes this joint venture gives it the leading market share for commercial refrigeration products in its served markets in Brazil.

The Company acquired the assets of Lovelock Luke Pty. Limited, a distributor of refrigeration and related equipment in Australia. This acquisition gives the Company an established commercial refrigeration business in Australia.

In June 1999, the Company acquired James N. Kirby Pty. Ltd. for approximately $65 million. Kirby is an Australian company that manufactures commercial refrigeration and heat transfer products in Australia and distributes commercial refrigeration equipment through its own and Lovelock's distribution network. Kirby also designs and manufactures precision machining stations primarily for the automobile industry. The Kirby acquisition provides a technological and manufacturing base for the growth of the Company's commercial refrigeration and heat transfer business in the Asia Pacific region.

Heat Transfer

The Company is one of the largest manufacturers of heat transfer components, including coils, in the United States, Europe, Australia, Mexico and Brazil. These products are used primarily by original equipment manufacturers of residential and commercial air conditioning products, transportation air conditioning and refrigeration systems, and commercial refrigeration products. A portion of the Company's original equipment manufacturer coils are produced for use in its residential and commercial HVACR products. The Company also produces private label replacement coils for use in other manufacturers' HVACR equipment. The Company believes that the engineering expertise of its sales force, combined with its flexible manufacturing processes and systems, provide it with an advantage in the application engineering, designing and manufacturing of these products for its customers. Advanced computer software enables the Company to predict with a high degree of accuracy the performance of complete air conditioning and refrigeration systems.

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

The Company also designs and manufactures the equipment and tooling necessary to produce coils. The Company uses such equipment and tooling in its manufacturing facilities and sells it to third parties. Typically, there is a long lead time between the initial order and receipt for this type of equipment and tooling from third parties. Since the Company has the ability to quickly produce the equipment and tooling necessary to manufacture heat transfer products and systems, it can accelerate the international growth of its heat transfer products segment. The Company also supplies heat transfer manufacturing equipment to the automotive industry through Livernois.

In addition to manufacturing heat transfer products in the North American market, the Company produces coils in the Czech Republic for the European market. The Company's joint venture in Mexico produces evaporator and condenser coils for use in that country and for export to the Caribbean and the United States. The Company's Brazilian joint venture manufactures heat transfer coils that are sold to both HVACR manufacturers and automotive original equipment manufacturers in Brazil.

MARKETING AND DISTRIBUTION

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

A principal example of the competitive strength of the Company's marketing and distribution strategy is in the North American residential heating and air conditioning market, in which it uses three distinctly different distribution approaches -- the one-step distribution system, the two-step distribution system and sales made directly to consumers through Company-owned dealers. The Company markets and distributes its "Lennox" and "Aire-Flo" brands of heating and air conditioning products directly to approximately 6,500 independent dealers that install these products.

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

In addition, the Company provides heating and air conditioning products and services directly to consumers through Company-owned dealers.

Through the years, the "Lennox" brand has become synonymous with the "Dave Lennox" image, which is utilized in national television and print advertising as well as in numerous locally produced dealer ads, open houses and trade events, and is easily the best recognized advertising icon in the heating and air conditioning industry.

MANUFACTURING

The Company operates 18 manufacturing facilities in the United States and Canada and 21 outside the United States and Canada. These plants range from small manufacturing facilities to large 1,000,000 square foot facilities in Grenada, Mississippi and Marshalltown, Iowa. In its facilities most impacted by seasonal demand, the Company manufactures both heating and air conditioning products to smooth seasonal production demands and maintain a relatively stable labor force. The Company is generally able to hire temporary employees to meet changes in demand.

PURCHASING

The Company relies on various suppliers to furnish the raw materials and components used in the manufacture of its products. To maximize its buying power in the marketplace, the Company utilizes a "purchasing council" that consolidates purchases of its entire domestic requirements of particular items across all business segments. The purchasing council generally concentrates its purchases for a given material or component with one or two suppliers, although the Company believes that there are alternative suppliers for all of its key raw material and component needs. Compressors, motors and controls constitute the Company's most significant component purchases, while steel, copper and aluminum account for the bulk of the Company's raw material purchases. Although most of the compressors used by the Company are purchased directly from major compressor manufacturers, the Company owns a 24.5% interest in a joint venture to manufacture compressors in the one and one-half to seven horsepower range. The Company expects that this

joint venture, which began limited production in April 1998, will be capable of providing the Company with a substantial portion of its compressor requirements in the residential air conditioning market after achieving full production levels, which is expected in 2001.

The Company attempts to minimize the risk of price fluctuations in key components by entering into contracts, typically at the beginning of the year, which generally provide for fixed prices for its needs throughout the year. In instances where the Company is unable to pass on to its customers increases in the costs of copper and aluminum, the Company enters into forward contracts for the purchase of such materials. Increases in the prices of raw materials or components or problems in their availability could depress the Company's sales or increase the costs of the Company's products.

INFORMATION SYSTEMS

The Company's North American operations are supported by enterprise business systems which support all core business processes. Enterprise business systems are designed to enhance the continuity of operations, ensure appropriate controls, and support timely and efficient decision making. The Company's two largest operating divisions, Lennox Industries and Heatcraft, have installed the SAP enterprise business software system. A version of ROI Manage 2000 was implemented for Armstrong.

TECHNOLOGY AND RESEARCH AND DEVELOPMENT

The Company supports an extensive research and development program focusing on the development of new products and improvements to its existing product lines. The Company spent an aggregate of $39.1 million, $33.3 million and $25.4 million on research and development during 1999, 1998 and 1997, respectively. As of December 31, 1999, the Company employed approximately 440 persons dedicated to research and development activities. The Company has a number of research and development facilities located around the world, including a limited number of "centers for excellence" that are responsible for the research and development of particular core competencies vital to its business, such as combustion technology, vapor compression, heat transfer and low temperature refrigeration.

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

PATENTS AND TRADEMARKS

The Company holds numerous patents that relate to the design and use of its products. The Company considers these patents important, but no single patent is material to the overall conduct of its business. The Company's policy is to obtain and protect patents whenever such action would be beneficial to it. No patent which the Company considers material will expire in the next five years. The Company owns several trademarks that it considers important in the marketing of its products, including Lennox(R), Heatcraft(R), CompleteHeat(R), Raised Lance(TM), Larkin(TM), Climate Control(TM), Chandler Refrigeration(R), Bohn(R), Advanced Distributor Products(R), Armstrong Air(TM), Aire-Flo(TM), Air-Ease(R), Concord(R), Magic-Pak(R), Superior(TM), Marco(R), Whitfield(R), Security Chimneys(R), Janka(TM), Alcair(TM), Ducane(TM) and Friga-Bohn(TM). These trademarks have no fixed expiration dates and the Company believes its rights in these trademarks are adequately protected.

COMPETITION

Substantially all of the markets in which the Company participates are highly competitive. The most significant competitive factors facing the Company are product reliability, product performance, service and price, with the relative importance of these factors varying among its product lines. In addition, the Company faces competition from independent dealers and dealers owned by consolidators and utility companies. The Company's competitors may have greater financial and marketing resources than it has. Listed below are some

of the companies that the Company views as its main manufacturing competitors in each segment the Company serves, with relevant brand names, when different than the company name, shown in parentheses.

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

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

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

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

EMPLOYEES

As of March 1, 2000, the Company employed approximately 22,650 employees, approximately 3,950 of which were represented by unions. The number of hourly workers the Company employs during the course of the year may vary in order to match its labor needs during periods of fluctuating demand. The Company believes that its relationships with its employees are generally good.

Within the United States, the Company has eight manufacturing facilities and five distribution centers, along with its North American Parts Center in Des Moines, Iowa, with collective bargaining agreements ranging from three to eight years in length. The five distribution centers are covered by a single contract that expires in 2001. Two collective bargaining agreements expire in 2000 -- Burlington, Washington and Atlanta, Georgia -- and three expire in 2002 -- Bellevue, Ohio, Danville, Illinois and Union City, Tennessee. Outside of the United States, the Company has 13 significant facilities that are represented by unions. The four agreements for Lennox France have no fixed expiration date. The agreement at the Company's facility in Burgos, Spain expires in 2000, the agreement at its facility in Toronto, Ontario expires in 2001, and the agreement at its facility in Laval, Quebec expires in 2002. The Company believes that its relationships with the unions representing its employees are generally good, and does not anticipate any material adverse consequences resulting from negotiations to renew these agreements.

REGULATION

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

Refrigerants. In the past decade, there has been increasing regulatory and political pressure to phase out the use of certain ozone depleting substances, including hydrochlorofluorocarbons, which are sometimes referred to as "HCFCs". This development is of particular importance to the Company and its competitors because of the common usage of HCFCs as refrigerants for air conditioning and refrigeration equipment. As discussed below, the Company does not believe that implementation of the phase out schedule for HCFCs contained in the current regulations will have a material adverse effect on its financial position or results of operations. The Company does believe, however, that there will likely be continued pressure by the

international environmental community for the United States and other countries to accelerate the phase out schedule. The Company has been an active participant in the ongoing international dialogue on these issues and believes that it is well positioned to react to any changes in the regulatory landscape.

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

The 1990 U.S. Clean Air Act amendments implement the Montreal Protocol by establishing a program to limit the production, importation and use of specified ozone depleting substances, including HCFCs currently used as refrigerants by the Company and its competitors. Under the Clean Air Act and implementing regulations, all HCFCs must be phased out between 2010 and 2030. The Company believes that these regulations as currently in effect will not have a material adverse effect on its operations. Nonetheless, as the supply of virgin and recycled HCFCs falls, it will be necessary to address the need to substitute permitted substances for HCFCs. Further, the United States is under pressure from the international environmental community to accelerate the current 2030 deadline for phase out of HCFCs. An accelerated phase out schedule could adversely affect the Company's future financial results and the industry generally.

The Company, together with major chemical manufacturers, are continually in the process of reviewing and addressing the potential impact of refrigerant regulations on its products. The Company believes that the combination of products that presently utilize HCFCs, and products in the field which can be retrofitted to alternate refrigerants, provide a complete line of commercial and industrial products. Therefore, the Company does not foresee any material adverse impact on its business or competitive position as a result of the Montreal Protocol, the 1990 Clean Air Act amendments or their implementing regulations. However, the Company believes that the implementation of severe restrictions on the production, importation or use of refrigerants the Company employs in larger quantities or acceleration of the current phase out schedule could have such an impact on the Company and its competitors.

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

Remediation Activity. In addition to affecting the Company's ongoing operations, applicable environmental laws can impose obligations to remediate hazardous substances at its properties, at properties formerly owned or operated by the Company and at facilities to which it sent or sends waste for treatment or disposal.

The Company's Grenada facility is subject to an administrative order issued by the Mississippi Department of Environmental Quality under which the Company will conduct groundwater remediation. The Company has established a $1.7 million reserve to cover costs of remediation at the Grenada facility and possible costs associated with remediation activities at the Company's Danville facility. The Company is aware of contamination at some of its other facilities, however, the Company does not believe that future remediation costs, if any, at such facilities will be material.

During environmental due diligence for a plant the Company acquired in 1999 in Blackville, South Carolina, the Company learned of soil and groundwater contamination at the site which requires further assessment and possible remediation. These projects are being conducted and funded by the prior owner of the

facility, under contractual obligations pursuant to which the Company acquired the facility. The Company has no reason to believe that the prior owner will not continue to conduct and pay for the required assessments and remediation. However, if the prior owner refuses to meet its contractual obligations, the Company would be required to complete the remediation. The prior owner of the Blackville site has provided a letter of credit in the amount of $700,000 to secure its obligations for assessment and remediation.

From time to time the Company has received notices that it is a potentially responsible party along with other potentially responsible parties in Superfund proceedings for cleanup of hazardous substances at certain sites to which the potentially responsible parties are alleged to have sent waste. Based on the facts presently known, the Company does not believe that environmental cleanup costs associated with any Superfund sites where the Company has received notice that it is a potentially responsible party will have a material adverse effect on its financial position or results of operations.

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

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

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

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

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

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

EXECUTIVE OFFICERS OF THE COMPANY

The executive officers of the Company, their present positions and their ages are as follows:

NAME	AGE	POSITION
John W. Norris, Jr.	64	Chairman of the Board and Chief Executive Officer
H. E. French	58	President and Chief Operating Officer, Heatcraft Inc.
Robert E. Schjerven	57	President and Chief Operating Officer, Lennox Industries Inc.
Michael G. Schwartz	41	President and Chief Operating Officer, Armstrong Air Conditioning Inc.
Harry J. Ashenhurst	51	Executive Vice President, Human Resources and Administration
Scott J. Boxer	49	Executive Vice President, Lennox Global Ltd. and President, European Operations
Carl E. Edwards, Jr.	58	Executive Vice President, General Counsel and Secretary
W. Lane Pennington	44	Executive Vice President, Lennox Global Ltd. and President, Asia Pacific Operations
Clyde W. Wyant	61	Executive Vice President, Chief Financial Officer
John J. Hubbuch	57	Vice President, Controller and Chief Accounting Officer
Scott E. Messel	41	Vice President and Corporate Treasurer

The following biographies describe the business experience of the Company's executive officers.

John W. Norris, Jr. was elected Chairman of the board of directors of the Company in 1991. He has served as a director of the Company since 1966. After joining the Company in 1960, Mr. Norris held a variety of key positions including Vice President of Marketing, President of Lennox Industries (Canada) Ltd., a

subsidiary of the Company, and Corporate Senior Vice President. He became President of the Company in 1977 and was appointed President and Chief Executive Officer of the Company in 1980. Mr. Norris is on the board of directors of the Air-Conditioning & Refrigeration Institute of which he was chairman in 1986. He is also an active board member of the Gas Appliance Manufacturers Association, where he was Chairman from 1980 to 1981. He also serves as a director of AmerUs Life Holdings, Inc., a life insurance and annuity company, and Metroplex Regional Advisory Board of Chase Bank of Texas, NA.

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

Robert E. Schjerven was named President and Chief Operating Officer of Lennox Industries Inc., a subsidiary of the Company, in 1995. In 1986, he joined the Company as Vice President of Marketing and Engineering for Heatcraft Inc. From 1988 to 1991 he held the position of Vice President and General Manager of that subsidiary. From 1991 to 1995 he served as President and Chief Operating Officer of Armstrong Air Conditioning Inc. Mr. Schjerven spent the first 20 years of his career with the Trane Company, a HVACR manufacturer, and McQuay-Perfex Inc.

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

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

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

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

W. Lane Pennington was appointed to his current position of Executive Vice President, Lennox Global Ltd. and President, Asia Pacific Operations in 1998. He joined the Company in 1997 as Vice President, Asia Pacific Operations. From 1988 until 1997, Mr. Pennington was with Hilti International Corp., a European headquartered worldwide supplier of specialized building products and engineering services for the commercial construction industry, where he most recently served as President, Hilti Asia Limited, based in Hong Kong.

Clyde W. Wyant joined the Company in 1990 and was appointed Executive Vice President, Chief Financial Officer. Prior to joining the Company, he served as Executive Vice President, Chief Financial Officer and Director of Purolator Products Co. (formerly Facet Enterprises, Inc.), a manufacturer of filtration

equipment, from 1985 to 1990. In 1965, Mr. Wyant began his career with Helmerich & Payne Inc., an oil service company, where he last served as Vice President, Finance.

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

Scott E. Messel joined the Company as Vice President and Corporate Treasurer in 1999. Prior to joining the Company, he was the Corporate Treasurer for Flowserve Corporation, a provider of industrial flow management services, from 1998 to 1999. From 1983 to 1998, Mr. Messel held various treasury and finance positions with Ralston Purina Company, a producer of pet foods, including Vice President and Director, International Treasury, from 1991 to 1998.

ITEM 2. PROPERTIES

REAL PROPERTY AND LEASES

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

DOMESTIC FACILITIES

LOCATION	DESCRIPTION AND APPROXIMATE SIZE	PRINCIPAL PRODUCTS	OWNED/LEASED
Richardson, TX	World headquarters and offices; Lennox Industries headquarters; 302,000 square feet	N/A	Owned and Leased
Bellevue, OH	Armstrong headquarters, factory and distribution center; 800,000 square feet	Residential furnaces, residential and light commercial air conditioners and heat pumps	Owned and Leased
Grenada, MS	Heatcraft Heat Transfer Division headquarters and factory, 1,000,000 square feet; Advanced Distributor Products factory, 300,000 square feet; commercial products factory, 217,000 square feet	Coils and copper tubing; evaporator coils, gas-fired unit heaters and residential air handlers; and custom order replacement coils	Owned and Leased
Stone Mountain, GA	Heatcraft Refrigeration Products Division headquarters, R&D and factory; 145,000 square feet	Commercial and industrial condensing units, packaged chillers and custom refrigeration racks	Owned
Marshalltown, IA	Lennox Industries heating and air conditioning products factory, 1,000,000 square feet; distribution center, 300,000 square feet	Residential heating and cooling products, gas furnaces, split-system condensing units, split-system heat pumps and CompleteHeat	Owned and Leased
Des Moines, IA	Lennox Industries distribution center and light manufacturing; 352,000 square feet	Central supplier of Lennox repair parts	Leased

LOCATION	DESCRIPTION AND APPROXIMATE SIZE	PRINCIPAL PRODUCTS	OWNED/LEASED
Carrollton, TX	Lennox Industries heating and air conditioning products development and research facility; 130,000 square feet	N/A	Owned
Stuttgart, AR	Lennox Industries light commercial heating and air conditioning factory; 500,000 square feet	Commercial rooftop equipment and accessories	Owned and Leased
Union City, TN	Superior Fireplace Company factory; 294,690 square feet	Gas and wood burning fireplaces	Owned
Lynwood, CA	Marco Mfg. Inc. headquarters and factory; 200,000 square feet	Gas and wood burning fireplaces	Leased
Blackville, SC	Excel Comfort Systems Inc. headquarters and factory; 375,000 square feet	Residential heating and cooling products	Owned

INTERNATIONAL FACILITIES

LOCATION	DESCRIPTION AND APPROXIMATE SIZE	PRINCIPAL PRODUCTS	OWNED/ LEASED
Genas, France	Friga-Bohn headquarters and factory; 16,000 square meters	Heat exchangers for refrigeration and air conditioning; refrigeration products, condensers, fluid coolers, pressure vessels, liquid receivers and refrigeration components	*
Mions, France	HCF-Lennox headquarters and factories; 12,000 square meters	Air cooled chillers, water cooled chillers, reversible chillers and packaged boilers	*
Burgos, Spain	Lennox-Refac factory; 8,000 square meters	Comfort air conditioning equipment, packaged and split units (cooling or heat pump); small and medium capacity water cooled chillers	*
Krunkel, Germany	European headquarters and factories for HYFRA GmbH products; 6,000 square meters	Process cooling systems	*
Prague, Czech Republic	Janka and Friga-Coil factories; 30,000 square meters	Air handling equipment; heat transfer coils	*
Sydney, Australia	Lennox Australia Pty. Ltd. headquarters and factory; 40,000 square feet	Rooftop packaged and split commercial air conditioners	Leased
Sydney, Australia	James N. Kirby Pty. Ltd. headquarters and factory; 412,000 square feet	Refrigeration condensing units and condensers; heat transfer coils; machine tools	Owned

LOCATION	DESCRIPTION AND APPROXIMATE SIZE	PRINCIPAL PRODUCTS	OWNED/ LEASED
San Jose dos Campos, Brazil	Heatcraft do Brasil headquarters and factory; 160,000 square feet	Refrigeration condensing units, unit coolers and heat transfer coils	*
Etobicoke, Canada	Lennox-Canada factory; 212,000 square feet	Multi-position gas furnaces, gas fireplaces and commercial unit heaters	Owned

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* Facilities owned or leased by a joint venture in which the Company has an interest.

In addition to the properties described above and excluding dealer facilities, the Company leases over 55 facilities in the United States for use as sales offices and district warehouses and a limited number of additional facilities worldwide for use as sales and service offices and regional warehouses. The vast majority of Company-owned dealer facilities are leased and the remainder are owned. The Company believes that its properties are in good condition and adequate for its requirements. The Company also believes that its principal plants are generally adequate to meet its production needs.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of fiscal year 1999.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to page 51 and the inside back cover of the Company's 1999 Annual Report to Stockholders.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item is incorporated by reference to page 1 of the Company's 1999 Annual Report to Stockholders.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this Item is incorporated by reference to pages 20 through 30 of the Company's 1999 Annual Report to Stockholders.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this Item is incorporated by reference to page 29 of the Company's 1999 Annual Report to Stockholders.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated by reference to pages 31 through 52 of the Company's 1999 Annual Report to Stockholders.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information contained under the caption "Proposal 1: Election of Directors" in the Company's Proxy Statement is incorporated herein by reference in response to this item. See Item 1 above for information concerning executive officers.

ITEM 11. EXECUTIVE COMPENSATION

Information required by Item 11 is incorporated herein by reference from pages 6 through 18 and page 21 of the Company's Proxy Statement. Such incorporation by reference shall not be deemed to specifically incorporate by reference the information referred to in Item 402(a)(8) of Regulation S-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information contained under the captions "Proposal 1: Election of Directors" and "Ownership of Lennox Common Stock" in the Proxy Statement is incorporated herein by reference in response to this item.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by Item 13 is incorporated herein by reference from page 18 of the Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Financial Statements, Financial Statement Schedules and Exhibits

(1) The following financial statements of Lennox International Inc. and subsidiaries are incorporated herein by reference to pages 31 through 52 of the Company's 1999 Annual Report to Stockholders:

Report of Independent Public Accountants
Consolidated Balance Sheets as of December 31, 1999 and 1998
Consolidated Statements of Income for the Years ended December 31, 1999, 1998 and 1997
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 1999, 1998 and 1997
Consolidated Statements of Cash Flows for the Years Ended December 31, 1999, 1998 and 1997
Notes to Consolidated Financial Statements for the Years Ended December 31, 1999, 1998 and 1997

(2) The following financial statement schedule for Lennox International Inc. and subsidiaries is included herein:

Report of Independent Accountants on Financial Statement Schedule (page 20 of Form 10-K) Schedule II -- Valuation and Qualifying Accounts and Reserves (page 21 of Form 10-K)

(3) Exhibits:

The exhibits listed in the accompanying Index to Exhibits on pages 22 through 24 of this Form 10-K are filed or incorporated by reference as part of this Form 10-K.

(b) Reports on Form 8-K:

A report on Form 8-K dated October 26, 1999 was filed by the Company on October 29, 1999. The report includes information under Items 5 and 7 concerning the Agreement and Plan of Merger with Service Experts, Inc. and LII Acquisition Corporation.

A report on Form 8-K dated November 2, 1999 was filed by the Company on November 3, 1999. The report includes information under Items 5 and 7 concerning the announcement of the Registrant's two-phase stock buy-back plan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LENNOX INTERNATIONAL INC.

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

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

March 27, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ JOHN W. NORRIS, JR. John W. Norris, Jr.	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 27, 2000
/s/ CLYDE W. WYANT Clyde W. Wyant	Executive Vice President, Chief Financial Officer (Principal Financial Officer)	March 27, 2000
/s/ JOHN J. HUBBUCH John J. Hubbuch	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	March 27, 2000
/s/ LINDA G. ALVARADO Linda G. Alvarado	Director	March 27, 2000
/s/ DAVID H. ANDERSON David H. Anderson	Director	March 27, 2000
/s/ RICHARD W. BOOTH Richard W. Booth	Director	March 27, 2000
/s/ THOMAS W. BOOTH Thomas W. Booth	Director	March 27, 2000
/s/ DAVID V. BROWN David V. Brown	Director	March 27, 2000

SIGNATURE	TITLE	DATE
/s/ JAMES J. BYRNE James J. Byrne	Director	March 27, 2000
/s/ JANET K. COOPER Janet K. Cooper	Director	March 27, 2000
/s/ JOHN E. MAJOR John E. Major	Director	March 27, 2000
/s/ DONALD E. MILLER Donald E. Miller	Director	March 27, 2000
/s/ TERRY D. STINSON Terry D. Stinson	Director	March 27, 2000
/s/ RICHARD L. THOMPSON Richard L. Thompson	Director	March 27, 2000

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULE

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

We have audited in accordance with generally accepted auditing standards the consolidated financial statements of Lennox International Inc. and subsidiaries included in this Annual Report on Form 10-K and have issued our report thereon dated February 18, 2000. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. Schedule II, Valuation and Qualifying Accounts and Reserves, is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated statements taken as a whole.

ARTHUR ANDERSEN LLP

Dallas, Texas
February 18, 2000

LENNOX INTERNATIONAL INC.

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO COST AND EXPENSES	DEDUCTIONS(1)	BALANCE AT END OF YEAR
		(IN THOUSANDS)		
1997:				
Allowance for doubtful accounts	$12,115	$8,997	$(4,164)	$16,948
1998:				
Allowance for doubtful accounts	$16,948	$6,224	$(4,647)	$18,525
1999:				
Allowance for doubtful accounts	$18,525	$6,979	$(4,329)	$21,175

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

INDEX TO EXHIBITS

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	-- Agreement of Assumption and Restatement, dated as of December 1, 1991 between Lennox and identified Noteholders relating to Lennox's 9.53% Series F Promissory Note due 2001 (incorporated by reference to Exhibit 10.1 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
10.2	-- Note Purchase Agreement, dated as of December 1, 1993, between Lennox and identified Noteholders relating to Lennox's 6.73% Senior Promissory Notes due 2008 (incorporated by reference to Exhibit 10.2 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
10.3	-- Note Purchase Agreement, dated as of July 6, 1995, between Lennox and Teachers Insurance and Annuity Association of America relating to Lennox's 7.06% Senior Promissory Note due 2005 (incorporated by reference to Exhibit 10.3 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
10.4	-- Note Purchase Agreement, dated as of April 3, 1998, between Lennox and identified Noteholders relating to Lennox's 6.56% Senior Notes due 2005 and 6.75% Senior Notes due 2008 (incorporated by reference to Exhibit 10.4 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
10.5	-- Note Amendment Agreement, dated as of April 3, 1998, between Lennox and identified Noteholders relating to Lennox's 9.53% Senior Promissory Notes due 2001, 7.06% Senior Promissory Note due 2005 and 6.73% Senior Promissory Notes due 2008 (incorporated by reference to Exhibit 10.5 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
10.6	-- Note Amendment Agreement, dated as of February 28, 2000, between Lennox and identified Noteholders relating to Lennox's 9.53% Senior Promissory Notes due 2001, 7.06% Senior Promissory Notes due 2005 and 6.73% Senior Promissory Notes due 2008 (filed herewith).
10.7	-- Revolving Credit Facility Agreement, dated as of July 29, 1999, among Lennox, Chase Bank of Texas, National Association, as administrative agent, Wachovia Bank, N.A., as syndication agent, The Bank of Nova Scotia, as documentation agent, and the other lenders named therein (incorporated by reference to Exhibit 10.25 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
10.8	-- Second Amendment, dated as of January 25, 2000, to the Revolving Credit Facility Agreement dated as of July 29, 1999, among Lennox, Chase Bank of Texas, National Association, as administrative agent, Wachovia Bank, N.A., as syndication agent, The Bank of Nova Scotia, as documentation agent, and the other lenders named therein (filed herewith).

EXHIBIT NUMBER	DESCRIPTION
10.9	-- 364 Revolving Credit Facility Agreement, dated as of January 25, 2000, among Lennox, Chase Bank of Texas, National Association, as administrative agent, Wachovia Bank, N.A., as syndication agent, The Bank of Nova Scotia, as documentation agent, and the other lenders named therein (filed herewith).
10.10	-- Master Shelf Agreement, dated as of October 15, 1999, between Lennox and The Prudential Insurance Company of America relating to Senior Notes to be issued in a maximum principal amount of $100,000,000 (incorporated by reference to Exhibit 10.1 to Lennox's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999).
10.11	-- Letter Amendment No. 1, dated as of February 28, 2000, to Master Shelf Agreement, dated as of October 15, 1999, between Lennox and The Prudential Insurance Company of America (filed herewith).
10.12*	-- 1998 Incentive Plan of Lennox International Inc. (incorporated by reference to Exhibit 10.8 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
10.13*	-- Lennox International Inc. Profit Sharing Restoration Plan (incorporated by reference to Exhibit 10.9 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
10.14*	-- Lennox International Inc. Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.10 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
10.15	-- Letter of Intent, dated as of June 23, 1998, between Jean-Jacques Brancher and Lennox Global Ltd. (incorporated by reference to Exhibit 10.11 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
10.16	-- First Amendment to the Amended and Restated Venture Agreement, dated as of December 27, 1997, between Ets. Brancher S.A. and Lennox Global Ltd. (incorporated by reference to Exhibit 10.12 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
10.17	-- Amended and Restated Venture Agreement, dated as of November 10, 1997, by and among Lennox Global Ltd., Lennox International Inc., Ets. Brancher S.A. and Fibel S.A. (incorporated by reference to Exhibit 10.13 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
10.18	-- Shareholder Restructure Agreement, dated as of September 30, 1997, by and among Jean Jacques Brancher, Ets. Brancher S.A., AFIBRAL S.A., Parifri S.A. and Lennox International Inc. (incorporated by reference to Exhibit 10.14 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
10.19*	-- Form of Indemnification Agreement entered into between Lennox and certain executive officers and directors (includes a schedule identifying the various parties to such agreement and the applicable dates of execution) (incorporated by reference to Exhibit 10.15 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
10.20*	-- Form of Employment Agreement entered into between Lennox and certain executive officers (includes a schedule identifying the various parties to such agreement and the applicable dates of execution) (incorporated by reference to Exhibit 10.16 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).

EXHIBIT NUMBER	DESCRIPTION
10.21*	-- Form of Change of Control Employment Agreement entered into between Lennox and certain executive officers (includes a schedule identifying the various parties to such agreement and the applicable dates of execution) (incorporated by reference to Exhibit 10.17 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
10.22	-- Stock Disposition Agreement, dated as of June 2, 1997, among Lennox, A.O.C. Corporation and compass Bank (incorporated by reference to Exhibit 10.18 to Lennox's Registration Statement on From S-1 (Registration No. 333-75725)).
10.23	-- Stock Disposition Agreement, dated as of January 22, 1998, among Lennox, A.O.C. Corporation and Compass Bank (incorporated by reference to Exhibit 10.19 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
10.24	-- Stock Disposition Agreement, dated as of May 7, 1998, among Lennox and Northern Trust Bank of Florida, N.A. (incorporated by reference to Exhibit 10.20 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
10.25	-- Master Stock Disposition Agreement, dated as of August 10, 1998, among Lennox, Chase Bank of Texas, N.A., and various executive offices and directors (incorporated by reference to Exhibit 10.21 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).
13.1	-- Pages 1, 20 through 52, and the inside back cover of the Company's 1999 Annual Report to Stockholders (filed herewith).
21.1	-- Subsidiaries of Lennox (filed herewith).
23.1	-- Consent of Arthur Andersen LLP (filed herewith).
27.1	-- Financial Data Schedule (filed herewith).

- ---

* Management compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of the requirements for Form 10-K reports.

EXHIBIT 10.6

[Execution Copy]

February 28, 2000

The Prudential Insurance Company of North America
c/o Prudential Capital Group
2200 Ross Avenue, Suite 4200E
Dallas, TX 75201
Attention: Managing Director

U.S. Private Placement Fund
Prudential Private Placement Investors, Inc.
Four Gateway Center
100 Mulberry Street
Newark, NJ 07102-4069

Teachers Insurance and Annuity
Association of America
730 Third Avenue
New York, New York 10017
Attention: Securities Division, Private Placements

CIG & Co.
c/o CIGNA Investments, Inc.
900 Cottage Grove Road
Hartford, Connecticut 06152-2307
Attention: Private Securities Division - S-307

United of Omaha Life Insurance Company
Mutual of Omaha Insurance Company
Companion Life Insurance Company
United World Life Insurance Company
Mutual of Omaha Plaza
Omaha, NE 68175
Attention: Investment Division

First Colony Life Insurance Company
General Electric Capital Assurance Company
c/o GE Financial Assurance
Two Union Square
601 Union Street
Seattle, WA 98101-2336

RE: LENNOX INTERNATIONAL INC.
9.53% SENIOR PROMISSORY NOTES DUE 2001; 7.06% SENIOR PROMISSORY NOTES DUE 2005; 6.73% SENIOR PROMISSORY NOTES DUE 2008; 6.56% SENIOR NOTES DUE 2005; AND 6.75% SENIOR NOTES DUE 2008

Ladies and Gentlemen:

Reference is made to:

(i) three separate Agreements of Assumption and Restatement, dated as of December 1, 1991 (as amended, the "1991 AGREEMENTS"), between Lennox International Inc. (the "COMPANY") and each of Teachers Insurance and Annuity Association of America, Connecticut General Life Insurance Company and INA Life Insurance Company of New York (collectively, and together with their respective successors and assigns, the "1991 HOLDERS");

(ii) nine separate Note Purchase Agreements, dated as of December 1, 1993 (as amended, the "1993 NOTE AGREEMENTS"), between the Company and each of The Prudential Insurance Company of America, Connecticut General Life Insurance Company, Connecticut General Life Insurance Company, on behalf of One or More Separate Accounts, Life Insurance Company of North America, United of Omaha Life Insurance Company, Mutual of Omaha Insurance Company, Companion Life Insurance Company, United World Life Insurance Company, First Colony Life Insurance Company and General Electric Capital Assurance Company (as a successor) (collectively, and together with their respective successors and assigns, the "1993 HOLDERS");

(iii) the Note Purchase Agreement, dated as of July 6, 1995 (as amended, the "1995 NOTE AGREEMENT"), between the Company and Teachers Insurance and Annuity Association of America (together with its successors and assigns, the "1995 HOLDER");

(iv) eight separate Note Purchase Agreements, dated as of April 3, 1998 (as amended, the "1998 NOTE Agreements"), between the Company and each of The Prudential Insurance Company of America, U.S. Private Placement Fund, Teachers Insurance and Annuity Association of America, Connecticut General Life Insurance Company, Connecticut General Life Insurance Company, on behalf of One or More Separate Accounts, CIGNA Property and Casualty Insurance Company, United of Omaha Life Insurance Company and Companion Life Insurance Company (collectively, and together with their respective successors and assigns, the "1998 HOLDERS");

(v) the letter agreement dated July 29, 1999 (the "1999 AMENDMENT AGREEMENT") among the Company and the Holders (as defined below) amending the Note Agreements (as defined below) to add the "Additional Covenants" set forth in Schedule A to the 1999 Amendment;

(vi) the Revolving Credit Facility Agreement dated as of July 29, 1999 (the "1999 CREDIT AGREEMENT") entered into among the Company, the lenders listed in Schedule 2.01 thereto (the "1999 LENDERS"), Chase Bank of Texas, National Association, as administrative agent, Wachovia Bank, N.A., as syndication agent, and The Bank of Nova Scotia, as documentation agent; and

(vii) the 364 Day Revolving Credit Facility Agreement dated as of January 25, 2000 (the "2000 CREDIT AGREEMENT") entered into among the Company, the lenders listed in Schedule 2.01 thereto (the "2000 LENDERS"), Chase Bank of Texas, National Association, as administrative agent, Wachovia Bank, N.A., as syndication agent, and The Bank of Nova Scotia, as documentation agent.

The 1991 Agreements, 1993 Note Agreements, 1995 Note Agreement and 1998 Note Agreements, as amended, are collectively referred to herein as the "NOTE AGREEMENTS". The 1991 Holders, 1993 Holders, 1995 Holder and 1998 Holders are collectively referred to herein as the "HOLDERS". The senior notes issued and outstanding under each of the Note Agreements are collectively referred to herein as the "NOTES". Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Note Agreements (including Schedule A to the 1999 Amendment Agreement).

The Company has requested the Holders to enter into this letter agreement (this "2000 AMENDMENT AGREEMENT") to evidence amendment of the Note Agreements as set forth herein. Such amendment shall become effective as set forth in Section 2. The Company has furnished to the Holders evidence that the 1999 Lenders and the 2000 Lenders have agreed to the same covenant as stated in Section 1 below in an amendment to the 1999 Credit Agreement and in the 2000 Credit Agreement, respectively; provided this 2000 Amendment Agreement becomes effective as provided herein. Therefore, the Holders and the Company hereby agree as follows:

1. Amendment to Additional Covenants. Subject to Section 2 hereof, Section 3(b) of Schedule A to the 1999 Amendment Agreement is hereby amended to read in its entirety as follows:

> (b) Consolidated Indebtedness to Adjusted EBITDA. As of the last day of each fiscal quarter during the periods described below, the Company shall not permit the ratio of Consolidated Indebtedness outstanding as of such day to the Adjusted EBITDA for the four (4) fiscal quarters then ended to exceed: (i) 3.00 to 1.00 at all times other than as described in the following clause (ii); or (ii) 3.25 to 1.00 for all fiscal quarters ending prior to March 31, 2001.

