

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY
PERIOD ENDED JUNE 30, 2003

OR

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

Commission file number 001-15149

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

Internal Revenue Service Employer Identification No. 42-0991521

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

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

Yes No

Indicate by check mark whether the registrant is accelerated filer (as defined in Rule 12b-2 of the Act).

Yes No

As of August 8, 2003, the number of shares outstanding of the registrant's common stock, par value \$.01 per share, was 58,597,112.

LENNOX INTERNATIONAL INC.

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PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of June 30, 2003 and December 31, 2002
(In millions)

ASSETS	June 30, 2003	December 31, 2002	(unaudited)	CURRENT
ASSETS: Cash and cash equivalents			\$ 64.7	\$ 76.4
Accounts and notes receivable, net			388.9	307.3
Inventories			272.2	219.7
Deferred income taxes			33.9	33.3
Other assets				55.3
Total current assets	38.4		815.0	675.1
PROPERTY, PLANT AND EQUIPMENT, net			222.5	231.0
GOODWILL, net			439.4	420.8
DEFERRED INCOME TAXES			79.1	82.7
OTHER ASSETS				
TOTAL ASSETS	126.8	112.1		
LIABILITIES AND STOCKHOLDERS' EQUITY CURRENT			\$ 1,682.8	\$ 1,521.7
LIABILITIES: Short-term debt			\$ 13.5	\$ 9.3
Current maturities of long-term debt			13.2	13.9
Accounts payable			257.2	247.6
Accrued expenses			274.4	253.9
Income taxes payable			41.2	12.8
Total current liabilities			599.5	537.5
LONG-TERM DEBT				
POSTRETIREMENT BENEFITS, OTHER THAN PENSIONS			14.5	13.5
PENSIONS				
OTHER LIABILITIES				82.4
Total liabilities			1,148.5	1,067.3
MINORITY INTEREST				1.9
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, 63,268,200 shares and 63,039,254 shares issued for 2003 and 2002, respectively			0.6	0.6
Additional paid-in capital			407.3	404.7
Retained earnings				193.1
Accumulated other comprehensive loss			(26.6)	(79.6)
Deferred compensation				
Treasury stock, at cost, 3,043,916 and 3,009,656 shares for 2003 and 2002, respectively	(10.9)	(13.5)		(31.1)
Total stockholders' equity	(30.7)		532.4	452.8
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			\$ 1,682.8	\$ 1,521.7

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

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three Months and Six Months Ended June 30, 2003 and 2002
(Unaudited, in millions, except per share data)

	For the Three Months Ended June 30, 2003	For the Three Months Ended June 30, 2002	For the Six Months Ended June 30, 2003	For the Six Months Ended June 30, 2002
NET SALES				
	\$ 819.2	\$ 828.3	\$ 1,469.0	\$ 1,502.6
	560.1	978.2	1,027.9	1,027.9
	Gross profit			
			278.2	278.2
	268.2	490.8	474.7	490.8
	215.6	423.0	412.6	412.6
			0.1	0.9
			Restructurings	
				1.2
	1.9			
	Income from operations			
			56.3	51.4
			66.9	60.2
			INTEREST EXPENSE, net	
			7.9	8.3
			14.9	16.1
			OTHER INCOME	
			(1.5)	(0.5)
			(2.1)	(0.5)
			MINORITY INTEREST	
				0.1
	0.1	0.2	0.1	0.1
	Income before income taxes and cumulative effect of accounting change			
			49.8	49.8
			43.5	53.9
			44.5	44.5
			PROVISION FOR INCOME TAXES	
			19.4	17.9
			21.0	21.0
			Income before cumulative effect of accounting change	
			30.4	30.4
			25.6	32.9
			26.2	26.2
			CUMULATIVE EFFECT OF ACCOUNTING CHANGE	
				(249.2)
			Net income (loss)	
			\$ 30.4	\$ 25.6
			\$ 32.9	\$ (223.0)
	INCOME PER SHARE BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE: Basic			
			\$ 0.52	\$ 0.45
			\$ 0.57	\$ 0.46
			Diluted	
			\$ 0.51	\$ 0.43
			\$ 0.55	\$ 0.45
			CUMULATIVE EFFECT OF ACCOUNTING CHANGE PER SHARE: Basic	
			\$ --	\$ --
			\$ --	\$ --
			Diluted	
			\$ (4.27)	\$ (4.38)
			NET INCOME (LOSS) PER SHARE: Basic	
			\$ 0.52	\$ 0.45
			\$ 0.57	\$ 0.46
			Diluted	
			\$ 0.51	\$ 0.43
			\$ 0.55	\$ 0.45
			CUMULATIVE EFFECT OF ACCOUNTING CHANGE PER SHARE: Diluted	
			\$ (3.92)	\$ (3.82)

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

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2003 and 2002
(Unaudited, in millions)

For the Six Months Ended June 30,	-----	2003	2002	-----
----- CASH FLOWS FROM OPERATING ACTIVITIES: Net income (loss)				
				\$
32.9	\$ (223.0)			
Adjustments to reconcile net income (loss) to net cash used in operating activities: Minority interest and equity in unconsolidated affiliates				
	(3.3)	(2.3)		
Non-cash cumulative effect of accounting change				
				-- 249.2
Depreciation and amortization				
		24.5	31.6	Deferred income taxes
			1.3	(2.2) Other (gains) losses and expenses
		1.7	1.5	Changes in assets and liabilities, net of effects of divestitures- Accounts and notes receivable
			(66.3)	(107.2) Inventories
		(44.7)	(15.6)	Other current assets
			(15.1)	7.8 Accounts payable
		6.7	69.0	Accrued expenses
		14.2	8.2	Income taxes payable and receivable
		27.9	23.3	Long-term warranty, deferred income and other liabilities
11.2	4.1			----- Net cash (used in) provided by operating activities
	(9.0)	44.4		CASH FLOWS FROM INVESTING ACTIVITIES: Proceeds from the disposal of property, plant and equipment
	6.2	1.7		Purchases of property, plant and equipment
	(12.9)			Proceeds from disposal of businesses and investments
	4.7	3.6		Acquisitions, net of cash acquired
				-- (3.4) Net cash provided by (used in) investing activities
	0.6	(11.0)		CASH FLOWS FROM FINANCING ACTIVITIES: Short-term borrowings
			3.2	Repayments of long-term debt
		(0.8)	(18.5)	Revolving long-term borrowings
		6.0	(160.7)	Proceeds from issuance of long-term debt
			-- 143.8	Sales of common stock
	2.6	12.1		Repurchases of common stock
		(0.4)	(0.3)	Payment of deferred finance costs
		(0.5)	(5.0)	Cash dividends paid
	(16.5)	(16.2)		----- Net cash used in financing activities
		(6.4)	(26.7)	(DECREASE)
INCREASE IN CASH AND CASH EQUIVALENTS				
		(14.8)	6.7	EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS
3.1	0.7			----- CASH AND CASH EQUIVALENTS, beginning of period
		76.4	34.4	----- CASH AND CASH EQUIVALENTS, end of period
			\$ 64.7	\$ 41.8
===== Supplementary disclosures of cash flow information: Net cash paid (received) during the period for: Interest				
	\$ 15.2	\$ 15.9		===== Income taxes
		(4.7)	\$ 4.0	=====

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

LENNOX INTERNATIONAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION AND OTHER ACCOUNTING INFORMATION:

The unaudited consolidated balance sheet as of June 30, 2003, and the accompanying unaudited consolidated statements of operations and cash flows for the three months and six months ended June 30, 2003 and 2002 should be read in conjunction with Lennox International Inc.'s (the "Company" or "LII") audited consolidated financial statements and the footnotes as of December 31, 2002 and 2001 and for each of the three years in the period ended December 31, 2002. In the opinion of management, the accompanying consolidated financial statements contain all material adjustments, consisting principally of normal recurring adjustments, necessary for a fair presentation of the Company's financial position, results of operations, and cash flows. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to applicable rules and regulations, although the Company believes that the disclosures herein are adequate to make the information presented not misleading. The operating results for the interim periods are not necessarily indicative of the results to be expected for a full year. See Note 3 (a) for a discussion of the impact of the Outokumpu Oyj joint venture transactions in 2002 on comparability.

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

2. STOCK COMPENSATIONS:

The Company accounts for its stock based compensation under the recognition and measurement principles of APB No. 25, "Accounting for Stock Issued to Employees," and related interpretations ("APB 25") and has adopted the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS No. 123"). Under APB 25, no stock-based compensation cost is reflected in net income for grants of stock options to employees because the Company grants stock options with an exercise price equal to the market value of the stock on the date of grant. Had the Company used the fair value based accounting method for stock compensation expense described by Statement of Financial Accounting Standards ("SFAS No. 123"), the Company's diluted net income per common and equivalent share are shown in the pro-forma amounts below (in millions, except per share data):

	FOR THE THREE MONTHS ENDED JUNE 30,	FOR THE THREE MONTHS ENDED JUNE 30,	FOR THE THREE MONTHS ENDED JUNE 30,	FOR THE THREE MONTHS ENDED JUNE 30,
	2003	2002	2003	2002
Net income (loss), as reported	\$ 30.4	\$ 25.6	\$ 32.9	\$ (223.0)
Add: Reported stock-based compensation expense, net of taxes	1.0	2.1	0.1	0.1
Deduct: Fair value based compensation expense, net of taxes	(1.8)	(3.7)	(0.6)	(0.4)
Net income (loss), pro-forma	\$ 29.6	\$ 25.3	\$ 31.3	\$ (223.5)
Earnings per share:				
Basic, as reported	\$ 0.52	\$ 0.45	\$ 0.57	\$ (3.92)
Basic, pro-forma	\$ 0.51	\$ 0.44	\$ 0.54	\$ (3.92)
Diluted, as reported				

0.51 \$ 0.43 \$ 0.55 \$
(3.82) Diluted, pro-
forma

.....
\$ 0.49 \$ 0.42 \$ 0.52 \$
(3.79)

3. REPORTABLE BUSINESS SEGMENTS:

Financial information about the Company's reportable business segments is as follows (in millions):

	FOR THE SIX MONTHS ENDED JUNE 30, 2003		FOR THE SIX MONTHS ENDED JUNE 30, 2002	
Net Sales Residential	\$ 376.8	\$ 348.7	\$ 671.1	\$ 622.6
Commercial	132.1	115.0	224.9	201.8
Heating and Cooling	508.9	463.7	896.0	824.4
Service Experts	243.3	251.5	440.4	456.5
Refrigeration	97.3	92.4	187.5	180.3
Corporate and other (a)	- 49.2	- 95.1	Eliminations	
	(30.3)	(28.5)	(54.9)	(53.7)
	\$ 819.2	\$ 828.3	\$ 1,469.0	\$ 1,502.6
Segment Profit (Loss) Residential	\$ 45.9	\$ 36.1	\$ 68.5	\$ 51.6
Commercial	9.2	5.8	8.4	5.6
Heating and Cooling	41.9	76.9	57.2	55.1
Service Experts	15.9	2.9	13.1	7.6
Refrigeration	9.0	9.0	17.3	17.2
Corporate and other (a)	(15.5)	(13.9)	(28.3)	(24.6)
Eliminations	0.2	(0.3)	(1.0)	(0.8)
Segment Profit	56.4	52.6	67.8	62.1
Reconciliation to Income before Income Taxes: (Gains) losses and other expenses	0.1	- 0.9	-	-
Restructurings	1.2	- 1.9	Interest Expense, net	7.9 8.3
Minority Interest and Other	14.9	16.1	(1.4)	(0.4)
	(1.9)	(0.4)		
	\$ 44.5	\$ 49.8	\$ 43.5	\$ 53.9

	AS OF DECEMBER 31, 2003	AS OF DECEMBER 31, 2002
Total Assets Residential	\$ 450.6	\$ 374.3
Commercial	193.6	167.6
Heating and Cooling	644.2	541.9
Service Experts	516.7	484.5
Refrigeration		

276.3	234.8	Corporate and other (a)
270.6	276.3	Eliminations
(25.0)	(15.8)	

---	\$ 1,682.8	\$ 1,521.7
=====		
=====		

(a) In the third quarter of 2002, the Company formed joint ventures with Outokumpu Oyj by selling to Outokumpu Oyj a 55% interest in the Company's heat transfer business segment for approximately \$55 million in cash and notes. The Company accounts for its remaining 45% interest using the equity method of accounting and includes such amounts in the Corporate and other segment. The historical net sales, results of operations and total assets of the Corporate and other segment have been restated to include the portions of the heat transfer business segment that was sold to Outokumpu Oyj. The results of operations of the heat transfer business segment now presented in the Corporate and other segment were \$(0.5) million and \$(1.4) million for the three months and six months ended June 30, 2003, respectively. The historical net sales and results of operations were \$49.2 million and \$(0.3) million for the three months ended June 30, 2002 and \$95.1 million and \$(1.1) million for the six months ended June 30, 2002, respectively.

4. INVENTORIES:

Components of inventories are as follows (in millions):

AS OF JUNE 30, AS OF DECEMBER 31, 2003	2002	---
-----	-----	-----
Finished goods		
\$ 181.8	\$ 139.0	Repair parts
36.2	32.5	Work in process
13.9	13.9	Raw materials
88.5	81.4	320.4
266.8	Excess of current cost over last-in, first-out cost	(48.2) (47.1)
-----	-----	-----
	\$ 272.2	\$ 219.7
=====		
=====		

credit facility, which expires in August 2004. LII expects the amendment process to be completed in the third quarter of 2003. As of June 30, 2003, LII was in compliance with all covenant requirements and LII believes that cash flow from operations, as well as available borrowings under its revolving credit facility, will be sufficient to fund its operations for the foreseeable future. The Company has included in cash and cash equivalents in the accompanying consolidated balance sheet \$39.3 million of restricted cash related to letters of credit.

8. ACCOUNTS AND NOTES RECEIVABLE:

Accounts and Notes Receivable have been shown net of allowance for doubtful accounts of \$21.7 million and \$23.1 million, and net of accounts receivable sold under an ongoing asset securitization arrangement of \$154.2 million and \$99.0 million as of June 30, 2003 and December 31, 2002, respectively. In addition, approximately \$78.4 million and \$106.2 million of accounts receivable as reported in the accompanying consolidated balance sheets at June 30, 2003 and December 31, 2002, respectively, represent retained interests in securitized receivables that have restricted disposition rights per the terms of the asset securitization agreement and would not be available to satisfy obligations to creditors. The Company has no significant concentration of credit risk within its accounts and notes receivable.

9. DIVESTITURES:

In March 2003, the Company sold the net assets of a heating, ventilation and air conditioning ("HVAC") distributor included in the residential heating and cooling segment for \$4.6 million in cash and notes. The sale resulted in a pre-tax loss of approximately \$0.8 million that is included in (gains) losses and other expenses. The revenues and results of operations of the distributor were immaterial for all prior periods.

10. 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. As of June 30, 2003, the Company had 61,267,332 shares outstanding of which 3,043,916 were held as treasury shares. Diluted earnings per share are computed as follows (in millions, except per share data):

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED		
	JUNE 30, 2003			JUNE 30, 2002		
	2003	2002	2003	2002	2003	2002
Net income (loss)	\$ 30.4	\$ 25.6	\$ 32.9	\$ (223.0)		
Weighted average shares outstanding	58.2	57.1	58.1	57.0		
Effect of diluted securities attributable to stock options and performance share awards	1.7	1.9				
Weighted average shares outstanding, as adjusted	59.9	59.0	59.6	58.4		
Diluted earnings (loss) per share	\$ 0.51	\$ 0.43				
	\$ 0.55	\$ (3.82)				

Options to purchase 3,239,009 shares of common stock at prices ranging from \$13.90 to \$49.63 per share and 3,301,151 shares of common stock at prices ranging from \$13.90 to \$49.63 per share were outstanding at June 30, 2003 and 2002, respectively, but were not included in the diluted earnings per share calculation because the assumed exercise of such options would have been anti-dilutive. The Company's convertible notes were not considered in the diluted earnings per share calculation because the required trading prices of either the Company's common stock or the convertible notes to allow conversion of such notes had not been met as of the reporting period. The notes are convertible into approximately 8 million shares.

11. COMPREHENSIVE INCOME (LOSS):

Comprehensive income (loss) is computed as follows (in millions):

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED		
	JUNE 30, 2003			JUNE 30, 2002		
Net income (loss)	2003	2002	2003	2002	2003	2002
	\$ 30.4	\$ 25.6	\$ 32.9	\$ (223.0)		
Foreign currency translation adjustments	29.1	17.8				
Cash flow hedges	45.6	17.5				
Minimum pension liability	(0.1)	-- 1.3	3.7			
Unrealized gains (losses) on investments	(2.3)	--		(0.2)		
	3.6	--	8.4			
Total comprehensive income (loss)	\$ 62.8	\$ 43.4	\$ 85.9	\$ (201.8)		

12. RESTRUCTURING CHARGES:

Retail Restructuring Program. A summary of other exit costs associated with the Retail Restructuring Program is as follows (in millions):

BALANCE
BALANCE
DECEMBER
31, NEW
CASH
OTHER

JUNE 30,
 2002
 CHARGES
 PAYMENTS
 CHANGES
 2003 ---

 -

 - Other
 exit
 costs

 \$ 3.7 \$
 -- \$
 (3.2) \$
 -- \$ 0.5
 =====
 =====
 =====
 =====
 =====

The \$0.5 million in other exit costs existing at June 30, 2003
 represents lease payments and other exit costs which are expected to be fully
 paid during 2003.

Manufacturing and Distribution Restructuring Program. A summary of the severance and other exit costs associated with the Manufacturing and Distribution Restructuring Program is included in the following table (in millions):

BALANCE	BALANCE		
DECEMBER 31,	DECEMBER 31,		
NEW CASH	NEW CASH	OTHER	
JUNE 30, 2002	JUNE 30, 2002		
CHARGES	CHARGES		
PAYMENTS	PAYMENTS		
CHANGES 2003 --	CHANGES 2003 --		
-----	-----		
-----	-----		
-----	-----		
----	Severance		
	and benefits		
.....	\$ 2.0		
\$ 0.3	\$ (0.6)	\$	
(0.3)	\$ 1.4		
	Other exit		
	costs		
.....			
1.3	-- (0.7)	--	
0.6	-----		
-----	-----		
-----	-----		
-----	Total		
.....			
\$ 3.3	\$ 0.3	\$	
(1.3)	\$ (0.3)	\$	
2.0	=====		
	=====		
	=====		
	=====		
	=====		

The severance and benefit obligations will be paid through November 2003. The other exit costs consist of lease payments and other exit costs that will be settled in cash payments through 2004.

Engineered Machine Tool Business Restructuring Program. A summary of the severance and other exit costs associated with the Engineered Machine Tool Business Restructuring Program is included in the following table (in millions):

BALANCE	BALANCE		
DECEMBER 31,	DECEMBER 31,		
NEW CASH	NEW CASH	OTHER	
JUNE 30, 2002	JUNE 30, 2002		
CHARGES	CHARGES		
PAYMENTS	PAYMENTS		
CHANGES 2003 --	CHANGES 2003 --		
-----	-----		
-----	-----		
-----	-----		
-----	Severance and		
	benefits		
.....	\$ 0.9		
\$ --	\$ (0.8)	\$	
--	\$ 0.1	Other	
	exit costs		
.....			
2.1	-- (1.2)	--	
0.9	-----		
-----	-----		
-----	-----		
-----	Total		
.....			
\$ 3.0	\$ --	\$	
(2.0)	\$ --	\$	
1.0	=====		
	=====		
	=====		
	=====		
	=====		

The other exit costs consist of contractual lease and contract takeover obligations that will be settled in cash payments through November 2005.

13. GOODWILL:

On January 1, 2002, the Company adopted SFAS No. 142 and recorded a \$285.7 million impairment of goodwill (\$249.2 million, net of tax). The changes in the carrying amount of goodwill for the six months ended June 30, 2003, in total and by segment, are as follows (in millions):

BALANCE	BALANCE		
DECEMBER 31,	GOODWILL	FOREIGN CURRENCY	JUNE
30,	SEGMENT	2002	2003
IMPAIRMENT	TRANSLATION		
& OTHER	2003	-	-----
-----	-----	-----	-----
-----	-----	-----	-----
-----	-----	-----	-----
	Residential		
\$ 27.1	\$ --	\$ (1.0)	\$
26.1	Commercial		
25.9	--	1.4	27.3

	-- Heating and Cooling		
	53.0	--	0.4
53.4	Service Experts		
307.5	--	12.0	319.5
	Refrigeration		
60.3	--	6.2	66.5

	-- Total		
\$ 420.8	\$ --	\$ 18.6	\$
439.4	=====		
	=====		
	=====		
	=====		

The change in the residential segment includes \$(0.8) million allocated to the disposal of the HVAC distributor included in Note 9.

14. INVESTMENTS IN AFFILIATES:

For the joint ventures with Outokumpu Oyj and LII's other joint venture investments, the Company records its equity in the earnings of the joint ventures as a component of selling, general and administrative expense in the accompanying Consolidated Statements of Operations.

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

OVERVIEW

The Company participates in four reportable business segments of the heating, ventilation, air conditioning and refrigeration ("HVACR") industry. The first reportable segment is residential heating and cooling, in which LII manufactures and markets a full line of heating, air conditioning and hearth products for the residential replacement and new construction markets in the United States and Canada. The second reportable segment is commercial heating and cooling, in which LII manufactures and sells primarily rooftop products and related equipment for light commercial applications. Combined, the residential and commercial heating and cooling segments form LII's heating and cooling business. The third reportable segment is Service Experts, which includes sales and installation of, and maintenance and repair services for, HVAC equipment by approximately 185 LII-owned service centers in the United States and Canada. The fourth reportable segment is refrigeration, which consists of the manufacture and sale of unit coolers, condensing units and other commercial refrigeration products.

On July 8, 2003, LII announced organizational changes and assignments in an effort to streamline the reporting of the Company's four business segments. First, Scott J. Boxer was named President and Chief Operating Officer ("COO") of Service Experts Inc. ("SEI"), the Company's retail sales and service business. Mr. Boxer was formerly President of Lennox Industries Inc. and had also been serving as interim President of SEI since March 24, 2003. Second, Robert J. McDonough was named President and COO, Worldwide Heating and Cooling, encompassing the Company's Lennox Industries Inc. and North American Distributed Products ("NADP") businesses. Mr. McDonough was formerly President, Worldwide Refrigeration. Third, Michael G. Schwartz was named President and COO, Worldwide Refrigeration, replacing Mr. McDonough. Mr. Schwartz was formerly President, NADP.

During August 2002, LII formed joint ventures with Outokumpu Oyj of Finland ("Outokumpu"). Outokumpu purchased a 55 percent interest in the Company's former heat transfer business segment in the U.S. and Europe for \$55 million in cash and notes, with LII retaining 45 percent ownership. The net after-tax gain on the sale and the related expenses and charges was \$6.4 million. LII accounts for its remaining 45 percent ownership interest using the equity method of accounting. The Company currently reports the historical results of operations of its former heat transfer business segment in the "Corporate and other" business segment.

LII's customers include distributors, installing dealers, property owners, national accounts and original equipment manufacturers. The demand for LII's products and services is influenced by national and regional economic and demographic factors, such as interest rates, the availability of financing, regional population and employment trends, new construction, general economic conditions and consumer confidence. In addition to economic cycles, demand for LII's products and services 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 in LII's manufacturing operations are component costs, raw materials, factory overhead, labor and estimated costs of warranty expense. In LII's Service Experts segment, the principal components of cost of goods sold are equipment, parts and supplies and labor. The principal raw materials used in LII's manufacturing processes are copper, aluminum and steel. In instances where LII is unable to pass on to its customers increases in the costs of copper and aluminum, LII enters into forward contracts for the purchase of those materials. LII attempts to minimize the risk of price fluctuations in key components by entering into contracts, typically at the beginning of the year, which generally provide for fixed prices for its needs throughout the year. These hedging strategies enable LII to establish product prices for the entire model year while minimizing the impact of price increases of components and raw materials on its margins. Warranty expense is estimated based on historical trends and other factors.

On January 1, 2002, LII adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("SFAS No. 142"), and recorded a \$285.7 million impairment of goodwill (\$249.2 million, net of taxes). The impairment charge related primarily to the 1998 to 2000 acquisitions of LII's Service Experts and hearth products operations, where lower than expected operating results occurred.

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

RESULTS OF OPERATIONS

The following table sets forth, as a percentage of net sales, income data for the three months and six months ended June 30, 2003 and 2002:

	FOR THE THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30, 2003	JUNE 30, 2002	JUNE 30, 2003	JUNE 30, 2002
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	67.6	66.6	68.4	66.0
Gross profit	33.4	31.6	31.6	34.0
Selling, general and administrative expense	27.1	26.0	28.7	27.5
(Gains) losses and other expenses	0.1	--	--	0.1
Restructurings	0.2	--	0.1	--
Income from operations	6.2	4.6	4.0	6.9
Interest expense, net	1.0	1.0	1.0	1.0
Other income	(0.2)	(0.1)	(0.1)	--
Minority interest	--	--	--	--
Income before income taxes and cumulative effect of accounting change	5.3	3.7	3.0	6.1
Provision for income taxes	2.4	2.2	1.5	1.2
Income before cumulative effect of accounting change	3.7	3.1	2.2	3.7
Cumulative effect of accounting change	1.8	--	--	(16.6)
Net income (loss)	3.7%	3.1%	2.2%	(14.8)%

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30, 2003	JUNE 30, 2002	JUNE 30, 2003	JUNE 30, 2002
AMOUNT				
% AMOUNT				
BUSINESS SEGMENT:				
Residential	\$ 376.8	\$ 46.0%	\$ 348.7	\$ 42.1%
Commercial	\$ 671.1	\$ 45.7%	\$ 622.6	\$ 41.4%
Heating	132.1	16.1	115.0	13.9

Adjusting for the loss of \$49.2 million of net sales from the Company's former heat transfer business segment and \$24.0 million favorable impact of foreign currency translation, net sales increased \$16.1 million, or 2.1%, for the three months ended June 30, 2003 compared to the three months ended June 30, 2002 as shown in the following table (dollars in millions):

THREE MONTHS ENDED JUNE		
30, -----		
	2003	2002 \$
CHANGE % CHANGE	-----	-----

Net sales, as reported		
.....	\$	
819.2	\$ 828.3	\$ (9.1)
(1.1)%	Net sales from former heat transfer business segment	
.....		
-- (49.2)	49.2	Impact of foreign currency translation
(24.0)	-- (24.0)	-----

Net sales, as adjusted		
.....	\$	
795.2	\$ 779.1	\$ 16.1
2.1%	=====	
=====	=====	
=====		

Net sales in the residential heating and cooling business segment increased \$28.1 million, or 8.1%, to \$376.8 million for the three months ended June 30, 2003 from \$348.7 million for three months ended June 30, 2002. Adjusted for the impact of foreign currency translation, net sales increased 6.8%, or \$23.8 million, compared to the three months ended June 30, 2002. Net sales increases were achieved by all of the Company's home comfort equipment brands, including hearth products, for the three months ended June 30, 2003 compared to the same period last year. These net sales increases were achieved in spite of difficult market conditions. For example, according to the Air-Conditioning and Refrigeration Institute ("ARI"), U.S. factory shipments of unitary air conditioners and heat pumps were down 1% for the first six months of 2003 compared to the same period a year ago. Additionally, distributor shipments for the first six months of 2003 were down 8% from the same period last year indicating end-market softness. According to the National Oceanic and Atmospheric Administration's Climate Prediction Center ("CPC"), total U.S. cooling degree days, on a population-weighted basis, were 7% below normal year-to-date through June 2003 and down 20% from the comparable period last year.

Net sales in the commercial heating and cooling business segment increased \$17.1 million, or 14.9%, to \$132.1 million for the three months ended June 30, 2003 compared to the three months ended June 30, 2002. After adjusting for the impact of foreign currency exchange, net sales increased \$8.9 million, or 7.7%, compared to the three months ended June 30, 2002. The higher net sales were driven primarily by the Company's domestic operations where 33 new national accounts were signed year-to-date through June 2003. Net sales were also higher in the Company's European operations for the three months ended June 30, 2003 compared to the same period last year; however, most of the increase was due to the favorable impact of foreign currency exchange.

Net sales in the Service Experts business segment were \$243.3 million for the three months ended June 30, 2003, a decrease of \$8.2 million, or 3.3%, from \$251.5 million for the same period a year ago. The sales decline was 5.1% after adjusting for the impact of foreign currency exchange. The sales decline was entirely in the commercial new construction business due in part to unfavorable weather in certain sales areas, sluggish commercial construction starts and price competition. Compared to the three months ended June 30, 2002, net sales were slightly higher in the service and replacement businesses and the residential new construction business.

Refrigeration business segment net sales increased \$4.9 million, or 5.3%, to \$97.3 million for the three months ended June 30, 2003 compared to the three months ended June 30, 2002. However, after adjusting for the impact of foreign currency exchange, net sales decreased \$2.7 million, or 2.9%, for the three months ended June 30, 2003 compared to the same period last year. The sales decline, after adjusting for the impact of foreign currency exchange, was due primarily to continued depressed domestic and international market demand from retail customers, notably supermarkets.

Gross Profit

Gross profit was \$278.2 million for the three months ended June 30, 2003 compared to \$268.2 million for the three months ended June 30, 2002, an

increase of \$10.0 million. Gross profit margin improved 1.6% to 34.0% for the three months ended June 30, 2003 from 32.4% for the comparable period in the prior year. Gross profit margin improved in the Company's residential heating and cooling, commercial heating and cooling and refrigeration business segments.

In the Company's residential heating and cooling business segment, gross profit margins improved 0.5% for the three months ended June 30, 2003 compared to the same period last year due primarily to higher volumes, a favorable mix of higher-margin premium products and improved hearth products performance. Gross profit margins improved 1.8% in the Company's commercial heating and cooling business segment over the same period due to higher volumes, increased factory productivity and the benefits of paring back under-performing international operations. In the Company's Service Experts business segment, gross profit margin declined 0.7% over the same period due primarily to lower margins in the new construction businesses. In the Company's refrigeration business segment, gross profit margin improved 1.1% over the same period due to purchasing savings and lower overhead in the Company's domestic operations and purchasing savings in the Company's Asia Pacific operations. The absence of lower margin business from the Company's former heat transfer business segment also contributed to the gross profit margin improvement for the three months ended June 30, 2003 compared to the same period last year. LIFO (last in, first out) inventory liquidations did not have a material impact on gross profit margins.

Selling, General and Administrative Expense

Selling, general and administrative ("SG&A") expenses were \$221.8 million for the three months ended June 30, 2003, an increase of \$6.2 million, or 2.9%, from \$215.6 million for the three months ended June 30, 2002. The increase in SG&A expenses was due primarily to higher insurance costs. As a percentage of total net sales, SG&A expenses increased to 27.1% for the three months ended June 30, 2003 from 26.0% compared to the same period a year ago, of which 0.8% was due to the revenue decline caused by the sale of the former heat transfer business segment.

Restructurings

Pre-tax restructuring charges of \$1.2 million for the three months ended June 30, 2002 principally included personnel termination charges in the Company's residential heating and cooling business segment and the relocation of production lines in Europe in the Company's refrigeration business segment. These restructuring charges resulted from the Company's decision to sell or abandon certain manufacturing and distribution operations in the fourth quarter of 2001.

Interest Expense, Net

Interest expense, net, for the three months ended June 30, 2003 decreased \$0.4 million, or 4.8%, from \$8.3 million for the three months ended June 30, 2002. The lower interest expense resulted from lower debt levels. As of June 30, 2003, total debt of \$389.6 million was \$121.1 million lower than total debt as of June 30, 2002.

Other Income

Other income was \$1.5 million for the three months ended June 30, 2003 compared to \$0.5 million for the same period last year. Other income is comprised of foreign currency exchange gains or losses, which relate principally to the Company's operations in Canada, Australia and Europe. Appreciation of Australia's, Europe's and Canada's currencies, as compared to the U.S. dollar, was primarily responsible for the overall change when comparing the three months ended June 30, 2003 to the same period a year ago.