2. Effectiveness of Amendment Agreement. This 2000 Amendment Agreement shall be effective when (i) holders of at least 66-2/3% in aggregate unpaid principal amount of all Notes under each of the 1991 Note Agreements, the 1993 Note Agreements, the 1995 Note Agreement and the 1998 Note Agreements at the time outstanding shall have executed a counterpart of this 2000 Amendment Agreement, and (ii) the Company shall have furnished to each of the Holders evidence of the satisfaction of clause (i).

3. No Default. The Company hereby represents and warrants that upon the effectiveness of this 2000 Amendment Agreement, no Default or Event of Default shall have occurred and be continuing.

4. Miscellaneous. Except as expressly amended by this 2000 Amendment Agreement, the Note Agreements shall remain in full force and effect. This 2000 Amendment Agreement shall be binding upon and inure to the benefit of the Holders and their respective successors and permitted assigns. This 2000 Amendment Agreement may be signed in any number of counterparts, each of which shall constitute an original.

[signature pages follow]

If the foregoing correctly describes our understanding with respect to the subject matter of this Amendment Agreement, please execute this letter in the place indicated below.

Very truly yours,

LENNOX INTERNATIONAL INC.

By: /s/ Clyde Wyant

Clyde Wyant
Executive Vice President,
Chief Financial Officer

ACCEPTED AND AGREED:

THE PRUDENTIAL INSURANCE COMPANY
OF NORTH AMERICA

By: /s/ Ric E. Abel

Name: Ric E. Abel
Title: Vice President

U.S. PRIVATE PLACEMENT FUND
By: Prudential Private Placement Investors, L.P.,
Investment Advisor
By: Prudential Private Placement Investors, Inc.,
its General Partner

By: /s/ Ric E. Abel

Name: Ric E. Abel
Title: Vice President

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

By: /s/ Loren S. Archibald

Name: Loren S. Archibald
Title: Managing Director, Private Placements

CIG & CO.

By: /s/ Steven A. Osborn

Name: Steven A. Osborn
Title: Partner

[remainder of page intentionally blank]

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: /s/ Curtis R. Caldwell

Name: Curtis R. Caldwell
Title: First Vice President

MUTUAL OF OMAHA INSURANCE COMPANY

By:. /s/ Curtis R. Caldwell

Name: Curtis R. Caldwell
Title: First Vice President

COMPANION LIFE INSURANCE COMPANY

By: /s/ Curtis R. Caldwell

Name: Curtis R. Caldwell
Title: Authorized Signer

UNITED WORLD LIFE INSURANCE COMPANY

By: /s/ Curtis R. Caldwell

Name: Curtis R. Caldwell
Title: Authorized Signer

FIRST COLONY LIFE INSURANCE COMPANY

By: /s/ Morian C. Mooers

Name: Morian C. Mooers
Title: Assistant Vice President and Investment Officer

GENERAL ELECTRIC CAPITAL ASSURANCE COMPANY

By: /s/ Morian C. Mooers

Name: Morian C. Mooers
Title: Investment Officer

cc: Companion Life Insurance Company
Attention: Financial Division
401 Theodore Fremd Avenue
Rye, NY 10580-1493

EXHIBIT 10.8

SECOND AMENDMENT TO REVOLVING CREDIT FACILITY AGREEMENT

THIS SECOND AMENDMENT TO REVOLVING CREDIT FACILITY AGREEMENT (the "Amendment"), dated as of January 25, 2000, is among LENNOX INTERNATIONAL INC., a Delaware corporation ("Borrower"); each of the lenders listed as a lender on the signatures pages hereto (individually, a "Lender" and, collectively, the "Lenders"), CHASE BANK OF TEXAS, NATIONAL ASSOCIATION, a national banking association, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), WACHOVIA BANK, N.A., a national banking association, as syndication agent (in such capacity, the "Syndication Agent" and together with the Administrative Agent, herein the "Agents") and THE BANK OF NOVA SCOTIA, as documentation agent.

Borrower, the Agents and the Lenders, have entered into that certain Revolving Credit Facility Agreement dated as of July 29, 1999 (as amended by the First Amendment to Revolving Credit Facility Agreement dated as of August 6, 1999, the "Credit Agreement"). Borrower, the Lenders and the Agents desire to amend the Credit Agreement as herein set forth.

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

ARTICLE 1

Definitions

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

ARTICLE 2

Amendments

Section 2.1. Amendment to Section 2.06. The chart in Section 2.06(d) is amended in its entirety to read as follows:

Debt to Adjusted EBITDA Ratio	Margin	Commitment Fee Percentage
Greater than 3.0 to 1.0	1.250%	0.300%
Greater than 2.5 to 1.0 but less than or equal to 3.0 to 1.0	1.125%	0.300%
Greater than 2.0 to 1.0 but less than or equal to 2.5 to 1.0	0.875%	0.250%
Greater than 1.5 to 1.0 but less than or equal to 2.0 to 1.0	0.750%	0.200%
Greater than 1.0 to 1.0 but less than or equal to 1.5 to 1.0	0.625%	0.1875%
Less than or equal to 1.0 to 1.0	0.500%	0.150%

Section 2.2 Amendment to Section 5.15. Clause (b) in Section 5.15 of the Credit Agreement is amended in its entirety to read as follows:

(b) Consolidated Indebtedness to Adjusted EBITDA. As of the last day of each fiscal quarter during the periods described below, the Borrower shall not permit the ratio of Consolidated Indebtedness outstanding as of such day to the Adjusted EBITDA for the four (4) fiscal quarters then ended to exceed: (i) 3.00 to 1.00 at all times other than as described in the following clause (ii); or (ii) 3.25 to 1.00 for all fiscal quarters ending prior to March 31, 2001 if, and only if prior to any such fiscal quarter end Borrower shall have delivered to the Administrative Agent evidence satisfactory to it that the holders of the Indebtedness outstanding under the Senior Note Purchase Agreements and the holders of any other Indebtedness that have the benefit of a Consolidated Indebtedness to Adjusted EBITDA ratio the same or similar to this Section 5.15(b), shall have agreed to a maximum ratio not to exceed 3.25 to 1.00 for all fiscal quarters prior to March 31, 2001.

ARTICLE 3

Miscellaneous

Section 3.1 Ratifications. The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Credit Agreement and except as expressly modified and superseded by this Amendment, the terms and provisions of the Credit Agreement are ratified and confirmed and shall continue in full force and effect. Borrower, the Agents, and the Lenders agree that the Credit Agreement as amended hereby shall continue to be legal, valid, binding and enforceable in accordance with its terms.

Section 3.2 Fees and Expenses. In accordance with the terms of Section 8.05 of the Credit Agreement, Borrower agrees to pay all costs and expenses incurred by either Agent in connection with the preparation, negotiation and execution of this Amendment, including, without limitation, the costs and fees of legal counsel.

Section 3.3 Applicable Law. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

Section 3.4 Successors and Assigns. This Amendment is binding upon and shall inure to the benefit of the Agents, the Lenders and Borrower and their respective successors and assigns.

Section 3.5 Counterparts. This Amendment may be executed in one or more counterparts and on telecopy counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same agreement.

Section 3.6 Headings. The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

Section 3.7 ENTIRE AGREEMENT. THIS AMENDMENT EMBODIES THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO AND SUPERSEDES ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THIS AMENDMENT, AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSION OF THE PARTIES HERETO. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO.

Executed as of the date first written above.

LENNOX INTERNATIONAL INC.

By: /s/ Clyde Wyant

Clyde Wyant
Executive Vice President,
Chief Financial Officer

CHASE BANK OF TEXAS,
NATIONAL ASSOCIATION,
individually as Lender and as
Administrative Agent

By: /s/ Allen King

Allen King
Vice President

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

By: /s/ A. Michael Klein

Name: A. Michael Klein
Title: Vice President

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

By: /s/ F.C.H. Ashby

Name: F.C.H. Ashby
Title: Senior Manager Loan Operations

THE NORTHERN TRUST COMPANY,
individually as a lender and as a co-agent

By: /s/ Jaron Grimm

Name: Jaron Grimm
Title: Vice President

BANK ONE, TEXAS, N.A., as a Lender

By: /s/ Gina A. Norris

Name: Gina A. Norris
Title: Managing Director

BANK OF TEXAS, N.A., as a Lender

By: /s/ David Broussard, Jr.

Name: David Broussard, Jr.
Title: SVP

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

By: /s/ D. Barnell /s/ John M. Mearns

Name: D. Barnell John M. Mearns
Title: Vice President VP & Manager

WELLS FARGO BANK (TEXAS), N.A., as a Lender

By: /s/ Juan J. Sanchez

Name: Juan J. Sanchez
Title: AVP

ROYAL BANK OF CANADA, as a Lender

By: /s/ N.G. Millar

Name: N.G. Millar
Title: Senior Manager

ABN AMRO BANK N.A., as a Lender

By: /s/ Jamie A. Conn

Name: Jamie Conn
Title: Vice President

By: /s/ Eric R. Hollingsworth

Name: Eric R. Hollingsworth
Title: Vice President

THE BANK OF NEW YORK, as a Lender

By: /s/ Mark T. Familo

Name: Mark T. Familo
Title: Vice President

COMPASS BANK, as a Lender

By: /s/ Paul Howell

Name: Paul Howell
Title: Assistant V.P.

EXHIBIT 10.9

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LENNOX INTERNATIONAL INC.

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364 DAY

REVOLVING CREDIT FACILITY AGREEMENT

dated as of
25 January 2000

CHASE BANK OF TEXAS, NATIONAL ASSOCIATION,
as Administrative Agent,
WACHOVIA BANK, N.A.,
as syndication agent
and
THE BANK OF NOVA SCOTIA,
as documentation agent
with

CHASE SECURITIES INC.,
as Lead Book Runner and Arranger

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[CHASE LOGO]

TABLE OF CONTENTS

EXHIBITS AND SCHEDULES

Exhibit A	Form of Borrowing Request
Exhibit B	Form of Assignment and Acceptance
Exhibit C	Matters to be covered in Opinion of Counsel to the Borrower
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Schedule 3.05	Subsidiaries
Schedule 3.06	Financial Statements
Schedule 3.13	Indebtedness

364 DAY REVOLVING CREDIT FACILITY AGREEMENT

364 DAY REVOLVING CREDIT FACILITY AGREEMENT (the "Agreement") dated as of January 25, 2000, and effective as of the Effective Date, among LENNOX INTERNATIONAL INC., a Delaware corporation (such corporation and any successor thereto pursuant to Section 5.10 or otherwise, herein the "Borrower"); the lenders listed in Schedule 2.01 (together with their successors and assigns, and including the Swingline Lender, the "Lenders"), CHASE BANK OF TEXAS, NATIONAL ASSOCIATION, a national banking association, ("Chase"), as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), WACHOVIA BANK, N.A., a national banking association ("Wachovia"), as syndication agent and THE BANK OF NOVA SCOTIA, as documentation agent.

The Lenders have been requested to extend credit to the Borrower to enable it, upon the terms and subject to the conditions set forth herein, to borrow on a revolving credit basis and request the issuance of letters of credit, in each case on and after the Effective Date and at any time prior to the Maturity Date (as hereinafter defined). The proceeds of any such borrowings are to be used to make acquisitions, for capital expenditures and working capital and for other general corporate purposes. Letters of Credit issued hereunder shall be issued to support transactions of the Borrower and its Subsidiaries entered into in the ordinary course of business. The Lenders are willing to extend such credit on the terms and subject to the conditions herein set forth.

Accordingly, the parties hereto agree as follows:

ARTICLE 1.

DEFINITIONS

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms shall have the meanings specified below:

"ABR Borrowing" shall mean a Borrowing comprised of ABR Loans.

"ABR Loan" shall mean any Loan or Swingline Loan bearing interest at a rate determined by reference to the Alternate Base Rate in accordance with the provisions of Article 2.

"Additional Covenant" shall have the meaning assigned in Section 5.06.

"Additional Default" shall have the meaning assigned in Section 5.06.

"Adjusted EBITDA" shall mean, for any period (the "Subject Period"), the sum of (a) EBITDA plus (b), to the extent not included in EBITDA, all Acquired EBITDA. The term "Acquired EBITDA" shall mean, with respect to any Person acquired, or substantially all of whose assets have been acquired, by the Borrower or any Restricted Subsidiary during the Subject Period (herein a "Target"), the total of the following for the portion of the Subject Period prior to the acquisition of such Person or its assets (the "Test Period") determined on a consolidated basis in accordance with GAAP consistently applied from financial statements audited by a certified public accountant satisfactory to the Administrative Agent and covering the Test Period (provided that audited financial statements are not required if the annual earnings before interest, taxes, depreciation and amortization of the Target for the completed twelve month period prior to its acquisition is less than $5,000,000, calculated in the same manner as set forth in the definition of

Acquired EBITDA but for such twelve month period) and otherwise on a basis acceptable to the Administrative Agent:

(i) the consolidated net income (or net loss) of the Target from operations, excluding the following:

(a) the proceeds of any life insurance policy;

(b) any gain arising from (1) the sale or other disposition of any assets (other than current assets) to the extent that the aggregate amount of gains exceeds the aggregate amount of losses from the sale, abandonment or other disposition of assets (other than current assets), (2) any write-up of assets, or (3) the acquisition by the Target of its outstanding securities constituting Indebtedness;

(c) any amount representing the interest of the Target in the undistributed earnings of any other Person;

(d) any earnings of any other Person accrued prior to the date it becomes a Subsidiary of the Target or is merged into or consolidated with the Target or a Subsidiary of Target and any earnings, prior to the date of acquisition, of any other Person acquired in any other manner; and

(e) any deferred credit (or amortization of a deferred credit) arising from the acquisition of any Person; plus

(ii) to the extent deducted in computing such consolidated net income (or loss), without duplication, the sum of (a) any deduction for (or less any gain from) income or franchise taxes included in determining such consolidated net income (or loss); plus (b) interest expense (including the interest portion of Capital Leases) deducted in determining such consolidated net income (or loss); plus (c) amortization and depreciation expense deducted in determining such consolidated net income (or loss); minus,

(iii) to the extent added in computing such consolidated net income (or loss) all income that has been included in the calculation of such net income for such period that will be eliminated in the future after the acquisition of such Target, as approved by the Administrative Agent.

"Adjustment Date" shall have the meaning assigned to it in Section 2.06(d).

"Administrative Fees" shall have the meaning assigned to such term in Section 2.04(b).

"Administrative Questionnaire" shall mean an administrative questionnaire in the form provided by the Administrative Agent.

"Affiliate" shall mean, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Borrower.

"Alternate Base Rate" shall mean, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%, and (b) the Prime Rate in effect on such day. For purposes hereof, "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by Chase as its prime rate in effect at its principal office in Houston, Texas; each change in the Prime Rate shall be effective on the date such change is publicly announced as effective; and "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as released on the next succeeding Business Day by the Federal Reserve Bank of Dallas, or, if such rate is not so released for any day which is a Business Day, the arithmetic average (rounded upwards to the next 1/100th of 1%), as determined by Chase, of the quotations for the day of such transactions received by Chase from three Federal funds brokers of recognized standing selected by it. If for any reason Chase shall have determined (which determination shall be conclusive absent manifest error; provided that Chase, shall, upon request, provide to the Borrower a certificate setting forth in reasonable detail the basis for such determination) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability of Chase to obtain sufficient quotations in accordance with the terms hereof, the Alternate Base Rate shall be determined without regard to clause (a) of the first sentence of this definition until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Applicable Governmental Authority" means, a United States Governmental Authority or the government of any jurisdiction in which the Borrower or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Borrower or any Subsidiary and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive legislative, judicial, taxing, regulatory or administrative powers or functions of, or pertaining to, any such government.

"Applicable Margin" shall have the meaning assigned in Section 2.06(d).

"Applicable Percentage" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentage shall be determined based upon the Commitments in effect immediately prior to such expiration or termination.

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by a Lender and an assignee in substantially the form of Exhibit B.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States.

"Board of Directors" shall mean the Board of Directors of Borrower or any duly authorized committee thereof.

"Borrower" shall have the meaning given such term in the preamble hereto.

"Borrower Payments" shall have the meaning given such term in Section 2.16(a).

"Borrowing" shall mean (a) a group of Loans of a single Type made by the Lenders on a single date and, with respect to Eurodollar Loans or Negotiated Rate Borrowings, as to which a single Interest Period is in effect or (b) with respect to a Swingline Loan which is also an ABR Loan, such Swingline Loan.

"Borrowing Request" shall mean a request made pursuant to Section 2.03 in the form of Exhibit A.

"Business Day" shall mean any day (other than a day which is a Saturday, Sunday or legal holiday in the State of New York or the State of Texas) on which banks are open for business in New York City, New York and Houston, Texas; provided, however, that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Calculation Period" shall have the meaning assigned it in Section 2.06(d).

"Capital Lease Obligation" shall mean, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

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

"Cash Flow" shall have the meaning assigned it in Section 5.15(a).

"Change of Control" shall have the meaning assigned it in Section 2.10(c).

"Chase" shall have the meaning given such term in the preamble hereto.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Commitment" shall mean, with respect to each Lender, the Commitment of such Lender set forth in Schedule 2.01 hereto, or in the most recent Assignment and Acceptance executed by such Lender, as such Commitment may be permanently terminated or reduced from time to time pursuant to Section 2.09. The Commitment of each Lender shall automatically and permanently terminate on the Maturity Date if not terminated earlier pursuant to the terms hereof.

"Commitment Fee" shall have the meaning assigned to such term in Section 2.04(a).

"Commitment Fee Percentage" shall have the meaning assigned to it in Section 2.06(d).

"Compliance Certificate" shall mean the certificate delivered pursuant to Section 5.20(g).

"Confidential Information" shall have the meaning assigned it in Section 8.14.

"Consolidated Assets" shall mean the total assets of the Borrower and its Restricted Subsidiaries which would be shown as assets on a consolidated balance sheet of the Borrower and its Restricted Subsidiaries prepared in accordance with GAAP, after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of Restricted Subsidiaries.

"Consolidated Capitalization" shall mean, at any time, the sum of Consolidated Net Worth and Consolidated Indebtedness.

"Consolidated Indebtedness" shall mean, as of any date of determination, the total of all Indebtedness of the Borrower and its Restricted Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between the Borrower and its Restricted Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Borrower and its Restricted Subsidiaries in accordance with GAAP.

"Consolidated Net Income" shall mean, for any period, the net income (or net loss) of the Borrower and its Restricted Subsidiaries for such period, determined in accordance with GAAP, excluding

(a) the proceeds of any life insurance policy;

(b) any gain arising from (1) the sale or other disposition of any assets (other than current assets) to the extent that the aggregate amount of gains exceeds the aggregate amount of losses from the sale, abandonment or other disposition of assets (other than current assets), (2) any write-up of assets, or (3) the acquisition by the Borrower or any Restricted Subsidiary of its outstanding securities constituting Indebtedness;

(c) any amount representing the interest of the Borrower or any Restricted Subsidiary in the undistributed earnings of any other Person;

(d) any earnings of any other Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Borrower or a Restricted Subsidiary and any earnings, prior to the date of acquisition, of any other Person acquired in any other manner; and

(e) any deferred credit (or amortization of a deferred credit) arising from the acquisition of any Person.

"Consolidated Net Worth" shall mean, at any time,

(a) the sum of (i) the par value (or value stated on the books of the Borrower) of the capital stock (but excluding treasury stock and capital stock subscribed and unissued) of the Borrower and its Restricted Subsidiaries at such time plus (ii) the amount of paid-in-capital and retained earnings of the Borrower and its Restricted Subsidiaries at such time, in each case as such amounts would be shown on a consolidated balance sheet of the Borrower and its Restricted Subsidiaries as of such time prepared in accordance with GAAP, minus

(b) to the extent included in clause (a), all amounts properly attributable to minority interests, if any, in the stock and surplus of Restricted Subsidiaries.

"Continue", "Continuation", and "Continued" shall refer to the continuation pursuant to Section 2.02(d) of a Eurodollar Borrowing as a Eurodollar Borrowing from one Interest Period to the next Interest Period.

"Convert", "Conversion", and "Converted" shall refer to a conversion pursuant to Section 2.02(d) or Section 2.12 of one Type of Borrowing into another Type of Borrowing.

"Debt to Adjusted EBITDA Ratio" shall mean, as of the end of any fiscal quarter, the ratio expressed as a percentage, equal to the ratio of Consolidated Indebtedness to Adjusted EBITDA calculated as of the end of such fiscal quarter in accordance with Section 5.15(b).

"Default" shall mean any event or condition which upon notice, lapse of time or both would constitute an Event of Default.

"Distribution" shall mean, in respect of any corporation, association or other business entity:

(a) dividends or other distributions or payments on capital stock or other equity interest of such corporation, association or other business entity (except distributions in such stock or other equity interests); and

(b) the redemption or acquisition of such stock or other equity interests or of warrants, rights or other options to purchase such stock or other equity interests (except when solely in exchange for such stock or other equity interests) unless made, contemporaneously, from the net proceeds of a sale of such stock or other equity interests.

"dollars" or "$" shall mean lawful money of the United States of America.

"EBITDA" means, for any period, the total of the following calculated for Borrower and the Restricted Subsidiaries without duplication on a consolidated basis in accordance with GAAP consistently applied for such period: (a) Consolidated Net Income from operations; plus (b) any deduction for (or less any gain from) income or franchise taxes included in determining Consolidated Net Income; plus (c) interest expense (including the interest portion of Capital Leases) deducted in determining Consolidated Net Income; plus (d) amortization and depreciation expense deducted in determining Consolidated Net Income.

"Effective Date" shall have the meaning assigned to such term in Section 4.02.

"Environmental Laws" shall mean any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) that is treated as a single employer together with the Borrower under section 414 of the Code.

"Eurodollar Borrowing" shall mean a Borrowing comprised of Eurodollar Loans.

"Eurodollar Loan" shall mean any Loan or Swingline Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article 2.

"Event of Default" shall have the meaning assigned to such term in Article 6.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Excluded Transfer" shall have the meaning assigned to it in Section 5.11.

"Fair Market Value" shall mean, at any time and with respect to any property, the sale value of such property that would be realized in an arm's length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

"Federal Funds Effective Rate" shall have the meaning specified in the definition of Alternate Base Rate.

"Fee Letter" shall mean the letter between the Borrower and Chase dated January 4, 2000.

"Fees" shall mean the fees identified in Section 2.04.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States of America.

"Governmental Authority" shall mean:

(a) the government of:

(i) the United States of America, any other nation or any political subdivision thereof, whether state, provincial or local, or

(ii) any jurisdiction in which the Borrower or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Borrower or any Subsidiary, and

(b) any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of, or pertaining to, any such government.

"Guaranty" shall mean, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any Indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such Indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of any other Person to make payment of the Indebtedness or obligation; or

(d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof. In any computation of the Indebtedness or other liabilities of the obligor under any Guaranty, the Indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"Hazardous Substance" shall mean any contaminant, pollutant or toxic or hazardous substance, and any substance that is defined or listed as a hazardous, toxic or dangerous substance under any Environmental Law or that is otherwise regulated or prohibited under any Environmental Law as a hazardous, toxic or dangerous substance.

"Indebtedness" with respect to any Person shall mean, at any time, without duplication:

(a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money, but excluding in any event obligations in respect of (1) trade or commercial letters of credit issued for the account of such Person in the ordinary course of its business and (2) stand-by letters of credit issued to support obligations of such Person that are not of a type described in any of clauses (a), (b), (c), (d), (f) or (g);

(f) Swaps of such Person; and

(g) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) above to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"Interest Expenses" shall have the meaning assigned to it in Section 5.15(a).

"Interest Payment Date" shall mean (a) with respect to any ABR Borrowing or the payment of the Letter of Credit fee under Section 2.04(c), each March 31, June 30, September 30 and December 31, beginning on the first such date after the date hereof; (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable thereto and, in the case of such a Eurodollar Loan with an Interest Period of more than three months, each day that would have been an Interest Payment Date for such Eurodollar Loan had successive Interest Periods of three months duration, as the case may be, been applicable to such Eurodollar Loan; (c) with respect to any Negotiated Rate Borrowing, the last day of the Interest Period applicable thereto; (d) with respect to all Borrowings, the date of any prepayment thereof and the Maturity Date; and (e) with respect to the payment of the Letter of Credit fee under Section 2.04(c), the Maturity Date.

"Interest Period" shall mean: (i) with respect to a Eurodollar Borrowing, the period commencing on the date of the Eurodollar Borrowing and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1 month thereafter in the case of Swingline Loans or 1, 2, 3 or 6 months thereafter in the case of the Loans, or, in addition, in the case of any Eurodollar Borrowing made during the 30-day period ending on the Maturity Date, the period commencing on the date of such Borrowing and ending on the seventh or fourteenth day thereafter, as the Borrower may elect, or the Maturity Date, if earlier; provided, however, that if any Interest Period applicable to a Eurodollar Borrowing would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) with respect to a Negotiated Rate Borrowing, the period commencing on the date of the Negotiated Rate Borrowing and ending on the Business Day agreed to by the Borrower and the Swingline Lender in accordance with Section 2.19 (a) which is not later than 30 days thereafter, or the Maturity Date, if earlier. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

"Intergroup Transfer" shall have the meaning assigned it in Section 5.11(b)(iii).

"Issuing Bank" shall mean Chase Bank of Texas, National Association, in its capacity as issuer of Letters of Credit or any successor thereto permitted hereunder. The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"LC Disbursement" shall mean a payment made by the Issuing Bank pursuant to a Letter of Credit.

"Lenders" shall have the meaning assigned it in the preamble hereto.

"Letter of Credit" shall have the meaning assigned it in Section 2.20.

"Letter of Credit Liabilities" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The Letter of Credit Liabilities of any Lender at any time shall be its Applicable Percentage of the total Letter of Credit Liabilities at such time.

"LIBO Rate" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the rate at which dollar deposits approximately equal in principal amount to the Administrative Agent's portion of such Eurodollar Borrowing and for a maturity comparable to such Interest Period are offered to the principal London offices of Chase or one of its Affiliates in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, (i) two Business Days prior to the commencement of such Interest Period or (ii) with respect to any Swingline Loan that is also a Eurodollar Borrowing, on the Business Day of the commencement of such Interest Period.

"Lien" shall mean, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"Loan" shall have the meaning assigned it in Section 2.01.

"Material" shall mean material in relation to the business, operations, affairs, financial condition, assets, or properties of the Borrower and its Subsidiaries taken as a whole.

"Material Adverse Effect" shall mean a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Borrower and its Restricted Subsidiaries taken as a whole, or (b) the ability of the Borrower to perform its obligations under this Agreement or any documentation executed pursuant hereto, or (c) the validity or enforceability of this Agreement or any documentation executed pursuant hereto.

"Maturity Date" shall mean January 23, 2001 or any later date then most recently established in accordance with Section 2.21 hereof.

"Multiemployer Plan" shall mean any Plan that is a "multiemployer plan" (as such term is defined in Section 4001(a)(3) of ERISA).

"Negotiated Rate Borrowing" means a Swingline Loan that bears interest at a rate based upon the Negotiated Rate.

"Negotiated Rate" means, for any Negotiated Rate Borrowing for any Interest Period therefor, the rate per annum that the Swingline Lender and the Borrower have agreed will apply to such Borrowing and Interest Period in accordance with Section 2.19 (a).

"New Lending Office" shall have the meaning assigned it in Section 2.16(g).

"New Owner" shall have the meaning assigned it in Section 2.10(c).

"Non-U.S. Lender" shall have the meaning assigned it in Section 2.16(g).

"Norris Family" shall have the meaning assigned it in Section 2.10(c).

"Ordinary Course Transfer" shall have the meaning assigned it in Section 5.11.

"Other Taxes" shall have the meaning assigned it in Section 2.16(b).

"Prepayment Date" shall have the meaning assigned it in Section 2.10(c).

"PBGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"Person" shall mean an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"Plan" shall mean an "employee benefit plan" (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Borrower or any ERISA Affiliate or with respect to which the Borrower or any ERISA Affiliate may have any liability.

"Preferred Stock" shall mean any class of capital stock of a corporation that is preferred over any other class of capital stock of such corporation as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such corporation.

"property" or "properties" shall mean, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"Property Disposition Date" shall have the meaning assigned to it in Section 5.11.

"Register" shall have the meaning given such term in Section 8.04(d).

"Required Lenders" shall mean, at any time, Lenders having Revolving Exposures and unused Commitments representing at least 66 2/3% of the sum of the total Revolving Exposure and unused Total Commitment or, for purposes of acceleration pursuant to clause (ii) of Article 6, Lenders holding Revolving Exposures representing at least 66 2/3% of the aggregate principal amount of the total Revolving Exposures.

"Responsible Officer" shall mean any Senior Financial Officer and any other officer of the Borrower with responsibility for the administration of the relevant portion of this Agreement.

"Restricted Indebtedness" shall mean Indebtedness of a Restricted Subsidiary owing to any Person other than the Borrower or a Wholly-Owned Subsidiary.

"Restricted Payment" shall mean any Distribution in respect of the Borrower or any Restricted Subsidiary (other than on account of capital stock or other equity interests of a Restricted Subsidiary owned legally and beneficially by the Borrower or another Restricted Subsidiary), including, without limitation, any Distribution resulting in the acquisition by the Borrower of Securities which would constitute treasury stock. For purposes of this Agreement, the amount of any Restricted Payment made in property shall be the greater of (x) the Fair Market Value of such property (as determined in good faith by the board of directors (or equivalent governing body) of the Person making such Restricted Payment) and (y) the net book value thereof on the books of such Person, in each case determined as of the date on which such Restricted Payment is made.

"Restricted Subsidiary" shall mean any Subsidiary of the Borrower which is (a) listed as a Restricted Subsidiary in Schedule 3.05 or (b) organized under the laws of, and conducts substantially all of its business and maintains substantially all of its property and assets within, the United States or any state thereof (including the District of Columbia).

"Revolving Exposure" shall mean, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Loans and its participating interest in the outstanding Swingline Loans and Letters of Credit (or, if determined with respect to a Lender who is also the Swingline Lender or the Issuing Bank, its direct interests in outstanding Swingline Loans or Letters of Credit minus all other Lenders' participation interests therein whether or not notice of any such participation shall have been given under Section 2.19 (b)).

"Securities Act" shall mean the Securities Act of 1933, as amended from time to time.

"Security" shall have the meaning set forth in Section 2(1) of the Securities Act.

"Senior Financial Officer" shall mean the chief financial officer, principal accounting officer, treasurer or controller of the Borrower; provided that any executive vice president, the treasurer or the corporate controller of Borrower is authorized by Borrower to execute and deliver any Borrowing Request.

"Senior Note Purchase Agreements" shall mean those certain Note Purchase Agreements dated April 3, 1998 pursuant to which Borrower issued its 6.56% Senior Notes due April 3, 2005 and its 6.75% Senior Notes due April 3, 2008.

"Subsidiary" shall mean, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Borrower.

"Swaps" shall mean, with respect to any Person, payment obligations with respect to interest rate swaps, currency swaps and similar obligations obligating such Person to make payments, whether periodically or upon the happening of a contingency. For the purposes of this Agreement, the amount of the obligation under any Swap shall be the amount determined in respect thereof as of the end of the then most recently ended fiscal quarter of such Person, based on the assumption that such Swap had terminated at the end of such fiscal quarter, and in making such determination, if any agreement relating to such Swap provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined.

"Swingline Lender" shall mean Chase Bank of Texas, National Association in its capacity as lender of Swingline Loans.

"Swingline Loan" shall have the meaning assigned it in Section 2.19.

"Taxes" shall have the meaning assigned it in Section 2.16(a).

"Total Commitment" shall mean, at any time, the aggregate amount of Commitments of all the Lenders, as in effect at such time.

"Transactions" shall have the meaning assigned it in Section 3.02.

"Transfer" shall mean, with respect to any Person, any transaction in which such Person sells, conveys, transfers or leases (as lessor) any of its property, including capital stock of, or a Security issued by, a Subsidiary.

"Transferee" shall have the meaning assigned to it in Section 2.16(a).

"Type", when used in respect of any Loan, Swingline Loan or Borrowing, shall refer to the Rate by reference to which interest on such Loan or Swingline Loan comprising such Borrowing is determined. For purposes hereof, "Rate" shall include the LIBO Rate, the Alternate Base Rate and the Negotiated Rate.

"Unrestricted Subsidiary" shall mean any Subsidiary other than a Restricted Subsidiary.

"Voting Rights" shall have the meaning assigned it in Section 2.10.

"Wholly-Owned Restricted Subsidiary" or "Wholly-Owned Subsidiary" means, at any time, any Restricted Subsidiary or Subsidiary, respectively, one hundred percent (100%) of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Borrower and the Borrower's other Wholly-Owned Restricted Subsidiaries or Wholly-Owned Subsidiaries, respectively, at such time.

SECTION 1.02. Terms Generally. The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time.

ARTICLE 2.

THE CREDITS

SECTION 2.01. Commitments. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, to make advances (each such advance a "Loan") to the Borrower, at any time and from time to time on and after the date hereof and until the earlier of the Maturity Date or the termination of the Commitment of such Lender, in an aggregate principal amount at any time outstanding not to exceed such Lender's Commitment, subject, however, to the condition that the Revolving Exposure of a Lender shall not exceed such Lender's Commitment and the total Revolving Exposures of all Lenders shall not exceed the Total Commitment. Within the foregoing limits, the Borrower may borrow, pay or prepay and reborrow Loans hereunder, on and after the Effective Date and prior to the Maturity Date, subject to the terms, conditions and limitations set forth herein.

SECTION 2.02. Loans.

(a) Each Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their Applicable Percentages; provided, however, that the failure of any Lender to make any Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). The Loans comprising any Borrowing shall be in an aggregate principal amount which is an integral multiple of $1,000,000 and not less than $5,000,000 (or an aggregate principal amount equal to the remaining balance of the Total Commitment less the total Revolving Exposures of all Lenders).

(b) Each Borrowing (including any Borrowing of a Swingline Loan) shall be comprised entirely of Eurodollar Loans or ABR Loans or, with respect to Swingline Loans only, Swingline Loans accruing interest at the Negotiated Rate, as the Borrower may request pursuant to Section 2.03 or, with respect to Swingline Loans, Section 2.19(a). Each Lender may at its option make any Eurodollar Loan by causing any

domestic or foreign branch or Affiliate of such Lender to make such Eurodollar Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Eurodollar Loan in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time.

(c) Subject to paragraph (d) below, each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to the Administrative Agent in New York, New York, not later than 11:00 a.m., New York, New York time, and the Administrative Agent shall by 2:00 p.m., New York, New York time, credit the amounts so received to the account or accounts specified from time to time in one or more notices delivered by the Borrower to the Administrative Agent or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders or, if such Borrowing is to finance the reimbursement of an LC Disbursement, such amounts shall be distributed to the Issuing Bank. Loans shall be made by the Lenders pro rata in accordance with Section 2.13. Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with this paragraph (c) and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have made such portion available to the Administrative Agent, such Lender and the Borrower (without waiving any claim against such Lender for such Lender's failure to make such portion available) severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) in the case of the Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, the Federal Funds Effective Rate. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement.