Provision for Income Taxes

The provision for income taxes was \$19.4 million for the three months ended June 30, 2003 compared to \$17.9 million for the three months ended June 30, 2002. The effective tax rate was 39.0% and 41.1% for the three months ended June 30, 2003 and 2002, respectively. The lower effective tax rate was primarily due to a favorable mix of pre-tax income where companies in lower tax jurisdictions had proportionally more pre-tax income than in prior years.

SIX MONTHS ENDED JUNE 30, 2003 COMPARED TO SIX MONTHS ENDED JUNE 30, 2002

Net Sales

Net sales decreased \$33.6 million, or 2.2%, to \$1,469.0 million for the six months ended June 30, 2003 from \$1,502.6 million for the comparable period a year ago. Adjusted for the favorable impact of foreign currency translation, net sales declined 4.9% compared to the same period last year. The net sales decline was attributable to

the absence of net sales from the Company's former heat transfer business segment, 55 percent of which was sold to Outokumpu during the third quarter of 2002, lower net sales in the Company's Service Experts business segment and the wind-down of the Company's engineered machine tool business. The Company currently reports the historical results of operations of its former heat transfer business segment in the "Corporate and other" business segment. Adjusting for the loss of \$95.1 million of net sales from the Company's former heat transfer business segment and \$39.5 million favorable impact of foreign currency translation, net sales increased \$22.0 million, or 1.6%, for the six months ended June 30, 2003 compared to the six months ended June 30, 2002 as shown in the following table (dollars in millions):

SIX MONTHS ENDED JUNE	
30,	
-----	-----
2003	2002
\$	\$
CHANGE	% CHANGE
-----	-----
----- Net sales, as reported	
..... \$	
1,469.0	\$ 1,502.6
(33.6)	(2.2%)
Net sales from former heat transfer business segment	
.....	
-- (95.1)	95.1
Impact of foreign currency translation	
(39.5)	-- (39.5)

- ----- Net sales, as adjusted	
..... \$	
1,429.5	\$ 1,407.5
1.6%	=====
=====	=====
=====	

Net sales in the residential heating and cooling business segment increased \$48.5 million, or 7.8%, to \$671.1 million for the six months ended June 30, 2003 from \$622.6 million for six months ended June 30, 2002. Adjusted for the impact of foreign currency translation, net sales increased 6.8%, or \$42.4 million, compared to the six months ended June 30, 2002. Net sales increases were achieved by all of the Company's home comfort equipment brands, including hearth products, for the six months ended June 30, 2003 compared to the same period last year. These net sales increases were achieved in spite of difficult market conditions. For example, according to ARI, U.S. factory shipments of unitary air conditioners and heat pumps were down 1% for the first six months of 2003 compared to the same period a year ago. Additionally, distributor shipments for the first six months of 2003 were down 8% from the same period last year indicating end-market softness. According to the CPC, total U.S. cooling degree days, on a population-weighted basis, were 7% below normal year-to-date through June 2003 and down 20% from the comparable period last year.

Net sales in the commercial heating and cooling business segment increased \$23.1 million, or 11.4%, to \$224.9 million for the six months ended June 30, 2003 compared to the six months ended June 30, 2002. After adjusting for the impact of foreign currency exchange, net sales increased \$9.1 million, or 4.5%, compared to the six months ended June 30, 2002. The higher net sales were driven primarily by the Company's domestic operations where 33 new national accounts were signed year-to-date through June 2003. Net sales were also higher in the Company's European operations for the six months ended June 30, 2003 compared to the same period last year; however, most of the increase was due to the favorable impact of foreign currency exchange.

Net sales in the Service Experts business segment were \$440.4 million for the six months ended June 30, 2003, a decrease of \$16.1 million, or 3.5%, from \$456.5 million for the same period a year ago. The sales decline was 5.0% after adjusting for the impact of foreign currency exchange. The sales decline was entirely in the commercial new construction business due in part to unfavorable weather in certain sales areas, sluggish commercial construction starts and price competition. Compared to the six months ended June 30, 2002, net sales were slightly higher in the service and replacement businesses and the residential new construction business.

Refrigeration business segment net sales increased \$7.2 million, or 4.0%, to \$187.5 million for the six months ended June 30, 2003 compared to the six months ended June 30, 2002. However, after adjusting for the impact of foreign currency exchange, net sales decreased \$6.5 million, or 3.6%, for the six months ended June 30, 2003 compared to the same period last year. The sales decline, after adjusting for the impact of foreign currency exchange, was due primarily to depressed domestic and international market demand from retail customers, notably supermarkets.

Gross Profit

Gross profit was \$490.8 million for the six months ended June 30, 2003 compared to \$474.7 million for the six months ended June 30, 2002, an increase of \$16.1 million. Gross profit margin improved 1.8% to 33.4% for the six months ended June 30, 2003 from 31.6% for the comparable period in the prior year. Gross profit margin improved in the Company's residential heating and cooling, commercial heating and cooling and refrigeration business segments.

In the Company's residential heating and cooling business segment, gross profit margins improved 0.9% for the six months ended June 30, 2003 compared to the same period last year due primarily to higher volumes, a favorable mix of higher-margin premium products and improved hearth products performance. In the Company's commercial heating and cooling business segment, gross profit margin improved 1.2% over the same period due to higher volumes, increased factory productivity and the benefits of paring back under-performing international operations. Gross profit margins were relatively flat over the same period in the Company's Service Experts business segment. In the Company's refrigeration business segment, gross profit margin improved 1.2% over the same period due to purchasing savings and lower overhead in the Company's domestic operations and purchasing savings in the Company's Asia Pacific operations. The absence of lower margin business from the Company's former heat transfer business segment also contributed to the gross profit margin improvement for the six months ended June 30, 2003 compared to the same period last year. LIFO (last in, first out) inventory liquidations did not have a material impact on gross profit margins.

SG&A Expense

SG&A expenses were \$423.0 million for the six months ended June 30, 2003, an increase of \$10.4 million, or 2.5%, from \$412.6 million for the six months ended June 30, 2002. The increase in SG&A expenses was due primarily to higher insurance costs. As a percentage of total net sales, SG&A expenses increased to 28.7% for the six months ended June 30, 2003 from 27.5% compared to the same period a year ago of which, 0.8% was due to the revenue decline caused by the sale of the former heat transfer business segment.

(Gains) Losses and Other Expenses

Pre-tax (gains) losses and other expenses were \$0.9 million for the six months ended June 30, 2003. (Gains) losses and other expenses included pre-tax expenses totaling \$2.6 million from the loss on the sale of a HVAC distributor in the Company's residential heating and cooling business segment and other expenses partially offset by a \$1.7 million pre-tax gain on the sale of a manufacturing facility in Europe in the Company's refrigeration business segment.

Restructurings

Pre-tax restructuring charges of \$1.9 million for the six months ended June 30, 2002 principally included personnel termination charges in the Company's residential heating and cooling business segment and the relocation of production lines in Europe in the Company's refrigeration business segment. These restructuring charges resulted from the Company's decision to sell or abandon certain manufacturing and distribution operations in the fourth quarter of 2001.

Interest Expense, Net

Interest expense, net, for the six months ended June 30, 2003 decreased \$1.2 million, or 7.5%, from \$16.1 million for the six months ended June 30, 2002. The lower interest expense resulted from lower debt levels. As of June 30, 2003, total debt of \$389.6 million was \$121.1 million lower than total debt as of June 30, 2002.

Other Income

Other income was \$2.1 million for the six months ended June 30, 2003 compared to \$0.5 million for the same period last year. Other income is comprised of foreign currency exchange gains or losses, which relate principally to the Company's operations in Canada, Australia and Europe. Appreciation of Australia's, Europe's and Canada's currencies, as compared to the U.S. dollar, was primarily responsible for the overall change when comparing the six months ended June 30, 2003 to the same period a year ago.

Provision for Income Taxes

The provision for income taxes was \$21.0 million for the six months ended June 30, 2003 compared to \$18.3 million for the six months ended June 30, 2002. The effective tax rate was 39.0% and 41.1% for the six months ended June 30, 2003 and 2002, respectively. The lower effective tax rate was primarily due to a favorable mix of pre-tax income where companies in lower tax jurisdictions had proportionally more pre-tax income than in prior years.

Cumulative Effect of Accounting Change

The cumulative effect of accounting change represents an after-tax, non-cash, goodwill impairment charge of \$249.2 million for the six months ended June 30, 2002. This charge resulted from the adoption of SFAS No. 142 which became effective January 1, 2002 and requires that goodwill and other intangible assets with an indefinite useful life no longer be amortized as expenses of operations but rather be tested for impairment upon adoption and at least annually by applying a fair-value-based test. During the first quarter of 2002, LII conducted such fair-value-based tests and recorded a pre-tax goodwill impairment charge of \$285.7 million. The charge primarily relates to the Company's Service Experts and residential heating and cooling business segments. The tax benefit of this charge was \$36.5 million. During the first quarter of 2003, LII again conducted such fair-value-based tests and determined that no further goodwill impairment charge was necessary.

LIQUIDITY AND CAPITAL RESOURCES

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

During the first six months of 2003, cash used in operating activities was \$9.0 million compared to \$44.4 million provided by operating activities in 2002. The change is primarily due to cooling inventory buildup driven by low field inventory levels, the introduction of new products and overall increased use of working capital. Net cash provided by investing activities in 2003 includes the proceeds from the sale of the net assets of a distributor in the residential segment and the proceeds from the sale of a closed factory in the refrigeration segment. Net cash used in financing activities in 2002 reflects the Company's private placement of \$143.8 million of 6.25% convertible subordinated notes due 2009. The Company used the net proceeds of approximately \$139 million to reduce its indebtedness under its revolving credit facility.

Capital expenditures of \$10.3 million and \$12.9 million in the first three months of 2003 and 2002, respectively, were primarily for production equipment in the North American residential and international refrigeration products manufacturing plants in 2003 and for the North American residential and heat transfer products manufacturing plants in 2002.

The Company has bank lines of credit aggregating \$335.7 million, of which \$19.5 million was borrowed and outstanding, and \$50.1 million was committed to standby letters of credit at June 30, 2003. The remaining \$266.1 million was available for future borrowings, subject to covenant limitations. Included in the lines of credit is a domestic facility in the amount of \$270 million governed by agreements between the Company and a syndicate of banks. 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 funds rate plus 0.5% or (b) the London Interbank Offered Rate plus a margin equal to 0.5% to 2.25%, depending upon the ratio of total funded debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"). The Company pays a commitment fee, depending upon the ratio of total funded debt to EBITDA, equal to 0.15% to 0.50% of the unused commitment. The agreements place restrictions on the Company's ability to incur additional indebtedness, encumber its assets, sell its assets, or pay dividends. The Company has entered discussions with its bank syndicate to extend its domestic credit facility, which expires in August 2004. LII expects the amendment process to be completed in the third quarter of 2003. As of June 30, 2003, LII was in compliance with all covenant requirements and LII believes that cash flow from operations, as well as available borrowings under its revolving credit facility, will be sufficient to fund its operations for the foreseeable future. The Company has included in cash and cash equivalents in the accompanying consolidated balance sheet \$39.3 million of restricted cash related to letters of credit.

Under an on-going asset securitization arrangement, the Company had sold, at June 30, 2003, \$154.2 million of receivables on a non-recourse basis. The receivables are sold at a discount from face value and this discount aggregated \$1.8 million through six months of 2003. The discount expense is shown as a component of selling, general and administrative expense in the Consolidated Statements of Operations. The Company has no significant concentration of credit risk among its diversified customer base.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2003, Statement of Financial Accounting Standards ("SFAS") No. 150, "Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity" was issued. The standard establishes how an issuer classifies and measures certain freestanding financial instruments with characteristics of liabilities and equity and requires that such instruments be classified as liabilities. The standard is effective for financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. Adoption of the standard is not expected to have a material effect on the Company's financial statements.

During May 2003, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board ("FASB") released EITF Issue No. 01-8, "Determining Whether an Arrangement Contains a Lease." The new requirements of EITF 01-8 potentially affects companies that sell or purchase products or services through supply, commodity, transportation, and data-processing outsourcing contracts. The guidance in this new release is designed to mandate reporting revenue as rental or leasing income that would otherwise be reported as part of product sales or services revenue. EITF 01-8 requires both parties to an arrangement to determine whether a service contract or similar arrangement includes a lease within the scope of SFAS No. 13, "Accounting for Leases," which means focusing on agreements conveying the right to use property, plant, or equipment. The application of this issue is not expected to have a material effect on the Company's financial statements.

In November 2002, the EITF reached a consensus on Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." This EITF establishes the criteria for recognizing revenue in arrangements when several items are bundled into one agreement. EITF 00-21 does not allow revenue recognition unless the fair value of the undelivered element(s) is available and the element has stand-alone value to the customer. EITF 00-21 also provides guidance on allocating the total contract revenue to the individual elements based upon the available fair value of each deliverable. The consensus is effective prospectively for arrangements entered into in fiscal periods beginning after June 15, 2003. The Company does not believe this pronouncement will have a material effect on its financial statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51." This interpretation addresses the consolidation by business enterprises of variable interest entities, as defined in the interpretation, when the reporting enterprise is the primary beneficiary of the variable interest entities. The interpretation applies immediately to variable interests in variable interest entities created after January 31, 2003, and as of July 1, 2003, to variable interests in variable interest entities created before February 1, 2003. The application of this interpretation is not expected to have a material effect on the Company's financial statements.

FORWARD LOOKING INFORMATION

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

LII's results of operations can be affected by changes in exchange rates. Net sales and expenses in currencies other than the United States dollar are translated into United States dollars for financial reporting purposes based on the average exchange rate for the period. Net sales from outside the United States represented 22.9% and 20.8% of total net sales for the six months ended June 30, 2003 and 2002, respectively. Historically, foreign currency transaction gains (losses) have not had a material effect on LII's overall operations.

The Company enters into commodity futures contracts to stabilize prices to be paid for raw materials and parts containing high copper and aluminum content. These contracts are for quantities equal to, or less than, quantities expected to be consumed in future production. As of June 30, 2003, the Company had metal futures contracts maturing at various dates through December 31, 2003 with a fair value as an asset of \$0.8 million.

ITEM 4. CONTROLS AND PROCEDURES

In accordance with Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934 (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2003 to provide reasonable assurance that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in the Company's internal controls over financial reporting that occurred during the three months ended June 30, 2003 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II -- OTHER INFORMATION

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

The Company's 2003 Annual Meeting of Stockholders ("Annual Meeting") was held on May 16, 2003. At the Annual Meeting, the Company's stockholders elected five directors with terms expiring at the Company's Annual Meeting of Stockholders in 2006. In addition, the stockholders rejected a stockholder proposal that the Board adopt an executive compensation policy that all future stock option grants to senior executives shall be indexed to industry performance.

(a) The following sets forth the results of voting at the Annual Meeting for the election of directors *:

Directors
For
Withheld
Abstentions

- Linda G.
Alvarado
48,713,379
263,939 *
Steven R.
Booth
48,577,167
400,151 *
David V.
Brown
48,716,391
260,927 *
John E.
Major
47,007,088
1,970,230
* Walden
W. O'Dell
48,727,609
249,709 *

*With respect to the election of Directors, the form of proxy permitted stockholders to check boxes indicating votes either "For" or "Withhold Authority," or to vote "Exceptions" and to name exceptions. Votes relating to directors designated above as "Withheld" include votes cast as "Withhold Authority" and for named exceptions.

Following the Annual Meeting, Janet K. Cooper, C.L. (Jerry) Henry, Robert E. Schjerven, Terry D. Stinson and Richard L. Thompson, having terms expiring in 2004, and David H. Anderson, Thomas W. Booth, James J. Byrne, John W. Norris III, and John W. Norris, Jr., having terms expiring in 2005, continued in office.

(b) The votes for, against and abstaining in connection with the rejection by the stockholders that the Board adopt an executive compensation policy that all future stock option grants to senior executives shall be indexed to industry performance:

For
Against
Abstentions

7,842,117
31,414,558
562,776

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

Exhibit Number	Description
-----	-----
* 3.1 --	Restated Certificate of Incorporation of Lennox (Incorporated herein by reference to Exhibit 3.1 to Lennox's Registration Statement on Form S-1 (Registration No. 333-75725)).

- * 3.2 -- Amended and Restated Bylaws of Lennox (Incorporated herein by reference to Exhibit 3.2 to Lennox'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 herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (Registration No. 333-75725)).
- 10.1 -- Second Amended and Restated Receivables Purchase Agreement, dated as of June 16, 2003, among LPAC Corp., Lennox Industries Inc., Blue Ridge Asset Funding Corporation, Liberty Street Funding Corp., The Bank of Nova Scotia and Wachovia Bank, N.A. (filed herewith)
- 10.2 -- Second Amendment to Purchase and Sale Agreement, dated as of June 16, 2003, by and among LPAC Corp., Lennox Industries Inc., Advanced Distributor Products LLC and Heatcraft Refrigeration Products LLC. (filed herewith)

- 10.3 -- Receivables Purchase Agreement dated as of June 27, 2003 among LPAC Corp. II, Lennox Industries, Jupiter Securitization Corporation, The Financial Institutions from time to time parties thereto, and Bank One, NA. (filed herewith)
- 10.4 -- Receivables Sale Agreement dated as of June 27, 2003 among Armstrong Air Conditioning Inc., and Lennox Hearth Products Inc. and LPAC Corp. II. (filed herewith)
- 12.1 -- Lennox International Inc. and Subsidiaries Computation of Ratio of Earnings to Fixed Charges (Unaudited) For the Six Months Ended June 30, 2003. (filed herewith)
- 31.1 -- Certification of the Principal Executive Officer. (filed herewith)
- 31.2 -- Certification of the Principal Financial Officer. (filed herewith)
- 32.1 -- Certification of the Principal Executive Officer and the Principal Financial Officer of the Company pursuant to 18 U.S.C. Section 1350. (filed herewith)

* Incorporated herein by reference as indicated.

Reports on Form 8-K

During the three-month period ending June 30, 2003, the Company filed or furnished one Current Report on Form 8-K dated April 22, 2003 and filed April 23, 2003 reporting under Item 9 - Regulation FD Disclosure a press release reporting the Company's financial results for the quarter ended March 31, 2003.

SIGNATURE

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

LENNOX INTERNATIONAL INC.

Date: August 13, 2003

/s/ Richard A. Smith

Principal Financial Officer
and Duly Authorized Signatory

INDEX TO EXHIBITS

Exhibit
Number
Description -

- -----
* 3.1 --
Restated
Certificate
of
Incorporation
of Lennox
(Incorporated
herein 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
herein 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
herein by
reference to
Exhibit 4.1
to the
Company's
Registration
Statement on
Form S-1
(Registration
No. 333-
75725)).

10.1
-- Second
Amended and
Restated
Receivables
Purchase
Agreement,
dated as of
June 16,
2003, among
LPAC Corp.,
Lennox
Industries
Inc., Blue
Ridge Asset
Funding
Corporation,
Liberty
Street
Funding
Corp., The
Bank of Nova
Scotia and
Wachovia
Bank, N.A.

(filed
herewith)
10.2 --
Second
Amendment to
Purchase and
Sale
Agreement,
dated as of
June 16,
2003, by and
among LPAC
Corp., Lennox
Industries
Inc.,
Advanced
Distributor
Products LLC
and Heatcraft
Refrigeration
Products LLC.

(filed
herewith)
10.3 --
Receivables
Purchase
Agreement
dated as of
June 27, 2003
among LPAC
Corp. II,
Lennox
Industries,
Jupiter
Securitization
Corporation,
The Financial
Institutions
from time to
time parties
thereto, and
Bank One, NA.

(filed
herewith)
10.4 --
Receivables
Sale
Agreement
dated as of
June 27, 2003
among
Armstrong Air
Conditioning
Inc., and
Lennox Hearth
Products Inc.
and LPAC
Corp. II.

(filed
herewith)
12.1 --
Lennox
International
Inc. and
Subsidiaries
Computation
of Ratio of
Earnings to
Fixed Charges
(Unaudited)
For the Six
Months Ended
June 30,
2003. (filed
herewith)

31.1 --
Certification
of the
Principal
Executive
Officer.
(filed
herewith)

31.2 --
Certification
of the
Principal
Financial
Officer.

(filed
herewith)
32.1 --
Certification
of the
Principal
Executive
Officer and
the Principal
Financial
Officer of
the Company
pursuant to
18 U.S.C.
Section 1350.
(filed
herewith)

* Incorporated herein by reference as indicated.

=====

SECOND AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT

Dated as of June 16, 2003

Among

LPAC CORP.
as the Seller

and

LENNOX INDUSTRIES INC.,
as the Master Servicer

and

BLUE RIDGE ASSET FUNDING CORPORATION
as a Purchaser

and

LIBERTY STREET FUNDING CORP.
as a Purchaser

THE LIBERTY STREET INVESTORS NAMED HEREIN

and

THE BANK OF NOVA SCOTIA
as Liberty Street Purchaser Agent

and

WACHOVIA BANK, NATIONAL ASSOCIATION
as the Administrative Agent and Blue Ridge Purchaser Agent

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APPENDIX

Appendix A Definitions

SCHEDULES

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Schedule 6.1(n)	List of Offices of the Master Servicer and the Seller where Records are Kept
Schedule 6.1(o)	List of Lockbox Banks
Schedule 14.2	Notice Addresses

EXHIBITS

- - - - -

Exhibit 1.2(a)	Form of Purchase Request
Exhibit 3.1(a)	Form of Information Package
Exhibit A-1	Form of Lockbox Agreement
Exhibit B	Form of Certificate of Financial Officer
Exhibit C-1	Credit and Collection Policy of Lennox
Exhibit C-2	Credit and Collection Policy of Advanced Distributor Products LLC
Exhibit C-3	Credit and Collection Policy of Heatcraft Refrigeration Products, LLC

SECOND AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT

Dated as of June 16, 2003

THIS IS A SECOND AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT (the "Agreement") among:

- (1) LPAC CORP., a Delaware corporation (together with its successors and permitted assigns, the "Seller"),
- (2) LENNOX INDUSTRIES INC., an Iowa corporation (together with its successors, "Lennox"), as master servicer hereunder (in such capacity, together with any successor master servicer appointed pursuant to Section 8.1, the "Master Servicer", Lennox in its capacity as the Master Servicer, together with the Seller, each a "Seller Party" and collectively the "Seller Parties"),
- (3) BLUE RIDGE ASSET FUNDING CORPORATION, a Delaware corporation ("Blue Ridge"),
- (4) the financial institutions identified on the signature pages of this Agreement as "Liberty Street Investors" (together with their successors and assigns, the "Liberty Street Investors")
- (5) LIBERTY STREET FUNDING CORP., a Delaware corporation ("Liberty Street"),
- (6) THE BANK OF NOVA SCOTIA, a Canadian chartered bank ("Scotiabank"), as purchaser agent for Liberty Street and the Liberty Street Investors (in such capacity, together with any successors thereto in such capacity, the "Liberty Street Purchaser Agent"), and
- (7) WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association ("Wachovia"), as administrative agent for the Purchasers (in such capacity, together with any successors thereto in such capacity, the "Administrative Agent") and as purchaser agent for Blue Ridge (in such capacity, together with any successors thereto in such capacity, the "Blue Ridge Purchaser Agent")

and amends and restates in its entirety that certain Amended and Restated Receivables Purchase Agreement dated as of March 23, 2001 by and among the parties, as the same may have been and may be amended from time to time (the "Existing Agreement").

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

Background

1. The Originators own 100% of the issued and outstanding capital stock of the Seller.

2. The Originators are engaged in the heating, ventilating, air conditioning and refrigeration businesses.

3. Each of the Originators and the Seller has entered into the Sale Agreement pursuant to which the Originators have transferred, and hereafter will transfer, to the Seller all of their respective right, title and interest in and to the Pool Receivables and certain related property.

4. The Seller has requested the Purchasers, and the Purchasers have agreed, subject to the terms and conditions contained in this Agreement, to purchase from the Seller from time to time undivided percentage interests, referred to herein as the Asset Interest, in Pool Receivables and related property.

5. The Seller and the Purchasers also desire that, subject to the terms and conditions of this Agreement, certain of the daily Collections in respect of the Asset Interest be reinvested in Pool Receivables, which reinvestment shall constitute part of the Asset Interest.

6. Scotiabank has been requested, and is willing, to act as the Liberty Street Purchaser Agent under this Agreement.

7. Wachovia has been requested, and is willing, to act as the Administrative Agent and Blue Ridge Purchaser Agent under this Agreement.

8. The parties wish to amend and restate the Existing Agreement as hereinafter set forth.

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

ARTICLE I

PURCHASES AND REINVESTMENTS

SECTION 1.1 COMMITMENTS TO PURCHASE; LIMITS ON PURCHASERS' OBLIGATIONS.

Upon the terms and subject to the conditions of this Agreement (including, without limitation, Article V), from time to time during the Revolving Period, prior to the Termination Date, the Seller may request that the Purchasers purchase from the Seller ownership interests in Pool Receivables and Related Assets, and Blue Ridge shall and Liberty Street may, in its sole discretion, make such purchase or, if Liberty Street shall decline to make such purchase, the Liberty Street Investors shall make such purchase (in any such case, each being a "Purchase"); provided that no Purchase shall be made by any Purchaser if, after giving effect thereto, (a) the Invested Amount would exceed \$150,000,000 (as adjusted pursuant to Section 3.2(b)) (the "Purchase Limit"), (b) such Purchaser Group's Purchaser Group Invested Amount would exceed the related Purchaser Group Limit or (c) the Asset Interest, expressed as a percentage of Net Pool Balance, would exceed 100% (the "Allocation Limit"); and provided, further that each Purchase made pursuant to this Section 1.1 shall have a purchase price equal to at least \$1,000,000 and shall be an integral multiple of \$100,000. Notwithstanding anything to the contrary herein, the

amount available for any Purchase hereunder shall be calculated based on the most recently delivered Information Package and not based on the most recently delivered Interim Information Package; provided, however that no Purchases shall be permitted hereunder if the calculations in any Interim Information Package delivered after the most recently delivered Information Package show that (i) the Invested Amount would exceed the Purchase Limit, (ii) any Purchase Group Invested Amount shall exceed the related Purchaser Group Limit, or (iii) the Asset Interest, expressed as a percentage of Net Pool Balance would exceed the Allocation Limit.

SECTION 1.2 PURCHASE PROCEDURES; ASSIGNMENT OF THE PURCHASERS' INTERESTS.

(a) Purchase Request. Each Purchase from the Seller by the Purchasers shall be made on notice from the Seller to each Purchaser Agent (on behalf of the related Purchaser) received by such Purchaser Agent not later than 12:00 noon (New York City time) on the second Business Day preceding the date of such proposed Purchase. Each such notice of a proposed Purchase shall be substantially in the form of Exhibit 1.2(a) and shall specify, among other items, the desired amount and date of such Purchase. Each Purchaser Agent shall promptly upon receipt notify the related Purchaser of any such notice. The Seller shall not request more than one Purchase in any calendar week.

(b) Funding of Purchase. On the date of each Purchase, each Purchaser shall, upon satisfaction of the applicable conditions set forth in Article V, make available to the Seller its Pro Rata Share of the amount of the Purchase in same day funds by wire transfer to an account designated in writing by the Seller.

(c) Assignment of Asset Interests. The Seller hereby sells, assigns and transfers to the Purchasers on a pro rata basis, effective on and as of the date of each Purchase and each Reinvestment by the Purchasers hereunder, the Asset Interest.

SECTION 1.3 REINVESTMENTS OF CERTAIN COLLECTIONS; PAYMENT OF REMAINING COLLECTIONS.

(a) On the close of business on each day during the period from the date of the first Purchase to the Termination Date, the Master Servicer will, out of all Collections received on such day from Pool Receivables and Related Assets:

(i) determine the portion of the Collections attributable to the Asset Interest by multiplying (A) the amount of such Collections times (B) the lesser of (1) the Asset Interest and (2) 100%;

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

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

(A) if, after giving effect to such Reinvestment, (1) the Asset Interest would exceed the Allocation Limit, (2) any Purchaser Group Invested Amount shall exceed the related Purchaser Group Limit or (3) the Invested Amount would exceed the Purchase Limit, then the Master Servicer shall not make such Reinvestment, but shall identify and hold in trust for the benefit of the Purchasers, a portion of such Collections which, together with other Collections previously identified and then so held, shall equal the amount necessary to reduce (x) the Invested Amount to the Purchase Limit, (y) any Purchaser Group's Purchaser Group Invested Amount to such Purchaser Group's Purchase Group Limit and (z) the Asset Interest to the Allocation Limit; and

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

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

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

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

(c) Payment of Amounts.

(i) The Master Servicer shall pay all amounts identified pursuant to Section 1.3(a)(ii) in respect of Earned Discount on an Asset Tranche funded by a Liquidity Funding or a Liberty Street Alternate Funding, as the case may be, to each Purchaser Agent, on the related Purchaser's behalf, on the last day of the then current Yield Period for an Asset Tranche, as provided in Section 3.1.

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

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

(iv) The Master Servicer shall pay all amounts identified pursuant to Section 1.3(b) to each Purchaser Agent for the account of the related Purchaser (A) on the last day of the then current Yield Period for any Asset Tranche funded by a Liberty Street Alternate Funding or a Liquidity Funding of such Purchaser Group, as provided in Section 3.1(b), in an amount not exceeding the related Purchaser's Tranche Investment of such Asset Tranche, and (B) on the last day of the then current CP Accrual Period for any Asset Tranche funded by Commercial Paper Notes, as provided in Section 3.1, in an amount not exceeding the related Purchaser's Tranche Investment of such Asset Tranche; provided, however, no payment shall be made under clause (B) above unless the related Purchaser's Tranche Investments of all Asset Tranches, if any, funded by the Liquidity Fundings of such Purchaser Group or the Liberty Street Alternate Fundings, as the case may be, shall have been reduced to zero.

(d) Funds Under Sale Agreement. Upon the written request of the Agents, on behalf of the Purchasers, given at any time when (i) based on the most recent Information Package, or Interim Information Package, as the case may be, either (A) the Asset Interest would exceed the Allocation Limit, (B) any Purchaser Group's Invested Amount would exceed the related Purchaser Group Limit or, (C) the Invested Amount would exceed the Purchase Limit, or (ii) a Liquidation Event or Unmatured Liquidation Event shall have occurred and be continuing, the Seller shall identify all funds that under the Sale Agreement would be applied to repay principal of the Initial Seller Notes (as defined in the Sale Agreement) owing to the Originators. The Seller may make withdrawals of such funds only for the purposes of (1) at any time, purchasing Receivables from an Originator in accordance with the Sale Agreement; (2) on the Settlement Date for any Collection Period, making payments in accordance with the last sentence of Section 3.1(c)(ii), and (3) on the Settlement Date for any Collection Period, if, on the basis of the most recent Information Package or Interim Information Package, as the case may be, and after giving effect to any payment made to the Master Servicer on such date pursuant to the last sentence of Section 3.1(c)(ii), (I) the Invested Amount does not exceed the Purchase Limit, (II) no Purchaser Group Invested Amount exceeds the related Purchaser Group Limit and (III) the Asset Interest does not exceed the Allocation Limit, and provided that no Liquidation Event or Unmatured Liquidation

Event shall have occurred and be continuing, repaying principal of the Initial Seller Notes in accordance with this Agreement and the Sale Agreement.

SECTION 1.4 ASSET INTEREST.

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

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

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

where:

- IA = the Invested Amount on the date of such computation;
- RR = the Required Reserve on the date of such computation; and
- NPB = the Net Pool Balance on the date of such computation;

provided, however, that the Asset Interest during the Liquidation Period shall equal 100% and shall at no time exceed 100%.

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

ARTICLE II

COMPUTATIONAL RULES

SECTION 2.1 SELECTION OF ASSET TRANCHES.