(d) Borrower may Convert all or any part of any Borrowing (excluding a Borrowing comprised of a Swingline Loan) to a Borrowing of a different Type and Borrower may Continue all or any part of any Eurodollar Borrowing (excluding a Borrowing comprised of a Swingline Loan) as a Borrowing of the same Type, by giving the Administrative Agent written notice on the Business Day of the Conversion into an ABR Borrowing and on the Business Day at least three Business Days before Conversion into or Continuation of a Eurodollar Borrowing specifying: (i) the Conversion or Continuation date, (ii) the amount of the Borrowing to be Converted or Continued, (iii) in the case of Conversions, the Type of Borrowing to be Converted into, and (iv) in the case of a Continuation of or Conversion into a Eurodollar Borrowing, the duration of the Interest Period applicable thereto; provided that (a) Eurodollar Borrowings may only be Converted on the last day of the Interest Period; (b) except for Conversions to ABR Borrowings, no Conversions shall be made while an Event of Default has occurred and is continuing; (c) only ten (10) Eurodollar Borrowings (including Eurodollar Borrowings of Swingline Loans) may be in existence at any one time; and (d) no Interest Period may end after the Maturity Date. All notices given under this Section shall be irrevocable and shall be given not later than 11:00 a.m. New York, New York time on the Business Day which is not less than the number of Business Days specified above for such notice. If the Borrower shall fail to give the Agent the notice as specified above for Continuation or Conversion of a Eurodollar Borrowing (excluding a Borrowing of a Swingline Loan) prior to the end of the Interest Period with respect thereto, such Eurodollar Borrowing shall automatically be continued as a Eurodollar Borrowing with an Interest Period of one month's duration unless any Event of Default exists in which case such Eurodollar Borrowing shall be automatically converted to an ABR Borrowing. The Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.02.

SECTION 2.03. Borrowing Procedure. In order to request a Borrowing (other than a Swingline Loan), the Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Borrowing Request (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York, New York time, three Business Days before such Borrowing and (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York, New York time, on the day of such Borrowing. Such notice shall be irrevocable and shall in each case specify: (i) whether the Borrowing then being requested is to be a Eurodollar Borrowing or an ABR Borrowing; (ii) the date of such Borrowing (which shall be a Business Day) and the amount thereof; and (iii) if such Borrowing is to be a Eurodollar Borrowing, the Interest Period with respect thereto, which shall not end after the Maturity Date. If no election as to the Type of Borrowing is specified in any such notice, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any Eurodollar Borrowing is specified in any such notice, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Notwithstanding any other provision of this Agreement to the contrary, no Borrowing shall be requested if the Interest Period with respect thereto would end after the Maturity Date. The Administrative Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.03 and of each Lender's portion of the requested Borrowing.

SECTION 2.04. Fees.

(a) The Borrower agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31 (with the first payment being due on March 31, 2000) and on each date on which the Commitment of such Lender shall be terminated as provided herein, a commitment fee (a "Commitment Fee"), at a rate per annum equal to the Commitment Fee Percentage from time to time in effect on the amount of the daily average of the unused Commitment of such Lender, during the preceding quarter (or other period commencing on the Effective Date or ending with the Maturity Date or any date on which the Commitment of such Lender shall be terminated). All Commitment Fees shall be computed on the basis of the actual number of days elapsed in a year of 365 or 366 days, as the case may be. The Commitment Fee due to each Lender shall commence to accrue on the Effective Date, and shall cease to accrue on the earlier of the Maturity Date or the termination of the Commitment of such Lender as provided herein. A Lender's Commitment (other than the Swingline Lender) shall be deemed used by the aggregate amount of all Loans made by the Lender and such Lender's Applicable Percentage of the Letter of Credit Liabilities. Swingline Loans are not a use for purposes of calculating the Commitment Fee for any Lender other than the Swingline Lender. The Swingline Lender's Commitment shall be deemed used by the aggregate amount of all Loans and Swingline Loans made by the Swingline Lender and the Swingline Lender's Applicable Percentage of the Letter of Credit Liabilities.

(b) The Borrower agrees to pay the Administrative Agent the fees provided for in the Fee Letter on the dates required thereby (the "Administrative Fees").

(c) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the rate equal to the Applicable Margin on the average daily amount of such Lender's Applicable Percentage of the Letter of Credit Liabilities (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any Letter of Credit Liabilities, and (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate of 0.125% per annum on the average daily amount of the Letter of Credit Liabilities (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any Letter of Credit Liabilities, as well as the Issuing Bank's standard fees with respect to the issuance, amendment, renewal

or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including each Interest Payment Date shall be payable on the third Business Day following such Interest Payment Date, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fee shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(d) The Fees shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for distribution, if and as appropriate, among the Lenders. Once paid, none of such Fees shall be refundable under any circumstances.

SECTION 2.05. Repayment of Borrowings; Evidence of Indebtedness.

(a) The Borrower hereby unconditionally promises to pay (i) the then unpaid principal amount of each Loan on the Maturity Date and (ii) the then unpaid principal amount of each Swingline Loan on the earlier of (A) the Maturity Date or (B) the later of the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least two Business Days after such Swingline Loan is made or, in the case of each Swingline Loan which is a Eurodollar Borrowing or a Negotiated Rate Borrowing, the last day of the Interest Period with respect thereto; provided that on each date that a Loan is made, the Borrower shall repay all Swingline Loans then outstanding which are ABR Loans. Payments under this Section 2.05 shall be made to the Administrative Agent for the account of the Lenders except payments made in respect of Swingline Loans in which no participations have been purchased shall be made to the Swingline Lender. Following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Lenders as their interests may appear in accordance with Section 2.18.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness to such Lender resulting from each Loan or Swingline Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Borrowing hereunder, the Type of each Borrowing made and the Interest Period applicable thereto, if any, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder in respect of Borrowings and (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraphs (b) and (c) of this Section 2.05 shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein or an inconsistency between such accounts of a Lender and the accounts of the Administrative Agent shall not in any manner affect the obligations of the Borrower to repay the Borrowings in accordance with their terms.

SECTION 2.06. Interest on Loans; Margin and Fees.

(a) Subject to the provisions of Section 2.07, the Loans and Swingline Loans comprising each Eurodollar Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to the LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin from time to time in effect. Subject to the provisions of Section 2.07, the Swingline Loans comprising each Negotiated Rate Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to the Negotiated Rate for the Interest Period in effect for such Borrowing.

(b) Subject to the provisions of Section 2.07, the Loans and Swingline Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, for periods during which the Alternate Base Rate is determined by reference to the Prime Rate and 360 days for other periods and including for all calculations the first day of any period but excluding the last) at a rate per annum equal to the Alternate Base Rate.

(c) Interest on each Loan and Swingline Loan shall be payable on each Interest Payment Date applicable to such Loan or Swingline Loan except as otherwise provided in this Agreement. The applicable LIBO Rate or Alternate Base Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error; provided that the Administrative Agent shall, upon request, provide to the Borrower a certificate setting forth in reasonable detail the basis for such determination.

(d) The Applicable Margin identified in this Section 2.06 and the Commitment Fee Percentage identified in Section 2.04 shall be defined and determined as follows:

"Applicable Margin" shall mean (i) during the period commencing on the Effective Date and ending on but not including the first Adjustment Date (as defined below), 1.125% per annum and (ii) during each period from and including one Adjustment Date to but excluding the next Adjustment Date (herein a "Calculation Period"), the percent per annum set forth in the table below under the heading "Margin" opposite the Debt to Adjusted EBITDA Ratio which corresponds to the Debt to Adjusted EBITDA Ratio set forth in, and as calculated in accordance with, the applicable Compliance Certificate.

"Commitment Fee Percentage" shall mean (1) during the period commencing on the Effective Date and ending on but not including the first Adjustment Date, 0.25% per annum and (2) during each Calculation Period, the percent per annum set forth in the table below under the heading "Commitment Fee Percentage" opposite the Debt to Adjusted EBITDA Ratio which corresponds to the Debt to Adjusted EBITDA Ratio set forth in, and as calculated in accordance with, the applicable Compliance Certificate.

Debt to Adjusted EBITDA Ratio	Margin	Commitment Fee Percentage
Greater than 3.0 to 1.0	1.250%	0.300%
Greater than 2.5 to 1.0 but less than or equal to 3.0 to 1.0	1.125%	0.250%
Greater than 2.0 to 1.0 but less than or equal to 2.5 to 1.0	0.875%	0.200%
Greater than 1.5 to 1.0 but less than or equal to 2.0 to 1.0	0.750%	0.150%
Greater than 1.0 to 1.0 but less than or equal to 1.5 to 1.0	0.625%	0.125%
Less than or equal to 1.0 to 1.0	0.500%	0.100%

Upon delivery of the Compliance Certificate pursuant to Section 5.20(g) in connection with the financial statements of the Borrower and its Subsidiaries required to be delivered pursuant to Sections 5.20(a) and (b), commencing with such Compliance Certificate delivered with respect to the fiscal quarter ending on March 31, 2000, the Applicable Margin (for Interest Periods commencing after the applicable Adjustment Date) and the Commitment Fee Percentage shall automatically be adjusted in accordance with the Debt to Adjusted EBITDA Ratio set forth therein and the table set forth above, such automatic adjustment to take effect as of the first Business Day after the receipt by the Agent of the related Compliance Certificate pursuant to Section 5.20(g) (each such Business Day when such margin or fees change pursuant to this sentence or the next following sentence, herein an "Adjustment Date"). If the Borrower fails to deliver such Compliance Certificate which so sets forth the Debt to Adjusted EBITDA Ratio within the period of time required by Section 5.20(g): (i) the Applicable Margin (for Interest Periods commencing after the applicable Adjustment Date) shall automatically be adjusted to 1.25% per annum; and (ii) the Commitment Fee Percentage shall automatically be adjusted to 0.300% per annum, such automatic adjustments to take effect as of the first Business Day after the last day on which the Borrower was required to deliver the applicable Compliance Certificate in accordance with Section 5.20(g) and to remain in effect until subsequently adjusted in accordance herewith upon the delivery of a Compliance Certificate.

SECTION 2.07. Default Interest. If the Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder, whether by scheduled maturity, notice of prepayment, acceleration or otherwise, the Borrower shall on demand from time to time from the Administrative Agent pay interest, to the extent permitted by law, on such defaulted amount up to (but not including) the date of actual payment (after as well as before judgment) at a rate per annum (computed as provided in Section 2.06(b)) equal to the Alternate Base Rate plus 2%.

SECTION 2.08. Alternate Rate of Interest. In the event, and on each occasion, that prior to the commencement of any Interest Period for a Eurodollar Borrowing the Administrative Agent shall have determined (i) that dollar deposits in the principal amounts of the Eurodollar Loans comprising such Borrowing are not generally available in the London interbank market or (ii) that reasonable means do not exist for ascertaining the LIBO Rate, the Administrative Agent shall, as soon as practicable thereafter, give telecopy notice of such determination to the Borrower and the Lenders. In the event of any such determination under clauses (i) or (ii) above, until the Administrative Agent shall have advised the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, any request by the Borrower for a Eurodollar Borrowing pursuant to Section 2.03 shall be deemed to be a request for an ABR Borrowing. In the event the Required Lenders notify the Administrative Agent that the rates at which dollar deposits are being offered will not adequately and fairly reflect the cost to such Lenders of making or maintaining Eurodollar Loans during such Interest Period, the Administrative Agent shall notify the Borrower of such notice and until the Required Lenders shall have advised the Administrative Agent that the circumstances giving rise to such notice no longer exist, any request by the Borrower for a Eurodollar Borrowing shall be deemed a request for an ABR Borrowing. Each determination by the Administrative Agent hereunder shall be made in good faith and shall be conclusive absent manifest error; provided that the Administrative Agent, shall, upon request, provide to the Borrower a certificate setting forth in reasonable detail the basis for such determination.

SECTION 2.09. Termination and Reduction of Commitments.

(a) The commitment of the Swingline Lender under Section 2.19 to make Swingline Loans, the commitment of the Issuing Bank to issue Letters of Credit under Section 2.20 and the Commitments of the

Lenders shall automatically be terminated on the Maturity Date. Such commitments may also terminate as provided in Section 2.10(c) and Article 6.

(b) Upon at least three Business Days' prior irrevocable written notice to the Administrative Agent, the Borrower may, at any time, in whole permanently terminate, or, from time to time, in part permanently reduce, the Total Commitment; provided, however, that (i) each partial reduction of the Total Commitment shall be in an integral multiple of $5,000,000 and in a minimum principal amount of $5,000,000 and (ii) no such termination or reduction shall be made which would reduce the Total Commitment to an amount less than $50,000,000, unless the result of such termination or reduction is to reduce the Total Commitment to $0. The Administrative Agent shall advise the Lenders of any notice given pursuant to this Section 2.09(b) and of each Lender's portion of any such termination or reduction of the Total Commitment. Upon termination of the Total Commitment, the commitment of the Swingline Lender under Section 2.19 to make Swingline Loans and the commitment of the Issuing Bank to issue Letters of Credit under Section 2.20 shall also terminate.

(c) Each reduction in the Total Commitment hereunder shall be made ratably among the Lenders in accordance with their respective Commitments. The Borrower shall pay to the Administrative Agent for the account of the Lenders, on the date of each termination or reduction of the Total Commitment, the Commitment Fees on the amount of the Commitments so terminated or reduced accrued through the date of such termination or reduction.

SECTION 2.10. Prepayment Including Prepayment as a Result of a Change of Control.

(a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing, in whole or in part, upon giving telecopy notice (or telephone notice promptly confirmed by telecopy) to the Administrative Agent: (i) before 11:00 a.m., New York, New York time, three Business Days prior to prepayment, in the case of Eurodollar Loans and Negotiated Rate Borrowings which prepayment shall be accompanied by any amount owed under Section 8.05(b), and (ii) before 11:00 a.m., New York, New York time, one Business Day prior to prepayment, in the case of ABR Loans; provided, however, that each partial prepayment shall be in an amount which is an integral multiple of $1,000,000 and not less than $3,000,000 or the total amount of the outstanding Borrowing.

(b) On the date of any termination or reduction of the Total Commitment pursuant to Section 2.09, the Borrower shall pay or prepay so much of the Borrowings as shall be necessary in order that the aggregate outstanding principal amount of the Loans and Swingline Loans will not exceed the sum of the Total Commitment minus all Letter of Credit Liabilities, after giving effect to such termination or reduction.

(c) At least 15 Business Days (or, in the case of any transaction permitted by Section 5.10 resulting in a Change of Control, at least 45 days) and not more than 90 days prior to the occurrence of any Change of Control, the Borrower will give written notice thereof to each Lender. Such notice shall contain (i) an offer by the Borrower to prepay, on the date of such Change of Control or, if such notice shall be delivered less than 35 days prior to the date of such Change of Control, on the date 35 days after the date of such notice (the "Prepayment Date"), all Loans and Swingline Loans made by each Lender, together with interest accrued thereon to the Prepayment Date and all other liquidated obligations owed to such Lender under the terms hereof, (ii) the estimated amount of accrued interest, showing in reasonable detail the calculation thereof and (iii) the Borrower's estimate of the date on which such Change of Control shall occur. Said offer shall be deemed to lapse as to any such Lender which has not replied affirmatively thereto in writing within 35 days of the giving of such notice. As soon as practicable (and in any event at least 24

hours) prior to such Change of Control, the Borrower shall give written confirmation of the date thereof to each such Lender that has affirmatively replied to the notice given pursuant to the first sentence of this Section 2.10(c). Borrower shall, on the Prepayment Date, prepay to each Lender that has affirmatively replied to the notice given pursuant to the first sentence of this Section 2.10(c) all Loans and funded participation interests in Swingline Loans then held by such Lender together with accrued interest thereon and all other liquidated obligations owed to such Lender under the terms hereof. Thereupon, each Lender that shall have received such prepayment shall have no further obligation to make Loans or participate in Swingline Loans or Letters of Credit made or issued after the Prepayment Date and the Total Commitment shall be reduced by the amount of each such Lender's Commitment; provided that each Lender that shall have received such prepayment shall continue to have a participation interest in any Letter of Credit issued prior to the Prepayment Date or any Swingline Loan outstanding immediately after the Prepayment Date and shall be entitled to the continued payment of the Fees paid in respect thereof. The participation interests described in the foregoing sentence shall be calculated based on the Applicable Percentages determined immediately prior to the Prepayment Date and each such Lender shall continue to be obligated to fund its participation interest therein as herein specified as if no prepayment had occurred. Any Loan made after the Prepayment Date shall be made by the remaining Lenders and such Lenders shall have participation interests in any Swingline Loan made after the Prepayment Date and any Letter of Credit issued after the Prepayment Date based on their Applicable Percentages (calculated without including the Commitments of the Lenders that shall have received the prepayment under this Section 2.10 (c)). If requested by the Agent or the Lenders who are to receive prepayment under this Section 2.10 (c), the Borrower shall use its commercially reasonable efforts to cause all Letters of Credit that are to be outstanding as of the Prepayment Date to be terminated as of the Prepayment Date or as soon thereafter as is possible.

For the purposes of this Section 2.10(c), a "Change of Control" shall be deemed to occur if any New Owner shall acquire beneficial ownership of shares in the Borrower having Voting Rights pertaining thereto which would allow such New Owner to elect more members of the Board of Directors than could be elected by the exercise of all Voting Rights pertaining to shares in the Borrower then owned beneficially by the Norris Family. As used in this Section 2.10(c):

(i) "Voting Rights" pertaining to shares of a corporation means the rights to cast votes for the election of directors of such corporation in ordinary circumstances (without consideration of voting rights which exist only in the event of contingencies).

(ii) "Norris Family" means all persons who are lineal descendants of D. W. Norris (by birth or adoption), all spouses of such descendants, all estates of such descendants or spouses which are in the course of administration, all trusts for the benefit of such descendants or spouses, and all corporations or other entities in which, directly or indirectly, such descendants or spouses (either alone or in conjunction with other such descendants or spouses) have the right, whether by ownership of stock or other equity interests or otherwise, to direct the management and policies of such corporations or other entities (each such person, spouse, estate, trust, corporation or entity being referred to herein as a "member" of the Norris Family). In addition, so long as any employee stock ownership plan exercises its Voting Rights in the same manner as members of the Norris Family (exclusive of employee stock ownership plans) who have a majority of the Voting Rights exercised by all such members of the Norris Family, such employee stock ownership plan shall be deemed a member of the Norris Family.

(iii) "New Owner" means any Person (other than a member of the Norris Family), or any syndicate or group of Persons (exclusive of all members of the Norris Family) which would be deemed a "person" for the purposes of Section 13(d) of the Exchange Act, who directly or indirectly acquires shares in the Borrower.

(d) Each notice of prepayment shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the Borrower to prepay such Borrowing (or portion thereof) by the amount stated therein on the date stated therein. All prepayments under this Section 2.10 shall be subject to Section 8.05 but otherwise without premium or penalty. All prepayments under this Section 2.10 shall be accompanied by accrued interest on the principal amount being prepaid to the date of payment.

SECTION 2.11. Reserve Requirements; Change in Circumstances.

(a) Notwithstanding any other provision herein, if after the date of this Agreement any change in applicable law or regulation or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof (whether or not having the force of law) shall change the basis of taxation of payments to the Issuing Bank or any Lender hereunder (except for changes in respect of taxes on the overall net income of the Issuing Bank or such Lender or its lending office imposed by the jurisdiction in which its principal executive office or lending office is located), or shall result in the imposition, modification or applicability of any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by any Lender or the Issuing Bank, or shall result in the imposition on any Lender, the Issuing Bank or the London interbank market of any other condition affecting this Agreement, such Lender's Commitment, any Eurodollar Loan made by such Lender or any Letter of Credit or participation interest therein, and the result of any of the foregoing shall be to increase the cost to such Lender or the Issuing Bank of making or maintaining any Eurodollar Loan or issuing, maintaining or participating in any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or Issuing Bank hereunder (whether of principal, interest or otherwise) by an amount deemed by such Lender or the Issuing Bank to be material, then the Borrower shall, upon receipt of the notice and certificate provided for in Section 2.11(c), promptly pay to such Lender or the Issuing Bank, as applicable, such additional amount or amounts as will compensate such Lender or the Issuing Bank for such additional costs incurred or reduction suffered.

(b) If any Lender or the Issuing Bank shall have determined that the adoption of any law, rule, regulation or guideline arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards," or the adoption after the date hereof of any other law, rule, regulation or guideline regarding capital adequacy, or any change in any of the foregoing or in the interpretation or administration of any of the foregoing by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or any lending office of such Lender) or the Issuing Bank or any Lender's or the Issuing Bank's holding company with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement, such Lender's Commitment, the Loans or Swingline Loans made by such Lender pursuant hereto, or any Letter of Credit or participation interest therein to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or the Issuing

Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy) by an amount deemed by such Lender or the Issuing Bank to be material, then from time to time such additional amount or amounts as will compensate such Lender or the Issuing Bank for any such reduction suffered will be paid by the Borrower to such Lender or the Issuing Bank, as applicable.

(c) A certificate of each affected party setting forth such amount or amounts as shall be necessary to compensate such party or its holding company as specified in paragraph (a) or (b) above, as the case may be, and containing an explanation in reasonable detail of the manner in which such amount or amounts shall have been determined, shall be delivered to the Borrower, and shall be conclusive absent manifest error. The Borrower shall pay each Lender or the Issuing Bank, as applicable, the amount shown as due on any such certificate delivered by it within 10 days after its receipt of the same. Each Lender or the Issuing Bank shall give prompt notice to the Borrower of any event of which it has knowledge, occurring after the date hereof, that it has determined will require compensation by the Borrower pursuant to this Section; provided, however, that failure by such Lender or the Issuing Bank to give such notice shall not constitute a waiver of such party's right to demand compensation hereunder.

(d) Failure on the part of any party to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital of the type described in paragraph (a) or (b) of this Section 2.11 with respect to any period shall not constitute a waiver of such party's right to demand compensation with respect to such period or any other period; provided, however, that neither any Lender nor the Issuing Bank shall be entitled to compensation under this Section 2.11 for any costs incurred or reductions suffered with respect to any date unless it shall have notified the Borrower that it will demand compensation for such costs or reductions under paragraph (c) above not more than 90 days after the later of (i) such date and (ii) the date on which it shall have become aware of such costs or reductions. The protection of this Section shall be available to each Lender and the Issuing Bank regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, guideline or other change or condition which shall have occurred or been imposed.

(e) Each Lender and the Issuing Bank agrees that it will designate a different lending or issuing office, as applicable, if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in its reasonable judgment, be disadvantageous to its interests.

SECTION 2.12. Change in Legality.

(a) Notwithstanding any other provision herein, if any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written notice to the Borrower and to the Administrative Agent, such Lender may:

(i) declare that Eurodollar Loans will not thereafter be made by such Lender hereunder, whereupon any request for a Eurodollar Borrowing shall, as to such Lender only, be deemed a request for an ABR Loan unless such declaration shall be subsequently withdrawn (any Lender delivering such a declaration hereby agreeing to withdraw such declaration promptly upon determining that such event of illegality no longer exists); and

(ii) require that all outstanding Eurodollar Loans made by it be converted to ABR Loans, in which event all such Eurodollar Loans shall be automatically converted to ABR Loans as of the effective date of such notice as provided in paragraph (b) below.

In the event any Lender shall exercise its rights under (i) or (ii) above, all payments and prepayments of principal which would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the Converted Eurodollar Loans of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the Conversion of, such Eurodollar Loans.

(b) For purposes of this Section 2.12, a notice by any Lender shall be effective as to each Eurodollar Loan, if lawful, on the last day of the Interest Period currently applicable to such Eurodollar Loan; in all other cases such notice shall be effective on the date of receipt.

SECTION 2.13. Pro Rata Treatment. Except as required under Sections 2.12 and 2.17, each Borrowing (other than a Borrowing comprised of a Swingline Loan), each payment or prepayment of principal of any Borrowing (other than a Borrowing comprised of a Swingline Loan), each payment of interest on the Loans, each payment of the Commitment Fees, each Conversion or Continuation of any Loans, and each reduction of the Total Commitment, shall be allocated pro rata among the Lenders in accordance with their Applicable Percentage.

SECTION 2.14. Sharing of Setoffs. Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, obtain payment (voluntary or involuntary) in respect of any Loan or Loans as a result of which the unpaid principal portion of its Loans shall be proportionately less than the unpaid principal portion of the Loans of any other Lender, it shall be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the Loans of such other Lender, so that the aggregate unpaid principal amount of the Loans and participations in the Loans held by each Lender shall be in the same proportion to the aggregate unpaid principal amount of all Loans then outstanding as the principal amount of its Loans prior to such exercise of banker's lien, setoff or counterclaim or other event was to the principal amount of all Loans outstanding prior to such exercise of banker's lien, setoff or counterclaim or other event; provided, however, that, if any such purchase or purchases or adjustments shall be made pursuant to this Section 2.14 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. The Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in a Loan deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by the Borrower to such Lender by reason thereof as fully as if such Lender had made a Loan in the amount of such participation.

SECTION 2.15. Payments.

(a) The Borrower shall make each payment (including principal of or interest on any Borrowing or any Fees or other amounts hereunder) from an account in the United States not later than 12:00 noon, New York, New York time, on the date when due in dollars to the Administrative Agent at its offices at 1 Chase Manhattan Plaza, 8th Floor, New York, New York 10081 or, in the case of payments to be made directly to another party hereto in accordance with the terms hereof, to such party as such party shall direct, in each

case, in immediately available funds. All payments made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff.

(b) Whenever any payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

SECTION 2.16. Taxes.

(a) Any and all payments of principal and interest on any Borrowings, or of any Fees or indemnity or expense reimbursements by the Borrower hereunder ("Borrower Payments") shall be made, in accordance with Section 2.15, free and clear of and without deduction for any and all current or future federal, state, local and other governmental taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect to the Borrower Payments, but only to the extent reasonably attributable to the Borrower Payments, excluding (i) income taxes imposed on the net income of the Administrative Agent, the Issuing Bank or any Lender (or any transferee or assignee thereof, including a participation holder (any such entity a "Transferee")) and (ii) franchise taxes imposed on the net income of the Administrative Agent, the Issuing Bank or any Lender (or Transferee), in each case by the jurisdiction under the laws of which such party (or Transferee) is organized or doing business through offices or branches located therein, or any political subdivision thereof (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities, collectively or individually, "Taxes"). If the Borrower shall be required to deduct any Taxes from or in respect of any sum payable hereunder to the Administrative Agent, the Issuing Bank or any Lender (or any Transferee), (i) the sum payable shall be increased by the amount (an "additional amount") necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.16) such party (or Transferee) (as the case may be) shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay to the relevant Governmental Authority in accordance with applicable law any current or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or the Fee Letter ("Other Taxes").

(c) The Borrower shall indemnify the Administrative Agent, the Issuing Bank and each Lender (or Transferee thereof) for the full amount of Taxes and Other Taxes with respect to Borrower Payments paid by such party (or Transferee), as the case may be, and any liability (including penalties, interest and expenses (including reasonable attorney's fees and expenses)) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted by the relevant Governmental Authority. A certificate setting forth and containing an explanation in reasonable detail of the manner in which such amount shall have been determined and the amount of such payment or liability prepared by the Administrative Agent, the Issuing Bank or a Lender, absent manifest error, shall be final, conclusive and binding for all purposes. Such indemnification shall be made within 30 days after the date the applicable party makes written demand therefor.

(d) If the Administrative Agent, the Issuing Bank or a Lender (or Transferee) shall become aware that it is entitled to claim a refund from a Governmental Authority in respect of Taxes or Other Taxes as to which it has been indemnified by the Borrower, or with respect to which the Borrower has paid

additional amounts, pursuant to this Section 2.16, it shall promptly notify the Borrower of the availability of such refund claim and shall, within 30 days after receipt of a request by the Borrower, make a claim to such Governmental Authority for such refund at the Borrower's expense. If such party receives a refund (including pursuant to a claim for refund made pursuant to the preceding sentence) in respect of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower had paid additional amounts pursuant to this Section 2.16, it shall within 30 days from the date of such receipt pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.16 with respect to the Taxes or Other Taxes giving rise to such refund), net of all of its out-of-pocket expenses and without interest (other than interest paid by the relevant Governmental Authority with respect to such refund); provided, however, that the Borrower, upon the request of such party, agrees to repay the amount paid over to the Borrower (plus penalties, interest or other charges) under this Section 2.16(d) in the event the party is required to repay such refund to such Governmental Authority.

(e) As soon as practicable, but in any event within 30 days, after the date of any payment of Taxes or Other Taxes by the Borrower to the relevant Governmental Authority, the Borrower will deliver to the Administrative Agent, at its address referred to in Section 8.01, the original or a certified copy of a receipt issued by such Governmental Authority evidencing payment thereof.

(f) Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section 2.16 shall survive the payment in full of the principal of and interest on all Borrowings made hereunder.

(g) Each Lender (or Transferee) that is organized under the laws of a jurisdiction other than the United States, any State thereof or the District of Columbia (a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent two copies of either United States Internal Revenue Service Form 1001 or Form 4224 (or other applicable form), properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or reduced rate of, United States Federal withholding tax on payments by the Borrower under this Agreement. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of a Transferee that is a participation holder, on or before the date such participation holder becomes a Transferee hereunder) and on or before the date, if any, such Non-U.S. Lender changes its applicable lending office by designating a different lending office (a "New Lending Office"). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Notwithstanding any other provision of this Section 2.16(g), a Non-U.S. Lender shall not be required to deliver any form pursuant to this Section 2.16(g) that such Non-U.S. Lender is not legally able to deliver.

(h) The Borrower shall not be required to indemnify any Non-U.S. Lender (including any Transferee), or to pay any additional amounts to any Non-U.S. Lender (including any Transferee), in respect of federal, state, local or other governmental withholding tax pursuant to paragraph (a) or (c) above to the extent that: (i) the obligation to withhold amounts with respect to federal, state, local or other governmental withholding tax existed on the date such Non-U.S. Lender became a party to this Agreement (or, in the case of a Transferee that is a participation holder, on the date such participation holder became a Transferee hereunder) or, with respect to payments to a New Lending Office, the date such Non-U.S. Lender designated such New Lending Office with respect to a Loan; provided, however, that this clause (i) shall not apply to any Transferee or New Lending Office that becomes a Transferee or New Lending Office as a result of an assignment, participation, transfer or designation made at the request of the Borrower; and provided further, however, that this clause (i) shall not apply to the extent the indemnity payment or additional amounts any

Transferee, or Lender (or Transferee) through a New Lending Office, would be entitled to receive (without regard to this clause (h)) do not exceed the indemnity payment or additional amounts that the Person making the assignment, participation or transfer to such Transferee, or Lender (or Transferee) making the designation of such New Lending Office, would have been entitled to receive in the absence of such assignment, participation, transfer or designation or (ii) the obligation to pay such additional amounts or such indemnity payments would not have arisen but for a failure by such Non-U.S. Lender (including any Transferee) to comply with the provisions of paragraph (g) above and (i) below.

(i) The Administrative Agent, the Issuing Bank or any Lender (or Transferee) claiming any indemnity payment or additional amounts payable pursuant to this Section 2.16 shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document reasonably requested in writing by the Borrower or to change the jurisdiction of its applicable lending office if the making of such a filing or change would avoid the need for or reduce the amount of any such indemnity payment or additional amounts that may thereafter accrue and would not, in the good faith determination of the Administrative Agent, the Issuing Bank or such Lender (or Transferee), be otherwise disadvantageous to its interests.

(j) Nothing contained in this Section 2.16 shall require the Administrative Agent, the Issuing Bank or a Lender (or Transferee) to make available to the Borrower any of its tax returns (or any other information) that it deems to be confidential or proprietary.

SECTION 2.17. Assignment of Commitments Under Certain Circumstances. In the event that any Lender shall have delivered a notice or certificate pursuant to Section 2.11 or 2.12, or the Borrower shall be required to make additional payments to any Lender under Section 2.16 or the Borrower is entitled to exercise its right to require assignment under Section 2.21 hereof, the Borrower shall have the right, at its own expense, upon notice to such Lender and the Administrative Agent, to require such Lender to transfer and assign without recourse (in accordance with and subject to the restrictions contained in Section 8.04) all such Lender's interests, rights and obligations contained hereunder to another financial institution approved by the Administrative Agent and the Borrower (which approval shall not be unreasonably withheld) which shall assume such obligations; provided that (i) no such assignment shall conflict with any law, rule or regulation or order of any Governmental Authority and (ii) the assignee or the Borrower, as the case may be, shall pay to the affected Lender in immediately available funds on the date of such assignment the principal of and interest and Fees accrued to the date of payment on the Loans and Swingline Loans made by it hereunder and all other amounts accrued for its account or owed to it hereunder.

SECTION 2.18. Payments by Administrative Agent to the Lenders. Any payment received by the Administrative Agent hereunder for the account of a Lender shall be paid to such Lender by 4:00 p.m. New York, New York time on (a) the Business Day the payment is received in immediately available funds, if such payment is received by 11:00 a.m. New York, New York time and (b) if such payment is received after 11:00 a.m. New York, New York time, on the next Business Day.

SECTION 2.19. Swingline Loans. Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make advances (each such advance a "Swingline Loan") to the Borrower from time to time on and after the date hereof, until the earlier of the Maturity Date or the termination of the Commitments hereunder in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding $20,000,000 and (ii) the total Revolving Exposures exceeding the Total Commitment. The Swingline Loans comprising any Borrowing shall be in an amount which is an integral multiple of $500,000 and not less than $1,000,000 (or an aggregate principal amount equal to the sum of $20,000,000 minus all the Swingline Loans then outstanding). Within

the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans.

(a) Swingline Request Procedure. To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 11:00 a.m., New York, New York time, on the day of a proposed Swingline Loan by use of a duly completed Borrowing Request. Each such notice shall be irrevocable and shall specify: (i) the requested date of such Borrowing (which shall be a Business Day), (ii) the amount of the requested Swingline Loan, (iii) whether the Swingline Loan is to be a Eurodollar Borrowing, an ABR Borrowing or a Negotiated Rate Borrowing, and (iv) in the event of a Negotiated Rate Borrowing is selected, the requested duration of the Interest Period therefor and the requested interest rate to be applicable thereto. If no election as to the type of Borrowing is specified in any notice, then the requested Borrowing shall be an ABR Borrowing. Each Interest Period with respect to a Eurodollar Borrowing that is a Swingline Loan shall be one month's duration. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Borrower. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the account or accounts specified from time to time in one or more notices delivered by the Borrower to the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.20(d), by remittance to the Issuing Bank) by 3:00 p.m., New York, New York time, on the requested date of such Swingline Loan. The Swingline Lender shall notify the Borrower on the date the Borrower requests a Negotiated Rate Borrowing if the Swingline Lender will not agree to the rate requested in such notice to apply to such Borrowing or the duration of the related Interest Period. If the Borrower and the Swingline Lender can not agree on the Negotiated Rate for a Negotiated Rate Borrowing, the Negotiated Rate Borrowing shall not be available hereunder. The determination by the Swingline Lender of the Negotiated Rate applicable to a Negotiated Rate Borrowing shall be conclusive absent manifest error.

(b) Lender Participation. The Swingline Lender may by written notice given to the Administrative Agent not later than 11:00 a.m., New York, New York time, on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which the Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loans. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or Event of Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever; provided that (i) the obligations of a Lender to fund its participation in a Swingline Loan may be subject to avoidance by a Lender if such Lender proves that the Swingline Lender knew (or with the exercise of care should have known) that the conditions to the making of the Swingline Loan were not satisfied and (ii) a Lender shall not have an obligation to acquire or fund a participation in Swingline Loans if that obligation of the Lender has been terminated or assigned to another Person in accordance with Section 2.10(c), Section 2.21 or Section 8.04. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Swingline Lender (as finally determined by a court of competent jurisdiction), the Swingline Lender shall be deemed to have exercised care. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts

received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of its obligation for the payment thereof in full, notwithstanding any Default or Event of Default which may exist.

(c) Repayment. Swingline Loans shall be repaid by the Borrower in accordance with Section 2.05.

SECTION 2.20. Letters of Credit. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of letters of credit (each a "Letter of Credit") for its own account or for its or a Subsidiary's benefit, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time on and after the date hereof until the earlier of five Business Days prior to the Maturity Date or the termination of the Commitments hereunder. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(a) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (b) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Borrower also shall submit a letter of credit application on the Issuing Bank's standard form (or in such other form as may be mutually agreed between the Borrower and the Issuing Bank) in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the Letter of Credit Liabilities shall not exceed $25,000,000 and (ii) the total Revolving Exposures of all Lenders shall not exceed the Total Commitment.

(b) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the date that is five Business Days prior to the Maturity Date.

(c) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of

the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (d) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or Event of Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever; provided that (i) the obligations of a Lender to fund its participation in a Letter of Credit may be subject to avoidance by that Lender if (A) the Issuing Bank knew (or with the exercise of care should have known) that the conditions to the issuance of the Letter of Credit were not satisfied or (B) the Issuing Bank failed to exercise care when determining whether drafts and other documents presented under the Letter of Credit complied with the terms thereof and (ii) a Lender shall not have an obligation to acquire or fund a participation in a Letter of Credit if that obligation of the Lender has been terminated or assigned to another Person in accordance with Section 2.10(c), Section 2.21 or Section 8.04. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care.