Each Purchaser Agent shall, from time to time for purposes of computing Earned Discount on that portion of the Asset Interest funded with Liberty Street Alternate Fundings or Liquidity Fundings made by the related Purchaser Group, as the case may be, divide such portion of the Asset Interest into Asset Tranches. The applicable Earned Discount Rate may be different for each Asset Tranche funded by a Liquidity Funding or a Liberty Street Alternate Funding, as the case may be. The related Purchaser Group Invested Amount shall be allocated to each Asset

Tranche by the related Purchaser Agent, on the related Purchaser's behalf, to reflect the funding sources for the Asset Interest, so that:

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

(b) there may be one or more Asset Tranches, selected by a Purchaser Agent, on the related Purchaser's behalf, reflecting the portion or portions of the Asset Interest funded by outstanding Liberty Street Alternate Fundings or Liquidity Fundings of such Purchaser Group, as the case may be.

SECTION 2.2 COMPUTATION OF INVESTED AMOUNT AND PURCHASER'S TRANCHE INVESTMENT.

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

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

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

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

SECTION 2.3 COMPUTATION OF CONCENTRATION LIMITS AND UNPAID BALANCE.

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

SECTION 2.4 COMPUTATION OF EARNED DISCOUNT.

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

(a) each Purchaser Agent, on the related Purchaser's behalf, shall determine the Earned Discount accruing with respect to each Asset Tranche funded by a Liberty Street Alternate Funding or a Liquidity Funding of such Purchaser Group, as the case may be, for each Yield Period, in accordance with the definition of Earned Discount;

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

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

It is the intent of Blue Ridge and Liberty Street to fund its portion of the Asset Interest by the issuance of Commercial Paper Notes. If, for any reason, either Blue Ridge or Liberty Street is unable, or determines that it is undesirable, to issue Commercial Paper Notes to fund its portion of the Asset Interest, or is unable to repay such Commercial Paper Notes upon the maturity thereof, such Purchaser will draw on Liquidity Fundings (or a Liberty Street Alternate Funding, in the case of Liberty Street) to the extent available. If any Purchaser funds itself through Liquidity Fundings (or a Liberty Street Alternate Funding, in the case of Liberty Street), the Earned Discount payable by the Seller will be based on the Bank Rate.

SECTION 2.5 ESTIMATES OF EARNED DISCOUNT RATE, FEES, ETC.

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

ARTICLE III

SETTLEMENTS

SECTION 3.1 SETTLEMENT PROCEDURES.

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

(a) Information Package. On the eighth day of each month or if such day is not a Business Day, the next succeeding Business Day (each a "Reporting Date"), the Master Servicer shall deliver to each Purchaser Agent, on the related Purchaser's behalf, a report in the form of Exhibit 3.1(a), provided that, if a Credit Event has occurred and is continuing, such Information Package shall be accompanied by an electronic file in a form satisfactory to each Purchaser Agent (collectively, an "Information Package").

(b) Earned Discount and CP Costs; Other Amounts Due. (i) (A) On or before 12:00 noon (Atlanta, Georgia, time) on the Business Day before the last day of each Yield Period, each Purchaser Agent shall notify the Master Servicer of the amount of Earned Discount accrued with respect to any Asset Tranche funded by a Liberty Street Alternate Funding or a Liquidity Funding of the related Purchaser Group, as the case may be, corresponding to such Yield Period, and (B) on or before 12:00 noon (Atlanta, Georgia time) five (5) Business Days before each Reporting Date, each Purchaser Agent shall notify the Master Servicer of the CP Costs accrued during the most recently ended CP Accrual Period with respect to any Asset Tranche funded with Commercial Paper Notes of such Purchaser Group during all or any portion of such CP Accrual Period (ii) the Master Servicer shall pay to each Agent for the benefit of the related Purchaser the amount of such Earned Discount before 12:00 noon (Atlanta, Georgia time) on the last day of such Yield Period and the amount of such CP Costs before 12:00 noon (Atlanta, Georgia time) on each Settlement Date (iii) on or before 12:00 noon (Atlanta, Georgia time) on the Business Day before each Reporting Date, each Purchaser Agent, on the related Purchaser's behalf, shall notify the Master Servicer of all Broken Funding Costs, fees and other amounts accrued and payable by the Seller under this Agreement to the related Purchaser during the prior calendar month (other than amounts described in clause (c) below). The Master Servicer shall pay to each Purchaser Agent, for the benefit of the related Purchaser, the amount of such Broken Funding Costs, fees and other amounts (to the extent of Collections attributable to the Asset Interest funded by such Purchaser Group during such Collection Period) on the Settlement Date for such month. Such payments shall be made out of amounts identified pursuant to Section 1.3 for such payment; provided, however, that to the extent Collections attributable to the Asset Interest funded by such Purchaser Group during such Collection Period are not sufficient to make such payment, such payment shall be made out of funds paid by the Master Servicer to the Seller (which amounts the Seller hereby agrees to pay to the Master Servicer), up to the aggregate amount of Collections applied to Reinvestments under Section 1.3(a) or (b) during such month.

(c) Asset Interest Computations.

(i) On the Reporting Date for each Collection Period, the Master Servicer shall compute, as of the related Cut-Off Date and based upon the assumptions in the next

sentence, (A) the Asset Interest, (B) the amount of the reduction or increase (if any) in the Asset Interest since the next preceding Cut-Off Date, (C) the excess (if any) of the Asset Interest over the Allocation Limit, (D) the excess (if any) of any Purchaser Group Invested Amount over such Purchaser Group Limit and (E) the excess (if any) of the Invested Amount over the Purchase Limit. Such calculations shall be based upon the assumptions that the (1) information in the Information Package is correct, and (2) Collections identified pursuant to Section 1.3(b) will be paid to each Purchaser Agent, for the benefit of the related Purchaser, on the Settlement Date for such Collection Period.

(ii) If, according to the computations made pursuant to clause (i) above, (A) the Asset Interest exceeds the Allocation Limit, (B) any Purchaser Group Invested Amount exceeds such Purchaser Group Limit or (C) the Invested Amount exceeds the Purchase Limit, then on the Settlement Date for such Collection Period, the Master Servicer shall pay to the applicable Purchaser Agent, for the benefit of the related Purchaser, (to the extent of Collections during the related Collection Period attributable to all Asset Tranches funded by such Purchaser Group and not previously paid to such Purchaser Agent) the amount necessary to reduce (1) the Invested Amount to the Purchase Limit, (2) any Purchaser Group Invested Amount to such Purchaser Group Limit and (3) the Asset Interest to the Allocation Limit, subject, however, to the proviso to Section 1.3(c)(iv). Such payment shall be made out of amounts identified pursuant to Section 1.3 for such purpose and, to the extent such amounts were not so identified, the Seller hereby agrees to pay such amounts to the Master Servicer to the extent of Collections applied to Reinvestment under Section 1.3 during the relevant Collection Period.

(iii) In addition to the payments described in clause (ii) above and clause (iv) below, during the Liquidation Period, the Master Servicer shall pay to each Agent, for the benefit of the related Purchaser, all amounts identified pursuant to Section 1.3 (A) on the last day of the current Yield Period for any Asset Tranche funded by a Liberty Street Alternate Funding or a Liquidity Funding funded by such Purchaser Group, as the case may be, in an amount not exceeding such Purchaser's Tranche Investment of such Asset Tranche, and (B) after reduction to zero of such Purchaser's Tranche Investments of the Asset Tranches, if any, funded by Liberty Street Alternate Fundings or Liquidity Fundings of such Purchaser Group, as the case may be, on the last day of the each CP Accrual Period, in an amount not exceeding such Purchaser's Tranche Investment of the Asset Tranche funded by Commercial Paper Notes issued by such Purchaser Group.

(iv) On the Interim Reporting Date for each Interim Reporting Period, the Master Servicer shall compute, as of the related Interim Cut-Off Date and based upon the assumptions in the next sentence, (A) the Asset Interest, (B) the amount of the reduction or increase (if any) in the Asset Interest since the next preceding Cut-Off Date or Interim Cut-Off Date, (C) the excess (if any) of the Asset Interest over the Allocation Limit, (D) the excess (if any) of any Purchaser Group Invested Amount over the related Purchaser Group Limit and (E) the excess (if any) of the Invested Amount over the Purchase Limit. Such calculations shall be based upon the assumptions that (1) the information in the Interim Information Package is correct, and (2) Collections identified pursuant to Section 1.3(b) will be paid to each Purchaser Agent, for the benefit of the related Purchaser, on the Settlement Date for such Collection Period.

(v) If, according to the computations made pursuant to clause (iv) above, (A) the Asset Interest exceeds the Allocation Limit, (B) any Purchaser Group Invested Amount exceeds the related Purchaser Group Limit or (C) the Invested Amount exceeds the Purchase Limit, then on the Interim Settlement Date for such Interim Reporting Period, the Master Servicer shall pay to the applicable Purchaser Agent, for the benefit of the related Purchaser, (to the extent of Collections during the related Interim Reporting Period attributable to all Asset Tranches funded by the related Purchaser Group and not previously paid to such Purchaser Agent) the amount necessary to reduce (1) the Invested Amount to the Purchase Limit, (2) any Purchaser Group Invested Amount to the related Purchaser Group Limit and (3) the Asset Interest to the Allocation Limit, subject, however, to the proviso to Section 1.3(c)(iv). Such payment shall be made out of amounts identified pursuant to Section 1.3 for such purpose and, to the extent such amounts were not so identified, the Seller hereby agrees to pay such amounts to the Master Servicer to the extent of Collections applied to Reinvestment under Section 1.3 during the relevant Interim Reporting Period.

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

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

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

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

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

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

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

(vii) to purchase newly originated Receivables during the Revolving Period.

(e) Non-Distribution of Servicing Fee. Each Purchaser Agent hereby consents (which consent may be revoked at any time), to the retention by the Master Servicer of the

amounts (if any) identified pursuant to Section 1.3 in respect of the Servicing Fee, in which case no distribution shall be made in respect of the Servicing Fee pursuant to clause (d) above.

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

SECTION 3.2 DEEMED COLLECTIONS; REDUCTION OF INVESTED AMOUNT, ETC.

(a) Deemed Collections. If on any day:

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

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

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

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

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

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

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

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

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

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

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

(i) the Seller shall give each Purchaser Agent, on the related Purchaser's behalf, at least five (5) Business Days' prior written notice of such reduction (including the amount of such proposed reduction and the proposed date on which such reduction will commence),

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

(iii) the Master Servicer shall hold such Collections in trust for the Purchasers, pending payment to the related Purchaser Agent, as provided in Section 1.3;

provided that:

(A) the amount of any such reduction shall be in (1) an amount of \$1,000,000, (2) an integral multiple thereof or (3) an amount equal to the remaining Invested Amount,

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

(C) unless the Invested Amount will be reduced to zero, after giving effect to such reduction, the Invested Amount will be at least \$25,000,000, and

(D) each reduction of the Invested Amount shall be done on a pro rata basis and shall result in a corresponding reduction in each Purchaser Group Invested Amount.

SECTION 3.3 PAYMENTS AND COMPUTATIONS, ETC.

(a) Payments. All amounts to be paid to any Purchaser Agent or any other Person or deposited by the Seller or the Master Servicer hereunder (other than amounts payable under Section 4.2) shall be paid or deposited in accordance with the terms hereof no later than 12:00

noon (New York City time) on the day when due in lawful money of the United States of America in same day funds to the related Purchaser Agent Account, or to such other account at the bank named therein or at such other bank as any Purchaser Agent on behalf of the related Purchaser may designate by written notice to the Person making such payment.

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

(c) Method of Computation. All computations of interest, CP Costs, Broken Funding Costs, Earned Discount, any fees payable under Section 4.1 and any other fees payable by the Seller to any Purchaser or any Purchaser Agent hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) elapsed.

SECTION 3.4 TREATMENT OF COLLECTIONS AND DEEMED COLLECTIONS.

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

ARTICLE IV

FEES AND YIELD PROTECTION

SECTION 4.1 FEES.

The Seller shall pay to each Purchaser certain fees from time to time in amounts and payable on such dates as are set forth in the letter dated on or about the date hereof (as amended from time to time, the "Fee Letter") among the Seller, the Purchasers and the Agents.

SECTION 4.2 YIELD PROTECTION.

(a) If (i) Regulation D or (ii) any Regulatory Change occurring after June 19, 2000:

(A) shall subject an Affected Party to any tax, duty or other charge with respect to the portion of the Asset Interest owned by or funded by it, or any obligations or right to make Purchases or Reinvestments or to provide funding therefor, or shall change the basis of taxation of payments to the Affected Party of any portion of the Invested Amount or Earned Discount owned by, owed to or funded in whole or in part by it or any other amounts due under this Agreement in respect of the portion of the Asset Interest owned by or funded by it or its obligations or rights, if any, to make Purchases or Reinvestments or to provide funding therefor (except for (1) taxes based on, or measured by, net income, or changes in the rate of tax on or determined by reference to the overall net income, of such Affected Party imposed by the United States of America, by the jurisdiction in which such Affected Party's principal executive office is located and, if such Affected Party's principal executive office is not in the United States of America, by the jurisdiction where such Affected Party's principal office in the United States is located or, (2) franchise taxes, taxes on, or in the nature of, doing business taxes or capital taxes); or

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

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

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

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

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

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

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

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

then, within thirty days after demand by such Affected Party (which demand shall be accompanied by a certificate setting forth, in reasonable detail, the basis of such demand and the methodology for calculating, and the calculation of, the amounts claimed by the Affected Party), the Seller shall pay directly to such Affected Party such additional amount or amounts as will compensate such Affected Party for such additional or increased cost or such reduction; provided, however, the Seller shall only be required to compensate any such Affected Party for such amounts to the extent that such Affected Party is requiring all of its other similarly situated customers to compensate it for such amounts.

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

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

(d) For avoidance of doubt, any interpretation of Accounting Research Bulletin No. 51 by the Financial Accounting Standards Board shall constitute an adoption, change, request or directive subject to this Section 4.2.

SECTION 4.3 FUNDING LOSSES.

In the event that any Purchaser or any Liquidity Bank shall actually incur any loss or expense (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Purchaser through the issuance of Commercial Paper Notes to fund any Purchase, such Liquidity Bank to make any Liquidity Funding or maintain any Liquidity Funding or such Liberty Street Investor to make any Liberty Street Alternate Funding or maintain any Liberty Street Alternate Funding) as a result of (a) any settlement with respect to the related Purchaser's Tranche Investment of the portion of any Asset Tranche being made by such Purchaser Group on any day other than the scheduled last day of an applicable CP Accrual Period or Yield Period with respect thereto (it being understood that the foregoing shall not apply to any portion of the Invested Amount that is accruing Earned Discount calculated by reference

to the Base Rate), or (b) any Purchase not being made in accordance with a request therefor under Section 1.2, then, upon written notice from any Purchaser Agent to the Seller and the Master Servicer, the Seller shall pay to the Master Servicer, and the Master Servicer shall pay to such Purchaser Agent for the account of the related Purchaser or such Liquidity Bank, as the case may be, the amount of such loss or expense. Such written notice (which shall include the methodology for calculating, and the calculation of, the amount of such loss or expense, in reasonable detail) shall, in the absence of demonstrable error, be conclusive and binding upon the Seller and the Master Servicer.

ARTICLE V

CONDITIONS OF PURCHASES

SECTION 5.1 CONDITIONS PRECEDENT TO INITIAL PURCHASE.

The initial Purchase pursuant to this Agreement is subject to the following conditions precedent:

(a) each Agent, on the Purchaser's behalf, shall have received, on or before the date of such initial Purchase, the following each (unless otherwise indicated) dated such date and in form and substance reasonably satisfactory to each Purchaser Agent:

(i) The amendment to the Sale Agreement ("the Sale Amendment"), dated as of the date hereof duly executed by the parties thereto;

(ii) Acknowledgment copies (or other evidence of filing reasonably acceptable to the Administrative Agent on behalf of the Secured Parties) of (A) proper amendments to certain financing statements (Form UCC-3), in such form as the Agents, on behalf of the Secured Parties, may reasonably request, naming each of the Originators as the debtor and the seller of the Receivables and Related Assets, the Seller as the secured party and purchaser thereof and the Administrative Agent, as agent for the Secured Parties as assignee, and (B) amendment to financing statements (Form UCC-3), in such form as the Agents, on the behalf of the Secured Parties, may reasonably request, naming the Seller as the debtor and the seller of undivided percentage interests in the Pool Receivables and Related Assets and the Administrative Agent, as agent for the Secured Parties as the secured party and purchaser thereof, or other, similar instruments or documents as may be necessary or, in the opinion of the Agents, on the Purchasers' behalf, desirable under the UCC or any comparable law of all appropriate jurisdictions to perfect the sale by each Originator to the Seller of, and each Purchaser's undivided percentage interest in, the Pool Receivables and Related Assets;

(iii) A reliance letter with respect to the legal opinions of Locke Liddell & Sapp LLP, counsel to the Seller Parties, the Originators and Lennox International in form and substance satisfactory to the Liberty Street Purchaser Agent.

(iv) An Information Package, prepared as of the Cut-Off Date of May [24], 2003;

(v) The Liberty Street Liquidity Agreement, duly executed by Liberty Street, the Liberty Street Liquidity Agent and each Liberty Street Liquidity Bank;

(vi) Evidence that the Lockbox Accounts are maintained in the name of the Seller;

(vii) payment in immediately available funds of the amount determined to be due to Blue Ridge and the Administrative Agent pursuant to the Information Package delivered in clause (iv) above with respect to the removal of Armstrong as an Originator pursuant to the Sale Amendment. The payment of amounts due under this clause (vii) shall be applied to the reduction of the Invested Amount with respect to the Blue Ridge Purchaser Group and the payment of all other fees and amounts then due and owing to Blue Ridge and the Administrative Agent, including, without limitation, Earned Discount, and shall not be affected by any right of setoff, counterclaim, recoupment, defense or other right the Seller might have against the Administrator or Blue Ridge, all of which rights are hereby expressly waived by the Seller;

(viii) a fully executed copy of the Fee Letter;

(ix) the Amended and Restated Assurance Agreement, dated as of the date hereof, duly executed by Lennox International; and

(x) such other agreements, instruments, certificates, opinions and other documents as the Agents may reasonably request; and

(b) Lennox shall have paid or caused to be paid all Transaction

Fees.

SECTION 5.2 CONDITIONS PRECEDENT TO ALL PURCHASES AND REINVESTMENTS.

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

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

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

(c) after giving effect to each proposed Purchase or Reinvestment, the Invested Amount will not exceed the Purchase Limit, no Purchaser Group Invested Amount will exceed the related Purchaser Group Limit and the Asset Interest will not exceed the Allocation Limit,

(d) the Termination Date shall not have occurred,

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

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

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

(h) after giving effect to each proposed Purchase or Reinvestment, the Weighted Average Term (with respect to Receivables included in the Net Pool Balance) shall not exceed 60 days, and

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

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

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

SECTION 6.1 REPRESENTATIONS AND WARRANTIES OF THE SELLER PARTIES.

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

(a) Organization and Good Standing; Ownership. Its jurisdiction of organization is correctly set forth in the preamble to this Agreement. It is duly organized and is a "registered organization" as defined in the UCC under the laws of that jurisdiction and no other state or jurisdiction, and such jurisdiction must maintain a public record showing the organization to have been organized. It is validly existing as a corporation in good standing under the laws of its state of organization, with power and authority to own its properties and to conduct its business as such properties are presently owned and such business is presently conducted. The Seller had at all relevant times, and now has, all necessary power, authority, and legal right to acquire and own the Pool Receivables and Related Assets. The Originators own directly all the issued and outstanding capital stock of the Seller.

(b) Due Qualification. It is duly qualified to do business as a foreign corporation in good standing, and has obtained all necessary licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business requires such qualification,

licenses or approvals, except where the failure to be so qualified or have such licenses or approvals would not have a Material Adverse Effect.

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

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

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

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

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

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

(i) Financial Condition. (i) The consolidated and consolidating balance sheets of the Lennox International and its consolidated subsidiaries as at December 31, 2002, and the related statements of income and shareholders' equity of Lennox International and its consolidated subsidiaries for the fiscal year then ended, certified by KPMG LLP, independent certified public accountants, copies of which have been furnished to the Agents, fairly present in all material respects the consolidated financial condition of Lennox International and its consolidated subsidiaries as at such date and the consolidated results of the operations of Lennox International and its consolidated subsidiaries for the period ended on such date, all in accordance with GAAP consistently applied, (ii) since December 31, 2002 there has been no material adverse change in any such financial condition, business or operations except as described in Schedule 6.1(i), (iii) the balance sheet of the Seller as at March 31, 2003, certified by the chief financial officer or treasurer of the Seller by means of a Certificate of Financial Officer in the form attached hereto as Exhibit B, copies of which have been furnished to the Agents, fairly present in all material respects the financial condition, assets and liabilities of the Seller as at such date, all in accordance with GAAP consistently applied, and (iv) since June 9, 2000 there has been no material adverse change in the Seller's financial condition, business or operations.

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

(k) Margin Regulations. The use of all funds obtained by such Seller Party under this Agreement or any other Transaction Document will not conflict with or contravene any of Regulation T, U and X promulgated by the Federal Reserve Board from time to time.

(l) Quality of Title. (i) This Agreement creates a valid and continuing security interest (as defined in the applicable UCC) in the Collateral in favor of the Administrative Agent for the benefit of the Secured Parties, which security interest is prior to all other Liens and is enforceable as such against creditors of and purchasers from the Seller, (ii) the Seller owns and has good and marketable title to the Collateral free and clear of any Lien (other than any Lien arising solely as the result of any action taken by any Secured Parties (or any assignee thereof) or by the Administrative Agent); (iii) when any Purchaser makes a Purchase or Reinvestment, it shall have acquired and shall at all times thereafter continuously maintain a valid and perfected first priority undivided percentage ownership interest to the extent of the portion of the Asset Interest funded by the related Purchaser Group in the Collateral, free and clear of any Lien (other than any Lien arising as the result of any action taken by any Secured Party (or any assignee thereof) or by the Administrative Agent); (iv) other than the security interest granted to the Administrative Agent for the benefit of the Secured Parties pursuant to this Agreement, the Seller has not pledged,

assigned, sold or granted a security interest in, or otherwise conveyed any of the Collateral; (v) the Seller has not authorized the filing of, and is not aware of any financing statements against the Seller that include a description of Collateral and (vi) the Seller has not authorized the filing of, and is not aware of any financing statements against the Seller that include a description of collateral covering the Collateral other than except such as may be filed (A) in favor of the Originators in accordance with the Contracts, (B) in favor of the Seller in connection with the Sale Agreement or (C) in favor of the Secured Parties or the Administrative Agent in accordance with this Agreement or in connection with any Lien arising solely as the result of any action taken by the Secured Parties (or any assignee thereof) or by the Administrative Agent.

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

(n) Offices. The principal places of business and chief executive offices of the Master Servicer and the Seller are located at the respective addresses set forth on Schedule 14.2, and the offices where the Master Servicer and the Seller keep all their books, records and documents evidencing Pool Receivables, the related Contracts and all purchase orders and other agreements related to such Pool Receivables are located at the addresses specified in Schedule 6.1(n) (or at such other locations, notified to each Purchaser Agent, on the related Purchaser's behalf, in accordance with Section 7.1(f), in jurisdictions where all action required by Section 8.5 has been taken and completed).

(o) Lockbox Accounts. The names, addresses and jurisdictions of organization of all the Lockbox Banks, together with the account numbers of the Lockbox Accounts of the Seller at each Lockbox Bank and the post office box numbers of the lockboxes, are listed on Schedule 6.1(o) (or have been notified to and approved by the Agents in accordance with Section 7.3(d)). The Seller has not granted any Person, other than the Administrative for the benefit of the Secured Parties as contemplated by this Agreement, dominion and control of any lockbox or Lockbox Account, or the right to take dominion and control of any such lockbox or Lockbox Account at a future time.

(p) Eligible Receivables. Each Receivable included in the Net Pool Balance as an Eligible Receivable on the date of any Purchase, Reinvestment or computation of Net Pool Balance shall be an Eligible Receivable on such date.

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

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

(s) [Reserved].

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

(u) Ownership of the Seller. Collectively, the Originators own 100% of the issued and outstanding capital stock of the Seller, free and clear of any Lien. Such capital stock is validly issued, fully paid and nonassessable, and there are no options, warrants or other rights to acquire securities of the Seller.

(v) Investment Company. The Seller is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended from time to time, or any successor statute.

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

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

ARTICLE VII

GENERAL COVENANTS OF THE SELLER PARTIES

SECTION 7.1 AFFIRMATIVE COVENANTS OF THE SELLER PARTIES.

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

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

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

such existence, rights, franchises, privileges and qualification would have a Material Adverse Effect.

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

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

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

(f) Location of Records. Each Seller Party will keep its chief place of business and chief executive office, and the offices where it keeps its records concerning the Pool

Receivables, all related Contracts and all agreements related to such Pool Receivables (and all original documents relating thereto), at the address(es) of the Master Servicer and the Seller referred to in Section 6.1(n) or, upon 30 days' prior written notice to the Administrative Agent, at such other locations in jurisdictions where all action required by Section 8.5 shall have been taken and completed.

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

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

(i) Lockbox Agreements. The Seller and the Master Servicer shall enter into a Lockbox Agreement with Wachovia with respect to each Lockbox Bank with respect to each Lockbox Account, and shall instruct all Obligor to deposit all Collections to the Lockbox Accounts. Upon the establishment of the Collection Account, if any, the Master Servicer shall instruct each Lockbox Bank to deposit all Collections to the Collection Account. The Seller will not give any contrary or conflicting instructions, and will, upon the request of the Master Servicer or the Administrative Agent, confirm such instructions by the Master Servicer or take such other action as may be reasonably required to give effect to such instructions.

SECTION 7.2 REPORTING REQUIREMENTS OF THE SELLER PARTIES.

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

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

(b) Annual Financial Statements - Lennox International. The Master Servicer will furnish to each Purchaser Agent, as soon as available and in any event within 90 days after the end of each fiscal year of Lennox International, copies of its consolidated and consolidating balance sheets and related statements of income and statements of cash flow, showing the financial condition of Lennox International and its consolidated Subsidiaries as of the close of such fiscal year and the results of its operations and the operations of such Subsidiaries during such year, all audited by KPMG LLP or other independent public accountants of recognized national standing acceptable to each Agent and accompanied by an opinion of such accountants

(which shall not be qualified in any material respect) to the effect that such consolidated financial statements fairly present the financial condition and results of operations of Lennox International on a consolidated basis (except as noted therein) in accordance with GAAP consistently applied;

(c) Quarterly Financial Statements - Seller. The Seller will furnish to the each Purchaser Agent, as soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Seller, copies of the financial statements of the Seller, consisting of at least a balance sheet as at the close of such quarter and statements of earnings and changes in cash flows for such quarter and for the period from the beginning of the fiscal year to the close of such quarter, together with a Certificate of Financial Officer in the form attached hereto as Exhibit B executed by the chief financial officer, chief accounting officer, controller or treasurer of the Seller or Lennox International;

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

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

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

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

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

(i) [Reserved];

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

(k) Credit Event. Within five (5) Business Days of the occurrence thereof, each Seller Party will furnish to each Purchaser Agent, on the related Purchaser's behalf, notice of any Credit Event; and

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

SECTION 7.3 NEGATIVE COVENANTS OF THE SELLER PARTIES.

From June 19, 2000 until the Final Payout Date, without the prior written consent of the Administrative Agent:

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

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

(c) Change in Credit and Collection Policy. No Seller Party will make or permit to be made any material change in the Credit and Collection Policy, which change would impair the

collectibility of any significant portion of the Pool Receivables or otherwise adversely affect the interests or remedies of the Purchaser under this Agreement or any other Transaction Document.

(d) Change in Payment Instructions to Obligors. No Seller Party will add or terminate any bank as a Lockbox Bank from those listed in Schedule 6.1(o) or, after Lockbox Accounts have been delivered pursuant to Section 7.1(i), make any change in its instructions to Obligors regarding payments to be made to the Seller or Master Servicer or payments to be made to any Lockbox Bank (except for a change in instructions solely for the purpose of directing Obligors to make such payments to another existing Lockbox Bank.

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

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

(g) [Reserved].

(h) Seller Indebtedness. The Seller will not incur or permit to exist any Indebtedness or liability on account of deposits or advances or for borrowed money or for the deferred purchase price of any property or services, except (i) indebtedness of the Seller to the Originators incurred in accordance with the Sale Agreement, (ii) current accounts payable arising under the Transaction Documents and not overdue and (iii) other current accounts payable arising in the ordinary course of business and not overdue, in an aggregate amount at any time outstanding not to exceed \$10,000.

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

(j) Change of Name; Jurisdiction of Organization; Offices and Records. No Seller Party shall change (i) its name as it appears in official filings in the jurisdiction of its organization, (ii) its status as a "registered organization" (within the meaning of Article 9 of any applicable enactment of the UCC), (iii) its organizational identification number, if any, issued by its jurisdiction of organization, or (iv) its jurisdiction of organization unless it shall have: (A) given the Agents at least forty-five (45) days' prior written notice thereof; (B) at least ten (10) days prior to such change, delivered to the Agents all financing statements, instruments and other documents requested by the Agents in connection with such change or relocation and (C) caused an opinion of counsel acceptable to Agents and their respective assigns to be delivered to the Agents and such assigns that Administrative Agent's security interest (for the benefit of the Secured Parties) is perfected and of first priority, such opinion to be in form and substance acceptable to the Agents and such assigns in their sole discretion.

(k) [Reserved].

(l) Mergers, Consolidations and Acquisitions.

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

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

(m) [Reserved].

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

SECTION 7.4 SEPARATE CORPORATE EXISTENCE OF THE SELLER.

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

(a) The Seller will be a limited purpose corporation whose primary activities are restricted in its Certificate of Incorporation to purchasing or otherwise acquiring from the

Originators, owning, holding, granting security interests, or selling interests, in Receivables in the Receivables Pool and Related Assets, entering into agreements for the selling and servicing of the Receivables Pool, and conducting such other activities as it deems necessary or appropriate to carry out its primary activities;

(b) At least one member of the Seller's Board of Directors shall be an Independent Director. The certificate of incorporation of the Seller shall provide that (i) at least one member of the Seller's Board of Directors shall be an Independent Director, (ii) the Seller's Board of Directors shall not approve, or take any other action to cause the filing of, a voluntary bankruptcy petition with respect to the Seller unless the Independent Director shall approve the taking of such action in writing prior to the taking of such action and (iii) the provisions requiring an Independent Director and the provisions described in clauses (i) and (ii) of this paragraph (b) cannot be amended without the prior written consent of the Independent Director;

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

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

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

(f) The Seller's operating expenses will not be paid by any other Seller Party or other Affiliate of the Seller;

(g) The Seller will have its own stationery;

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

(i) Any financial statements of any Seller Party or Affiliate thereof which are consolidated to include the Seller will contain detailed notes clearly stating that (i) all of the Seller's assets are owned by the Seller, and (ii) the Seller is a separate corporate entity with its own

separate creditors that will be entitled to be satisfied out of the Seller's assets prior to any value in the Seller becoming available to the Seller's equity holders; and the accounting records and the published financial statements of the Originators will clearly show that, for accounting purposes, the Pool Receivables and Related Assets have been sold by the Originators to the Seller;

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

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

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

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

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

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

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

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

ARTICLE VIII

ADMINISTRATION AND COLLECTION

SECTION 8.1 DESIGNATION OF MASTER SERVICER.

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

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

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

SECTION 8.2 DUTIES OF MASTER SERVICER.

(a) Appointment; Duties in General. Each of the Seller, the Purchasers and the Agents hereby appoints as its agent the Master Servicer, as from time to time designated

pursuant to Section 8.1, to enforce its rights and interests in and under the Pool Receivables, the Related Security and the related Contracts. The Master Servicer shall take or cause to be taken all such actions as may be necessary or advisable to collect each Pool Receivable from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy.

(b) Allocation of Collections; Segregation. The Master Servicer shall identify for the account of the Seller and Purchasers their respective allocable shares of the Collections of Pool Receivables in accordance with Section 1.3 but shall not be required (unless otherwise requested by the Administrative Agent, on the Purchasers' behalf) to segregate the funds constituting such portions of such Collections prior to the remittance thereof in accordance with said Section. If instructed by any Agent, on the Purchasers' behalf, the Master Servicer shall segregate and deposit into the Collection Account, the Purchasers' Share of Collections of Pool Receivables, on the second Business Day following receipt by the Master Servicer of such Collections in immediately available funds.