(d) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 12:00 noon, New York, New York time, on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., New York, New York time, on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 12:00 noon, New York, New York time, on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 10:00 a.m., New York, New York time, on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that the Borrower may, subject to the conditions to borrowing set forth herein, request that such payment be financed with a Loan or Swingline Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting Loan or Swingline Loan. If the Borrower fails to make such reimbursement payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the reimbursement payment then due from the Borrower, and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement (other than the funding of a Loan as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(e) Obligations Absolute. The Borrower's obligations to reimburse LC Disbursements as provided in paragraph (d) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of

a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor the Issuing Bank, nor any of their agents, officers or employees, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(f) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank and the Lenders with respect to any such LC Disbursement.

(g) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made in accordance with paragraph (d) of this Section, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Loans; provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (d) of this Section, then Section 2.07 shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (c) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(h) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to this Agreement. From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and

(ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

SECTION 2.21. Extension of Maturity Date. Subject to the following provisions, the initial Maturity Date set forth herein and any Maturity Date hereafter established in accordance with this Section 2.21 may be changed to a date not to exceed, in each case, the date 363 days after the effective date of the change. By written notice to Administrative Agent delivered on or before November 15 of each year, Borrower may request a change to the then effective Maturity Date. Immediately upon receipt of such notice, the Administrative Agent shall deliver a copy to each Lender. After receipt of such notice and prior to the December 15 of such year, each Lender shall provide the Administrative Agent and the Borrower with a written consent or rejection of the Borrower's request. The decision whether to accept or reject the Borrower's request shall be made by each Lender in its sole discretion based on such information as it may deem necessary, and no Lender shall have any obligation to agree to any change in the Maturity Date. The failure of a Lender to respond to any such request shall be deemed a rejection of such request effective as of the applicable December 15. If with respect to a request of the Borrower under this Section 2.21, Lenders holding at least 50% of the Revolving Exposures and unused Commitments have agreed to the requested change to the Maturity Date and at least one or more of the Lenders is not willing to agree to a change in the Maturity Date, then on or before the then current Maturity Date, by notice to the Administrative Agent and the Lenders, the Borrower may take either one or a combination of the following actions: (i) terminate the Commitment of each Lender that did not agree to the change in the Maturity Date (and the Total Commitment shall thereafter be reduced accordingly) or (ii) require each such Lender to transfer and assign all its right, title, interest and obligations hereunder in accordance with Section 2.17 to one or more financial institutions, each as approved by the Borrower and the Administrative Agent. If a Lender's Commitment is terminated in accordance with this Section 2.21, (i) the Borrower shall on the effective date of the termination, prepay to such Lender all Loans and funded participation interests in Swingline Loans then held by such Lender together with accrued interest and Fees thereon and all other liquidated obligations owed to such Lender under the terms hereof (and thereupon, such Lender shall have no further obligation to make Loans or participate or fund participations in Swingline Loans or Letters of Credit) and (ii) after giving effect to the termination of the Commitments that are being terminated in accordance with this Section 2.21, the Lenders who have agreed to extend the Maturity Date will make appropriate assignments among themselves of the Loans outstanding hereunder in amounts sufficient so that after giving effect thereto, the Loans shall be held by the remaining Lenders pro rata according to their respective Applicable Percentages.

ARTICLE 3.

REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to each of the Lenders and the Issuing Bank as follows:

SECTION 3.01. Organization; Powers. Borrower (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to own its property and assets and to carry on its business as now conducted and as proposed to be conducted, (c) is qualified to do business in every jurisdiction where such qualification is required, except where the failure so to qualify would not result in a Material Adverse Effect, and (d) has the corporate

power and authority to execute, deliver and perform its obligations under this Agreement and to borrow hereunder.

SECTION 3.02. Authorization. The execution, delivery and performance by the Borrower of this Agreement, the Borrowings hereunder and the issuance of Letters of Credit hereunder (collectively, the "Transactions") (a) have been duly authorized by all requisite corporate action and (b) will not (i) violate (A) any provision of any law, statute, rule or regulation to which the Borrower is subject or of the certificate of incorporation or other constituent documents or by-laws of the Borrower or any of its Subsidiaries, (B) any order of any Applicable Governmental Authority or (C) any provision of any Material indenture, agreement or other instrument to which the Borrower or any of its Subsidiaries is a party or by which it or any of its property is or may be bound (including the Revolving Credit Facility Agreement dated as of July 29, 1999 among Borrower, Chase Bank of Texas, National Association, as administrative agent and the other parties named therein and the Senior Note Purchase Agreements and the Indebtedness limitations set forth in Sections 10.4 and 10.9 of the Senior Note Purchase Agreements), (ii) be in conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under any such indenture, agreement or other instrument or (iii) result in the creation or imposition of any Lien upon any property or assets of the Borrower.

SECTION 3.03. Enforceability. This Agreement constitutes a legal, valid and binding obligation of the Borrower enforceable in accordance with its terms, as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 3.04. Governmental Approvals. No action, consent or approval of, registration or filing with or other action by any Applicable Governmental Authority is or will be required in connection with the Transactions, to the extent they relate to the Borrower.

SECTION 3.05. Organization and Ownership of Shares of Subsidiaries.

(a) Schedule 3.05 is (except as noted therein) a complete and correct list of the Borrower's Subsidiaries as of December 31, 1999, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Borrower and each other Subsidiary, and specifying whether such Subsidiary is designated a Restricted Subsidiary.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 3.05 as being owned by the Borrower and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Borrower or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 3.05).

(c) Each Subsidiary identified in Schedule 3.05 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

SECTION 3.06. Financial Statements. The Borrower has delivered to some or all of the Lenders copies of the financial statements of the Borrower and its Subsidiaries listed on Schedule 3.06. All of the financial statements listed on Schedule 3.06 (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Borrower and its Subsidiaries, and of the Borrower and its Restricted Subsidiaries, as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). Except as disclosed in the financial statements listed in Schedule 3.06 or the most recently delivered financial statements delivered in accordance with Section 5.20, since September 30, 1999, there has been no change in the financial condition, operations, business, properties or prospects of the Borrower or any of its Subsidiaries except changes that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Borrower that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the financial statements listed in Schedule 3.06.

SECTION 3.07. Litigation; Observance of Statutes and Orders.

(a) There are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any Subsidiary or any property of the Borrower or any Subsidiary in any court or before any arbitrator of any kind or before or by any Applicable Governmental Authority that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(b) Neither the Borrower nor any Subsidiary is in default under any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Applicable Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Applicable Governmental Authority, which default or violation, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

SECTION 3.08. Taxes. The Borrower and its Subsidiaries have filed all income tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments payable by them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Borrower or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Federal income tax liabilities of the Borrower and its Subsidiaries have been determined by the Internal Revenue Service and paid for all fiscal years up to and including the fiscal year ended December 31, 1995.

SECTION 3.09. Title to Property; Leases. The Borrower and its Subsidiaries have good and sufficient title to their respective Material properties, including all such properties reflected in the most recent audited balance sheet referred to in Section 3.06 or purported to have been acquired by the Borrower or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement, except for those defects in title and Liens that, individually or in the aggregate, would not have a Material Adverse Effect. All Material leases are valid and subsisting and are in full force and effect in all material respects.

SECTION 3.10. Licenses, Permits, etc. The Borrower and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that are Material, without known conflict with the rights of others, except for those conflicts that, individually or in the aggregate, would not have a Material Adverse Effect.

SECTION 3.11. Compliance with ERISA.

(a) The Borrower and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Borrower nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that would reasonably be expected to result in the incurrence of any such liability by the Borrower or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Borrower or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate accrued plan benefit liabilities under each of the Plans that are subject to Title IV of ERISA (other than Multiemployer Plans), determined in accordance with Financial Accounting Standards Board Statement No. 87 as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by more than $3,000,000 in the case of any single Plan and by more than $3,000,000 in the aggregate for all Plans.

(c) The Borrower and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected post-retirement benefit obligation (determined as of the last day of the Borrower's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Borrower and its Subsidiaries was approximately $17,955,591 as of December 31, 1998.

SECTION 3.12. Use of Proceeds; Margin Regulation. The Borrower will apply the proceeds of the Borrowings to make acquisitions, for capital expenditures, for working capital and for other general corporate purposes. The Letters of Credit shall be issued to support transactions of the Borrower and the Subsidiaries entered into in the ordinary course of business. No part of the proceeds from the Borrowings will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Borrower in a violation of Regulation X of the Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of the Board (12 CFR 220). Margin stock does not constitute more than 5% of the value of the consolidated assets of the Borrower and its Restricted Subsidiaries and the Borrower does not have any present intention that margin stock will constitute more than 5% of the value of such assets. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

SECTION 3.13. Existing Indebtedness. Except as described therein, Schedule 3.13 sets forth a complete and correct list of all outstanding Indebtedness of the Borrower and its Restricted Subsidiaries (other than Indebtedness of Restricted Subsidiaries to the Borrower or to Wholly-Owned Restricted Subsidiaries) as of December 31, 1999, since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Borrower or its Restricted Subsidiaries. Neither the Borrower nor any Restricted Subsidiary is in default, and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Borrower or such Restricted Subsidiary, and no event or condition exists with respect to any Indebtedness of the Borrower or any Restricted Subsidiary the outstanding principal amount of which exceeds $3,000,000 in the aggregate that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment. To the knowledge of the Responsible Officers of the Borrower, no event or condition exists with respect to any Indebtedness of the Borrower or any Restricted Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

SECTION 3.14. Foreign Assets Control Regulations, etc. The use of the proceeds of the Borrowings will not violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

SECTION 3.15. Status under Certain Statutes. Neither the Borrower nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, the Interstate Commerce Act, as amended, or the Federal Power Act, as amended.

SECTION 3.16. No Material Misstatements. No report, financial statement or other information furnished by or on behalf of the Borrower to the Administrative Agent or any Lender pursuant to or in connection with this Agreement contains or will contain any material misstatement of fact or omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were or will be made, not misleading.

SECTION 3.17. Year 2000 Matters. Any programming required to permit the proper functioning, in and following the year 2000, of the Borrower's and its Subsidiaries' Material (i) computer systems and (ii) equipment containing imbedded microchips (including systems and equipment supplied by others or with which the Borrower's or its Subsidiaries' systems interface) and the testing of all such systems and equipment, as so reprogrammed has been completed. The cost to the Borrower and its Subsidiaries of such reprogramming and testing and of the reasonably foreseeable consequences of year 2000 to the Borrower and its Subsidiaries (including, without limitation, reprogramming errors and the failure of others' systems or equipment) has not resulted in a Default or a Material Adverse Effect. The computer and management information systems of the Borrower and its Subsidiaries are, and with ordinary course upgrading and maintenance, will continue for the term of this Agreement to be, sufficient to permit the Borrower and its Subsidiaries to conduct its business without Material Adverse Effect.

ARTICLE 4.

CONDITIONS OF LENDING

SECTION 4.01. All Borrowings. The obligations of the Lenders to make Loans, the obligation of the Swingline Lender to make Swingline Loans and the obligation of the Issuing Bank to issue, amend, renew or extend Letters of Credit are subject to the satisfaction of the following conditions on the date of each Borrowing or issuance:

(a) The Administrative Agent shall have received a notice of such Borrowing, issuance, amendment or other modification as required by Section 2.03, 2.19(a), or 2.20(a), as applicable.

(b) The representations and warranties set forth in Article 3 hereof shall be true and correct in all material respects on and as of the date of such Borrowing, issuance, amendment or other modification with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) At the time of and immediately after such Borrowing, issuance, amendment or other modification no Event of Default or Default shall have occurred and be continuing.

Each Borrowing and each issuance, amendment or other modification of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date of such Borrowing, issuance, amendment or other modification as to the matters specified in paragraphs (b) and (c) of this Section 4.01.

SECTION 4.02. Effective Date. The effectiveness of the obligations of the Lenders to make Loans and to acquire or fund participations in Swingline Loans and Letters of Credit, the obligation of the Swingline Lender to make Swingline Loans and the obligation of the Issuing Bank to issue Letters of Credit are subject to following conditions being satisfied on or before February 15, 2000, and such obligations shall not be effective until the date that each such condition is satisfied (the "Effective Date"):

(a) The Administrative Agent shall have received a favorable written opinion from Anne W. Teeling, Assistant General Counsel to the Borrower, dated the Effective Date and addressed to the Lenders and satisfactory to Jenkens & Gilchrist, a Professional Corporation, counsel for the Administrative Agent, to the effect set forth in Exhibit C hereto (and the Borrower hereby instructs its counsel to deliver such opinion to the Administrative Agent for the benefit of the Lenders).

(b) The Administrative Agent shall have received (i) a copy of the certificate of incorporation, including all amendments thereto, of the Borrower, certified as of a recent date by the Secretary of State of its state of incorporation, and a certificate as to the good standing of the Borrower as of a recent date from such Secretary of State; (ii) a certificate of the Secretary or an Assistant Secretary of the Borrower dated the Effective Date and certifying (A) that attached thereto is a true and complete copy of the by-laws of the Borrower as in effect on the Effective Date and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions, duly adopted by the Board of Directors authorizing the execution, delivery and performance of this Agreement and the Transactions, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate of incorporation referred to in clause (i) above has not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to such clause (i) and (D) as to the incumbency and specimen signature of each officer executing this Agreement or any other document delivered in connection herewith on behalf of the Borrower; (iii) a certificate of another officer of the Borrower as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to clause (ii) above; and (iv) such other documents as the Lenders or the Administrative Agent, shall reasonably request.

(c) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by a Senior Financial Officer of the Borrower confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 4.01.

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

ARTICLE 5.

AFFIRMATIVE AND NEGATIVE COVENANTS

The Borrower agrees that, so long as any Lender has any Commitment hereunder or any obligation to acquire or fund any participation in any Swingline Loan or Letter of Credit or the Swingline Lender is obligated to make Swingline Loans or the Issuing Bank is obligated to issue any Letter of Credit, or any amount payable hereunder remains unpaid:

SECTION 5.01. Compliance with Laws. The Borrower will and will cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not reasonably be expected, individually or in the aggregate, to have a material adverse effect on the business, operations, affairs, financial condition, properties or assets of the Borrower and its Restricted Subsidiaries taken as a whole.

SECTION 5.02. Insurance. The Borrower will and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

SECTION 5.03. Maintenance of Properties and Lines of Business. The Borrower will and will cause each of its Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Borrower or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Borrower has concluded that such discontinuance would not, individually or in the aggregate, have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Borrower and its Restricted Subsidiaries taken as a whole. The Borrower will not and will not permit any of its Restricted Subsidiaries to engage in any line of business other than such lines of business in which it is presently engaged and those businesses reasonably related thereto.

SECTION 5.04. Payment of Taxes. The Borrower will and will cause each of its Subsidiaries to file all income tax or similar tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges,

or levies payable by any of them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, provided that neither the Borrower nor any Subsidiary need pay any such tax or assessment if (i) the amount, applicability or validity thereof is contested by the Borrower or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Borrower or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Borrower or such Subsidiary or (ii) the nonpayment of all such taxes and assessments in the aggregate would not reasonably be expected to have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Borrower and its Restricted Subsidiaries taken as a whole.

SECTION 5.05. Corporate Existence, etc. The Borrower will at all times preserve and keep in full force and effect its corporate existence. Subject to Sections 5.10 and 5.11, the Borrower will at all times preserve and keep in full force and effect the corporate existence of each of its Restricted Subsidiaries (unless merged into the Borrower or a Restricted Subsidiary) and all rights and franchises of the Borrower and its Restricted Subsidiaries unless, in the good faith judgment of the Borrower, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not, individually or in the aggregate, have a Material Adverse Effect on the business, operations, affairs, financial condition, properties or assets of the Borrower and its Restricted Subsidiaries taken as a whole.

SECTION 5.06. Most Favored Lender Status. The Borrower will not and will not permit any Restricted Subsidiary to enter into, assume or otherwise be bound or obligated under any agreement creating or evidencing Indebtedness or any agreement executed and delivered in connection with any Indebtedness containing one or more Additional Covenants or Additional Defaults (as defined below), unless prior written consent to such agreement shall have been obtained from the Required Lenders; provided, however, in the event the Borrower or any Restricted Subsidiary shall enter into, assume or otherwise become bound by or obligated under any such agreement without the prior written consent of the Required Lenders, the terms of this Agreement shall, without any further action on the part of the Borrower or any of the Lenders, be deemed to be amended automatically to include each Additional Covenant and each Additional Default contained in such agreement. The Borrower further covenants to promptly execute and deliver at its expense an amendment to this Agreement in form and substance satisfactory to the Required Lenders evidencing the amendment of this Agreement to include such Additional Covenants and Additional Defaults, provided that the execution and delivery of such amendment shall not be a precondition to the effectiveness of such amendment as provided for in this Section 5.06, but shall merely be for the convenience of the parties hereto.

For purposes of this Agreement, (i) the term "Additional Covenant" shall mean any affirmative or negative covenant or similar restriction applicable to the Borrower or any Restricted Subsidiary (regardless of whether such provision is labeled or otherwise characterized as a covenant) the subject matter of which either (A) is similar to that of the covenants in Article 5 of this Agreement, but contains one or more percentages, amounts or formulas that is more restrictive than those set forth herein or more beneficial to the holder or holders of such other Indebtedness (and such covenant or similar restriction shall be deemed an "Additional Covenant" only to the extent that it is more restrictive or more beneficial) or (B) is different from the subject matter of the covenants in Article 5 of this Agreement; and (ii) the term "Additional Default" shall mean any provision which permits the holder of such Indebtedness to accelerate (with the passage of time or giving of notice or both) the maturity thereof or otherwise require the Borrower or any Restricted Subsidiary to purchase such Indebtedness prior to the stated maturity of such Indebtedness and which either (A) is similar to the Defaults and Events of Default contained in Article 6 of this Agreement, but contains one or more percentages, amounts or formulas that is more restrictive or has a shorter grace period than those set forth herein or is more beneficial to the holder or holders of such other Indebtedness (and such provision shall be deemed an "Additional Default" only to the extent that it is more restrictive, has

a shorter grace period or is more beneficial) or (B) is different from the subject matter of the Defaults and Events of Default contained in Article 6 of this Agreement.

SECTION 5.07. Covenant to Secure Loans Equally. If the Borrower shall create, assume or permit to exist any Lien upon any of its property or assets, or permit any Restricted Subsidiary to create, assume or permit to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, other than those Liens permitted by the provisions of Section 5.13, the Borrower shall make or cause to be made effective provision whereby the Borrowings will be secured equally and ratably with any and all other obligations thereby secured, with the documentation for such security to be reasonably satisfactory to the Required Lenders and, in any such case, the Borrowings shall have the benefit, to the fullest extent that, and with such priority as, the holders thereof may be entitled under applicable law, of an equitable Lien on such property. Any violation of Section 5.13 will constitute an Event of Default, whether or not provision is made for an equal and ratable Lien pursuant to this Section 5.07.

SECTION 5.08. Environmental Matters.

(a) The Borrower will and will cause each of its Subsidiaries to comply in all material respects with all applicable Environmental Laws if, individually or in the aggregate, failure to comply therewith could reasonably be expected to have a material adverse effect on the financial condition or results of operations of the Borrower or the Borrower and its Subsidiaries, taken as a whole.

(b) The Borrower will not and will not permit any of its Subsidiaries to cause or allow any Hazardous Substance to be present at any time on, in, under or above any real property or any part thereof in which the Borrower or any Subsidiary has a direct interest (including without limitation ownership thereof or any arrangement for the lease, rental or other use thereof, or the retention of any mortgage or security interest therein or thereon), except in a manner and to an extent that is in compliance in all material respects with all applicable Environmental Laws or that will not have a material adverse effect on the financial condition or results of operations of the Borrower or the Borrower and its Subsidiaries, taken as a whole.

SECTION 5.09. Transactions with Affiliates. The Borrower will not permit any Restricted Subsidiary to enter into directly or indirectly any Material transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Borrower or another Restricted Subsidiary), except pursuant to the reasonable requirements of the Borrower's or such Restricted Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Restricted Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

SECTION 5.10. Merger, Consolidation, etc. The Borrower will not consolidate with or merge with any other corporation or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to any Person unless:

(a) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease substantially all of the assets of the Borrower as an entirety, as the case may be, shall be a solvent corporation organized and existing under the laws of the United States or any State thereof (including the District of Columbia), and, if the Borrower is not such corporation, such corporation shall have executed and delivered to each Lender its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement, together with a favorable opinion of counsel satisfactory to each such Lender covering such matters relating to such corporation and such assumption as such Lender may reasonably request; and

(b) immediately after giving effect to such transaction, no Default or Event of Default would exist; and

(c) immediately prior to and after giving effect to such transaction, the Borrower or such successor, as the case may be, would be permitted by the provisions of Sections 5.12 and 5.17 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

No such conveyance, transfer or lease of substantially all of the assets of the Borrower shall have the effect of releasing the Borrower or any successor corporation that shall theretofore have become such in the manner prescribed in this Section 5.10 from its liability under this Agreement.

SECTION 5.11. Sale of Assets, etc. The Borrower will not, and will not permit any of its Restricted Subsidiaries to, make any Transfer, provided that the foregoing restriction does not apply to a Transfer if:

(a) the property that is the subject of such Transfer constitutes either (i) inventory held for sale, or (ii) equipment, fixtures, supplies or materials no longer required in the operation of the business of the Borrower or such Restricted Subsidiary or that is obsolete, and, in the case of any Transfer described in clause (i) or (ii), such Transfer is in the ordinary course of business (each such Transfer, an "Ordinary Course Transfer"); or

(b) such Transfer is from

(i) a Restricted Subsidiary to the Borrower or another Restricted Subsidiary, or

(ii) the Borrower to a Restricted Subsidiary, or

(iii) the Borrower to a Subsidiary (other than a Restricted Subsidiary) or from a Restricted Subsidiary to another Subsidiary (other than a Restricted Subsidiary) and in either case is for Fair Market Value, so long as immediately before and immediately after the consummation of such transaction, and after giving effect thereto, no Default or Event of Default exists or would exist (each such Transfer, an "Intergroup Transfer"); or

(c) such Transfer is not an Ordinary Course Transfer or an Intergroup Transfer (such Transfers which are not Ordinary Course Transfers or Intergroup Transfers collectively referred to as "Excluded Transfers"), and all of the following conditions shall have been satisfied with respect thereto (the date of the consummation of such Transfer being referred to herein as the "Property Disposition Date"):

(i) the book value of the assets included in such Transfer, together with the book value of the assets included in all other Transfers (other than Excluded Transfers) during the fiscal year which includes the Property Disposition Date, shall not exceed fifteen percent (15%) of Consolidated Assets as of the end of the most recent fiscal year;

(ii) the book value of the assets included in such Transfer, together with the book value of the assets included in all other Transfers (other than Excluded Transfers) from the Effective Date through the Property Disposition Date, shall not exceed thirty percent (30%) of Consolidated Assets as of the end of the most recent fiscal year; and

(iii) immediately after giving effect to such Transfer, no Default or Event of Default would exist and the Borrower would be permitted by the provisions of Sections 5.12 and 5.17 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

If, within twelve (12) months after the Property Disposition Date, the Borrower or a Restricted Subsidiary acquires assets similar to the assets included in the Transfer, then, only for the purpose of determining compliance with Sections 5.11(c)(i) and (ii), the lesser of the book value of the assets acquired or the book value of the assets included in the Transfer shall not be taken into account.

SECTION 5.12. Incurrence of Indebtedness. The Borrower will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume, guarantee, or otherwise become directly or indirectly liable with respect to any Indebtedness, unless on the date the Borrower or such Restricted Subsidiary becomes liable with respect to any such Indebtedness and immediately after giving effect thereto and to the substantially concurrent retirement of any other Indebtedness,

(a) no Default or Event of Default would exist, and

(b) Consolidated Indebtedness would not exceed sixty percent (60%) of Consolidated Capitalization.

For purposes of this Section 5.12 any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have incurred all of its then outstanding Indebtedness at the time it becomes a Restricted Subsidiary.

SECTION 5.13. Liens. The Borrower will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Borrower or any such Restricted Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom, or assign or otherwise convey any right to receive income or profits, except:

(a) Liens for taxes, assessments or other governmental charges the payment of which is not at the time required by Section 5.04;

(b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other similar Liens, in each case, incurred in the ordinary course of business for sums not yet due;

(c) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business (i) in connection with workers' compensation, unemployment insurance and other types of social security or retirement benefits, or (ii) to secure (or to obtain letters of credit that secure) the performance of tenders, statutory obligations, surety bonds, appeal bonds, bids, leases (other than Capital

Leases), performance bonds, purchase, construction or sales contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property;

(d) any attachment or judgment Lien, unless the judgment or other obligation it secures (i) shall not, within ninety (90) days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within ninety (90) days after the expiration of any such stay or (ii) exceeds, together with the amounts of all other obligations secured by attachment or judgment Liens at the time existing in respect of property of the Borrower and its Restricted Subsidiaries, $5,000,000;

(e) leases or subleases granted to others, easements, rights-of-way, restrictions and other similar charges or encumbrances, in each case incidental to, and not interfering with, the ordinary conduct of the business of the Borrower or any of its Restricted Subsidiaries, provided that such Liens do not, in the aggregate, materially detract from the value of such property;

(f) Liens on property or assets of the Borrower or any of its Restricted Subsidiaries securing Indebtedness or other obligations owing to the Borrower or to a Wholly Owned Restricted Subsidiary; and

(g) other Liens not otherwise permitted by Subsections (a) through (f) above, provided that (i) the fair market value of the assets subject to such other Liens shall not exceed 15% of Consolidated Net Worth and (ii) immediately after giving effect to the creation thereof, the Borrower would be permitted by the provisions of Sections 5.12 and 5.17 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

For purposes of this Section 5.13, any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have incurred all of its then outstanding Liens at the time it becomes a Restricted Subsidiary, and any Person extending, renewing or refunding any Indebtedness secured by any Lien shall be deemed to have incurred such Lien at the time of such extension, renewal or refunding.

SECTION 5.14. Restricted Payments. The Borrower will not, and will not permit any of its Restricted Subsidiaries to, declare or make, or incur any liability to declare or make, any Restricted Payment, unless immediately after giving effect to such action:

(a) no Default or Event of Default would exist; and

(b) the Borrower would be permitted by the provisions of Sections 5.12 and 5.17 to incur at least $1.00 of additional Indebtedness and $1.00 of additional Restricted Indebtedness, respectively.

SECTION 5.15. Financial Covenants. The Borrower covenants and agrees that, as long as any obligation hereunder is outstanding or any Bank has any Commitment hereunder, the Borrower will perform and observe the following financial covenants:

(a) Coverage Ratio. As of the end of each fiscal quarter, the Borrower shall not permit the ratio of Cash Flow for the four (4) fiscal quarters then ending to Interest Expenses for such period to be less than 3.00 to 1.00. As used herein the following terms have the following meanings:

"Cash Flow" means, for any period, the total of the following for the Borrower and the Restricted Subsidiaries calculated on a consolidated

basis without duplication for such period in accordance with GAAP: (A) EBITDA; minus (B) capital expenditures.

"Interest Expenses" means, for any period, the total interest expenses (including the interest portion of Capital Leases) for the Borrower and the Restricted Subsidiaries calculated on a consolidated basis without duplication in accordance with GAAP.

(b) Consolidated Indebtedness to Adjusted EBITDA. As of the last day of each fiscal quarter during the periods described below, the Borrower shall not permit the ratio of Consolidated Indebtedness outstanding as of such day to the Adjusted EBITDA for the four (4) fiscal quarters then ended to exceed: (i) 3.00 to 1.00 at all times other than as described in the following clause (ii); or (ii) 3.25 to 1.00 for all fiscal quarters ending prior to March 31, 2001 if, and only if prior to any such fiscal quarter end Borrower shall have delivered to the Administrative Agent evidence satisfactory to it that the holders of the Indebtedness outstanding under the Senior Note Purchase Agreements and the holders of any other Indebtedness that have the benefit of a Consolidated Indebtedness to Adjusted EBITDA ratio the same or similar to this Section 5.15(b), shall have agreed to a maximum ratio not to exceed 3.25 to 1.00 for all fiscal quarters prior to March 31, 2001.

(c) Consolidated Net Worth. The Borrower will not permit Consolidated Net Worth as at the last day of any fiscal quarter of the Borrower to be less than the sum of (a) $261,000,000, plus (b) 15% of its aggregate Consolidated Net Income (but only if a positive number) for the period beginning April 1, 1998 and ending at the end of each fiscal quarter thereafter.

SECTION 5.16. Limitation on Dividend Restrictions, etc. The Borrower will not permit any Restricted Subsidiary to enter into, adopt, create or otherwise be or become bound by or subject to any contract or charter or by-law provision limiting the amount of, or otherwise imposing restrictions on the declaration, payment or setting aside of funds for the making of, any Distributions in respect of the capital stock of such Restricted Subsidiary to the Borrower or another Restricted Subsidiary.

SECTION 5.17. Limitation on Restricted Indebtedness. The Borrower will not at any time permit the aggregate amount of Restricted Indebtedness to exceed 15% of Consolidated Net Worth.

SECTION 5.18. Preferred Stock of Restricted Subsidiaries. The Borrower will not permit any Restricted Subsidiary to issue or permit to remain outstanding any Preferred Stock unless such Preferred Stock is issued to and at all times owned and held by the Borrower or a Wholly-Owned Restricted Subsidiary.

SECTION 5.19. No Redesignation of Restricted Subsidiaries. The Borrower will not designate any Restricted Subsidiary as, or take or permit to be taken any action that would cause any Restricted Subsidiary to become, an Unrestricted Subsidiary.

SECTION 5.20. Financial and Business Information. The Borrower will furnish to the Administrative Agent and each Lender:

(a) Quarterly Statements. Within 45 days after the end of each quarterly fiscal period in each fiscal year of the Borrower (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of:

(i) consolidated and consolidating balance sheets of the Borrower and its Restricted Subsidiaries and of the Borrower and its Subsidiaries as at the end of such quarter, and

(ii) consolidated and consolidating statements of income, changes in shareholders' equity and cash flows of the Borrower and its Restricted Subsidiaries and of the Borrower and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

all in reasonable detail and setting forth, in the case of such consolidated statements, in comparative form the figures for the corresponding periods in the previous fiscal year, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, provided that delivery within the time period specified above of copies of the Borrower's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 5.20(a); provided further that if such Form 10-Q does not contain consolidating information for the Borrower and its Restricted Subsidiaries, the Borrower shall also deliver to each such holder the consolidating information described in this Section 5.20(a);

(b) Annual Statements. Within 90 days after the end of each fiscal year of the Borrower, duplicate copies of:

(i) consolidated and consolidating balance sheets of the Borrower and its Restricted Subsidiaries and of the Borrower and its Subsidiaries, as at the end of such year, and

(ii) consolidated and consolidating statements of income, changes in shareholders' equity and cash flows of the Borrower and its Restricted Subsidiaries and of the Borrower and its Subsidiaries, for such year with each of the financial statements delivered under clauses (i) and (ii) of this clause (b) setting forth in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied, (1) in the case of the consolidated statements, by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and (2) in the case of the consolidating statements, either certified by a Senior Financial Officer as fairly stating, or accompanied by a report thereon by such accountants containing a statement to the effect that such consolidating financial statements fairly state, the financial position and the results of operations and cash flows of the companies being reported upon in all material respects in relation to the

consolidated financial statements for the periods indicated as a whole; provided that the delivery within the time period specified above of the Borrower's Annual Report on Form 10-K for such fiscal year (together with the Borrower's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of clauses (i) and (ii) of this Section 5.20 (b); provided further that if such Form 10-K does not contain consolidating information for the Borrower and its Restricted Subsidiaries, the Borrower shall also deliver to each such holder the consolidating information described in this Section 5.20(b); and

(iii) a certificate of such accountants stating that in making the examination for such report, they have obtained no knowledge of any Default or Event of Default, or, if they have obtained knowledge of any Default or Event of Default, specifying the nature and period of existence thereof and the action the Borrower has taken or proposes to take with respect thereto.

(c) SEC and Other Reports. If the Borrower or any Restricted Subsidiary shall be required to file reports with the Securities and Exchange Commission, promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Borrower or any Restricted Subsidiary to public securities holders generally, and (ii) each regular or periodic report, each registration statement that shall have become effective (without exhibits except as expressly requested by such holder), and each final prospectus and all amendments thereto filed by the Borrower or any Restricted Subsidiary with the Securities and Exchange Commission;

(d) Notice of Default or Event of Default. Promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Borrower is taking or proposes to take with respect thereto;

(e) ERISA Matters. Promptly, and in any event within five days after a Responsible Officer becomes aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Borrower or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof and the potential cost to the Borrower or such ERISA Affiliate resulting therefrom exceeds $500,000; or

(ii) the taking by the PBGC of steps to institute, or the threatening in writing by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Borrower or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Borrower or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Borrower or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, would reasonably be expected to have a Material Adverse Effect.

(f) Requested Information. With reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Borrower or any of its Restricted Subsidiaries or relating to the ability of the Borrower to perform its obligations hereunder as from time to time may be reasonably requested by any Lender.

(g) Officer's Certificate. Each set of financial statements delivered pursuant to Section 5.20(a) or Section 5.20(b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(i) Covenant Compliance. The information (including detailed calculations) required in order to establish the Debt to Adjusted EBITDA Ratio, the Applicable Margin, the Commitment Fee Percentage and whether the Borrower was in compliance with the requirements of Section 5.11 through Section 5.17 hereof, inclusive, and with all Additional Covenants, if any, that involve calculations during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section or Additional Covenant, as the case may be, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections or Additional Covenants, as the case may be, and the calculation of the amount, ratio or percentage then in existence);

(ii) Event of Default. A statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Borrower and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Borrower or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Borrower shall have taken or proposes to take with respect thereto;

(iii) Management's Discussion and Analysis. A written discussion and analysis by management of the financial condition and results of operations of the lines of business conducted by each material Restricted Subsidiary for such accounting period; provided that delivery

within the time period specified above of copies of, in the case of Section 5.20(a), the Borrower's Quarterly Report on Form 10-Q, or, in the case of Section 5.20(b) the Borrower's Annual Report on Form 10-K, in each case prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy this clause (iii); and

(iv) Litigation. A written statement that, to the best of such Officer's knowledge after due inquiry, except as otherwise disclosed in writing to you, there is no litigation (including derivative actions), arbitration proceeding or governmental proceeding pending to which the Borrower or any Subsidiary is a party, or with respect to the Borrower or any Subsidiary or their respective properties, which has a significant possibility of materially and adversely affecting the business, operations, properties or condition of the Borrower or of the Borrower and its Subsidiaries taken as a whole.

SECTION 5.21. Inspection; Confidentiality. The Borrower shall permit the representatives of the Administrative Agent and each Lender:

(a) No Default. If no Default or Event of Default then exists, at the expense of such Agent or Lender and upon reasonable prior notice to the Borrower, to visit the principal executive office of the Borrower, to discuss the affairs, finances and accounts of the Borrower and its Restricted Subsidiaries with the Borrower's officers and (with the consent of the Borrower, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Borrower, which consent will not be unreasonably withheld) to visit the other offices and properties of the Borrower and each Restricted Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing;

(b) Default. If a Default or Event of Default then exists, at the expense of the Borrower to visit and inspect any of the offices or properties of the Borrower or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Borrower authorizes said accountants to discuss the affairs, finances and accounts of the Borrower and its Subsidiaries), all at such times and as often as may be requested; and

(c) Technical Data. Anything herein to the contrary notwithstanding, neither the Borrower nor any of its Subsidiaries shall have any obligations to disclose pursuant to this Agreement any engineering, scientific, or other technical data without significance to the analysis of the financial position of the Borrower and its Subsidiaries.

SECTION 5.22. Books and Records. The Borrower shall maintain its financial records in accordance with GAAP and all other business and operating records in accordance with reasonably prudent business practices.

ARTICLE 6.

EVENTS OF DEFAULT

In case of the happening of any of the following events (each an "Event of Default"):

(a) the Borrower defaults in the payment of any principal on any Loan or Swingline Loan or the reimbursement of any LC Disbursement, in each case when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Borrower defaults in the payment of any interest on any Loan or Swingline Loan for more than five Business Days after the same becomes due and payable; or

(c) the Borrower defaults in the performance of or compliance with any term contained in Section 5.20(d) or Sections 5.10 through 5.19; or

(d) the Borrower defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Article 6) or any Additional Covenant and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Borrower receiving written notice of such default from the Administrative Agent or any Lender (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (d) of Article 6); or

(e) any representation or warranty made in writing by or on behalf of the Borrower or by any officer of the Borrower in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Borrower or any Restricted Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $5,000,000 beyond any period of grace provided with respect thereto, or (ii) the Borrower or any Restricted Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least $5,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared due and payable before its stated maturity or before its regularly scheduled dates of payment; or

(g) the Borrower or any Restricted Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Borrower or any of its Restricted Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Borrower or any of its Restricted Subsidiaries,

or any such petition shall be filed against the Borrower or any of its Restricted Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of $5,000,000 are rendered against one or more of the Borrower and its Restricted Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) if (i) any Plan subject to the minimum funding standards of ERISA or the Code shall fail to satisfy such standards for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Borrower or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate amount of unfunded accrued plan benefit liabilities under all Plans subject to Title IV of ERISA, determined in accordance with Financial Accounting Standards Board Statement No. 87 or 132, as the case may be, as of the end of such Plans' most recently ended plan year on the basis of actuarial assumptions specified for funding purposes in such Plans' most recent actuarial valuation report, shall exceed $5,000,000, (iv) the Borrower or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Borrower or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Borrower or any Restricted Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Borrower or any Restricted Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, would reasonably be expected to have a Materially Adverse Effect (as used in Article 6, the terms "employee benefit plan" and "employee welfare benefit plan" shall have the respective meanings assigned to such terms in Section 3 of ERISA);

then, and in every such event, and at any time thereafter during the continuance of such event, the Administrative Agent, at the request of the Required Lenders, shall, by notice to the Borrower, take any or all of the following actions, at the same or different times: (i) terminate forthwith the right of the Borrower to borrow hereunder or to request the issuance, amendment, extension or renewal or other modification of any Letter of Credit, (ii) exercise any rights that may be available upon an Event of Default to terminate or cancel any outstanding Letters of Credit, and (iii) declare the Borrowings (including all Loans and Swingline Loans) and all reimbursement obligations for LC Disbursements, then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Borrowings (including all Loans and Swingline Loans) and the reimbursement obligations for LC Disbursements, so declared to be due and payable, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrower accrued hereunder, shall become forthwith due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or any other notice of any kind, all of which are hereby expressly waived, anything contained herein to the contrary notwithstanding; provided that in the case of any event described in paragraph (g) or (h) above with respect to the Borrower, all the Commitments of the Lenders, the commitment of the Swingline Lender to make Swingline Loans and the obligation of the Issuing Bank hereunder to issue Letters of Credit shall automatically terminate and the principal amount of all Borrowings (including all Loans and Swingline Loans) and all reimbursement obligations for LC Disbursements, then outstanding, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrower accrued hereunder shall automatically become due and payable, without presentment, demand,

protest, notice of intent to accelerate, notice of acceleration or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein to the contrary notwithstanding.

ARTICLE 7. THE ADMINISTRATIVE AGENT

In order to expedite the transactions contemplated by this Agreement, Chase Bank of Texas, National Association is hereby appointed to act as Administrative Agent, on behalf of the Lenders and the Issuing Bank. Each of the Lenders and the Issuing Bank hereby irrevocably authorizes the Administrative Agent to take such actions on behalf of such Lender or the Issuing Bank and to exercise such powers as are specifically delegated to the Administrative Agent by the terms and provisions hereof, together with such actions and powers as are reasonably incidental thereto. The Administrative Agent is hereby expressly authorized by the Lenders and the Issuing Bank, without hereby limiting any implied authority, (a) to receive on behalf of the Lenders and the Issuing Bank, as applicable, all payments of principal of and interest on the Borrowings and all other amounts due to the Lenders and the Issuing Bank hereunder, and promptly to distribute to each Lender and the Issuing Bank its share of each payment so received; (b) to give notice on behalf of each of the Lenders and the Issuing Bank to the Borrower of any Event of Default of which the Administrative Agent has actual knowledge acquired in connection with its agency hereunder; and (c) to distribute to each Lender and the Issuing Bank copies of all notices, financial statements and other materials delivered by the Borrower pursuant to this Agreement as received by the Administrative Agent.

Neither Administrative Agent nor any of its directors, officers, employees or agents shall be liable as such for any action taken or omitted by any of them except for its or his or her own gross negligence or willful misconduct, or be responsible for any statement, warranty or representation herein or the contents of any document delivered in connection herewith, or be required to ascertain or to make any inquiry concerning the performance or observance by the Borrower of any of the terms, conditions, covenants or agreements contained in this Agreement. The Administrative Agent shall not be responsible to the Lenders or the Issuing Bank for the due execution, genuineness, validity, enforceability or effectiveness of this Agreement or other instruments or agreements; provided that the foregoing exclusion shall not have the effect of releasing the Administrative Agent from its stated responsibilities herein to receive executed agreements, documents and instruments on behalf of the Lenders and the Issuing Bank. The Administrative Agent may deem and treat the Lender which makes any Loan or Swingline Loan or participates in any Swingline Loan or in the obligation to reimburse the Issuing Bank for any LC Disbursement as the holder of the indebtedness resulting therefrom for all purposes hereof until it shall have received notice from such Lender, given as provided herein, of the transfer thereof. The Administrative Agent shall in all cases be fully protected in acting, or refraining from acting, in accordance with written instructions signed by the Required Lenders and, except as otherwise specifically provided herein, such instructions and any action or inaction pursuant thereto shall be binding on all the Lenders and the Issuing Bank. The Administrative Agent shall, in the absence of knowledge to the contrary, be entitled to rely on any instrument or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper Person or Persons. Neither the Administrative Agent nor any of its directors, officers, employees or agents shall have any responsibility to the Borrower on account of the failure of or delay in performance or breach by any Lender or the Issuing Bank of any of its obligations hereunder or any Lender on account of the failure of or delay in performance or breach by any Lender or the Issuing Bank or the Borrower of any of their respective obligations hereunder or in connection herewith. The Administrative Agent may execute any and all duties hereunder by or through agents or employees and shall be entitled to rely upon the advice of legal counsel selected by it with respect to all matters arising hereunder and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel.

The Lenders and the Issuing Bank hereby acknowledge that the Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement unless it shall be requested in writing to do so by the Required Lenders.

Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent who must be acceptable to the Borrower and shall be selected from the Lenders unless no Lender agrees to accept such appointment. If no successor shall have been so appointed by the Required Lenders, no approval of the Borrower obtained and such successor shall not have accepted such appointment, all within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a bank having a combined capital and surplus of at least $500,000,000 or an Affiliate of any such bank. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor bank, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 8.05 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

With respect to the Loans and Swingline Loans made by it hereunder, the Administrative Agent, in its individual capacity as a Lender and the Swingline Lender and not as Administrative Agent shall have the same rights and powers as any other Lender and may exercise the same as though it were not the Administrative Agent, and the Administrative Agent and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent.

Each Lender agrees (i) to reimburse the Administrative Agent, on demand, in the amount of its Applicable Percentage of any expenses incurred for the benefit of the Lenders or the Issuing Bank in its role as Administrative Agent, including reasonable counsel fees and compensation of agents and employees paid for services rendered on behalf of the Lenders or the Issuing Bank, which shall not have been reimbursed by the Borrower AND (II) TO INDEMNIFY AND HOLD HARMLESS THE ADMINISTRATIVE AGENT AND ANY OF ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS, ON DEMAND, IN THE AMOUNT OF SUCH APPLICABLE PERCENTAGE, FROM AND AGAINST ANY AND ALL LIABILITIES, TAXES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES OR DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER WHICH MAY BE IMPOSED ON, INCURRED BY OR ASSERTED AGAINST IT IN ANY WAY RELATING TO OR ARISING OUT OF THIS AGREEMENT OR ANY ACTION TAKEN OR OMITTED BY IT UNDER THIS AGREEMENT TO THE EXTENT THE SAME SHALL NOT HAVE BEEN REIMBURSED BY THE BORROWER (INCLUDING WITHOUT LIMITATION, ALL LIABILITIES, TAXES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES, OR DISBURSEMENTS ARISING FROM THE SOLE OR CONTRIBUTORY NEGLIGENCE OF THE ADMINISTRATIVE AGENT); PROVIDED THAT NO LENDER SHALL BE LIABLE TO THE ADMINISTRATIVE AGENT FOR ANY PORTION OF SUCH LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES OR DISBURSEMENTS RESULTING FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE ADMINISTRATIVE AGENT OR ANY OF ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS.

Each Lender and the Issuing Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and the Issuing Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement or any related agreement or any document furnished hereunder or thereunder.

Wachovia Bank, N.A. has been designated as the syndication agent hereunder and The Bank of Nova Scotia has been designated as the documentation agent in recognition of the level of their respective Commitments. Neither Wachovia Bank, N.A. nor The Bank of Nova Scotia is an agent for the Lenders and shall not have any obligation hereunder other than those existing in its capacity as Lender.

ARTICLE 8. MISCELLANEOUS

SECTION 8.01. Notices. Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed or sent by telecopy, as follows:

(a) if to Borrower, at its principal executive offices at 2140 Lake Park Blvd., Richardson, Texas 75080, to the attention of Chief Financial Officer, Telecopy No. 972/497-6042 with a copy to the Vice President and Corporate Treasurer, Telecopy No. 972/497-5015;

(b) if to the Administrative Agent, the Issuing Bank or the Swingline Lender, to Chase Bank of Texas, National Association, 2200 Ross Avenue, 3rd Floor, Dallas, TX 75201, Attention of Allen King, (Telecopy No. 214/965-2044), with a copy to Chase Bank of Texas, National Association, c/o The Chase Manhattan Bank, 1 Chase Manhattan Plaza, 8th Floor, New York, New York 10081; Attention: Muniram Appanna, Telephone 212/552-7943; Telecopy No. 212/552-7490; and

(c) if to a Lender, to it at its address (or telecopy number) set forth in the Administrative Questionnaire delivered to the Administrative Agent by such Lender in connection with the execution of this Agreement or in the Assignment and Acceptance pursuant to which such Lender became a party hereto.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by telecopy to such party as provided in this Section or in accordance with the latest unrevoked direction from such party given in accordance with this Section.

SECTION 8.02. Survival of Agreement. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Lenders and shall survive the making by the Lenders of the Loans or the acquisition and funding of participations in Swingline Loans or Letters of Credit, or the making by the Swingline Lender of any Swingline Loan or the issuance by Issuing Bank of the Letters of Credit regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Borrowing, any Letter of Credit Liability or any Fee or any other amount payable under this Agreement is outstanding and unpaid or the commitments and obligations of the Lenders and the Issuing Bank hereunder have not been terminated.

SECTION 8.03. Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower and the Administrative Agent and when the Administrative Agent shall have received copies hereof (telecopied or otherwise) which, when taken together, bear the signature of each Lender, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower shall not have the right to assign any rights hereunder or any interest herein without the prior consent of all the Lenders (except as a consequence of a transaction expressly permitted under Section 5.10).

SECTION 8.04. Successors and Assigns.

(a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any party that are contained in this Agreement shall bind and inure to the benefit of its successors and assigns.

(b) Each Lender may assign to one or more assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided, however, that (i) except in the case of an assignment to a Lender or an Affiliate of such Lender or an assignment to a Federal Reserve Bank, the Borrower and the Administrative Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld); provided, however, that if an Event of Default shall have occurred and be continuing, the Borrower's consent will not be necessary, (ii) the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment and the amount of the Commitment retained by the assigning Lender (each determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than $10,000,000 unless the assigning Lender is assigning its entire Commitment or unless the assignment is to another Lender or to an Affiliate of a Lender, (iii) each such assignment shall be of a constant, and not a varying, percentage of all the assigning Lender's rights and obligations under this Agreement, (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance and a processing and recordation fee of $3,000, and the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. Upon acceptance and recording pursuant to Section 8.04(e), from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five Business Days after the execution thereof unless otherwise agreed by the Administrative Agent (the Borrower to be given reasonable notice of any shorter period), (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement and (B) the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto (but shall continue to be entitled to the benefits of Sections 2.11, 2.16 and 8.05 afforded to such Lender prior to its assignment as well as to any Fees accrued for its account hereunder and not yet paid)).

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, (ii) except as set forth in (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument

or document furnished pursuant hereto or the financial condition of the Borrower or the performance or observance by the Borrower of any obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.20 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (v) such assignee will independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent shall maintain at one of its offices in New York, New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, the principal amount of the Loans and Swingline Loans owing to and the participations interest in Letters of Credit held by, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive in the absence of manifest error and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by each party hereto, at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee together with an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) above and, if required, the written consent of the Borrower and the Administrative Agent to such assignment, the Administrative Agent shall (i) accept such Assignment and Acceptance and (ii) record the information contained therein in the Register.

(f) Each Lender may without the consent of the Borrower or the Administrative Agent sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) each participating bank or other entity shall be entitled to the benefit of the cost protection provisions contained in Sections 2.11, 2.16 and 8.05 to the same extent as if it were the selling Lender (and limited to the amount that could have been claimed by the selling Lender had it continued to hold the interest of such participating bank or other entity), except that all claims made pursuant to such Sections shall be made through such selling Lender, and (iv) the Borrower, the Administrative Agent, and the other Lenders shall continue to deal solely and directly with such selling Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the participant, agree to any amendment, modification or waiver described in clauses (i) through (iii) of Section 8.08(b) that affects such participant.

(g) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure, each such assignee or participant or proposed assignee or participant shall execute an agreement whereby such assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of any such information which constitutes Confidential Information in accordance with Section 8.14.

(h) The Borrower shall not assign or delegate any rights and duties hereunder without the prior written consent of all Lenders, and any attempted assignment or delegation (except as a consequence of a transaction expressly permitted under Section 5.10) by the Borrower without such consent shall be void.

(i) Any Lender may at any time assign or pledge all or any portion of its rights under this Agreement to a Federal Reserve Bank; provided that no such assignment or pledge shall release any Lender from its obligations hereunder or substitute any such Federal Reserve Bank for such Lender as a party hereto. In order to facilitate such an assignment to a Federal Reserve Bank, the Borrower shall, at the request of the assigning Lender, duly execute and deliver to the assigning Lender a promissory note or notes evidencing the Loans and Swingline Loans made to the Borrower by the assigning Lender hereunder.

SECTION 8.05. Expenses; Indemnity.

(a) The Borrower agrees to pay all reasonable out-of-pocket expenses incurred by Administrative Agent or Chase Securities Inc. or the Issuing Bank in connection with entering into this Agreement or in connection with any amendments, modifications or waivers of the provisions hereof (but only if such amendments, modifications or waivers are requested by the Borrower) (whether or not the transactions hereby contemplated are consummated) or in connection with the issuance, modification, extension or renewal of any Letter of Credit, or incurred by the Administrative Agent, the Issuing Bank, or any Lender in connection with the enforcement of their rights in connection with this Agreement or in connection with the Loans and Swingline Loans made and Letters of Credit issued hereunder, including the reasonable fees and disbursements of counsel for the Administrative Agent and the Issuing Bank or, in the case of enforcement following an Event of Default, the Lenders.

(b) THE BORROWER AGREES TO INDEMNIFY EACH LENDER AND ISSUING BANK AGAINST ANY LOSS, CALCULATED IN ACCORDANCE WITH THE NEXT SENTENCE, OR REASONABLE EXPENSE WHICH SUCH LENDER OR ISSUING BANK MAY SUSTAIN OR INCUR AS A CONSEQUENCE OF (A) ANY FAILURE BY THE BORROWER TO BORROW OR TO CONVERT OR CONTINUE ANY LOAN OR SWINGLINE LOAN HEREUNDER (INCLUDING AS A RESULT OF THE BORROWER'S FAILURE TO FULFILL ANY OF THE APPLICABLE CONDITIONS SET FORTH IN ARTICLE 4) AFTER IRREVOCABLE NOTICE OF SUCH BORROWING, CONVERSION OR CONTINUATION HAS BEEN GIVEN PURSUANT HERETO, (B) ANY PAYMENT, PREPAYMENT OR CONVERSION, ASSIGNMENT OR FUNDING OF A EURODOLLAR LOAN OR NEGOTIATED RATE BORROWING REQUIRED BY ANY PROVISION OF THIS AGREEMENT OR OTHERWISE MADE OR DEEMED MADE ON A DATE OTHER THAN THE LAST DAY OF THE INTEREST PERIOD, IF ANY, APPLICABLE THERETO, (INCLUDING ANY FUNDING OF A EURODOLLAR LOAN OR NEGOTIATED RATE BORROWING AS A RESULT OF THE OPERATION OF SECTION 2.19(b)) (C) ANY DEFAULT IN PAYMENT OR PREPAYMENT OF THE PRINCIPAL AMOUNT OF ANY LOAN OR SWINGLINE LOAN OR ANY REIMBURSEMENT OBLIGATION IN RESPECT OF ANY LC DISBURSEMENT OR ANY PART THEREOF OR INTEREST ACCRUED THEREON, AS AND WHEN DUE AND PAYABLE (AT THE DUE DATE THEREOF, WHETHER BY SCHEDULED MATURITY,

ACCELERATION, IRREVOCABLE NOTICE OF PREPAYMENT OR OTHERWISE) OR (D) THE OCCURRENCE OF ANY EVENT OF DEFAULT, INCLUDING, IN EACH SUCH CASE, ANY LOSS OR REASONABLE EXPENSE SUSTAINED OR INCURRED OR TO BE SUSTAINED OR INCURRED BY SUCH LENDER IN LIQUIDATING OR EMPLOYING DEPOSITS FROM THIRD PARTIES, OR WITH RESPECT TO COMMITMENTS MADE OR OBLIGATIONS UNDERTAKEN WITH THIRD PARTIES, TO EFFECT OR MAINTAIN ANY LOAN OR SWINGLINE LOAN HEREUNDER OR ANY PART THEREOF AS A EURODOLLAR LOAN OR NEGOTIATED RATE BORROWING. SUCH LOSS SHALL INCLUDE AN AMOUNT EQUAL TO THE EXCESS, IF ANY, AS REASONABLY DETERMINED BY SUCH LENDER, OF (I) ITS COST OF OBTAINING THE FUNDS FOR THE LOAN OR SWINGLINE LOAN BEING PAID, PREPAID, CONVERTED OR NOT BORROWED (ASSUMED TO BE THE LIBO RATE OR WITH RESPECT TO THE NEGOTIATED RATE BORROWINGS, THE APPLICABLE NEGOTIATED RATE) FOR THE PERIOD FROM THE DATE OF SUCH PAYMENT, PREPAYMENT OR FAILURE TO BORROW TO THE LAST DAY OF THE INTEREST PERIOD FOR SUCH LOAN OR SWINGLINE LOAN (OR, IN THE CASE OF A FAILURE TO BORROW THE INTEREST PERIOD FOR SUCH LOAN OR SWINGLINE LOAN WHICH WOULD HAVE COMMENCED ON THE DATE OF SUCH FAILURE) OVER (II) THE AMOUNT OF INTEREST (AS REASONABLY DETERMINED BY SUCH LENDER) THAT WOULD BE REALIZED BY SUCH LENDER IN REEMPLOYING THE FUNDS SO PAID, PREPAID OR NOT BORROWED FOR SUCH PERIOD OR INTEREST PERIOD, AS THE CASE MAY BE.

(c) THE BORROWER AGREES TO INDEMNIFY THE ADMINISTRATIVE AGENT, THE ISSUING BANK, EACH LENDER, EACH OF THEIR AFFILIATES AND THE DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS OF THE FOREGOING (EACH SUCH PERSON BEING CALLED AN "INDEMNITEE") AGAINST, AND TO HOLD EACH INDEMNITEE HARMLESS FROM, ANY AND ALL LOSSES, CLAIMS, DAMAGES, LIABILITIES AND RELATED EXPENSES, INCLUDING REASONABLE COUNSEL FEES AND EXPENSES, INCURRED BY OR ASSERTED AGAINST ANY INDEMNITEE ARISING OUT OF (I) THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, (II) THE USE OF THE PROCEEDS OF THE BORROWINGS OR THE USE OF ANY LETTER OF CREDIT OR (III) ANY CLAIM, LITIGATION, INVESTIGATION OR PROCEEDING RELATING TO ANY OF THE FOREGOING, WHETHER OR NOT ANY INDEMNITEE IS A PARTY THERETO (INCLUDING, WITHOUT LIMITATION, ANY LOSSES, CLAIMS, DAMAGES, LIABILITIES AND RELATED EXPENSES ARISING FROM THE SOLE OR CONTRIBUTORY NEGLIGENCE OF THE INDEMNITEE); PROVIDED THAT SUCH INDEMNITY SHALL NOT, AS TO ANY INDEMNITEE, BE AVAILABLE TO THE EXTENT THAT SUCH LOSSES, CLAIMS, DAMAGES, LIABILITIES OR RELATED EXPENSES (I) ARE DETERMINED TO HAVE RESULTED FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNITEE OR (II) RESULT FROM ANY LITIGATION BROUGHT BY SUCH INDEMNITEE AGAINST THE BORROWER OR BY THE BORROWER AGAINST SUCH INDEMNITEE, IN WHICH THE BORROWER IS THE PREVAILING PARTY.

(d) The provisions of this Section shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the termination or satisfaction of all Letter of Credit Liabilities, the consummation of the transactions contemplated hereby, the repayment of any of the Borrowings, the invalidity or unenforceability of any term or provision of this Agreement or any investigation made by or on behalf of any Agent or any Lender. All amounts due under this Section shall be payable on written demand therefor.

SECTION 8.06. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law,

to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 8.07. Applicable Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS.

SECTION 8.08. Waivers; Amendment.

(a) No failure or delay of Borrower, the Administrative Agent, the Issuing Bank or any Lender in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Bank and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies which they would otherwise have. No waiver of any provision of this Agreement or consent to any departure therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Borrower or any Subsidiary in any case shall entitle such party to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders; provided, however, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any interest on any Loan, or waive or excuse any such payment or any part thereof, or decrease the rate of interest on any Loan, without the prior written consent of each Lender directly affected thereby, or (ii) increase a Lender's Commitment without the consent of such Lender, or (iii) decrease the Commitment Fee Percentage or change the date on which the Commitment Fees are due and payable without the prior written consent of each Lender directly affected thereby, or (iv) amend or modify the provisions of Section 2.13 or Section 8.04(h), the provisions of this Section or the definition of the "Required Lenders", without the prior written consent of each Lender; provided further, however, that no such agreement shall amend, modify or otherwise affect the rights or duties of (a) the Administrative Agent hereunder without the prior written consent of the Administrative Agent, (b) the Issuing Bank hereunder without the prior written consent of the Issuing Bank or (c) the Swingline Lender hereunder without the prior written consent of the Swingline Lender. Notwithstanding the foregoing, the Issuing Bank may be replaced in accordance with Section 2.20(h) without the consent of the Required Lenders. Each Lender shall be bound by any waiver, amendment or modification authorized by this Section and any consent by any Lender pursuant to this Section shall bind any assignee of its rights and interests hereunder.

SECTION 8.09. Entire Agreement. THIS AGREEMENT (INCLUDING THE SCHEDULES AND EXHIBITS HERETO), THE FEE LETTER AND THE OTHER DOCUMENTATION EXECUTED PURSUANT HERETO (INCLUDING, BUT NOT LIMITED TO ANY LETTER OF CREDIT ISSUED HEREUNDER) CONSTITUTE A "LOAN AGREEMENT" AS DEFINED IN SECTION 26.03(A) OF THE TEXAS BUSINESS AND COMMERCE CODE, AND REPRESENT THE ENTIRE CONTRACT AMONG

THE PARTIES RELATIVE TO THE SUBJECT MATTER HEREOF AND THEREOF. ANY PREVIOUS AGREEMENT AMONG THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF IS SUPERSEDED BY THIS AGREEMENT, THE FEE LETTER AND THE OTHER DOCUMENTATION EXECUTED PURSUANT HERETO (INCLUDING, BUT NOT LIMITED TO ANY LETTER OF CREDIT ISSUED HEREUNDER). THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. NOTHING IN THIS AGREEMENT, EXPRESSED OR IMPLIED, IS INTENDED TO CONFER UPON ANY PARTY OTHER THAN THE PARTIES HERETO ANY RIGHTS, REMEDIES, OBLIGATIONS OR LIABILITIES UNDER OR BY REASON OF THIS AGREEMENT.

SECTION 8.10. Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8.11. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract, and shall become effective as provided in Section 8.03.

SECTION 8.12. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 8.13. Interest Rate Limitation.

(a) Notwithstanding anything herein to the contrary, if at any time the applicable interest rate, together with all fees and charges which are treated as interest under applicable law (collectively the "Charges"), as provided for herein or in any other document executed in connection herewith, or otherwise contracted for, charged, received, taken or reserved by any Lender, shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by such Lender in accordance with applicable law, the rate of interest payable on the Loans or Swingline Loans of such Lender, together with all Charges payable to such Lender, shall be limited to the Maximum Rate.

(b) If the amount of interest, together with all Charges, payable for the account of any Lender in respect of any interest computation period is reduced pursuant to paragraph (a) of this Section and the amount of interest, together with all Charges, payable for such Lender's account in respect of any subsequent interest computation period, computed pursuant to Section 2.06, would be less than the Maximum Rate, then the amount of interest, together with all Charges, payable for such Lender's account in respect of such subsequent interest computation period shall, to the extent permitted by applicable law, be automatically increased to such Maximum Rate; provided that at no time shall the aggregate amount by which interest paid for the account of any Lender has been increased pursuant to this paragraph (b) exceed the aggregate amount by which interest, together with all Charges, paid for its account has theretofore been reduced pursuant to paragraph (a) of this Section.

(c) No provision of this Agreement shall require the payment or the collection of interest in excess of the maximum amount permitted by applicable law. If any excess of interest in such respect is hereby provided for, or shall be adjudicated to be so provided, in this Agreement or otherwise in connection with this loan transaction, the provisions of this Section shall govern and prevail and neither the Borrower

nor the sureties, guarantors, successors, or assigns of the Borrower shall be obligated to pay the excess amount of such interest or any other excess sum paid for the use, forbearance, or detention of sums loaned pursuant hereto. In the event any Lender ever receives, collects, or applies as interest any such sum, such amount which would be in excess of the maximum amount permitted by applicable law shall be applied as a payment and reduction of the principal of the Borrowings; and, if the principal of the Borrowings has been paid in full, any remaining excess shall forthwith be paid to the Borrower. In determining whether or not the interest paid or payable exceeds the Maximum Rate, the Borrower and each Lender shall, to the extent permitted by applicable law, (a) characterize any non-principal payment as an expense, fee, or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the entire contemplated term of the Borrowings so that interest for the entire term does not exceed the Maximum Rate.

SECTION 8.14. Confidentiality. For the purposes of this Section 8.14, "Confidential Information" means information delivered to the Administrative Agent, the Issuing Bank or a Lender by or on behalf of the Borrower or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by the Administrative Agent, the Issuing Bank or a Lender as being confidential information of the Borrower or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to the Administrative Agent, the Issuing Bank or a Lender prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by the Administrative Agent, the Issuing Bank or a Lender or any Person acting on their behalf, (c) otherwise becomes known to the Administrative Agent, the Issuing Bank or a Lender other than through disclosure by the Borrower or any Subsidiary or (d) constitutes financial statements delivered to you under Section 5.20 that are otherwise publicly available. The Administrative Agent, the Issuing Bank and each Lender agree that they will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by them in good faith to protect confidential information of third parties delivered to them, provided that Administrative Agent, the Issuing Bank or a Lender may deliver or disclose Confidential Information to (i) its directors, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of this Agreement), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 8.14, (iii) any other Lender, (iv) any Transferee (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 8.14), (v) any Person from which it offers to purchase any Security of the Borrower or a Subsidiary (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 8.14), (vi) any federal or state regulatory authority having jurisdiction over it, (vii) any nationally recognized rating agency that requires access to information about its investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to it, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which it is a party or (z) if an Event of Default has occurred and is continuing, to the extent the Administrative Agent, the Issuing Bank or a Lender may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under this Agreement.

SECTION 8.15. Non-Application of Chapter 346 of the Texas Finance Code. The provisions of Chapter 346 of the Texas Finance Code are specifically declared by the parties hereto not to be applicable to this Agreement or to the transactions contemplated hereby.

SECTION 8.16. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A

TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

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

LENNOX INTERNATIONAL INC.,
as Borrower

By: /s/ Clyde Wyant

Clyde Wyant
Executive Vice President,
Chief Financial Officer

CHASE BANK OF TEXAS,
NATIONAL ASSOCIATION,
individually as a Lender, the Issuing Bank and the Swingline Lender and as Administrative Agent

By: /s/ Allen King

Allen King
Vice President

WACHOVIA BANK, N.A.,
individually as a Lender and as syndication agent

By: /s/ A. Michael Klein

Name: A. Michael Klein
Title: Vice President

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

By: /s/ F.C.H. Ashby

Name: F.C.H. Ashby
Title: Senior Manager Loan Operations

ABN AMRO BANK, N.V.

By: /s/ Laurie C. Tuzo

Name: Laurie C. Tuzo
Title: Senior Vice President

By: /s/ Eric R. Hollingsworth

Name: Eric R. Hollingsworth
Title: Vice President

BANK OF AMERICA, N.A.

By: /s/ Natalie E. Hebert

Name: Natalie E. Hebert
Title: Vice President

BANK OF TEXAS, N.A.

By: /s/ David Broussard, Jr.

Name: David Broussard, Jr.
Title: Sr.V.P.

BANK ONE, TEXAS, N.A.

By: /s/ Gina A. Norris

Name: Gina A. Norris
Title: Managing Director

FIRST UNION NATIONAL BANK

By: /s/ David C. Hauglid

Name: David C. Hauglid
Title: Vice President

MERCANTILE BANK NATIONAL ASSOCIATION

By: /s/ Gregory L. Dryden

Gregory L. Dryden, Vice President

ROYAL BANK OF CANADA

By: /s/ N.G. Millar

Name: N.G. Millar
Title: Senior Manager

SUNTRUST BANK

By: /s/ David J. Edge

Name: David J. Edge
Title:

THE BANK OF NEW YORK

By: /s/ Mark T. Familo

Name: Mark T. Familo
Title: Vice President

THE BANK OF TOKYO-MITSUBISHI, LTD.

By: /s/ D. Barnell

Name: D. Barnell
Title: Vice President

By: /s/ John M. Mearns

Name: John M. Mearns
Title: VP & Manager

THE NORTHERN TRUST COMPANY

By: /s/ Nicole Boehm

Name: Nicole Boehm
Title: Officer

UBS AG, Stamford Branch

By: /s/ Paul R. Morrison

Name: Paul R. Morrison
Title: Executive Director

By: /s/ Dorothy McKinley

Name: Dorothy McKinley
Title: Associate Director

EXHIBITS AND SCHEDULES

Exhibit A	Form of Borrowing Request
Exhibit B	Form of Assignment and Acceptance
Exhibit C	Matters to be covered in Opinion of Counsel to the Borrower
Schedule 2.01	Commitments
Schedule 3.05	Subsidiaries
Schedule 3.06	Financial Statements
Schedule 3.13	Indebtedness

EXHIBIT A
to
Lennox International
364 Day Revolving Credit Facility Agreement

Form of Borrowing Request

EXHIBIT A, Cover Page

FORM OF BORROWING REQUEST

Chase Bank of Texas, National Association, [Date]
as Administrative Agent for the Lenders referred to below
2200 Ross Avenue, 3rd floor
Dallas, TX 77002

Attention: Brenda Harris
Telecopy: 214-965-2044

and

Chase Bank of Texas, National Association
Loan Syndications Services
1 Chase Manhattan Plaza, 8th Floor
New York, New York 10081

Telecopy: 212/552-5777

Ladies and Gentlemen:

The undersigned, Lennox International Inc. (the "Borrower"), refers to the 364 Day Revolving Credit Facility Agreement dated as of January 25, 2000 (as it may hereafter be amended, modified, extended or restated from time to time, the "Agreement"), among the Borrower, the Lenders named therein, and Chase Bank of Texas, National Association, as Administrative Agent, and Wachovia Bank, N.A., as syndication agent, and The Bank of Nova Scotia, as documentation agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Agreement. The Borrower hereby gives you notice that it requests a Borrowing under the Agreement, and sets forth below the terms on which such Borrowing is requested to be made:

(A) Date of Borrowing (which is a Business Day) ----------

(B) Type of Loan (i.e., Loan or Swingline Loan) ----------

(C) Principal amount of Borrowing(1) ----------

(D) Interest rate basis(2) ----------

(E) Interest Period and the last day thereof (for Eurodollar Loans and Negotiated Rate)(3) ----------

- ----------

(1) Not less than $5,000,000 (and in integral multiples of $1,000,000) or greater than the Total Commitment then available if a Loan or not less than $1,000,000 (and in integral multiples of $500,000) or greater than the Swingline Loan commitment then available, if a Swingline Loan.

(2) Eurodollar Loan, ABR Loan or Negotiated Rate.

(3) Which shall be subject to the definition of "Interest Period" and end not later than the Maturity Date.

The Borrower represents and warrants that the conditions to lending specified in Section 4.01(b) and (c) of the Agreement have been satisfied and that after giving effect to the Borrowing requested hereby, the total Revolving Exposures of all Lenders shall not exceed the Total Commitment.

Very truly yours,

LENNOX INTERNATIONAL INC.

By: _____
Name: _____
Title: _____
[SENIOR FINANCIAL OFFICER]

EXHIBIT B
to
Lennox International
364 Day Revolving Credit Facility Agreement

Form of Assignment and Acceptance

EXHIBIT B, Cover Page

ASSIGNMENT AND ACCEPTANCE

Dated: _____, ____

Reference is made to the 364 Day Revolving Credit Facility Agreement dated as of January 25, 2000 (as amended, modified, extended or restated from time to time, the "Agreement"), among Lennox International Inc. (the "Borrower"), the lenders that are a party thereto (the "Lenders"), Wachovia Bank, N.A., as syndication agent, The Bank of Nova Scotia, as documentation agent, and Chase Bank of Texas, National Association, as Administrative Agent for the Lenders. Terms defined in the Agreement are used herein with the same meanings. The phrase "Effective Date of Assignment" shall have the meaning set forth below.

1. The Assignor hereby sells and assigns, without recourse, to the Assignee, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Effective Date of Assignment, the interests set forth below (the "Assigned Interest") in the Assignor's rights and obligations under the Agreement, including, without limitation, the interests set forth below in the Commitment of the Assignor on the Effective Date of Assignment, and the Loans owing to the Assignor which are outstanding on the Effective Date of Assignment, and the participation interest of the Assignor in outstanding Letters of Credit on the Effective Date of Assignment and outstanding Swingline Loans on the Effective Date of Assignment together with unpaid interest accrued on the assigned Loans to the Effective Date of Assignment and the amount, if any, set forth below of the Fees accrued to the Effective Date of Assignment for the account of the Assignor. Each of the Assignor and the Assignee hereby makes and agrees to be bound by all the representations, warranties and agreements set forth in Section 8.04 of the Agreement, a copy of which has been received by each such party. From and after the Effective Date of Assignment, (i) the Assignee shall be a party to and be bound by the provisions of the Agreement and, to the extent of the interests assigned by this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the interests assigned by this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Agreement. After giving effect to this Assignment and Acceptance, Assignor's Commitment shall be $_____ and Assignee's Commitment shall be $_____.

2. This Assignment and Acceptance is being delivered to the Administrative Agent together with (i) if the Assignee is organized under the laws of a jurisdiction outside the United States, the forms specified in Section 2.16(g) of the Agreement, duly completed and executed by such Assignee, (ii) if the Assignee is not already a Lender under the Agreement, an Administrative Questionnaire and (iii) a processing and recordation fee of $3,000.

3. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of Texas.