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

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

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

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

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

SECTION 8.3 [RESERVED].

SECTION 8.4 SERVICER DEFAULTS.

If any one of the following events (a "Servicer Default") shall occur and be continuing:

(a) any failure by the Master Servicer to make any payment, transfer or deposit or to give instructions or notice to any Agent as required by this Agreement including, without limitation, delivery of any Information Package or Interim Information Package or any failure to make any payment or deposit required to be made in order to reduce the Asset Interest to the Allocation Limit and, (i) in the case of failure to deliver an Information Package or Interim Information Package, s the case may be, such failure shall remain unremedied for two (2) Business Days after the earliest to occur of (A) written notice thereof shall have been given by any Agent to the Master Servicer or (B) the Master Servicer shall have otherwise become aware of such failure and (ii) except with respect to any payment or deposit required to be made in order to reduce the Asset Interest to the Allocation Limit which shall be made when due, in the case of failure to make any payment or deposit to be made by the Master Servicer such failure shall remain unremedied for three (3) Business Days after the due date thereof;

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

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

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

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

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

SECTION 8.5 RIGHTS OF THE ADMINISTRATIVE AGENT.

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

(b) Notice to Lockbox Banks. At any time, the Administrative Agent is hereby authorized to give notice to the Lockbox Banks, as provided in the Lockbox Agreements, of the transfer to the Administrative Agent for the benefit of the Secured Parties of dominion and control over the lockboxes and related accounts to which the Obligors of Pool Receivables make payments. The Seller and the Master Servicer hereby transfer to the Administrative Agent, effective when the Administrative Agent shall give notice to the Lockbox Banks as provided in the Lockbox Agreements, the exclusive dominion and control over such lockboxes and accounts, and shall take any further action that the Administrative Agent may reasonably request to effect such transfer.

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

(i) The Administrative Agent may direct the Obligors of Pool Receivables, or any of them, to pay all amounts payable under any Pool Receivable directly to the Administrative Agent or its designee.

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

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

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

SECTION 8.6 RESPONSIBILITIES OF THE SELLER PARTIES.

Anything herein to the contrary notwithstanding:

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

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

SECTION 8.7 FURTHER ACTION EVIDENCING PURCHASES AND REINVESTMENTS.

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

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

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

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

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

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

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

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

SECTION 8.8 APPLICATION OF COLLECTIONS.

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

ARTICLE IX

SECURITY INTEREST

SECTION 9.1 GRANT OF SECURITY INTEREST.

To secure all obligations of the Seller arising in connection with this Agreement and each other Transaction Document, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, including, without limitation, all Indemnified Amounts, payments on account of Collections received or deemed to be received and fees, in each case pro rata according to the respective amounts thereof, the Seller hereby assigns and pledges to the Administrative Agent, as agent for the

Purchasers and their respective successors and assigns, for the benefit of the Secured Parties, and hereby grants to the Administrative Agent, as agent for the Purchasers, for the benefit of the Secured Parties, a security interest in, all of the Seller's right, title and interest now or hereafter existing in, to and under all assets of the Seller, including, without limitation, (a) all the Pool Receivables and Related Assets (and including specifically any undivided interest therein retained by the Seller hereunder), (b) the Sale Agreement and the other Transaction Documents and (c) all proceeds of any of the foregoing (collectively, the "Collateral").

SECTION 9.2 FURTHER ASSURANCES.

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

SECTION 9.3 REMEDIES.

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

ARTICLE X

LIQUIDATION EVENTS

SECTION 10.1 LIQUIDATION EVENTS.

The following events shall be "Liquidation Events" hereunder:

(a) The Master Servicer (if any Seller Party or Affiliate thereof is the Master Servicer) or the Seller (in the case of clause (ii) below) (i) shall fail to perform or observe any term, covenant or agreement that is an obligation of the Master Servicer hereunder (other than as referred to in clause (ii) below or in other paragraphs of this Section 10.1), and such failure shall remain unremedied for thirty (30) days after written notice thereof shall have been given by the Administrative Agent to the Master Servicer or the Master Servicer shall have otherwise become aware, or (ii) shall fail to make any payment or deposit to be made by it hereunder when due which failure shall continue for three (3) Business Days; or

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

(c) Any Seller Party shall fail to perform or observe any other term, covenant or agreement contained in this Agreement or any of the other Transaction Documents on its part to be performed or observed and any such failure shall remain unremedied for thirty (30) days after

written notice thereof shall have been given by any Agent to any Seller Party or such Seller Party shall have otherwise become aware; or

(d) (i) Any Seller Party or Lennox International shall (A) fail to pay any principal or interest, regardless of amount, due in respect of any Indebtedness when the aggregate unpaid principal amount is in excess of in the case of the Seller, \$10,000, or in the case of Lennox International or the Master Servicer \$7,500,000 when and as the same shall become due and payable (after expiration of any applicable grace period) or (B) fail to observe or perform any other term, covenant, condition or agreement (after expiration of any applicable grace period) contained in any agreement or instrument evidencing or governing any such Indebtedness if the effect of any failure referred to in this clause (B) is to cause such Indebtedness to become due prior to its stated maturity; (ii) any default under any other agreement or instrument of the Seller, Master Servicer or Lennox International relating to the purchase of receivables in an aggregate amount in excess of in the case of the Seller, \$10,000, or in the case of the Master Servicer or Lennox International \$50,000,000, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default is to terminate the commitment of any party to such agreement or instrument to purchase receivables or the right of such Seller Party to reinvest in receivables the principal amount paid by any party to such agreement or instrument for its interest in receivables; or (iii) a default or trigger event shall occur under any asset securitization agreement or arrangement entered into by any Seller Party for the sale of receivables or an interest therein in excess of \$10,000,000, if the effect of such default or trigger event is to cause the amounts owing in connection therewith to become payable prior to the stated maturity; or

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

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

(g) The rolling 3 month average Dilution Ratio at any Cut-Off Date exceeds 10.00%; or

(h) The rolling 3 month average Default Ratio at any Cut-Off Date exceeds 2.65%; or

(i) The rolling 3 month average Delinquency Ratio at any Cut-Off Date exceeds 3.95%; or

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

(k) There shall have occurred any event which materially adversely impairs the ability of the Originators to originate Receivables of a credit quality which are at least of the

credit quality of the Receivables included in the first Purchase, or any other event occurs that is reasonably likely to have a Material Adverse Effect; or

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

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

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

(o) The Administrative Agent for the benefit of the Secured Parties, for any reason, does not have a valid, perfected first priority interest in the Pool Receivables and the Related Assets; or

(p) A final judgment or judgments shall be rendered against Lennox International, the Master Servicer, the Seller or any combination thereof for the payment of money with respect to which an aggregate amount in excess of \$10,000 with respect to the Seller and \$7,500,000 with respect to Lennox International or the Master Servicer is not covered by insurance and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of Lennox International, the Master Servicer or the Seller to enforce any such judgment; or

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

(r) The occurrence of a Servicer Default;

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

(t) An Event of Default (as defined in the Credit Agreement) shall have occurred.

SECTION 10.2 REMEDIES.

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

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

(c) Additional Remedies. Upon any Funding Termination Date pursuant to this Section 10.2, no Purchases or Reinvestments thereafter will be made, and each of the Agents, the Purchasers, Scotiabank and Wachovia shall have, in addition to all other rights and remedies under this Agreement or otherwise, all other rights and remedies provided under the UCC of each applicable jurisdiction and other applicable laws, which rights shall be cumulative.

ARTICLE XI

THE ADMINISTRATIVE AGENT

SECTION 11.1 ADMINISTRATIVE AUTHORIZATION AND ACTION.

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

SECTION 11.2 ADMINISTRATIVE AGENT'S RELIANCE, ETC.

The Administrative Agent and its directors, officers, agents or employees shall not be liable for any action taken or omitted to be taken by it or them in good faith under or in connection with the Transaction Documents (including, without limitation, the servicing, administering or collecting Pool Receivables as Master Servicer pursuant to Section 8.1), except for its or their own breach of the terms of the applicable terms of the Transaction Documents or its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Administrative Agent: (a) may consult with legal counsel (including counsel for the Seller), independent certified public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (b) makes no warranty or representation to the Purchasers or any other holder of any interest in Pool Receivables and shall not be responsible to the Purchaser or any such other holder for any statements, warranties or representations made by any Seller Party in or in connection with any Transaction Document; (c) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any Transaction Document on the part of any Seller Party or to inspect the property

(including the books and records) of any Seller Party; (d) shall not be responsible to the Purchaser or any other holder of any interest in Pool Receivables for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Transaction Document; and (e) shall incur no liability under or in respect of this Agreement by acting upon any notice (including notice by telephone where permitted herein), consent, certificate or other instrument or writing (which may be by facsimile or telex) in good faith believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 11.3 BLUE RIDGE PURCHASER AGENT AUTHORIZATION AND ACTION.

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

SECTION 11.4 BLUE RIDGE PURCHASER AGENT'S RELIANCE, ETC.

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

SECTION 11.5 LIBERTY STREET AUTHORIZATION AND ACTION.

Pursuant to agreements entered into with the Liberty Street Agent, Liberty Street has appointed and authorized the Liberty Street Purchaser Agent (or its designees) to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated

to the Liberty Street Purchaser Agent by the terms hereof, together with such powers as are reasonably incidental thereto.

SECTION 11.6 LIBERTY STREET PURCHASER AGENT'S RELIANCE, ETC.

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

SECTION 11.7 WACHOVIA, SCOTIABANK AND AFFILIATES.

Each of Scotiabank and Wachovia and any of their respective Affiliates may generally engage in any kind of business with any Seller Party or any Obligor, any of their respective Affiliates and any Person who may do business with or own securities of any Seller Party or any Obligor or any of their respective Affiliates, all as if Scotiabank or Wachovia, as the case may be was not an Agent hereunder, and without any duty to account therefor to the Purchasers or any other holder of an interest in Pool Receivables, but in any event subject to Section 14.7.

ARTICLE XII

ASSIGNMENT OF THE PURCHASER'S INTEREST

SECTION 12.1 RESTRICTIONS ON ASSIGNMENTS.

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

the like, so long as such Seller Party remains liable for performance of such duties). No Purchaser may assign its rights hereunder (although it may delegate its duties hereunder as expressly indicated herein) or the portion of the Asset Interest funded by the related Purchaser Group (or any portion thereof) to any Person without the prior written consent of the Seller, which consent shall not be unreasonably withheld; provided, however, that

(i) Any Purchaser may assign all of its rights and interests in the Transaction Documents, together with all its interest in the Asset Interest, to any Liquidity Bank, Wachovia, Scotiabank or any Affiliate thereof, or to any "bankruptcy remote" special purpose entity, the business of which is administered by Wachovia, Scotiabank or any Affiliate thereof (which assignee shall then be subject to this Article XII); and

(ii) Each Purchaser may assign and grant a security interest in all of its rights in the Transaction Documents, together with all of its rights and interest in the Asset Interest, to secure such Purchaser's obligations under or in connection with the Commercial Paper Notes, the related Liquidity Agreement, and certain other obligations of such Purchaser incurred in connection with the funding of the Purchases and Reinvestments hereunder, which assignment and grant of a security interest shall not be considered an "assignment" for purposes of Section 12.1(b) or, prior to the enforcement of such security interest, for purposes of any other provision of this Agreement (other than Section 12.3).

(b) The Seller agrees to advise the Agents within five (5) Business Days after notice to the Seller of any proposed assignment by any Purchaser of the Asset Interest (or any portion thereof), not otherwise permitted under subsection (a), of the Seller's consent or non-consent to such assignment, and if it does not consent, the reasons therefor. If Seller does not consent to such assignment, each Purchaser may immediately or at any time thereafter assign such Asset Interest (or portion thereof) to any Person or Persons permitted under clause (i) of Section 12.1(a).

SECTION 12.2 RIGHTS OF ASSIGNEE.

Upon the assignment by the Purchaser in accordance with this Article XII, the assignee receiving such assignment shall have all of the rights of the related Purchaser with respect to the Transaction Documents and the Asset Interest (or such portion thereof as has been assigned).

SECTION 12.3 TERMS AND EVIDENCE OF ASSIGNMENT.

Any assignment of the Asset Interest (or any portion thereof) to any Person which is otherwise permitted under this Article XII shall be upon such terms and conditions as the related Purchaser and the assignee may mutually agree, and may be evidenced by such instrument(s) or document(s) as may be satisfactory to the Purchaser, the related Purchaser Agent and the assignee.

SECTION 12.4 RIGHTS OF LIQUIDITY BANKS.

The Seller hereby agrees that, upon notice to the Seller, the Liquidity Banks may exercise all the rights of the related Purchaser Agent and Purchaser hereunder, with respect to the portion

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

ARTICLE XIII

INDEMNIFICATION

SECTION 13.1 INDEMNITIES BY THE SELLER.

(a) General Indemnity. Without limiting any other rights which any such Person may have hereunder or under applicable law, the Seller hereby agrees to indemnify each of Scotiabank, both individually and as the Liberty Street Purchaser Agent, Wachovia, both individually and as the Administrative Agent and the Blue Ridge Purchaser Agent, the Purchasers, the Liquidity Banks, the Liquidity Agent, each of their respective Affiliates, and all successors, transferees, participants and assigns and all officers, directors, shareholders, controlling persons, and employees of any of the foregoing, and any successor servicer and subservicer not affiliated with Lennox (each an "Indemnified Party"), forthwith on demand, from and against any and all damages, losses, claims, liabilities and related costs and expenses, including attorneys' fees and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them arising out of or relating to the Transaction Documents or the ownership or funding of the Asset Interest or in respect of any Receivable or any Contract, excluding, however, (x) Indemnified Amounts to the extent determined by a court of competent jurisdiction to have resulted from gross negligence or willful misconduct on the part of such Indemnified Party or (y) recourse (except as otherwise specifically provided in this Agreement) for Defaulted Receivables; the Seller further agrees to indemnify any agent (which is not otherwise an Indemnified Party) of any of Scotiabank, Wachovia, the Agents, the Purchasers, the Liquidity Banks, and the Liquidity Agent forthwith on demand, from and against any and all Indemnified Amounts awarded against or incurred by any of them arising out of or caused by the gross negligence or willful misconduct of the Seller (unless otherwise expressly agreed to in writing by the Seller). Without limiting the foregoing, the Seller shall indemnify each Indemnified Party for Indemnified Amounts arising out of or relating to:

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

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

(iii) the failure by any Seller Party to comply with any applicable law, rule or regulation with respect to any Pool Receivable or the related Contract, or the nonconformity of any Pool Receivable or the related Contract with any such applicable law, rule or regulation;

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

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

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

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

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

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

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

(xi) any tax or governmental fee or charge (but not including franchise taxes or taxes upon or measured by net income), all interest and penalties thereon or with respect thereto, and all out-of-pocket costs and expenses, including the reasonable fees and expenses of counsel in defending against the same, which may arise by reason of the purchase or ownership of any Asset Interest, or any other interest in the Pool Receivables or in any goods which secure any such Pool Receivables.

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

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

SECTION 13.2 INDEMNITIES BY MASTER SERVICER.

Without limiting any other rights which any Indemnified Party may have hereunder or under applicable law, the Master Servicer hereby agrees to indemnify each of the Indemnified Parties forthwith on demand, from and against any and all Indemnified Amounts awarded against or incurred by any of them arising out of or relating to the Master Servicer's performance of, or failure to perform, any of its obligations under or in connection with any Transaction Document, or any representation or warranty made by the Master Servicer (or any of its officers) under or in connection with any Transaction Document, any Information Package, Interim Information Package or any other information or report delivered by or on behalf of the Master Servicer, which shall have been false, incorrect or misleading in any material respect when made or deemed made or delivered, as the case may be, or the failure of the Master Servicer to comply with any applicable law, rule or regulation with respect to any Pool Receivable or the related Contract; provided, however, that in the case of any representation, warranty or information that was not made or delivered in writing, indemnification shall be available to an Indemnified Party hereunder only if such representation, warranty or information was reasonably relied upon by such Indemnified Party. Notwithstanding the foregoing, in no event shall any Indemnified Party be awarded any Indemnified Amounts (a) to the extent determined by a court of competent jurisdiction to have resulted from gross negligence or willful misconduct on the part of such

Indemnified Party or (b) recourse for Defaulted Receivables. The Master Servicer further agrees to indemnify any agent (which is not otherwise an Indemnified Party) of any of Scotiabank, Wachovia, the Agents, the Purchasers, the Liquidity Banks, and the Liquidity Agents forthwith on demand, from and against any and all Indemnified Amounts awarded against or incurred by any of them arising out of or caused by the gross negligence or willful misconduct of the Master Servicer (unless otherwise expressly agreed to in writing by the Master Servicer).