Date of Assignment

Legal Name of Assignor:

Legal Name of Assignee:

Assignee's Address for Notices:

Effective Date of Assignment
(may not be fewer than 5 Business Days after
the Date of Assignment unless otherwise
agreed by the Administrative Agent,
whose execution hereof shall be deemed
to be such consent, if necessary):
_____

Facility	Principal Amount Assigned	Percentage Assigned of Commitment (set forth, to at least 8 decimals, as a percentage of the Total Commitment)
Commitment Assigned:	$_____	_____%
Loans:	$_____	_____%
Participation Interest in Letters of Credit	$_____	_____%
Participation Interest in Swingline Loans	$_____	_____%
Fees Assigned (if any):	$_____	_____%

The terms set forth herein are hereby agreed to:

Accepted

_____,
as Assignor,

LENNOX INTERNATIONAL INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

_____,
as Assignee

CHASE BANK OF TEXAS
NATIONAL ASSOCIATION,
as Administrative Agent

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

EXHIBIT C

Matters to be Covered in

Opinion of Counsel to Borrower

1. Each of the Borrower and Lennox Industries Inc., Heatcraft Inc. and Armstrong Air Conditioning Inc. being duly incorporated, validly existing and in good standing and the Borrower having requisite corporate power and authority to execute, deliver and perform the Agreement.

2. Each of the Borrower and Lennox Industries Inc., Heatcraft Inc. and Armstrong Air Conditioning Inc. being duly qualified and in good standing as a foreign corporation in appropriate jurisdictions.

3. Due authorization and execution of the Agreement and the Agreement being legal, valid, binding and enforceable.

4. No conflicts with charter documents, laws or other agreements.

5. All consents required to execute, deliver or perform the Agreement having been obtained.

6. No litigation questioning validity of the Agreement or as to which there is otherwise the reasonable likelihood of a Material Adverse Effect.

7. No violation of Regulations T, U or X of the Federal Reserve Board.

8. Borrower not an "investment company", or a company "controlled" by an "investment company", under the Investment Company Act of 1940, as amended.

SCHEDULE 2.01

LENDER NAME	COMMITMENTS	TITLE
Chase Bank of Texas, National Association	$ 21,000,000	Administrative Agent
Wachovia Bank, N.A.	$ 16,000,000	Syndication Agent
The Bank of Nova Scotia	$ 16,000,000	Documentation Agent
ABN AMRO BANK, N.V.	$ 25,000,000	Managing Agent
Bank of America, N.A.	$ 40,000,000	Managing Agent
Bank One, Texas, N.A.	$ 15,000,000	Managing Agent
First Union National Bank	$ 40,000,000	Managing Agent
Royal Bank of Canada	$ 21,000,000	Managing Agent
SunTrust Bank	$ 40,000,000	Managing Agent
The Northern Trust Company	$ 6,000,000	Managing Agent
Bank of Texas, N.A.	$ 5,000,000	Co-Agent
The Bank of New York	$ 10,000,000	Co-Agent
The Bank of Tokyo-Mitsubishi, Ltd.	$ 5,000,000	Co-Agent
UBS AG, Stamford Branch	$ 25,000,000	Co-Agent
Mercantile Bank National Association	$ 15,000,000	Participant
TOTAL	$ 300,000,000.00	

SCHEDULE 2.01- Solo Page

SCHEDULE 3.05

LENNOX INTERNATIONAL INC. SUBSIDIARIES
AS OF DECEMBER 31, 1999

R = Restricted
UR = Unrestricted

NAME	OWNERSHIP	JURISDICTION OF INC.	NO. OF SHARES OUTSTANDING
Lennox Industries Inc.	100%	Iowa	994,394 Common
SEE ANNEX A			
Heatcraft Inc	100%	Mississippi	20 Common
Frigus-Bohn S.A. de C.V.	50%	Mexico	
LGL de Mexico, S.A. de C.V.	1%	Mexico	50,000 Common
Lennox Participacoes Ltda.	1%	Brazil	
Frigo-Bohn do Brasil Ltda.	99%	Brazil	
Livernois Engineering Co.	100%	Michigan	10,000 Common
Armstrong Air Conditioning Inc.	100%	Ohio	1,030 Common
Jensen-Klich Supply Co.	100%	Nebraska	1,750 Common
Armstrong Distributors Inc.	100%	Delaware	1,000 Common
Lennox Global Ltd.	100%	Delaware	1,000 Common
SEE ANNEX D			
Lennox Commercial Realty Inc.	100%	Iowa	10 Common
Heatcraft Technologies Inc.	100%	Delaware	1,000 Common
Lennox Industries	1%	United Kingdom	300,000 Cum. Preference 13,900 Ordinary
Strong LGL Colombia Ltda.	50%	Colombia	10,000
LGL Peru S.A.C.	10%	Peru	
Excel Comfort Systems Inc.	100%	Delaware	1,000 Common
LII Acquisition Corporation	100%	Delaware	1,000 Common

NAME	LOCATION OF SUBSTANTIAL OPERATING ASSETS	RESTRICTED/ UNRESTRICTED
Lennox Industries Inc.	United States	R
SEE ANNEX A		
Heatcraft Inc	United States	R
Frigus-Bohn S.A. de C.V.	Mexico	UR
LGL de Mexico, S.A. de C.V.	Mexico	UR
Lennox Participacoes Ltda.		
Frigo-Bohn do Brasil Ltda.		
Livernois Engineering Co.	Michigan	R
Armstrong Air Conditioning Inc.	United States	R
Jensen-Klich Supply Co.	United States	R
Armstrong Distributors Inc.	United States	R
Lennox Global Ltd.	United States	UR
SEE ANNEX D		
Lennox Commercial Realty Inc.	United States	R
Heatcraft Technologies Inc.	United States	R
Lennox Industries	United Kingdom	UR
Strong LGL Colombia Ltda.	Colombia	UR
LGL Peru S.A.C.	Peru	UR
Excel Comfort Systems Inc.	Delaware	R
LII Acquisition Corporation	Delaware	R

ANNEX A
TO
SCHEDULE 3.05

LENNOX INDUSTRIES INC. SUBSIDIARIES

NAME	OWNERSHIP	JURISDICTION OF INC.	NO. OF SHARES OUTSTANDING
Lennox Industries (Canada) Ltd.	100%	Canada	5,250 Pref. 35,031 Cl. A Common 1,180 Cl. B Common
Lennox Industries SW Inc.	100%	Iowa	1,000 Common
Hearth Products Inc.	100%	Delaware	1,000 Common
Superior Fireplace Company	100%	Delaware	1,000 Common
Marco Mfg., Inc.	100%	California	
Marcomp			
Pyro Industries, Inc.	100%	Washington	
Securite Cheminees International Ltee	100%	Canada	
-Security Chimneys International USA Ltd.	100%		
-Cheminees Securite SARL	100%	France	
-Security Chimneys UK Limited	100%	UK	2 Ordinary
Firecraft Technologies Inc.	100%	Delaware	1,000 Common
The Earth Stove, Inc.	100%	Oregon	
Products Acceptance Corporation	100%	Iowa	3,500 Common
Lennox Manufacturing Inc.	100%	Delaware	1,000 Common
Lennox Retail Inc.	100%	Delaware	1,000 Common
-Lennox Canada Inc.	100%	Canada	
SEE ANNEX B			
Remainder of the Lennox Retail Inc. Subsidiaries are listed on ANNEX C			

NAME	LOCATION OF SUBSTANTIAL OPERATING ASSETS	RESTRICTED/ UNRESTRICTED
Lennox Industries (Canada) Ltd.	Canada	UR
Lennox Industries SW Inc.	N/A	R
Hearth Products Inc.	United States	R
Superior Fireplace Company	United States	R
Marco Mfg., Inc.	United States	R
Marcomp		
Pyro Industries, Inc.	United States	R
Securite Cheminees International Ltee	Canada	UR
-Security Chimneys International USA Ltd.	United States	R
-Cheminees Securite SARL	France	UR
-Security Chimneys UK Limited	UK	UR
Firecraft Technologies Inc.	Delaware	R
The Earth Stove, Inc.	Oregon	R
Products Acceptance Corporation	N/A	R
Lennox Manufacturing Inc.	United States	R
Lennox Retail Inc.	United States	R
-Lennox Canada Inc.	Canada	UR
SEE ANNEX B		
Remainder of the Lennox Retail Inc. Subsidiaries are listed on ANNEX C		

ANNEX B
TO
SCHEDULE 3.05

Lennox Canada Inc. Subsidiaries

The following are all in Canada and are all owned 100% by Lennox Canada Inc. unless otherwise noted and all are Unrestricted Subsidiaries:

- Bradley Air Conditioning Limited
- Valley Refrigeration Limited
- Dearie Contracting Inc.
- Dearie Martino Contractors Ltd.
- Foster Air Conditioning Limited
- Bryant Heating & Cooling Co. Ltd.
- Montwest Air Ltd.
- Fahrhall Mechanical Contractors Limited
- Sipco Energies Ltd.
- MHR Home Comfort Center Ltd.
- Canadian Home Comfort Corp.
- Arpi's Industries Canada Ltd.
  - Arpi's Holdings Ltd.
  - Advance Mechanical Ltd.
- 485237 B.C. Ltd.
  - Gandy Installations (1987) Ltd.
- GAIA Enterprises Inc.
  - Welldone Plumbing, Heating and Air Conditioning (1990) Ltd.
- 592490 British Columbia Ltd.
  - M.A.W. Heating & Air Conditioning Ltd.

ANNEX C
TO
SCHEDULE 3.05

LENNOX RETAIL INC. SUBSIDIARIES

The following are all in the United States and are all owned 100% by Lennox Retail Inc. unless otherwise noted and all are Restricted Subsidiaries:

D.A. Bennett, Inc. - New York
Air Engineers, Inc. - Florida
Industrial Building Services, Inc. - Florida
Hobson Heating and Air Conditioning, Inc. - Georgia
Calverley Air Conditioning & Heating Co., Inc. - Texas
Air Experts, Inc. - Ohio
Jebco Heating & Air Conditioning, Inc. - Colorado
Air Systems of Florida, Inc. - Florida
Gray Refrigeration, Inc. - Texas
Airmasters Heating & Air Conditioning Co. - Michigan
Cook Heating & Air Conditioning, Inc. - Michigan
Cook Heating & Air Conditioning Co., Inc. - Indiana
Andy Lewis Htg. & A/C of Charlotte, Inc. - North Carolina
Andy Lewis Heating & Air Conditioning, Inc. - Georgia
Sedgwick Sedgwick Heating & Air Conditioning Co. - Minnesota
Shumate Mechanical Inc. - Delaware
Gables Air Conditioning, Inc. - Florida
Ryan Heating Co. Inc. - Delaware
The October Group (d/b/a Greenwood Heating) - Washington
Peitz Heating and Cooling, Inc. - South Dakota
National Air Systems, Inc. - California
Miller Refrigeration, A/C, & Htg. Co.
John P. Timmerman Co.
Kiko Heating & Air Conditioning, Inc.
Wangsgaard A-Plus Refrigeration, Inc.
Edison Heating and Cooling, Inc.
Alliance Mechanical Heating & Air Conditioning, Inc.
Controlled Comfort Inc.
Goldenseal Heating & Air Conditioning, Inc.
Cool Power Acquisition Inc.

ANNEX D
TO
SCHEDULE 3.05

LENNOX GLOBAL LTD. SUBSIDIARIES
ALL LENNOX GLOBAL SUBSIDIARIES ARE UNRESTRICTED SUBSIDIARIES

NAME	OWNERSHIP	JURISDICTION OF INC.
LGL Asia-Pacific Pte. Ltd.	100%	Rep. of Singapore
Fairco S.A.	50%	Argentina
LGL Europe Holding Co.	100%	Delaware
SEE ATTACHED ANNEX E		
UK Industries Inc.	100%	Delaware
LGL de Mexico, S.A. de C.V.	99%	Mexico
Lennox Participacoes Ltda.	99%	Brazil
Frigo-Bohn do Brasil Ltda.	1%	Brazil
McQuay do Brasil	79%	Brazil
SIWA S.A.	100%	Uruguay
Str. LGL Dominicana, S.A.	100%	Dominican Republic
Strong LGL Colombia Ltda.	50%	Colombia
LGL Belgium S.P.R.L.	.4%	Belgium
LGL (Thailand) Ltd.	100%	Thailand
LGL Peru S.A.C.	90%	Peru
LGL Australia (US) Inc.	100%	Delaware
SEE ATTACHED ANNEX F		

NAME	NO. OF SHARES OUTSTANDING	LOCATION OF SUBSTANTIAL OPERATING ASSETS
LGL Asia-Pacific Pte. Ltd.	2 Ordinary	Singapore
Fairco S.A.		Argentina
LGL Europe Holding Co.	1,000 Common	N/A
SEE ATTACHED ANNEX E		
UK Industries Inc.	1,000 Common	N/A
LGL de Mexico, S.A. de C.V.	50,000 Common	Mexico
Lennox Participacoes Ltda.		
Frigo-Bohn do Brasil Ltda.		Brazil
McQuay do Brasil		Brazil
SIWA S.A.		Uruguay
Str. LGL Dominicana, S.A.		
Strong LGL Colombia Ltda.		
LGL Belgium S.P.R.L.	1 Common	Belgium
LGL (Thailand) Ltd.		Thailand
LGL Peru S.A.C.		Peru
LGL Australia (US) Inc.	1,000 Common	Delaware
SEE ATTACHED ANNEX F		

ANNEX E
TO
SCHEDULE 3.05
LGL EUROPE HOLDING CO. SUBSIDIARIES
(ALL UNRESTRICTED SUBSIDIARIES)

NAME	OWNERSHIP	JURISDICTION OF INC.
- -LGL Holland B.V.	100%	Holland
- -Ets. Brancher S.A.	70%	France
-Frinotec S.A.	99.68%	France
-LGL France	100%	France
-Herac Ltd.	100%	United Kingdom
-Friga-Coil S.R.O	50%	Czech Republic
- -LGL Germany GmbH	100%	Germany
-Friga-Bohn Warmeaustauscher GmbH	100%	Germany
-Hyfra Ind. GmbH	99.9%	Germany
-Ruhaak	100%	Germany
-Refac Nord GmbH	100%	Germany
-Refac West	100%	Germany
- -Lennox Global Spain S.L.	100%	Spain
-ERSA	90.1%	Spain
-Aldo Marine	70%	Spain
-Lennox Refac, S.A.	100%	Spain
-Redi sur Andalucia	70%	Spain
-RefacPortugal Lda	50%	Portugal
- -LGL Belgium S.P.R.L.	99.6%	Belgium
- -Refac B.V.	100%	Netherlands
-R efac N.V	100%	Belgium
-Refac Kalte-Klima Technik Vertriebs GmbH	50%	
- -HCF Lennox Limited	100%	United Kingdom
-Lennox Industries	99%	United Kingdom
- -Environheat Limited	100%	United Kingdom
-West S.R.L.	100%	Italy
- -Janka Radotin a.s.	100%	Czech Republic
-Friga Coil s.r.o.	50%	Czech Republic
-Janka Slovensko, s.r.o.	100%	Slovak Republic

NAME	NO. OF SHARES OUTSTANDING	LOCATION OF SUBSTANTIAL OPERATING ASSETS
- -LGL Holland B.V.		Holland
- -Ets. Brancher S.A.		France
-Frinotec S.A.		France
-LGL France		France
-Herac Ltd.		N/A
-Friga-Coil S.R.O		Czech Republic
- -LGL Germany GmbH	500 Common	Germany
-Friga-Bohn Warmeaustauscher GmbH		
-Hyfra Ind. GmbH		Germany
-Ruhaak		Germany
-Refac Nord GmbH		Germany
-Refac West		Germany
- -Lennox Global Spain S.L.		
-ERSA		
-Aldo Marine		
-Lennox Refac, S.A.		
-Redi sur Andalucia		Spain
-RefacPortugal Lda		Portugal
- -LGL Belgium S.P.R.L.	249 Common	Belgium
- -Refac B.V.		Netherlands
-R efac N.V		Belgium
-Refac Kalte-Klima Technik Vertriebs GmbH		
- -HCF Lennox Limited	100 Ordinary 300,000 Cum. Preference	United Kingdom
-Lennox Industries	14,040 Ordinary	United Kingdom
- -Environheat Limited	32,765 Ordinary	N/A
-West S.R.L.		Italy
- -Janka Radotin a.s.		Czech Republic
-Friga Coil s.r.o.		Czech Republic
-Janka Slovensko, s.r.o.		Slovak Republic

ANNEX F
TO
SCHEDULE 3.05

LGL AUSTRALIA (US) INC. SUBSIDIARIES

ALL UNRESTRICTED SUBSIDIARIES

NAME	OWNERSHIP	JURISDICTION OF INC.	NO. OF SHARES OUTSTANDING	LOCATION OF SUBSTANTIAL OPERATING ASSETS
LGL Co Pty Ltd	100%	Australia		Australia
LGL Australia Investment Pty Ltd	100%	Australia		Australia
LGL Australia Finance Pty Ltd	10%	Australia		Australia
LGL Australia Finance Pty Ltd	90%	Australia		Australia
LGL Australia Holdings Pty Ltd	100%	Australia		Australia
James N Kirby Pty Ltd*	100%	Australia		Australia
Lennox Australia Pty. Ltd.	100%	Australia	1,575,000 Com Cl A 1,575,000 Com Cl B	
LGL (Australia) Pty Ltd	100%	Australia		Australia
LGL Refrigeration Pry. Ltd	100%	Australia		Australia

*Stock is pledged to seller of company to secure a portion of the purchase price and other obligations incurred in connection with the acquisition

SCHEDULE 3.06

FINANCIAL STATEMENTS

1. Audited consolidated and consolidating financial statements for the Borrower and the Subsidiaries for the fiscal years ended December 31, 1994 through December 31, 1998.

2. Unaudited quarterly consolidated and consolidating financial statements for the Borrower and the Subsidiaries for the periods ended March 31, 1999, July 31, 1999, and September 30, 1999.

SCHEDULE 3.13

LENNOX INTERNATIONAL INC.
AND RESTRICTED SUBSIDIARIES
INDEBTEDNESS AS OF
December 31, 1999 (except as noted)

A. LENNOX INTERNATIONAL INC.

Description	Outstanding Principal
(1) Agreement of Assumption and Restatement dated as of December 1, 1991 between Lennox International Inc. and the Noteholders identified at the end thereof, pursuant to which Lennox International Inc. delivered its:	
9.53% Series F Promissory Notes due 2001	$ 11,000,000
(2) Note Purchase Agreement dated as of December 1, 1993 among Lennox International Inc. and the Noteholders identified at the end thereof, pursuant to which Lennox International Inc. delivered its 6.73% Senior Promissory Notes due 2008	100,000,000
(3) Note Purchase Agreement dated as of July 6, 1995 between Lennox International Inc. and Teachers Insurance and Annuity Association of America, pursuant to which Lennox International Inc. delivered its 7.06% Senior Promissory Notes due 2005	20,000,000
(4) Guaranty dated September 19, 1995 from Lennox International Inc. to First Bank of Natchitoches & Trust Company and Regions Bank of Louisiana guaranteeing 50% of debt of Alliance Compressors to such Banks under a Promissory Note dated September 19, 1995	918,929*
(5) Guaranty of 50% of amounts due from Alliance Compressors under a Master Equipment Lease Agreement dated March 28, 1995 with NationsBanc Leasing Corporation	301,084*
(6) Letter of Credit guaranteeing debt of Refac B.V. to Stork N.V. in connection with purchase of stock of Refac B.V. from Stork N.V.	731,040
(7) Letter of Credit guaranteeing debt of Lennox Australia Pty Ltd. to Alcair Industries Pty Ltd. in connection with purchase of assets of Alcair Industries Pty Ltd.	293,013
(8) Note Purchase Agreement dated as of April 3, 1998, between Lennox International Inc. and the Noteholders identified therein, pursuant to which Lennox International Inc. delivered its:	
6.56% Senior Notes due April 3, 2005	25,000,000
6.75% Senior Notes due April 3, 2008	50,000,000
(9) Revolving Credit Facility Agreement dated as of July 29, 1999 among Lennox International Inc., Chase, as administrative agent and the other parties named therein providing for a $300,000,000 revolving credit facility.	258,000,000

B.	LENNOX INDUSTRIES INC.	
	None	
C.	LENNOX COMMERCIAL REALTY INC.	
	11.1% Mortgage Note Agreement with Texas Commerce Bank, N.A. due January 1, 2000, secured by mortgage on headquarters building and an assignment of the Lease between Lennox Commercial Realty Inc. and Lennox Industries Inc.	6,701,300***
D.	MISCELLANEOUS CAPITAL LEASES.	518,000**
TOTAL OUTSTANDING INDEBTEDNESS OF LENNOX INTERNATIONAL INC. AND RESTRICTED SUBSIDIARIES		$ 473,463,366

*50% as of SEPTEMBER 30, 1999
**ESTIMATE
***Paid 1/5/00

EXHIBIT 10.11

LETTER AMENDMENT NO. 1
TO
MASTER SHELF AGREEMENT DATED AS OF OCTOBER 15, 1999

February 28, 2000

The Prudential Insurance Company
of America
c/o Prudential Capital Group
2200 Ross Avenue, Suite 4200E
Dallas, Texas 75201

Ladies and Gentlemen:

We refer to the Master Shelf Agreement dated as of October 15, 1999 (the "AGREEMENT") among the undersigned, Lennox International Inc. (the "COMPANY"), and The Prudential Insurance Company of America ("PRUDENTIAL"). Unless otherwise defined herein, the terms defined in the Agreement shall be used herein as therein defined.

The Company has requested that Prudential enter into this Letter Amendment No. 1 to evidence amendment of the Agreement as set forth herein. You have indicated your willingness to so agree. Accordingly, it is hereby agreed by you and us as follows:

The Agreement is, effective the date first above written, hereby amended as follows:

PARAGRAPH 10.12.3. FINANCIAL COVENANTS. The first sentence of clause (b) of paragraph 10.12.3 is amended in full to read as follows:

"(b) CONSOLIDATED INDEBTEDNESS TO ADJUSTED EBITDA. As of the last day of each fiscal quarter during the periods described below, the Company shall not permit the ratio of Consolidated Indebtedness outstanding as of such day to the Adjusted EBITDA for the four (4) fiscal quarters then ended to exceed: (i) 3.00 to 1.00 at all times other than as described in the following clause (ii); or (ii) 3.25 to 1.00 for all fiscal quarters ending prior to March 31, 2001."

On and after the effective date of this Letter Amendment No. 1, each reference in the Agreement to "this Agreement", "hereunder", "hereof", or words of like import referring to the Agreement, and each reference in the Notes to "the Agreement", "thereunder", "thereof", or words of like import referring to the Agreement, shall mean the Agreement as amended by this Letter Amendment No. 1. The Agreement, as amended by this Letter Amendment No. 1, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed. The execution, delivery and effectiveness of this Letter Amendment No. 1 shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy under the Agreement nor constitute a waiver of any provision of the Agreement.

This Letter Amendment No. 1 may be executed in any number of counterparts and by any combination of the parties hereto in separate counterparts, each of which counterparts shall be an original and all of which taken together shall constitute one and the same letter amendment.

If you agree to the terms and provisions hereof, please evidence your agreement by executing and returning at least a counterpart of this Letter Amendment No. 1 to Lennox International Inc., 2140 Lake Park Blvd., Richardson, TX 75080, Attention of Chief Financial Officer. This Letter Amendment No. 1 shall become effective as of the date first above written when and if (i) counterparts of this Letter Amendment No. 1 shall have been executed by us and you; (ii) holders of at least 66-2/3% in aggregate unpaid principal amount of all notes under each of the 1991 Note Agreements, the 1993 Note Agreements, the 1995 Note Agreement and the 1998 Note Agreement (as each such term is defined in Exhibit A attached hereto) at the time outstanding shall have executed an amendment similar to this Letter Amendment No. 1; and (iii) the Company shall have furnished to Prudential evidence of the satisfaction of clause (ii).

Very truly yours,

LENNOX INTERNATIONAL INC.

By: /s/ Clyde Wyant

Executive Vice President,
Chief Financial Officer

Agreed as of the date first above written:

THE PRUDENTIAL INSURANCE COMPANY
OF AMERICA

By: /s/ Ric E. Abel

Vice President

FINANCIAL HIGHLIGHTS

(in millions, except per share data)	For the year ending December 31, 1999	1998	1997(1)	1996	1995
STATEMENT OF OPERATIONS DATA					
Net Sales	$ 2,361.7	$ 1,821.8	$ 1,444.4	$ 1,364.5	$ 1,307.0
Income (Loss) From Operations	155.9	106.6	(35.2)	100.6	71.6
Net Income (Loss)	73.2	52.5	(33.6)	54.7	34.2
Diluted Earnings (Loss) Per Share	1.81	1.47	(0.99)	1.59	1.04
Dividends Per Share	0.350	0.325	0.275	0.260	0.220
OTHER DATA					
Capital Expenditures	76.7	52.4	34.6	31.9	26.7
Research & Development Expenses	39.1	33.3	25.4	23.2	22.7
BALANCE SHEET DATA					
Working Capital	424.6	263.3	335.9	326.0	307.5
Total Assets	1,683.7	1,151.6	970.4	819.7	768.3
Total Debt	577.0	317.4	198.5	184.8	219.3
Stockholders' Equity	597.9	375.6	325.2	360.9	315.2

Note (1): Includes product inspection charge of $140 million. Excluding this charge, Income From Operations is $104.8 million, Net Income is $51.7 million, and Diluted EPS is $1.53.

1999 NET SALES
$2,361.7 million

[PIE CHART]

Commercial Air Conditioning	19%
Commercial Refrigeration	14%
Heat Transfer	9%
North American Residential	58%

1999 SEGMENT OPERATING INCOME
$186.2 million*

[PIE CHART]

Commercial Air Conditioning	6%
Commercial Refrigeration	14%
Heat Transfer	7%
North American Residential	73%

1999 REVENUES
$2,361.7 million

[PIE CHART]

International	16%
Domestic*	84%

*Includes the US & Canada

* Excludes Corporate & Other Expenses

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

OVERVIEW

Lennox participates in four 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 North American residential segment also includes installation, maintenance and repair services performed by Lennox-owned dealers. The second segment is the global commercial air conditioning market, in which Lennox manufactures and sells rooftop products and applied systems for commercial applications. The third segment is the global commercial refrigeration market, which consists of unit coolers, condensing units and other commercial refrigeration products. The fourth segment is the heat transfer market, in which 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 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 enters 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 for its needs 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.

In September 1997, Lennox increased its ownership in Ets. Brancher from 50% to 70%. As a result, Lennox assumed control of the venture and began including the financial position and operating results of the venture in its consolidated financial statements for the fourth quarter of 1997. Previously, Lennox used the equity method of accounting for its investment in this entity. In the fourth quarter of 1998, Lennox restructured its ownership of its various European entities to allow for more efficient transfer of funds and to provide for tax optimization.

Lennox acquired Superior Fireplace Company, Marco Mfg., Inc. and Pyro Industries, Inc. in the third quarter of 1998, and Security Chimneys International, Ltd. in the first quarter of 1999 for an aggregate purchase price of approximately $120 million. These acquisitions give Lennox one of the broadest lines of hearth products in the industry.

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 HVAC related assets of The Ducane Company, Inc. in October 1999 for approximately $53 million in cash. This purchase will add 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 will enable Lennox to extend its distribution directly to the consumer and permit 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 December 31, 1999, Lennox had acquired 60 dealers in Canada and 33 dealers in the United States for an aggregate purchase price of approximately $241 million and had signed letters of intent to acquire 5 additional Canadian dealers and 18 United States dealers for an aggregate purchase price of approximately $59 million. As Lennox acquires more heating and air conditioning dealers, Lennox expects that it will incur additional costs to expand its infrastructure to effectively manage these businesses.

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 $160 million of debt. 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 an additional 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, Lennox's statement of income data for the years ended December 31, 1999, 1998 and 1997.

	Year Ended December 31,		
	1999	1998	1997
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	68.5	68.4	69.6
Gross profit	31.5	31.6	30.4
Selling, general and administrative expenses	24.9	25.7	23.1
Product inspection charge	--	--	9.7
Income (loss) from operations	6.6	5.9	(2.4)
Interest expense, net	1.4	0.9	0.6
Other	0.0	0.1	0.1
Minority interest	0.0	0.0	0.0
Income (loss) before income taxes	5.2	4.9	(3.1)
Provision (benefit) for income taxes	2.1	2.0	(0.8)
Net income (loss)	3.1%	2.9%	(2.3)%

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

	Years Ended December 31,					
	1999		1998		1997	
	Amount	%	Amount	%	Amount	%
BUSINESS SEGMENT:						
North American residential	$ 1,361.6	57.6%	$ 1,013.7	55.7%	$ 865.1	59.9%
Commercial air conditioning	452.8	19.2	392.1	21.5	278.8	19.3
Commercial refrigeration	327.3	13.9	237.3	13.0	154.3	10.7
Heat transfer	220.0	9.3	178.7	9.8	146.2	10.1
Total net sales	$ 2,361.7	100.0%	$ 1,821.8	100.0%	$ 1,444.4	100.0%
GEOGRAPHIC MARKET:						
U.S	$ 1,730.4	73.3%	$ 1,472.3	80.8%	$ 1,274.9	88.3%
International	631.3	26.7	349.5	19.2	169.5	11.7
Total net sales	$ 2,361.7	100.0%	$ 1,821.8	100.0%	$ 1,444.4	100.0%

YEAR ENDED DECEMBER 31, 1999
COMPARED TO YEAR ENDED DECEMBER 31, 1998

NET SALES. Net sales increased $539.9 million, or 29.6%, to $2,361.7 million for the year ended December 31, 1999 from $1,821.8 million for the year ended December 31, 1998.

Net sales related to the North American residential segment were $1,361.6 million for the year ended December 31, 1999, an increase of $347.9 million, or 34.3%, from $1,013.7 million for the year ended December 31, 1998. Of the $347.9 million increase, $319.0 million was due to sales from the hearth products acquisitions, acquired dealers, acquired heating and air conditioning distributors, and the acquisition of Ducane's HVAC product lines. Sales to dealers in the United States and Canada that Lennox has acquired are no longer reflected as sales in Lennox's existing business and are instead reflected as sales due to acquisitions. If sales to these acquired dealers were included in sales of Lennox's existing business, sales of Lennox's existing business would have increased by 5.9%. Excluding the sales to acquired dealers, there was an increase of $28.9 million in North American residential net sales, primarily due to a 2.9% increase in sales of Lennox's existing business, almost all of which resulted from increased sales volumes, principally caused by two factors. First, the hot summer in 1998 depleted the inventory levels at Lennox's customers and they increased their purchases in the first quarter of 1999 to refill their inventories. Second, Lennox's volume increased as a result of sales to new dealers, which were added as a result of programs to expand Lennox's dealer base.

Commercial air conditioning net sales increased $60.7 million, or 15.5%, to $452.8 million for the year ended December 31, 1999 compared to the year ended December 31, 1998. Of this increase, $29.8 million was due to increased sales volumes in North America primarily due to the effectiveness of commercial sales districts, and $30.9 million was due to increased international sales, $6.5 million of which was due to acquisitions. Net sales related to the commercial refrigeration segment were $327.3 million for the year ended December 31, 1999, an increase of $90.0 million or 37.9%, from $237.3 million for the year ended December 31, 1998. Of this increase, $86.8 million was due to the international acquisitions of Heatcraft do Brasil, the Lovelock Luke Pty. Limited business and James N. Kirby Pty. Ltd. North American commercial refrigeration sales increased $8.0 million primarily due to strong sales to Lennox's supermarket customers and increased activity with Lennox's large distributors. Heat transfer revenues increased $41.3 million, or 23.1%, to $220.0 million for the year ended December 31, 1999 compared to the year ended December 31, 1998. Of this increase, $7.3 million was due to increased sales volumes in Lennox's existing North

American business and $37.7 million was due to the acquisitions of James N. Kirby Pty. Ltd. and Livernois Engineering Holding Company.

GROSS PROFIT. Gross profit was $744.3 million for the year ended December 31, 1999 compared to $576.2 million for the year ended December 31, 1998, an increase of $168.1 million. Gross profit margin was 31.5% for the year ended December 31, 1999 and 31.6% for the year ended December 31, 1998. The increase of $168.1 million in gross profit was primarily attributable to increased sales in 1999 as compared to 1998. The gross profit margins of Lennox's traditional businesses increased 0.7% for the twelve months of 1999 compared to the twelve months of 1998.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses were $588.4 million for the year ended December 31, 1999, an increase of $118.8 million, or 25.3%, from $469.6 million for the year ended December 31, 1998. Selling, general and administrative expenses represented 24.9% and 25.7% of total revenues for the twelve months of 1999 and 1998, respectively. Of the $118.8 million increase, $99.5 million, or 83.8%, was related to increased infrastructure associated with acquisitions. The majority of the remaining $19.3 million increase was due to increases in selling, general and administrative expenses for the North American residential segment which was primarily comprised of increases in costs due to additions of personnel, increased information technology costs and increased sales and marketing expenses.

INTEREST EXPENSE, NET. Interest expense, net for the year ended December 31, 1999 increased to $33.1 million from $16.2 million for the year ended December 31, 1998. The increase in interest expense is attributable to the increased use of credit lines and short-term borrowings to fund acquisitions, to make payments related to the Pulse inspection program and for increased working capital relating to increased sales.

OTHER. Other expense (income) was $(0.3) million for the year ended December 31, 1999 and $1.6 million for the year ended December 31, 1998. Other expense (income) is primarily comprised of currency exchange gains or losses. The majority of the reduction in other expense was due to the strengthening of the Canadian dollar.

MINORITY INTEREST. Minority interest in subsidiaries' net losses of $(0.1) million for the year ended December 31, 1999 and $(0.9) million for the year ended December 31, 1998 represents the minority interest in Ets. Brancher, Heatcraft do Brasil, and Kirby joint ventures.

PROVISION FOR INCOME TAXES. The provision for income taxes was $50.1 million for the year ended December 31, 1999 and $37.2 million for the year ended December 31, 1998. The effective tax rate of 40.6% and 41.4% for the years ended December 31, 1999 and 1998, 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.

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

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

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

Domestic sales increased $197.4 million, or 15.5%, to $1,472.3 million for 1998 from $1,274.9 million for 1997. Of this increase, $68.6 million is due to the inclusion of the hearth products companies and the balance was caused primarily by increased unit sales of "Lennox" and "Armstrong Air" brands due to the hot weather in 1998 and an expanded dealer and distributor base for these brands. International sales increased $180.0 million, or 106.2%, to $349.5 million for 1998 from $169.5 million for 1997. Of this increase, $150.7 million is due to the consolidation of Ets. Brancher and the remainder is primarily due to the acquisition of Heatcraft do Brasil and the Lovelock Luke business.

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses were $469.6 million for 1998, an increase of $135.8 million, or 40.7%, from $333.8 million for 1997. Selling, general and administrative

expenses represented 25.7% and 23.1% of total net revenues for 1998 and 1997, respectively. If the effect of the consolidation of Ets. Brancher is excluded, selling, general and administrative expenses would have been $422.4 million for 1998, an increase of $100.9 million, or 31.4%, from $321.5 million for 1997, representing 25.9% and 22.9% of total net sales for 1998 and 1997, respectively. Approximately $16.7 million of the increase in selling, general and administrative expenses is composed of three non-recurring items: $7.1 million associated with the settlement of a lawsuit; approximately $5.0 million of incremental expense associated with the implementation of the SAP enterprise business software system; and $4.6 million associated with increased expenses of a terminated performance share plan. If the effect of these non-recurring items and the consolidation of Ets. Brancher is excluded, selling, general and administrative expenses would have been $405.7 million for 1998, an increase of $84.2 million, or 26.2%, from $321.5 million for 1997, representing 24.9% and 22.9% of total net sales for 1998 and 1997, respectively. The remaining increase in selling, general and administrative expenses is primarily due to increased variable costs associated with sales growth in North America and costs associated with creating infrastructure to manage international businesses, such as the establishment of a sales office in Singapore and the business development functions for Lennox's global operation.

PRODUCT INSPECTION CHARGE. In the fourth quarter of 1997, Lennox recorded a non-recurring pre-tax charge of $140.0 million to provide for management's best estimate of the projected expenses of the product inspection program related to its Pulse furnace. As part of Lennox's normal warranty process, Lennox continuously monitors the replacement rate for, among other components, heat exchangers in its products. During 1997, it was determined that, under certain circumstances, certain joint connections on Pulse furnace heat exchangers manufactured between 1982 and 1988 could fail and potentially create a safety hazard in the home. Once this was determined, Lennox publicly announced the Pulse inspection program in 1997. Under the program, Lennox offered the owners of all Pulse furnaces installed between 1982 and 1990 a subsidized inspection and a free carbon monoxide detector. The inspection included a severe pressure test to determine the serviceability of the heat exchanger. If the heat exchanger did not pass the test, Lennox either replaced the heat exchanger or offered a new furnace and subsidized the labor costs for installation. The cost required for the program depended on the number of units Lennox found, the number of units that failed the pressure test, whether consumers selected to replace the heat exchanger or receive a new furnace and the cost of the replacement products. Based on the results of Lennox's historical experience, input from Lennox's dealers and consultation with the Consumer Products Safety Commission, Lennox estimated that it could ultimately locate approximately 67% of the Pulse furnaces that were manufactured between 1982 and 1988. In terms of estimated failure rates, Lennox utilized the data gathered from "field experience" tests, which indicated a failure rate of approximately 30%. In terms of consumer selection, Lennox estimated that half would elect the new heat exchanger and half would elect the new furnace. Finally, Lennox utilized its standard costs of heat exchangers and new furnaces, the cost of the dealer inspection allowance and the cost of the dealer replacement allowance in calculating the liability. Lennox believes that it had adequate information to develop reasonable assumptions in estimating the cost of the Pulse inspection program. The program ended on June 30, 1999 and future expenses associated with the program are not expected to be significant.

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

INTEREST EXPENSE, NET. Interest expense, net for 1998 increased to $16.2 million from $8.5 million for 1997. Of the $7.7 million increase in interest expense, $3.6 million was due to the incurrence of $75 million in additional long-term borrowings in April 1998, $1.6 million was due to the consolidation of Ets. Brancher for the full year and the remainder was due to less interest income in 1998.

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

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

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

NET INCOME (LOSS). Net income (loss) was $52.5 million and $(33.6) million for the year ended December 31, 1998 and 1997, respectively. If the effects of the consolidation of Ets. Brancher and the non-recurring charge relating to the Pulse inspection program are excluded, net income would have been $52.9 million and $55.2 million for 1998 and 1997, representing 3.2% and 3.9% of net sales for 1998 and 1997, respectively.

LIQUIDITY AND CAPITAL RESOURCES

As a result of Lennox's domestic and international growth in 1999, capital requirements have related principally to acquisitions, the expansion of its production capacity and increased working capital needs that have accompanied sales growth.

Net cash provided by operating activities totaled $70.6 million, $5.0 million and $58.5 million for 1999, 1998 and 1997, respectively. The increase in cash from operating activities in 1999 is primarily due to increased cash income, reduced inventory levels and lower income tax payments as the cash payouts of the Pulse inspection program reduced taxes then currently payable. The reduction in cash from operating activities from 1997 to 1998 is primarily due to the Pulse inspection program on which Lennox spent $86.1 million in 1998. Net cash used in investing activities totaled $407.4 million, $212.4 million and $44.6 million for 1999, 1998 and 1997, respectively. Spending for capital improvements increased $24.3 million in 1999 over 1998, and $17.8 million in 1998 over 1997. Investments in acquired businesses accounted for an increase in investment spending of $173.7 million in 1999 over 1998 and $149.5 million in 1998 over 1997. Net cash provided by (used in) financing activities was $338.7 million, $89.5 million and

($17.3) million for 1999, 1998 and 1997, respectively. Cash for financing activities was provided by increasing debt $223.5 million in 1999 and $99.2 million in 1998. The public offering of stock, along with the exercise of stock options, generated $141.9 million of cash in 1999.

Lennox's capital expenditures were $76.7 million, $52.4 million, and $34.6 million for 1999, 1998 and 1997, respectively. Capital expenditures in 1999 related to production equipment (including tooling), training facilities, leasehold improvements and information systems. These capital expenditures were financed using cash flow from operations and available borrowings under Lennox's revolving credit facility.

Lennox will continue to acquire additional heating and air conditioning dealers in the United States and Canada. Lennox plans to finance these acquisitions with a combination of cash, stock and debt. As of December 31, 1999, Lennox had acquired 60 dealers in Canada and 33 in the United States for an aggregate purchase price of approximately $241 million and had signed letters of intent to acquire five additional Canadian dealers and 18 United States dealers for an aggregate purchase price of approximately $59 million.

On August 3, 1999, Lennox completed the initial public offering of its common stock. Lennox sold 8,088,490 shares of its common stock, and certain selling stockholders sold 411,510 shares, at an initial price to the public of $18.75 per share. Net proceeds from the offering were $139.4 million, after deducting estimated expenses and underwriting discounts and commissions. Proceeds from the offering were used to repay a portion of the borrowings under Lennox's former revolving credit facility and a term credit facility which terminated upon completion of the offering.

Lennox will purchase the remaining 30% interest in Ets. Brancher for approximately $17 million in the first half of 2000. In June 1999, Lennox acquired James N. Kirby Pty. Ltd. 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 Lennox common stock. The $33 million in deferred payments will be made in installments of approximately $11 million per year over the next three years. If Lennox common stock does not trade at a price greater than $29.09 per share for five consecutive days from the period from 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 Lennox common stock.

At December 31, 1999, Lennox had long-term debt obligations outstanding of $554.8 million. The majority of the long-term debt consists of five issues of notes with an aggregate principal amount of $206.0 million, interest rates ranging from 6.56% to 9.53% and maturities ranging from 2001 to 2008, and amounts aggregating $258.0 million borrowed under a $300.0 million revolving credit agreement. The notes and revolving credit agreement contain restrictive covenants, including financial maintenance covenants and covenants that place limitations on Lennox's ability to incur additional indebtedness, encumber its assets, sell its assets or pay dividends. The ratio of total funded debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") cannot exceed 3.0 based upon a rolling four quarter basis. The ratio of EBITDA less capital expenditures to interest expense should be greater than 3.0 based on a rolling four quarter basis. Lennox's ability to incur debt is limited to 60.0% of its consolidated capitalization. As of December 31, 1999, Lennox's consolidated indebtedness as a percent of consolidated capitalization was 43.7% as defined in the note

agreements. Generally, the aggregate sale of assets outside the ordinary course of business cannot exceed 15% of Lennox's consolidated assets during any fiscal year and all transfers after January 1, 1998 cannot exceed 30% of Lennox's consolidated assets. In addition, in order to pay dividends or make a sale of assets outside the ordinary course of business, Lennox must be able to incur $1.00 of additional indebtedness. In addition, Lennox is required to maintain a consolidated net worth equal to $261.0 million plus 15% of Lennox's consolidated quarterly net income beginning April 1, 1998. At December 31, 1999, the required consolidated net worth was $279.4 million and Lennox had a consolidated net worth of $613.5 million as defined in the agreement. Upon a change of control, Lennox must make an offer to repurchase the notes at a price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest. Lennox's debt service requirement (including principal and interest payments) for its currently outstanding long-term debt is $54 million for 2000. As of December 31, 1999, Lennox had approximate minimum commitments on all non-cancelable operating leases of $30.2 million and $24.4 million in 2000 and 2001, respectively.

Lennox has a multi-year $300 million revolving credit facility with a syndicate of banks led by Chase Bank of Texas, National Association, as administrative agent, Wachovia Bank, N.A., as syndication agent, and The Bank of Nova Scotia, as documentation agent. The credit facility has restrictive covenants and maintenance tests identical to those in the notes. Borrowings under this credit facility bear interest, at Lennox's option, at a rate equal to either (a) the greater of the administrative agent'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 1.125%, depending upon Lennox's ratio of total funded debt to EBITDA. Lennox pays a commitment fee equal to 0.15% to 0.30% of the unused commitment, depending upon the ratio of total funded debt to EBITDA. This credit facility has a term of five years. Additionally, Lennox entered into a $300 million, 364 day, revolving credit facility in January 2000. This facility contains similar terms and covenants as the multi-year revolving credit facility.

Lennox signed an agreement in October 1999 with The Prudential Insurance Company of America which will allow it to borrow up to $100 million in the form of senior notes from time to time within the first three years of the agreement. The minimum amount of notes that can be drawn at any one time will be $10 million and the maturity and interest rate will be selected from alternatives provided by Prudential at the time the notes are issued, up to a maximum maturity of 15 years. The agreement has customary covenants that are substantially similar to those contained in Lennox's other outstanding series of notes.

Lennox announced a two-phase stock buy-back plan to repurchase, depending on market conditions and other factors, up to 5 million shares of Lennox common stock. A total of 1,172,200 shares had been purchased at an average cost of $10.566 in the fourth quarter of 1999. Purchases under the share repurchase program will be made on an open-market basis at prevailing market prices in accordance with the applicable rules and regulations governing such purchases. The timing of any repurchases will depend on market conditions, the market price of Lennox common stock, and management's assessment of Lennox's liquidity and cash flow needs. Lennox has also entered into a series of forward purchase contracts, which it may use in connection with the stock repurchase program. The terms of these contracts permit settlement on a net share basis and provide that the stock repurchased will remain issued and outstanding until the forward purchase contracts are settled. Lennox expects the settlement of any of such contracts to begin in the third quarter of 2000.

Lennox believes that cash flow from operations, as well as available credit facilities, will be sufficient to fund its operations and the ongoing business enterprise endeavors for the foreseeable future. Lennox may pursue additional debt or equity financing in connection with acquisitions.

MARKET RISK

Lennox's results of operations can be affected by changes in exchange rates. Net sales and expenses in currencies other than the United States dollar are translated into United States dollars for financial reporting purposes based on the average exchange rate for the period. During 1999, 1998 and 1997, net sales from outside the United States represented 26.7%, 19.2%, and 11.7%, respectively, of total net sales. Historically, foreign currency transaction gains (losses) have not had a material effect on Lennox's operations.

Lennox has entered into foreign currency exchange contracts to hedge its investment in Europe. Lennox does not engage in currency speculation. These contracts do not subject Lennox to risk from exchange rate movements because the gains or losses on the contracts offset the losses or gains, respectively, on the assets and liabilities of its European companies. As of December 31, 1999, Lennox had entered into foreign currency exchange contracts with a nominal value of 165.5 million French francs (approximately $25.4 million). These contracts require Lennox to exchange Euros for United States dollars at maturity, which is in May 2003, at rates agreed to at inception of the contracts. If the counterparties to the exchange contracts do not fulfill their obligations to deliver the contracted currencies, Lennox could be at risk for any currency related fluctuations.

From time to time Lennox enters into foreign currency exchange contracts to hedge receivables and 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 receivables or payables being hedged. As of December 31, 1999, Lennox had obligations to deliver the equivalent of $26.3 million of various foreign currencies at various dates over the next nine months, for which the counterparties to the contracts will pay fixed contract amounts, and obligations to take the equivalent of $2.2 million of various currencies at various dates over the next two months.

Lennox has contracts with various suppliers to purchase copper and aluminum for use in its manufacturing processes. As of December 31, 1999, Lennox had contracts to purchase 21.2 million pounds of copper over the next 12 months at fixed prices that average $0.73 per pound ($15.5 million) and contracts to purchase 6 million pounds of copper at a variable price equal to the COMEX copper price ($0.85 per pound at December 31, 1999) over the next 12 months. Lennox also had contracts to purchase 3.7 million pounds of aluminum at $0.69 per pound ($2.6 million) over the next 12 months. Additionally, Lennox had contracts to purchase 9.3 million pounds of aluminum fin stock over the next 12 months at a fixed price of $1.04 per pound ($9.8 million). The fair value of the copper and aluminum purchase commitments was an asset at December 31, 1999 of $3.0 million and a liability of $2.6 million at December 31, 1998.

INFLATION

Historically, inflation has not had a material effect on Lennox's results of operations.

YEAR 2000 COMPLIANCE

The Year 2000 issue concerns the ability of information technology and non-information technology systems and processes to properly recognize and process date-sensitive information before, during and after December 31, 1999. Lennox has a variety of computer software program

applications, computer hardware equipment and other equipment with embedded electronic circuits, including applications used in its financial business systems, manufacturing processes and administrative functions, which are collectively referred to as the "systems." As of December 31, 1999, Lennox was 100% complete with the implementation of the Year 2000 compliance program for all of its systems.

Lennox's cost to become Year 2000 compliant was approximately $6.4 million, all of which was recorded as a reduction of net income. Such costs do not include the costs of application and infrastructure changes that were made for reasons other than the Year 2000 and that were not accelerated because of the Year 2000. All Year 2000 costs were funded from operating cash flows and were not incremental to existing information technology budgets. The Company does not anticipate incurring any additional costs as a result of the Year 2000 issue.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments, including certain derivatives embedded in other contracts (collectively referred to as derivatives) and for hedging activities. This statement, for Lennox, is effective with the first quarter of 2001. Lennox does not believe that the adoption of this pronouncement will have a significant impact on its financial statements.

REPORT OF MANAGEMENT

The Company's management is responsible for the preparation and accuracy of the financial statements. Management believes that the financial statements for the three years ended December 31, 1999, have been prepared in conformity with generally accepted accounting principles and set forth a fair presentation of the financial condition and results of operations.

In meeting its responsibility for the reliability of the financial statements, management relies on a system of internal accounting controls. Management believes that the accounting systems and related controls that it maintains are sufficient to provide reasonable assurance that financial records are reliable for preparing financial statements and maintaining accountability for assets. These systems and controls are tested and evaluated regularly by the Company's internal auditors.

The Audit Committee of the Board of Directors, which is composed solely of Directors who are independent of the Company, is responsible for monitoring the Company's accounting and reporting practices. The Audit Committee meets periodically with the Company's management, the internal auditors and the independent public accountants and monitors the accounting affairs of the Company. The independent accountants have free access to the Audit Committee and the Board of Directors to discuss internal accounting control, auditing and financial reporting matters.

The independent public accountants are engaged to express an opinion on the Company's consolidated financial statements. They have developed an overall understanding of our accounting and financial controls and have conducted other tests as they consider necessary to support their opinion on the financial statements. The opinion of the independent public accountants is based on procedures which they believe to be sufficient to provide reasonable assurance that the financial statements contain no material errors.

/s/ JOHN W. NORRIS, JR	/s/ CLYDE WYANT
JOHN W. NORRIS, JR Chairman of the Board and Chief Executive Officer	CLYDE WYANT Executive Vice President and Chief Financial Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Lennox International Inc. (a Delaware corporation) and Subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lennox International Inc. and Subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Dallas, Texas,

February 18, 2000

CONSOLIDATED BALANCE SHEETS

As of December 31, 1999 and 1998 (In thousands, except share data)

ASSETS

	As of December 31, 1999	1998
CURRENT ASSETS:		
Cash and cash equivalents	$ 29,174	$ 28,389
Accounts and notes receivable, net	443,107	318,858
Inventories	345,424	274,679
Deferred income taxes	25,367	37,426
Other assets	44,526	36,183
Total current assets	887,598	695,535
INVESTMENTS IN JOINT VENTURES	12,434	17,261
PROPERTY, PLANT, AND EQUIPMENT, net	329,966	255,125
GOODWILL, net	394,252	155,290
OTHER ASSETS	59,423	28,358
TOTAL ASSETS	$ 1,683,673	$ 1,151,569
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term debt	$ 22,219	$ 56,070
Current maturities of long-term debt	34,554	18,778
Accounts payable	196,143	149,824
Accrued expenses	200,221	207,040
Income taxes payable	9,859	534
Total current liabilities	462,996	432,246
LONG-TERM DEBT	520,276	242,593
DEFERRED INCOME TAXES	928	11,102
POSTRETIREMENT BENEFITS, OTHER THAN PENSIONS	15,125	16,511
OTHER LIABILITIES	72,377	60,845
Total liabilities	1,071,702	763,297
MINORITY INTEREST	14,075	12,689
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value, 25,000,000 shares authorized, no shares issued or outstanding	--	--
Common stock, $.01 par value, 200,000,000 shares authorized, 46,161,607 shares and 35,546,940 shares issued for 1999 and 1998, respectively	$ 462	$ 355
Additional paid-in capital	215,523	32,889
Retained earnings	409,851	350,851
Accumulated other comprehensive loss	(12,706)	(8,512)
Deferred compensation	(2,848)	--
Treasury stock, at cost, 1,172,200 shares for 1999	(12,386)	--
Total stockholders' equity	597,896	375,583
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,683,673	$ 1,151,569

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

CONSOLIDATED STATEMENTS OF INCOME LENNOX INTERNATIONAL INC.

For the Years Ended December 31, 1999, 1998 and 1997 (In thousands, except per share data)

	For the Years Ended December 31,		
	1999	1998	1997
NET SALES	$ 2,361,667	$ 1,821,836	$ 1,444,442
COST OF GOODS SOLD	1,617,332	1,245,623	1,005,913
Gross profit	744,335	576,213	438,529
OPERATING EXPENSES:			
Selling, general and administrative	588,388	469,610	333,768
Product inspection charge	--	--	140,000
Income (loss) from operations	155,947	106,603	(35,239)
INTEREST EXPENSE, net	33,096	16,184	8,515
OTHER	(287)	1,602	1,955
MINORITY INTEREST	(100)	(869)	(666)
Income (loss) before income taxes	123,238	89,686	(45,043)
PROVISION (BENEFIT) FOR INCOME TAXES	50,084	37,161	(11,493)
Net income (loss)	$ 73,154	$ 52,525	$ (33,550)
EARNINGS (LOSS) PER SHARE:			
Basic	$ 1.85	$ 1.50	$ (0.99)
Diluted	$ 1.81	$ 1.47	$ (0.99)

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended December 31, 1999, 1998 and 1997 (In thousands, except per share data)

	Common Stock								
	Shares Issued	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Compre-hensive Loss	Deferred Compen-sation	Treasury Stock at Cost	Total Stockholders' Equity	Comprehensive Income (Loss)
BALANCE AT DECEMBER 31, 1996	33,703	$ 337	$ 10,274	$ 352,828	$ (2,622)	$ --	$ --	$ 360,817	
Net loss	--	--	--	(33,550)	--	--	--	(33,550)	$ (33,550)
Dividends, $0.275 per share	--	--	--	(9,668)	--	--	--	(9,668)	--
Foreign currency translation adjustments	--	--	--	--	(1,761)	--	--	(1,761)	(1,761)
Minimum pension liability adjustment, net of tax provision of $179	--	--	--	--	354	--	--	354	354
Common stock repurchased	(369)	(4)	(4,888)	--	--	--	--	(4,892)	--
Common stock issued	1,073	11	13,874	--	--	--	--	13,885	--
Comprehensive income (loss)	--	--	--	--	--	--	--	--	$ (34,957)
BALANCE AT DECEMBER 31, 1997	34,407	344	19,260	309,610	(4,029)	--	--	325,185	
Net income	--	--	--	52,525	--	--	--	52,525	$ 52,525
Dividends, $0.325 per share	--	--	--	(11,284)	--	--	--	(11,284)	--
Foreign currency translation adjustments	--	--	--	--	(3,919)	--	--	(3,919)	(3,919)
Minimum pension liability adjustment, net of tax provision of $526	--	--	--	--	(564)	--	--	(564)	(564)
Common stock repurchased	(506)	(5)	(8,505)	--	--	--	--	(8,510)	--
Common stock issued	1,646	16	22,134	--	--	--	--	22,150	--
Comprehensive income	--	--	--	--	--	--	--	--	$ 48,042
BALANCE AT DECEMBER 31, 1998	35,547	355	32,889	350,851	(8,512)	--	--	375,583	
Net income	--	--	--	73,154	--	--	--	73,154	$ 73,154
Dividends, $0.35 per share	--	--	--	(14,154)	--	--	--	(14,154)	--
Foreign currency translation adjustments	--	--	--	--	(4,029)	--	--	(4,029)	(4,029)
Minimum pension liability adjustment, net of tax provision of $626	--	--	--	--	(165)	--	--	(165)	(165)
Deferred compensation	--	--	--	--	--	(2,848)	--	(2,848)	--
Common stock repurchased	(8)	--	(152)	--	--	--	(12,386)	(12,538)	--
Common stock issued	10,623	107	182,786	--	--	--	--	182,893	--
Comprehensive income	--	--	--	--	--	--	--	--	$ 68,960
BALANCE AT DECEMBER 31, 1999	46,162	$ 462	$ 215,523	$ 409,851	$ (12,706)	$ (2,848)	$ (12,386)	$ 597,896	

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

CONSOLIDATED STATEMENTS OF CASH FLOWS LENNOX INTERNATIONAL INC.

For the Years Ended December 31, 1999, 1998 and 1997 (In thousands)

	For the Years Ended December 31, 1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 73,154	$ 52,525	$ (33,550)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Minority interest	(100)	(869)	(666)
Joint venture losses	3,046	3,111	1,782
Depreciation and amortization	57,442	43,545	33,430
Loss (gain) on disposal of equipment	675	570	(251)
Other	283	(130)	2,112
Changes in assets and liabilities, net of effects of acquisitions and dispositions:			
Accounts and notes receivable	(19,579)	(20,567)	(25,878)
Inventories	(9,289)	(52,445)	17,258
Other current assets	(6,793)	(4,739)	3,622
Accounts payable	(26,499)	29,851	(4,774)
Accrued expenses	(17,595)	(17,040)	64,400
Deferred income taxes	4,535	26,424	(42,195)
Income taxes payable and receivable	18,263	(18,610)	(2,361)
Long-term warranty, deferred income and other liabilities	(6,966)	(36,662)	45,557
Net cash provided by operating activities	70,577	4,964	58,486
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the disposal of property, plant and equipment	944	538	4,205
Purchases of property, plant and equipment	(76,712)	(52,435)	(34,581)
Investments in joint ventures	(3,412)	(458)	(3,735)
Acquisitions, net of cash acquired	(333,739)	(160,063)	(10,527)
Proceeds from the sale of businesses	5,490	--	--
Net cash used in investing activities	(407,429)	(212,418)	(44,638)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Short-term borrowings (repayments)	(37,722)	36,724	(3,732)
Repayments of long-term debt	(58,346)	(12,499)	(5,712)
Long-term borrowings	319,561	75,044	5,572
Sales of common stock	141,895	9,607	729
Repurchases of common stock	(12,538)	(8,510)	(4,892)
Cash dividends paid	(14,154)	(10,820)	(9,312)
Net cash provided by (used in) financing activities	338,696	89,546	(17,347)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,844	(117,908)	(3,499)
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(1,059)	(1,505)	(576)
CASH AND CASH EQUIVALENTS, beginning of year	28,389	147,802	151,877
CASH AND CASH EQUIVALENTS, end of year	$ 29,174	$ 28,389	$ 147,802
Supplementary disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 33,981	$ 20,351	$ 15,016
Income taxes	$ 43,938	$ 29,347	$ 33,938

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 1999, 1998 and 1997

1. NATURE OF OPERATIONS:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

CASH EQUIVALENTS The Company considers all highly liquid temporary investments with original maturity dates of three months or less to be cash equivalents. Cash equivalents consist of investment grade securities and are stated at cost which approximates fair value. The Company earned interest income of $2.6 million, $4.5 million and $6.4 million for the years ended December 31, 1999, 1998 and 1997, respectively, which is included in interest expense, net on the accompanying consolidated statements of income.

ACCOUNTS AND NOTES RECEIVABLE Accounts and notes receivable have been shown net of an allowance for doubtful accounts of $21.2 million and $18.5 million as of December 31, 1999 and 1998, respectively. The Company has no significant credit risk concentration among its diversified customer base.

INVENTORIES Inventory costs include applicable material, labor, depreciation, and plant overhead. Inventories of $183.7 million and $169.6 million in 1999 and 1998, respectively, are valued at the lower of cost or market using the last-in, first-out (LIFO) cost method. The remaining portion of the inventory is valued at the lower of cost or market with cost being determined either on the first-in, first-out (FIFO) basis or average cost.

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

Buildings and improvements	10 to 39 years
Machinery and equipment	3 to 10 years

GOODWILL AND OTHER INTANGIBLE ASSETS Goodwill and other intangible assets have been recorded based on their fair value at the date of acquisition and are being amortized on a straight-line basis over periods generally ranging from thirty to forty years. As of December 31, 1999 and 1998, accumulated amortization was $41.5 million and $34.4 million, respectively.

The Company periodically reviews long-lived assets and identifiable intangibles for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. In order to assess recoverability, the Company compares the estimated expected future cash flows (undiscounted and without interest charges) identified with each long-lived asset or related asset grouping to the carrying amount of such assets. For purposes of such comparisons, portions of goodwill are attributed to related long-lived assets and identifiable intangible assets based upon relative fair values of such assets at acquisition. If the expected future cash flows do not exceed the carrying value of the asset or assets being reviewed, an impairment loss is recognized based on the excess of the carrying amount of the impaired assets over their fair value. As a result of these periodic reviews, there have been no adjustments to the carrying value of long-lived assets, identifiable intangibles, or goodwill in 1999, 1998 and 1997.

PRODUCT WARRANTIES A liability for estimated warranty expense is established by a charge against operations at the time products are sold. The subsequent costs incurred for warranty claims serve to reduce the product warranty liability. The Company recorded warranty expense of $21.5 million, $15.6 million and $17.7 million for the years ended December 31, 1999, 1998, and 1997, respectively.

The Company's estimate of future warranty costs is determined for each product line. The number of units that are expected to be repaired or replaced is determined by applying the estimated failure rate, which is generally based on historical experience, to the number of units that have been sold and are still under warranty. The estimated units to be repaired under warranty are multiplied by the average cost (undiscounted) to repair or replace such products to determine the Company's estimated future warranty cost. The Company's estimated future warranty cost is subject to adjustment from time to time depending on actual experience.

Total liabilities for estimated warranty expense are $55.7 million and $83.2 million as of December 31, 1999 and 1998, respectively, and are included in the following captions on the accompanying consolidated balance sheets (in thousands):

	December 31,	
	1999	1998
Current accrued expenses	$ 17,272	$ 48,467
Other non-current liabilities	38,400	34,707
	$ 55,672	$ 83,174

The liability for estimated warranty expense as of December 31, 1998, included $27.3 million in remaining estimated liabilities associated with a product inspection program initiated in 1997 (see Note 3).

INCOME TAXES Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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

RESEARCH AND DEVELOPMENT EXPENSES Research and development costs are expensed as incurred. The Company expended approximately $39.1 million, $33.3 million, and $25.4 million for the years ended December 31, 1999, 1998, and 1997, respectively, for research and product development activities. Research and development costs are included in selling, general and administrative expense on the accompanying consolidated statements of income.

ADVERTISING Production costs of commercials and programming are charged to operations in the period first aired. The costs of other advertising, promotion and marketing programs are charged to operations in the period incurred. Advertising expense was $62.3 million, $50.2 million, and $37.9 million for the years ended December 31, 1999, 1998, and 1997, respectively.

TRANSLATION OF FOREIGN CURRENCIES All assets and liabilities of foreign subsidiaries and joint ventures are translated into United States dollars using rates of exchange in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates during the respective years. The unrealized translation gains and losses are accumulated in a separate component of stockholders' equity. Transaction gains (losses) included in the accompanying statements of income were $287,000, $(1,602,000) and $(1,955,000) for the years ended December 31, 1999, 1998, and 1997, respectively.

FOREIGN CURRENCY CONTRACTS The Company has entered into foreign currency exchange contracts to hedge its investment in Ets. Brancher S.A. (see Note 7) and not to engage in currency speculation. These contracts do not subject the Company to risk from exchange rate movements because the gains or losses on the contracts offset the losses or gains, respectively, on the assets and liabilities of the subsidiary. The Company has entered into contracts to sell 165.5 million French francs on May 7, 2003 for $31.7 million. The fair value of these contracts was approximately $6.3 million and $2.1 million as of December 31, 1999 and 1998, respectively.

These contracts require the Company to exchange Euros for United States dollars at maturity (May 2003), at rates agreed to at inception of the contracts. If the counterparty to the exchange contracts does not fulfill their obligations to deliver the contracted currencies, the Company could be at risk for any currency-related fluctuations. The gains and losses associated with these contracts, net of tax, are recorded as a component of accumulated other comprehensive loss on the accompanying 1999, 1998 and 1997 consolidated statements of stockholders' equity.

The Company from time to time enters into foreign exchange contracts to hedge receivables or payables denominated in foreign currencies, and not to engage in currency speculation. These contracts do not subject the Company to risk from exchange rate movements because the gains or losses on the contracts offset losses or gains,

respectively, on the items being hedged. As of December 31, 1999, the Company had obligations to deliver $26.3 million of various currencies over the next nine months, and to take possession of $2.2 million of various currencies over the next two months. The fair value of the various contracts represented a net asset of $1.3 million as of December 31, 1999 and was insignificant at December 31, 1998.

PURCHASE COMMITMENTS The Company has contracts with various suppliers to purchase copper and aluminum for use in its manufacturing processes. As of December 31, 1999, the Company had contracts to purchase 21.2 million pounds of copper over the next 12 months at fixed prices that average $0.73 per pound ($15.5 million) and contracts to purchase 6 million pounds of copper at a variable price equal to the COMEX copper price ($0.85 per pound at December 31, 1999) over the next 12 months. The Company also had contracts to purchase 3.7 million pounds of aluminum at $0.69 per pound ($2.6 million) over the next 12 months. Additionally, the Company had contracts to purchase 9.3 million pounds of aluminum fin stock over the next 12 months at a fixed price of $1.04 per pound ($9.8 million). The fair value of the copper and aluminum purchase commitments was an asset of $3.0 million at December 31, 1999, and was a liability at December 31, 1998 of $2.6 million.

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

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

3. PRODUCT INSPECTION CHARGE:

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

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

4. 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. The Company's business operations are organized within the following four reportable business segments as follows

(in thousands):

	For the Years Ended December 31,		
	1999	1998	1997
NET SALES			
North American residential	$ 1,361,603	$ 1,013,747	$ 865,147
Commercial air conditioning	452,803	392,053	278,837
Commercial refrigeration	327,266	237,264	154,247
Heat transfer(1)	219,995	178,772	146,211
	$ 2,361,667	$ 1,821,836	$ 1,444,442
INCOME (LOSS) FROM OPERATIONS			
North American residential(2)	$ 137,246	$ 123,426	$ (47,516)
Commercial air conditioning	10,435	(6,579)	4,521
Commercial refrigeration	25,915	20,383	15,407
Heat transfer	12,592	12,700	16,857
Corporate and other(3)	(30,241)	(43,327)	(24,508)
	$ 155,947	$ 106,603	$ (35,239)

	As of December 31,	
	1999	1998
TOTAL ASSETS		
North American residential	$ 873,336	$ 528,660
Commercial air conditioning	251,226	198,982
Commercial refrigeration	252,176	194,601
Heat transfer	179,615	88,633
Corporate and other	127,320	140,693
	$ 1,683,673	$ 1,151,569

(1) The heat transfer segment had intersegment sales of $22,493, $32,307, and $23,571 in 1999, 1998, and 1997, respectively.

(2) Includes a $140.0 million charge in 1997 related to a product inspection program (see Note 3).

(3) The increase in corporate and other from 1997 to 1998 is primarily due to $7.1 million of expense for the settlement of a lawsuit in 1998 and $4.6 million associated with increased expenses of the Company's Performance Plan.

	For the Years Ended December 31,		
	1999	1998	1997
CAPITAL EXPENDITURES			
North American residential	$ 17,820	$ 16,199	$ 12,914
Commercial air conditioning	8,666	7,129	5,677
Commercial refrigeration	9,402	7,367	6,798
Heat transfer	16,388	12,136	6,907
Corporate and other(1)	24,436	9,604	2,285
	$ 76,712	$ 52,435	$ 34,581

(1) The increase in corporate and other is primarily due to an increase in expenditures related to the implementation of SAP and the construction of headquarters offices.

DEPRECIATION AND AMORTIZATION			
North American residential	$ 23,960	$ 16,819	$ 14,892
Commercial air conditioning	7,556	6,364	4,048
Commercial refrigeration	11,437	9,382	6,390
Heat transfer	9,855	5,914	3,991
Corporate and other	4,634	5,066	4,109
	$ 57,442	$ 43,545	$ 33,430

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

	For the Years Ended December 31,		
	1999	1998	1997
NET SALES TO EXTERNAL CUSTOMERS			
United States	$1,730,362	$1,472,342	$1,274,875
Canada	250,184	104,954	93,188
International	381,121	244,540	76,379
Total net sales to external customers	$2,361,667	$1,821,836	$1,444,442

	As of December 31,	
	1999	1998
LONG-LIVED ASSETS		
United States	$ 548,963	$ 342,753
Canada	98,258	27,225
International	148,854	86,056
Total long-lived assets	$ 796,075	$ 456,034

5. INVENTORIES:

Components of inventories are as follows (in thousands):

	As of December 31,	
	1999	1998
Finished goods	$ 219,303	$ 177,490
Repair parts	36,153	31,674
Work in process	20,957	15,574
Raw materials	117,209	102,876
	393,622	327,614
Reduction for last-in, first-out	48,198	52,935
	$ 345,424	$ 274,679

6. PROPERTY, PLANT AND EQUIPMENT:

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

	As of December 31,	
	1999	1998
Land	$ 24,899	$ 18,531
Buildings and improvements	171,322	162,916
Machinery and equipment	499,018	404,848
Total	695,239	586,295
Less--accumulated depreciation	(365,273)	(331,170)
Property, plant and equipment, net	$ 329,966	$ 255,125

7. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES:

ETS. BRANCHER In May 1996, the Company's subsidiary, Lennox Global Ltd., acquired a 50% interest in HCF-Lennox, a manufacturer of air conditioning and refrigeration equipment. In addition to acquiring an interest in HCF-Lennox, the Company increased its ownership of an existing joint venture, Friga-Bohn, from 20% to 50%. Effective September 30, 1997, Lennox Global Ltd. acquired an additional 20% interest in HCF-Lennox and Friga-Bohn. In conjunction with the purchase, the stock of HCF-Lennox and Friga-Bohn was combined into an existing holding company, Ets. Brancher S.A. Ets. Brancher also owns certain land and buildings that were leased to HCF-Lennox and Friga-Bohn. As a result of the acquisition (the "1997 Ets. Brancher Acquisition"), Lennox Global Ltd. owns 70% of HCF-Lennox and Friga-Bohn as well as a 70% interest in the land and buildings through its ownership of 70% of the stock of Ets. Brancher S.A. The aggregate purchase price for the 1997 Ets. Brancher Acquisition was $18.4 million, of which $10 million was in cash and $8.4 million was in Company stock (631,389 shares). The acquisition was accounted for in accordance with the purchase method of accounting. Accordingly, the purchase price has been allocated to the assets and liabilities based upon their estimated fair values at the date of acquisition. As a result, the Company recorded additional goodwill of approximately $6.4 million, which is being amortized on a straight-line basis over a 30-year period.

The Company has entered into an agreement to acquire the remaining 30% interest in Ets. Brancher S.A. in the first half of 2000 for 102.5 million French francs, or approximately $17 million.

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

The following table presents the unaudited pro forma results as if the Company's 70% interest in Ets. Brancher had been consolidated beginning January 1, 1997 (in thousands, except per share data).

	Year Ended December 31, 1997
Net sales	$ 1,588,985
Net income (loss)	(33,381)
Basic earnings per share	(0.98)
Diluted earnings per share	(0.98)

1998 DEALERS In September 1998, the Company's Lennox Industries Inc. subsidiary undertook a program of acquiring businesses ("the Dealers") that had been retail outlets for the Company's and other manufacturers' products. In 1998, fourteen of these businesses (the "1998 Dealers") in Canada were purchased for $22.9 million in cash. These acquisitions were accounted for in accordance with the purchase method of accounting, and accordingly the purchase price was allocated to the fair values of the assets acquired and liabilities assumed, with the excess of $19.0 million being allocated to goodwill. The results of the operations of the 1998 Dealers were fully consolidated with those of the Company since the dates of acquisition.

HEARTH COMPANIES During June and July 1998, the Company's Hearth Products Inc. subsidiary, which is included in the North American residential segment, purchased substantially all of the assets and certain liabilities of Superior Fireplace Co. and all of the outstanding stock of Marco Mfg. Inc. and Pyro Industries Inc. The aggregate purchase price for these acquisitions was $102.9 million, of which $99.1 million was in cash and $3.8 million was in the form of a note payable in 1999. These acquisitions were accounted for in accordance with the purchase method of

accounting. Accordingly, the aggregate purchase price has been allocated to assets totaling $131.5 million and to liabilities totaling $28.6 million of the acquired companies based upon the fair value of those assets and liabilities. As a result, the Company recorded goodwill of approximately $73.8 million which is being amortized on a straight-line basis over 40 years. The results of operations of the acquired Hearth companies have been fully consolidated with those of the Company since the dates of acquisition.

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

The following table presents the unaudited pro forma results as if the 1998 Dealers, the Hearth companies, and Heatcraft do Brasil had been acquired on January 1, 1997 (in thousands except per share data).

	Year Ended December 31,	
	1998	1997
Net sales	$ 1,944,036	$ 1,648,642
Net income (loss)	47,325	(37,750)
Basic earnings per share	1.36	(1.11)
Diluted earnings per share	1.32	(1.11)

1999 DEALERS In 1999, the Company acquired 46 additional Dealers in Canada and 33 in the United States (the "1999 Dealers"), bringing the total number acquired to 93. The cost to acquire the 1999 Dealers was $218.0 million, $209.1 million of which was paid in cash and $8.9 million of which was paid in shares of the Company's stock (802,723 shares).

Under the purchase method of accounting, $58.1 million was allocated to the fair values of the assets and liabilities acquired and the excess of $159.9 million was allocated to goodwill, which is being amortized on a straight-line basis over 40 years. The results of operations of the 1999 Dealers acquired have been fully consolidated with the results of the Company since the various dates of acquisition.

LIVERNOIS In May 1999, the Company acquired Livernois Engineering Holding Company, its operating subsidiary and its licensed patents for $20.5 million. Livernois produces heat transfer manufacturing equipment for the HVACR and automotive industries. The purchase price, consisting of cash of $13.1 million and $7.4 million in shares of the Company's common stock (304,953 shares), has been allocated, based on fair value, to identifiable assets totaling $16.0 million and to liabilities totaling $3.0 million, with $7.5 million being allocated to goodwill. The goodwill is being amortized on a straight-line basis over 40 years. The acquisition was accounted for in accordance with the purchase method of accounting. The results of the operations of Livernois have been fully consolidated with those of the Company since the date of acquisition.

KIRBY In June 1999, the Company acquired the outstanding stock of James N. Kirby Pty. Ltd., an Australian manufacturer and distributor of refrigeration and heat transfer products. The purchase price of $65.5 million was paid in cash and in shares of the Company's common stock (650,430 shares) in the amounts of $49.4 million and $16.1 million, respectively. If Lennox common stock does not trade at a price greater than $29.09 per share for five consecutive days from the period from 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 Lennox common stock. The acquisition was accounted for in accordance with the purchase method of accounting, and accordingly, the purchase price was allocated, based on fair value, to identifiable assets totaling $83.2 million and to liabilities totaling $56.7 million with $39.0 million being allocated to goodwill. In order to finance the cash portion of the purchase price, the Company borrowed approximately $48.3 million in the form of three promissory notes. The first promissory note of $16.1 million bore interest at 5.68% and was paid in December 1999 as part of a permanent financing arrangement. The second promissory note of $11.4 million, which bore no interest, was paid in December 1999. The third promissory note of $20.8 million is payable $11.0 million in 2001 and $9.8 million in 2002. The stated interest rate on the third promissory note escalates from no interest in year one to 4% in year three. Accordingly, the Company recorded a discount on the third promissory note of $2.3 million, which is being amortized over three years, to record the promissory note at fair value. The goodwill is being amortized on a straight-line basis over 40 years. In conjunction with the acquisition, the Company assumed a $20.5 million promissory note bearing interest at 5.5% which was paid upon the arranging of permanent financing. The results of the operations of this acquired company have been fully consolidated with those of the Company since the date of acquisition.

EXCEL COMFORT SYSTEMS In October 1999 the Company, through its Excel Comfort Systems subsidiary, purchased certain heating and air conditioning manufacturing related assets from The Ducane Company, Inc. and a related company. Certain related liabilities were also assumed. The cash purchase price of $52.8 million was allocated, in accordance with the purchase method of accounting, to the fair values of the assets ($40.9 million) and the liabilities ($8.2 million) with $20.1 million being allocated to goodwill. This goodwill is being amortized on a straight-line basis over 40 years. The results of operations of the Company include, on a fully consolidated basis, the results of Excel Comfort Systems since the assets were acquired.

The following table presents the unaudited pro forma results as if Livernois, Kirby, the 1999 Dealers and Excel had been acquired on January 1, 1998 (in thousands, except per share data):

	Year Ended December 31,	
	1999	1998
Net sales	$ 2,718,293	$ 2,357,995
Net income	83,693	63,606
Basic earnings per share	2.06	1.73
Diluted earnings per share	2.02	1.70

8. LONG-TERM DEBT AND LINES OF CREDIT:

Long-term debt at December 31 consists of the following

(in thousands):

	1999	1998
Floating rate revolving loans payable in 2004, currently at 6%	$ 258,000	$ --
6.73% promissory notes, payable $11,111 annually 2000 through 2008	100,000	100,000
9.69% promissory notes, retired in 1999	--	24,600
9.53% promissory notes, payable $10,000 in 1999, $8,000 in 2000, and $3,000 in 2001	11,000	21,000
7.06% promissory note, payable $10,000 annually in 2004 and 2005	20,000	20,000
6.56% promissory notes, payable in 2005	25,000	25,000
6.75% promissory notes, payable in 2008	50,000	50,000
11.10% mortgage note, payable semi-annually through 2000	6,702	7,547
Promissory note, payable $11,300 in 2001, and $10,700 in 2002	22,000	--
Long-term debt obligations of European subsidiary	11,745	12,298
Floating rate term loan, currently 7.29%, payable $3,280 in 2000 through 2002, $4,592 in 2003, and $5,248 in 2004	19,680	--
Floating rate term loan, currently 7.29%, payable in 2004	18,641	--
Floating rate term loan, currently 6.0%, payable at unspecified future date	6,560	--
Capitalized lease obligations and other	5,502	926
	554,830	261,371
Less current maturities	34,554	18,778
	$ 520,276	$ 242,593

At December 31, 1999 the aggregate amounts of required payments on long-term debt are as follows (in thousands):

2000	$ 34,554
2001	33,276
2002	26,959
2003	16,558
2004	303,864
Thereafter	139,619
	$554,830

The Company has bank lines of credit aggregating $423 million, of which $280 million was outstanding at December 31, 1999 and the remaining $143 million was available for future borrowings. As of December 31, 1999, $258 million of the amount outstanding has been classified as long-term debt in the accompanying Consolidated Balance Sheets as the facility expires in July 2004. Included in the lines is a $300 million domestic facility governed by the Revolving Credit Facility Agreement. This agreement is between the Company and a syndicate of banks providing the $300 million line. The facility contains certain financial covenants and bears interest, at the Company's option, at a rate equal to either (a) the greater of the bank's prime rate or the federal fund's rate plus 0.5% or (b) the London Interbank Offered Rate plus a margin equal to 0.5% to 1.125%, depending upon the ratio of total funded debt to EBITDA. The Company pays a commitment fee equal to 0.15% to 0.30% of the unused commitment, depending upon the ratio of total funded debt to EBITDA. The agreement provides restrictions on the Company's ability to incur additional indebtedness, encumber its assets, sell its assets, or pay dividends. (See Subsequent Events for information on additional credit facilities).

The estimated fair values of the Company's long-term debt obligations approximate their respective carrying amounts at December 31, 1999 and 1998 except as follows (in thousands):

	As of December 31, 1999			1998		
	CARRYING AMOUNT	FAIR VALUE	INTEREST RATE	Carrying Amount	Fair Value	Interest Rate
9.69% promissory notes	$ --	$ --	--	$ 24,600	$ 26,601	6.75%
9.53% promissory notes	11,000	11,225	7.8%	21,000	21,923	6.75%

The fair values presented above are based on the amount of future cash flows associated with each instrument, discounted using the Company's current borrowing rate for similar debt instruments of comparable maturity. The fair values are estimates as of December 31, 1999 and 1998, and are not necessarily indicative of amounts for which the Company could settle currently or indicative of the intent or ability of the Company to dispose of or liquidate such instruments.

9. INCOME TAXES:

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

	For the Years Ended December 31,		
	1999	1998	1997
Current--			
Federal	$ 36,089	$ 15,820	$ 24,673
State	1,561	944	790
Foreign	6,918	(6,027)	5,239
Total current	44,568	10,737	30,702
Deferred--			
Federal	3,914	30,946	(31,144)
State	330	2,237	(1,917)
Foreign	1,272	(6,759)	(9,134)
Total deferred	5,516	26,424	(42,195)
Total income tax provision (benefit)	$ 50,084	$ 37,161	$ (11,493)

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

	1999	1998	1997
Provision (benefit) at the U.S. statutory rate of 35%	$ 43,133	$ 31,390	$(15,765)
Increase (reduction) in tax expense resulting from--			
State income tax, net of federal income tax benefit	1,232	705	(350)
Foreign losses not providing a current benefit	2,282	3,572	1,044
Goodwill and other permanent items	2,292	1,261	1,510
Other	1,145	233	2,068
Total income tax provision (benefit)	$ 50,084	$ 37,161	$(11,493)

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

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

	1999	1998
Gross deferred tax assets--		
Warranties	$ 18,997	$ 28,281
Foreign NOLs	17,767	12,652
Postretirement and pension benefits	6,478	7,852
Inventory reserves	10,549	6,383
Receivable allowance	6,122	3,950
Other	11,996	9,253
Total deferred tax assets	71,909	68,371
Valuation allowance	(17,767)	(12,652)
Net deferred tax assets	54,142	55,719
Gross deferred tax liabilities--		
Depreciation	(14,440)	(17,999)
Intangibles	(2,327)	(1,674)
Other	(8,398)	(10,248)

Total deferred tax liabilities	(25,165)	(29,921)
Net deferred tax asset	$ 28,977	$ 25,798

The Company has net foreign operating loss carryforwards, mainly in Europe, which expire at various dates in the future. All such loss carryforwards have a full valuation allowance. The net change in the deferred tax asset valuation reserve for the year ended December 31, 1999 was an increase of $5,115. The increase is a result of increased foreign losses.

No provision has been made for income taxes which may become payable upon distribution of the foreign subsidiaries' earnings since management considers substantially all of these earnings permanently invested. As of December 31, 1999, the unrecorded deferred tax liability related to the undistributed earnings of the Company's foreign subsidiaries was insignificant.

10. CURRENT ACCRUED EXPENSES:

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

	December 31,	
	1999	1998
Accrued product inspection charge	$ --	$ 27,336
Accrued wages	63,034	52,915
Accrued warranties	17,272	21,131
Other	119,915	105,658
Total current accrued expenses	$200,221	$207,040

11. EMPLOYEE BENEFIT PLANS:

PROFIT SHARING PLANS The Company maintains noncontributory profit sharing plans for its eligible domestic salaried employees. These plans are discretionary as the Company's contributions are determined annually by the Board of Directors. Provisions for contributions to the plans amounted to $15.0 million, $13.6 million, and $11.5 million in 1999, 1998, and 1997, respectively.

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

EMPLOYEE STOCK PURCHASE PLAN The Company has an employee stock purchase plan under which 825,000 shares of common stock were reserved at December 31, 1999. The shares are offered for sale to employees only, through payroll deductions, at prices equal to 85% of the lesser of the fair market value of the Company's common stock on the first day of the offering period or the last day of the exercise period. For the twelve months ended December 31, 1999, participating employees purchased 155,667 shares under the plan.

PENSION AND POSTRETIREMENT BENEFIT PLANS The Company has domestic and foreign pension plans covering substantially all employees. The Company makes annual contributions to the plans equal to or greater than the statutory required minimum. The Company also maintains an unfunded postretirement benefit plan which provides certain medical and life insurance benefits to eligible employees. The pension plans are accounted for under provisions of SFAS No. 87, "Employers' Accounting for Pensions." The postretirement benefit plan is accounted for under the provisions of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions."

The following table sets forth amounts recognized in the Company's financial statements and the plans' funded status (in thousands):

	Pension Benefits		Other Benefits	
	1999	1998	1999	1998
Changes in benefit obligation--				
Benefit obligation at beginning of year	$ 134,821	$ 119,835	$ 16,298	$ 16,055
Service cost	4,446	3,875	556	494
Interest cost	9,596	9,128	1,125	1,128
Plan participants' contributions	133	189	1,469	1,452
Amendments	2,279	2,132	1,412	--
Actuarial (gain)/loss	(1,849)	7,471	(424)	(449)
Exchange rate changes	--	83	--	--
Benefits paid	(8,906)	(7,892)	(3,059)	(2,382)
Benefit obligation at end of year	140,520	134,821	17,377	16,298
Changes in plan assets--				
Fair value of plan assets at beginning of year	144,869	131,376	--	--
Actual return on plan assets	22,561	17,466	--	--
Employer contribution	3,285	3,792	1,590	930
Plan participants' contributions	133	189	1,469	1,452
Expenses	--	(549)	--	(34)
Actuarial gain	1,359	--	--	--
Benefits paid	(8,220)	(7,405)	(3,059)	(2,348)
Fair value of plan assets at end of year	163,987	144,869	--	--
Funded status	23,467	10,048	(17,377)	(16,298)
Unrecognized actuarial gain	(28,362)	(14,420)	(431)	(1,311)
Unrecognized prior service cost	8,897	7,420	--	--
Unrecognized net obligation/(asset)	556	641	1,238	(347)
Net amount recognized	$ 4,558	$ 3,689	$ (16,570)	$ (17,956)
Amounts recognized in the consolidated balance sheets consist of--				
Prepaid benefit cost	$ 16,442	$ 13,303	$ --	$ --
Accrued benefit liability	(13,813)	(12,540)	(16,570)	(17,956)
Intangible assets	281	1,542	--	--
Accumulated other comprehensive loss	1,648	1,384	--	--
Net amount recognized	$ 4,558	$ 3,689	$ (16,570)	$ (17,956)
Weighted-average assumptions as of December 31--				
Discount rate	7.75%	7.25%	7.75%	7.50%
Expected return on plan assets	9.50	9.50	--	--
Rate of compensation increase	4.00	4.00	--	--

For measurement purposes, a 7.8% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1999. The rate was assumed to decrease gradually to 5.0% by 2003 and remain at that level thereafter.

	Pension Benefits			Other Benefits		
	1999	1998	1997	1999	1998	1997
	(in thousands)			(in thousands)		
Components of net periodic benefit cost--						
Service cost	$ 4,446	$ 3,875	$ 3,439	$ 556	$ 494	$ 457
Interest cost	9,596	9,128	8,411	1,125	1,128	1,166
Expected return on plan assets	(12,344)	(10,931)	(9,844)	--	--	--
Amortization of prior service cost	730	880	716	(173)	(173)	(173)
Recognized actuarial loss	100	--	--	(1,304)	(1,297)	(1,129)
Recognized transition obligation	106	--	--	--	--	--
Net periodic benefit cost	$ 2,634	$ 2,952	$ 2,722	$ 204	$ 152	$ 321

The benefit obligation and fair value of plan assets for the pension plans with benefit obligations in excess of plan assets were approximately $22,835,000 and $8,332,000, respectively, as of December 31, 1999, and $12,478,000 and $3,607,000, respectively, as of December 31, 1998.

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

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 257	$ (213)
Effect on the post-retirement benefit obligation	2,062	(1,750)

12. STOCK-BASED COMPENSATION PLANS:

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

	Years Ended December 31,		
	1999	1998	1997
Net income (loss):			
As reported	$ 73,154	$ 52,525	$ (33,550)
Pro forma	71,864	52,525	(35,595)
Basic earnings (loss) per share:			
As reported	$ 1.85	$ 1.50	$ (0.99)
Pro forma	1.81	1.50	(1.05)
Diluted earnings (loss) per share:			
As reported	$ 1.81	$ 1.47	$ (0.99)
Pro forma	1.77	1.47	(1.05)

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

Under the 1998 Incentive Plan, the Company is authorized to issue options for 8,216,571 shares of common stock. As of December 31, 1999, options for 7,377,146 shares of common stock have been granted and options for 831,336 shares have been cancelled or repurchased. Consequently, as of December 31, 1999, there are options for 1,670,761 shares available for grant. Under the 1998 Incentive Plan, the option exercise price equals the stock's fair value on the date of grant. 1998 Incentive Plan options granted prior to 1998 vest on the date of grant. 1998 Incentive Plan options granted in 1999 and 1998 vest over three years. All 1998 Incentive Plan options expire after ten years.

The Plan's status is as follows (in thousands, except per share data):

	Years Ended December 31,					
	1999		1998		1997	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	3,798	$ 12.92	3,822	$ 10.13	3,039	$ 9.02
Granted	1,915	11.27	1,071	18.87	877	13.88
Exercised	(157)	8.40	(1,048)	9.04	(71)	7.67
Forfeited	(3)	19.03	(47)	8.64	(23)	13.31
Outstanding at end of year	5,553	$ 12.47	3,798	$ 12.92	3,822	$ 10.13
Exercisable at end of year	2,952	$ 11.77	2,737	$ 12.92	3,822	$ 10.13
Fair value of options granted		$ 3.83		$ 5.83		$ 3.76

The following table summarizes information about stock options outstanding at December 31, 1999 (in thousands, except per share data):

	Options Outstanding		
Range of Exercise Prices	NUMBER OUTSTANDING AT DECEMBER 31, 1999	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Prices
$ 7.28-$10.31	1,337	6	$ 7.73
$11.22	1,754	10	11.22
$13.21-$15.59	1,408	7.5	13.64
$16.50-$19.77	1,054	9	19.03
	5,553	8	$12.47

As of December 31, 1999, options to purchase 1,205,556 shares of common stock with exercise prices ranging from $7.28 to $7.53, options to purchase 1,374,747 shares of common stock with exercise prices ranging from $13.21 to $13.90 and options to purchase 371,250 shares of common stock with an exercise price of $19.03 were exercisable. The fair value of each option granted in 1999 is estimated on the date of grant based on a risk-free interest rate of 6.5%, volatility of 19%, expected life of ten years and an expected dividend yield of 4%. The fair value of each option granted in 1998 and 1997 is estimated on the date of grant based on a risk-free interest rate of 6%, expected life of ten years, and an expected dividend yield of 2%.

LONG-TERM INCENTIVE PLAN Prior to 1999 the Company provided a long-term incentive plan, the Lennox International Inc. Performance Share Plan (the "Performance Plan") to certain employees. During 1998, the Company terminated the Performance Plan. Under the Performance Plan, participants earned shares of the Company's common stock in accordance with a discretionary formula established by the Board of Directors based on the Company's performance over a three-year period. The value of the shares earned was determined using an independent appraisal. Under the Performance Plan 174,669 shares and 239,019 shares earned in fiscal 1997 and 1996, respectively, were issued in 1998 and 1997, respectively. During 1998, 358,974 shares were earned and issued in the same year. Compensation expense recognized under the Performance Plan was $6,876,335 and $2,259,616 for the years ended December 31, 1998 and 1997, respectively, based on the fair value of the shares earned.

During 1999, the Company established a new performance share plan (the "New Performance Share Plan"). Under the New Performance Share Plan, performance shares are awarded (the "Fixed Performance Awards") to certain employees at the discretion of the board of directors as of the beginning of each fiscal year. After ten

years of employment (the "Vesting Period"), the Fixed Performance Awards are converted to an equal number of shares of the Company's common stock. If certain pre-defined performance measures are met by the Company over a three-year period, the Vesting Period is accelerated from ten years to three years for 25% to 100% of the Fixed Performance Awards granted, depending on the Company's performance. Compensation expense is measured based on the market price of the stock at date of grant and is recognized on a straight-line basis over the performance period. The weighted-average grant-date fair value for Fixed Performance Awards granted in 1999 was $18.75 per share. The 46,161,607 shares of common stock issued as of December 31, 1999, include 407,715 shares which represent Fixed Performance Awards that have not yet vested and 52,899 shares which represent Fixed Performance Awards which have vested but have not been converted to shares of the Company's common stock.

Under the New Performance Share Plan, plan participants may also earn additional shares of the Company's common stock (the "Variable Performance Awards"). The number of additional shares can range from 0% to 100% of the Fixed Performance Awards granted, depending on the Company's performance over a three-year period. There are no additional vesting requirements once the Variable Performance Awards have been earned. Compensation expense is measured by applying the market price of the Company's stock at the end of the period to the number of Variable Performance Awards that are expected to be earned. Such expense is recognized over the performance period. As of December 31, 1999, 81,952 Variable Performance Awards were expected to be earned in future periods and related compensation expense of approximately $270,000 was recorded during 1999.

13. COMMITMENTS AND CONTINGENCIES:

OPERATING LEASES The Company has various leases relating principally to the use of operating facilities. Rent expense for 1999, 1998 and 1997 was approximately $38.4 million, $28.2 million and $23.2 million, respectively.

The approximate minimum commitments under all noncancelable leases at December 31, 1999, are as follows (in thousands):

2000	$ 30,249
2001	24,397
2002	20,891
2003	18,128
2004	14,240
Thereafter	85,080
	$ 192,985

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

14. EARNINGS PER SHARE:

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed by dividing net income by the sum of the

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

	Years Ended December 31,		
	1999	1998	1997
Net income (loss)	$ 73,154	$ 52,525	$(33,550)
Weighted average shares outstanding	39,615	34,914	33,924
Effect of diluted securities attributable to stock options and performance share awards	904	825	--
Weighted average shares outstanding, as adjusted	40,519	35,739	33,924
Diluted earnings (loss) per share	$ 1.81	$ 1.47	$ (0.99)

Options to purchase 1,039,251 shares of common stock at $19.03 per share, 1,037,850 shares of common stock at $19.03 per share, and 3,822,324 shares of common stock at prices ranging from $5.14 per share to $13.90 per share were outstanding for the years ended December 31, 1999, 1998 and 1997, respectively, but were not included in the diluted earnings per share calculation because the assumed exercise of such options would have been antidilutive.

15. QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

FINANCIAL RESULTS (IN THOUSANDS, EXCEPT PER SHARE DATA)

	Net Sales		Gross Profit		Net Earnings	
	1999	1998	1999	1998	1999	1998
First Quarter	$ 489,059	$ 379,646	$ 151,578	$ 117,844	$ 6,630	$ 8,306
Second Quarter	591,841	455,984	186,322	146,985	23,571	17,068
Third Quarter	669,053	529,169	212,442	169,506	27,284	24,594
Fourth Quarter	611,714	457,037	193,993	141,878	15,669	2,557
Fiscal Year	$2,361,667	$1,821,836	$ 744,335	$ 576,213	$ 73,154	$ 52,525

	Basic Earnings per Common Share		Diluted Earnings per Common Share		Dividends per Common Share	
	1999	1998	1999	1998	1999	1998
First Quarter	$ .19	$ .24	$ .18	$ .24	$ .085	$ .08
Second Quarter	.65	.49	.64	.48	.085	.08
Third Quarter	.65	.70	.64	.68	.085	.08
Fourth Quarter	.36	.07	.35	.07	.095	.085
Fiscal Year	$ 1.85	$ 1.50	$ 1.81	$ 1.47	$ .35	$ .325

STOCK PRICES

	Price Range per Common Share			
	1999		1998	
	HIGH	LOW	High	Low
First Quarter	NA	NA	NA	NA
Second Quarter	NA	NA	NA	NA
Third Quarter	$ 19.88	$ 14.50	NA	NA
Fourth Quarter	$ 15.88	$ 8.88	NA	NA
Fiscal Year	$ 19.88	$ 8.88	NA	NA

16. 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 December 31, 1999 the Company had purchased 1,172,200 of such shares at a total cost of $12.4 million.

17. RECENT ACCOUNTING PRONOUNCEMENTS:

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments, including certain derivatives embedded in other contracts (collectively referred to as derivatives) and for hedging activities. This statement, for the Company, is effective with the first quarter of 2001. The Company does not believe that the adoption of this pronouncement will have a significant impact on the Company's financial statements.

18. RELATED PARTY TRANSACTIONS:

John W. Norris, Jr., the Company's Chairman and Chief Executive Officer, and David H. Anderson, Richard W. Booth, David V. Brown, and Thomas W. Booth, directors of the Company, as well as certain stockholders, individually or through trust arrangements, are members of AOC Land Investment, LLC. AOC Land Investment, LLC owns 70% of AOC Development II, LLC. AOC Development II, LLC has constructed a new office building and the Company is leasing part of it for use in conjunction with the Company's corporate headquarters. The lease has a term of 25 years and the annual lease payments are approximately $2.6 million per year for the first five years. The Company believes that the terms of the lease with AOC Development II, LLC are at least as favorable as could be obtained from unaffiliated third parties.

19. SUBSEQUENT EVENTS (UNAUDITED):

On January 25, 2000, the Company entered into an agreement with a syndicate of banks which added a $300 million revolving credit facility, bringing the domestic short-term credit facilities to a total of $600 million. Terms and conditions under this agreement are substantially identical to those of the $300 million agreement discussed in Note 8 - Long-Term Debt and Lines of Credit, except that the new $300 million agreement expires on January 18, 2001.

On January 21, 2000 the Company completed its acquisition of Service Experts, Inc., a holding company owning Dealers of the type previously purchased by the Company. The acquisition took place in the form of a merger whereby .67 shares of Lennox International Inc. common stock were exchanged for each outstanding share of Service Experts, Inc. The shares so exchanged were valued at approximately $140.0 million. In addition, the Company assumed approximately $160.0 million of Service Experts, Inc. debt which was concurrently repaid.

CORPORATE HEADQUARTERS

Lennox International Inc.
2140 Lake Park Blvd.
Richardson, TX 75080
972-497-5000

ANNUAL MEETING

The Annual Stockholders Meeting will be held on April 28, 2000 at 10:00 a.m. local time. Any stockholder with proper identification may attend. The meeting will be held at:

University of Texas at Dallas
Conference Center
Rutford Avenue and Drive A
Richardson, Texas 75083

STOCK EXCHANGE

The Lennox International Inc. trading symbol is LII. The common stock of LII is listed for trading on the New York Stock Exchange.

There were approximately 16,500 beneficial shareholders of record as of 3/1/00.

FORM 10-K

A copy of the Lennox International Inc. Annual Report filed with the Securities and Exchange Commission for 1999 (Form 10-K) will be furnished without charge on written request to:

Bill Moltner
Director, Investor Relations
Lennox International Inc.
P.O. Box 799900
Dallas, TX 75379-9900

TRANSFER AGENT

ChaseMellon is Lennox International's Transfer Agent. All inquiries should be directed to:
Lennox International Inc.
c/o ChaseMellon Shareholder Services
P. O. Box 3315
South Hackensack, NJ
07606-1915

LII stockholders can access their account for automated information 24 hours a day, 7 days a week by dialing 1-800-797-5603.

DIVIDEND INFORMATION

In recent years Lennox International has paid dividends four times a year. The amount and timing of dividend payments are determined by our Board of Directors.

For more information on Lennox International Inc. and our subsidiaries, visit our website at www.lennoxinternational.com

This annual report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from such statements. For information concerning these risks and uncertainties, see Lennox' publicly available filings with the Securities and Exchange Commission. Lennox disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

EXHIBIT 21.1

LENNOX INTERNATIONAL INC. SUBSIDIARIES
AS OF DECEMBER 31, 1999

NAME	OWNERSHIP	JURISDICTION OF INC.
Lennox Industries Inc. SEE ANNEX A	100%	Iowa
Heatcraft Inc	100%	Mississippi
Frigus-Bohn S.A. de C.V	50%	Mexico
LGL de Mexico, S.A. de C.V	1%	Mexico
Lennox Participacoes Ltda	1%	Brazil
Frigo-Bohn do Brasil Ltda	99%	Brazil
Livernois Engineering Co.	100%	Michigan
Armstrong Air Conditioning Inc. d/b/a Cooling & Heating Equipment in Texas	100%	Ohio
Jensen-Klich Supply Co.	100%	Nebraska
Armstrong Distributors Inc. d/b/a PDI Supply Inc. in Florida d/b/a Hart-Greer in Alabama	100%	Delaware
Lennox Global Ltd. SEE ANNEX D	100%	Delaware
Lennox Commercial Realty Inc.	100%	Iowa
Heatcraft Technologies Inc.	100%	Delaware
Lennox Industries	1%	United Kingdom
Strong LGL Colombia Ltda	50%	Colombia
LGL Peru S.A.C	10%	Peru
Excel Comfort Systems Inc.	100%	Delaware
LII Acquisition Corporation	100%	Delaware

ANNEX A
TO
EXHIBIT 21.1

LENNOX INDUSTRIES INC. SUBSIDIARIES

NAME	OWNERSHIP	JURISDICTION OF INC.
d/b/a Lennox Hearth Products in California		
Lennox Industries (Canada) Ltd.	100%	Canada
Lennox Industries SW Inc.	100%	Iowa
Hearth Products Inc.	100%	Delaware
Superior Fireplace Company	100%	Delaware
d/b/a FireCraft Technologies in Tennessee and California		
Marco Mfg., Inc.	100%	California
Marcomp		
Pyro Industries, Inc.	100%	Washington
Securite Cheminees International Ltee	100%	Canada
-Cheminees Securite SARL	100%	France
-Security Chimneys UK Limited	100%	UK
Firecraft Technologies Inc.	100%	Delaware
The Earth Stove, Inc.	100%	Oregon
Products Acceptance Corporation	100%	Iowa
Lennox Manufacturing Inc.	100%	Delaware
Lennox Retail Inc.	100%	Delaware
-Lennox Canada Inc.	100%	Canada
SEE ANNEX B		

Remainder of the Lennox Retail Inc. Subsidiaries are listed on ANNEX C

ANNEX B
TO
EXHIBIT 21.1

LENNOX CANADA INC. SUBSIDIARIES

The following are all organized in Canada and owned 100% by Lennox Canada Inc.:

Bradley Air Conditioning Limited
Valley Refrigeration Limited
Dearie Contracting Inc.
Dearie Martino Contractors Ltd.
Foster Air Conditioning Limited
Bryant Heating & Cooling Co. Ltd.
Montwest Air Ltd.
Fahrhall Mechanical Contractors Limited
Sipco Energies Ltd.
MHR Home Comfort Center Ltd.
Canadian Home Comfort Corp.
Arpi's Industries Canada Ltd.
- Arpi's Holdings Ltd.
- Advance Mechanical Ltd.

485237 B.C. Ltd.
- Gandy Installations (1987) Ltd.

GAIA Enterprises Inc.
- Welldone Plumbing, Heating and Air Conditioning (1990) Ltd.

592490 British Columbia Ltd.
- M.A.W. Heating & Air Conditioning Ltd.

ANNEX C
TO
EXHIBIT 21.1

LENNOX RETAIL INC. SUBSIDIARIES

The following are all incorporated in the state indicated and owned 100% by Lennox Retail Inc.:

D.A. Bennett, Inc. - New York
Air Engineers, Inc. - Florida
Industrial Building Services, Inc. - Florida
Hobson Heating and Air Conditioning, Inc. - Georgia
Calverley Air Conditioning & Heating Co., Inc. - Texas
Air Experts, Inc. - Ohio
Jebco Heating & Air Conditioning, Inc. - Colorado
Air Systems of Florida, Inc. - Florida
Gray Refrigeration, Inc. - Texas
Airmasters Heating & Air Conditioning Co. - Michigan
Cook Heating & Air Conditioning, Inc. - Michigan
Cook Heating & Air Conditioning Co., Inc. - Indiana
Andy Lewis Htg. & A/C of Charlotte, Inc. - North Carolina
Andy Lewis Heating & Air Conditioning, Inc. - Georgia
Sedgwick Sedgwick Heating & Air Conditioning Co. - Minnesota
Shumate Mechanical Inc. - Delaware
Gables Air Conditioning, Inc. - Florida
Ryan Heating Co. Inc. - Delaware
The October Group (d/b/a Greenwood Heating) - Washington
Peitz Heating and Cooling, Inc. - South Dakota
National Air Systems, Inc. - California
Miller Refrigeration, A/C, & Htg. Co. - North Carolina
John P. Timmerman Co. - Ohio
Kiko Heating & Air Conditioning, Inc. - Ohio
Wangsgaard A-Plus Refrigeration, Inc. - Utah
Edison Heating and Cooling, Inc. - New Jersey
Alliance Mechanical Heating & Air Conditioning, Inc. - California
Controlled Comfort Inc. - Delaware
Goldenseal Heating & Air Conditioning, Inc. - Illinois
Cool Power Acquisition Inc. - Delaware

ANNEX D
TO
EXHIBIT 21.1

LENNOX GLOBAL LTD. SUBSIDIARIES

NAME	OWNERSHIP	JURISDICTION OF INC.
d/b/a LGL Latin American Operations in Florida d/b/a Strong LGL International in Florida		
LGL Asia-Pacific Pte. Ltd.	100%	Rep. of Singapore
Fairco S.A.	50%	Argentina
LGL Europe Holding Co.	100%	Delaware
SEE ATTACHED ANNEX E		
UK Industries Inc.	100%	Delaware
LGL de Mexico, S.A. de C.V.	99%	Mexico
Lennox Participacoes Ltda.	99%	Brazil
Frigo-Bohn do Brasil Ltda.	1%	Brazil
McQuay do Brasil	79%	Brazil
SIWA S.A.	100%	Uruguay
Str. LGL Dominicana, S.A.	100%	Dominican Republic
Strong LGL Colombia Ltda.	50%	Colombia
LGL Belgium S.P.R.L.	.4%	Belgium
LGL (Thailand) Ltd.	100%	Thailand
LGL Peru S.A.C.	90%	Peru
LGL Australia (US) Inc.	100%	Delaware

SEE ATTACHED ANNEX F

ANNEX E
TO
EXHIBIT 21.1
LGL EUROPE HOLDING CO. SUBSIDIARIES

NAME	OWNERSHIP	JURISDICTION OF INC.
- -LGL Holland B.V.	100%	Holland
- -Ets. Brancher S.A.	70%	France
-Frinotec S.A.	99.68%	France
-LGL France	100%	France
-Herac Ltd.	100%	United Kingdom
-Friga-Coil S.R.O	50%	Czech Republic
- -LGL Germany GmbH	100%	Germany
-Friga-Bohn Warmeaustauscher GmbH	100%	Germany
-Hyfra Ind. GmbH	99.9%	Germany
-Ruhaak	100%	Germany
-Refac Nord GmbH	100%	Germany
-Refac West	100%	Germany
- -Lennox Global Spain S.L.	100%	Spain
-ERSA	90.1%	Spain
-Aldo Marine	70%	Spain
-Lennox Refac, S.A.	100%	Spain
-Redi sur Andalucia	70%	Spain
-RefacPortugal Lda	50%	Portugal
- -LGL Belgium S.P.R.L.	99.6%	Belgium
- -Refac B.V.	100%	Netherlands
-R efac N.V	100%	Belgium
-Refac Kalte-Klima Technik Vertriebs GmbH	50%	
- -HCF Lennox Limited	100%	United Kingdom
-Lennox Industries	99%	United Kingdom
- -Environheat Limited	100%	United Kingdom
-West S.R.L.	100%	Italy
- -Janka Radotin a.s.	100%	Czech Republic
-Friga Coil s.r.o.	50%	Czech Republic
-Janka Slovensko, s.r.o.	100%	Slovak Republic

ANNEX F
TO
EXHIBIT 21.1

LGL AUSTRALIA (US) INC. SUBSIDIARIES

NAME	OWNERSHIP	JURISDICTION OF INC.
LGL Co Pty Ltd	100%	Australia
LGL Australia Investment Pty Ltd	100%	Australia
LGL Australia Finance Pty Ltd	10%	Australia
LGL Australia Finance Pty Ltd	90%	Australia
LGL Australia Holdings Pty Ltd	100%	Australia
James N Kirby Pty Ltd	100%	Australia
Lennox Australia Pty. Ltd.	100%	Australia
LGL (Australia) Pty Ltd	100%	Australia
LGL Refrigeration Pry. Ltd	100%	Australia

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in or incorporated by reference in this Form 10-K, into the Company's previously filed Registration Statements File Nos. 333-83961, 333-83959, 333-86989 and 333-92389 on Form S-8.

Arthur Andersen LLP

Dallas, Texas
March 24, 2000

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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.

1,000

YEAR	
	DEC-31-1999
	JAN-01-1999
	DEC-31-1999
	29,174
	0
	464,282
	21,175
	345,424
	887,598
	695,239
	365,273
	1,683,673
	462,996
	0
	0
	0
	462
	597,434
1,683,673	
	2,361,667
	2,361,667
	1,617,332
	1,617,332
	0
	0
	33,096
	123,238
	50,084
	73,154
	0
	0
	0
	73,154
	1.85
	1.81