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

ARTICLE XIV

MISCELLANEOUS

SECTION 14.1 AMENDMENTS, ETC.

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

SECTION 14.2 NOTICES, ETC.

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

party at the address as set forth on Schedule 14.2 or at such other address as shall be designated by such party in a written notice to the other parties hereto.

SECTION 14.3 NO WAIVER; REMEDIES.

No failure on the part of the Administrative Agent, any Affected Party, any Indemnified Party, any Purchaser or any other holder of the Asset Interest (or any portion thereof) to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. Without limiting the foregoing, each of Scotiabank, individually and as Liberty Street Purchaser Agent, Wachovia, individually, and as Administrative Agent and the Blue Ridge Purchaser Agent, each Liberty Street Investor and each Liquidity Bank is hereby authorized by the Seller 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 Scotiabank, Wachovia, such Liberty Street Investor and such Liquidity Bank to or for the credit or the account of the Seller, against any and all of the obligations of the Seller now or hereafter existing under this Agreement, to any Agent, any Affected Party, any Indemnified Party or any Purchaser, or their respective successors and assigns.

SECTION 14.4 BINDING EFFECT; SURVIVAL.

This Agreement shall be binding upon and inure to the benefit of each Seller Party, the Agents, the Purchasers and their respective successors and assigns, and the provisions of Section 4.2 and Article XIII shall inure to the benefit of the Affected Parties and the Indemnified Parties, respectively, and their respective successors and assigns; provided, however, nothing in the foregoing shall be deemed to authorize any assignment not permitted by Section 12.1. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until the Final Payout Date. The rights and remedies with respect to any breach of any representation and warranty made by the Seller pursuant to Article VI and the indemnification and payment provisions of Article XIII and Sections 4.2, 14.5, 14.6, 14.7 and 14.15 shall be continuing and shall survive any termination of this Agreement.

SECTION 14.5 COSTS, EXPENSES AND TAXES.

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

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

(i) the negotiation, preparation, execution and delivery of this Agreement, the other Transaction Documents or the Liquidity Agreement, any amendment of or consent or waiver under any of the Transaction Documents which is requested or proposed by any Seller Party (whether or not consummated), or the enforcement by any of the foregoing Persons of, or any actual or claimed breach of, this Agreement or any of the other

Transaction Documents, including, without limitation, the reasonable fees and expenses of counsel to any of such Persons incurred in connection with any of the foregoing or in advising such Persons as to their respective rights and remedies under any of the Transaction Documents in connection with any of the foregoing, and

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

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

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

SECTION 14.6 NO PROCEEDINGS.

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

SECTION 14.7 CONFIDENTIALITY OF SELLER INFORMATION.

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

(i) any information regarding, or copies of, any nonpublic financial statements, reports, schedules and other information furnished by any Seller Party to any Purchaser or any Agent (A) prior to the date hereof in connection with such party's due

diligence relating to the Seller Parties and the transactions contemplated hereby, or (B) pursuant to this Agreement, including without limitation, Section 3.1, 5.1, 6.1(i), 7.1(c) or 7.2, or

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

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

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

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

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

(iii) to any rating agency that maintains a rating for such Purchaser's Commercial Paper Notes or is considering the issuance of such a rating, for the purposes of reviewing the credit of such Purchaser in connection with such rating,

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

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

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

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

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

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

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

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

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

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

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

SECTION 14.8 CAPTIONS AND CROSS REFERENCES.

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

subsection, or clause to any subsection, clause or subclause are to such subsection, clause or subclause of such Section, subsection or clause.

SECTION 14.9 INTEGRATION.

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

SECTION 14.10 GOVERNING LAW.

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

SECTION 14.11 WAIVER OF JURY TRIAL.

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

SECTION 14.12 CONSENT TO JURISDICTION; WAIVER OF IMMUNITIES.

EACH PARTY HERETO HEREBY ACKNOWLEDGES AND AGREES THAT:

(a) IT IRREVOCABLY (i) SUBMITS TO THE JURISDICTION, FIRST, OF ANY UNITED STATES FEDERAL COURT, AND SECOND, IF FEDERAL JURISDICTION IS NOT AVAILABLE, OF ANY NEW YORK STATE COURT, AS APPROPRIATE, IN EITHER CASE SITTING IN NEW YORK COUNTY, NEW YORK, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, (ii) AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED ONLY IN SUCH NEW YORK STATE OR FEDERAL COURT AND NOT IN ANY OTHER COURT, AND (iii) WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING.

(b) TO THE EXTENT THAT IT HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM THE JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID TO EXECUTION, EXECUTION OR OTHERWISE)

WITH RESPECT TO ITSELF OR ITS PROPERTY, IT HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER OR IN CONNECTION WITH THIS AGREEMENT.

SECTION 14.13 EXECUTION IN COUNTERPARTS.

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

SECTION 14.14 NO RECOURSE AGAINST OTHER PARTIES.

The obligations of each Purchaser under this Agreement are solely the corporate obligations of such Purchaser. No recourse shall be had for the payment of any amount owing by any Purchaser under this Agreement or for the payment by such Purchaser of any fee in respect hereof or any other obligation or claim of or against such Purchaser arising out of or based upon this Agreement, against Scotiabank, Wachovia or against any employee, officer, director, incorporator or stockholder of such Purchaser. For purposes of this Section 14.15, the term "Wachovia" and "Scotiabank" shall mean and include Wachovia Bank, National Association and The Bank of Nova Scotia, as the case may be, and all affiliates thereof and any employee, officer, director, incorporator, stockholder or beneficial owner of any of them; provided, however, for the purposes of this paragraph, Blue Ridge shall not be considered to be an affiliate of Wachovia and Liberty Street shall not be considered to be an affiliate of Scotiabank. Each of the Seller, the Master Servicer and the Agents agree that each Purchaser shall be liable for any claims that such party may have against such Purchaser only to the extent such Purchaser has excess funds and to the extent such assets are insufficient to satisfy the obligations of such Purchaser hereunder, such Purchaser shall have no liability with respect to any amount of such obligations remaining unpaid and such unpaid amount shall not constitute a claim against such Purchaser. Any and all claims against any Purchaser or the related Purchaser Agent shall be subordinate to the claims of the holders of Commercial Paper Notes and the related Liquidity Banks.

SECTION 14.15 SEVERABILITY OF PROVISIONS.

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

[remainder of page intentionally left blank]

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

LPAC CORP.,
as Seller

By: _____
Name: _____
Title: _____

LENNOX INDUSTRIES INC.,
as Master Servicer

By: _____
Name: _____
Title: _____

[additional signatures to follow]

BLUE RIDGE ASSET FUNDING CORPORATION,
as a Purchaser

By: Wachovia Securities, LLC,
as Attorney-in-Fact

By: _____
Name: _____
Title: _____

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent and Blue Ridge
Purchaser Agent

By: _____
Name: _____
Title: _____

[additional signatures to follow]

LIBERTY STREET FUNDING CORP.,
as a Purchaser

By: _____
Name: _____
Title: _____

THE BANK OF NOVA SCOTIA,
as Liberty Street Purchaser Agent and Liberty
Street Investor

By: _____
Name: _____
Title: _____

[end of signatures]

APPENDIX A

DEFINITIONS

This is Appendix A to the Second Amended and Restated Receivables Purchase Agreement dated as of June 16, 2003 among LPAC Corp., as the Seller, Lennox Industries, Inc., as the Master Servicer, Blue Ridge Asset Funding Corporation, as a Purchaser, Liberty Street, as a Purchaser, the Liberty Street Investors named herein, The Bank of Nova Scotia, as the Liberty Street Purchaser Agent and Wachovia Bank, National Association, as the Administrative Agent and the Blue Ridge Purchaser Agent (as amended, supplemented or otherwise modified from time to time, this "Agreement"). Each reference in this Appendix A to any Section, Appendix or Exhibit refers to such Section of or Appendix or Exhibit to this Agreement.

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

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

Administrative Agent: As defined in the preamble.

Affected Party: Each of Purchasers, each Liquidity Bank, any assignee or participant of any Purchaser or any Liquidity Bank, Scotiabank, any successor to Scotiabank, as Liberty Street Purchaser Agent, Wachovia, any successor to Wachovia, as Administrative Agent or Blue Ridge Purchaser Agent, or any sub-agent of any Agent.

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

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

Agent: Any Purchaser Agent or the Administrative Agent, as the case may be.

Allocation Limit: As defined in Section 1.1.

Asset Interest: An undivided percentage ownership interest in favor of the Administrative Agent, as agent for the Secured Parties, determined from time to time as provided in Section 1.4(b), in (i) all then outstanding Pool Receivables and (ii) all Related Assets.

Asset Tranche: At any time, a portion of the Asset Interest funded by any Purchaser Group selected by the related Purchaser Agent pursuant to Section 2.1.

Assurance Agreement: The Assurance Agreement dated as of June 19, 2000 made by Lennox International, as the same may be amended, restated, supplemented or modified from time to time.

Bank Rate: For any Yield Period with respect to any Asset Tranche:

(i) in the case of any Yield Period other than a Yield Period described in clause (ii) below, an interest rate per annum equal to the sum of (A) the Bank Rate Spread per annum, plus (B) Eurodollar Rate (Reserve Adjusted) for such Yield Period;

(ii) in the case of

(A) any Yield Period commencing on or prior to the first day of which the related Purchaser or any related Liquidity Bank shall have notified the related Purchaser Agent that (1) the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other Governmental Authority asserts that it is unlawful, for such Person to fund such Asset Tranche at the rate described in clause (i) above, or (2) due to market conditions affecting the interbank eurodollar market, funds are not reasonably available to such Person in such market in order to enable it to fund such Asset Tranche at the rate described in clause (i) above (and in the case of subclause (1) or (2) above, such Person shall not have subsequently notified the related Purchaser Agent that such circumstances no longer exist), or

(B) any Yield Period as to which the related Purchaser Agent does not receive notice or determine, by no later than 12:00 noon (Atlanta, Georgia time) on the third Business Day preceding the first day of such Yield Period, that the related Asset Tranche will be funded by Liberty Street Alternate Fundings or Liquidity Fundings of the related Purchaser Group, as the case may be, and not by the issuance of Commercial Paper Notes,

an interest rate per annum equal to the Base Rate in effect from time to time during such Yield Period; it being understood that, in the case of paragraph (ii)(A) above, such rate shall only apply to the Person affected by the circumstances described in such paragraph (ii)(A).

Bank Rate Spread: As defined in the Fee Letter.

Base Rate: For any day, the rate per annum equal to the higher as of such day of (i) the Prime Rate, or (ii) one-half of one percent above the Federal Funds Rate. For purposes of determining the Base Rate for any day, changes in the Prime Rate or the Federal Funds Rate shall be effective on the date of each such change. The Base Rate is not necessarily intended to be the lowest rate of interest determined by Wachovia or Scotiabank in connection with extensions of credit.

Blue Ridge: As defined in the preamble.

Blue Ridge Broken Funding Costs: For any Asset Tranche funded by the Blue Ridge Purchaser Group which: (i) has its Purchaser Group Invested Amount reduced without compliance by the Seller with the notice requirements hereunder or (ii) does not become subject to a reduction following the delivery of any notice pursuant to Section 3.2(b) or (iii) is assigned by Blue Ridge to the Liquidity Banks under the related Liquidity Agreement or terminated prior to the date on which it was originally scheduled to end; an amount equal to the excess, if any, of (A) the CP Costs that would have accrued during the remainder of the tranche periods for Commercial Paper Notes or (as applicable) Earned Discount that would have accrued during the remainder of the

Yield Periods determined by the Blue Ridge Purchaser Agent to relate to such Asset Tranche (as applicable) subsequent to the date of such reduction, assignment or termination (or in respect of clause (ii) above, the date such reduction was designated to occur pursuant to the notice) of the related Purchaser Group Invested Amount of such Asset Tranche if such reduction, assignment or termination had not occurred or such notice had not been delivered, over (B) the sum of (1) to the extent all or a portion of such the related Purchaser Group Amount is allocated to another Asset Tranche, the amount of CP Costs or Earned Discount actually accrued during the remainder of such period on such Invested Amount for the new Asset Tranche, and (2) to the extent such Purchaser Group Invested Amount is not allocated to another Asset Tranche, the income, if any, actually received during the remainder of such period by the holder of such Asset Tranche from investing the portion of such Purchaser Group Invested Amount not so allocated. All Blue Ridge Broken Funding Costs shall be due and payable hereunder upon demand.

Blue Ridge CP Costs: For each day, the sum of (i) discount or interest accrued on Pooled Commercial Paper issued by Blue Ridge on such day, plus (ii) any and all accrued commissions in respect of placement agents and Commercial Paper Note dealers, and issuing and paying agent fees incurred, in respect of such Pooled Commercial Paper for such day, plus (iii) other costs associated with funding small or odd-lot amounts with respect to all receivable purchase or financing facilities which are funded by Pooled Commercial Paper issued by Blue Ridge for such day, minus (iv) any accrual of income net of expenses received on such day from investment of collections received under all receivable purchase or financing facilities funded substantially with Pooled Commercial Paper of Blue Ridge, minus (v) any payment received on such day net of expenses in respect of Blue Ridge Broken Funding Costs related to the prepayment of any investment of Blue Ridge pursuant to the terms of any receivable purchase or financing facilities funded substantially with Pooled Commercial Paper. In addition to the foregoing costs, if Seller shall request any Purchase during any period of time determined by the Blue Ridge Purchaser Agent in its sole discretion to result in incrementally higher CP Costs applicable to such Purchase, the principal associated with any such Purchase shall, during such period, be deemed to be funded by Blue Ridge in a special pool (which may include capital associated with other receivable purchase or financing facilities) for purposes of determining such additional Blue Ridge CP Costs applicable only to such special pool and charged each day during such period against such principal. Notwithstanding the foregoing, on any day when any Liquidation Event or Unmatured Liquidation Event shall have occurred and be continuing, the Blue Ridge CP Costs for each Asset Tranche funded through the issuance of Commercial Paper Notes by Blue Ridge shall equal the greater of (A) the amount determined for such day pursuant to the preceding two sentences, and (B) interest on the related Purchaser Group Invested Amount associated with such Asset Tranche a rate per annum equal to the Base Rate Plus 2% per annum.

Blue Ridge Liquidity Agreement: The Liquidity Asset Purchase Agreement dated as of June 19, 2000 among Blue Ridge, Wachovia, as Administrative Agent, Wachovia, as Liquidity Agent, and Wachovia and/or one or more other banks or other financial institutions, as Liquidity Banks, and any other agreement hereafter entered into by Blue Ridge providing for the making of loans, purchase of assets or other extensions of credit to Blue Ridge secured by a direct or indirect security interest in the portion of the Asset Interest funding by Blue Ridge (or any portion thereof), to support all or part of Blue Ridge's payment obligations under the Commercial Paper Notes issued by Blue Ridge or to provide an alternate means of funding Blue Ridge's investments in accounts receivable or other financial assets, and under which the amount

available from such extensions of credit is limited to an amount calculated by reference to the value or eligible unpaid balance of such accounts receivable or other financial assets or any portion thereof or the level of deal-specific credit enhancement available with respect thereto, as such Blue Ridge Liquidity Agreement or other agreement may be amended, supplemented or otherwise modified from time to time.

Blue Ridge Liquidity Bank: The commercial lending institutions that are at any time parties to the Blue Ridge Liquidity Agreement as liquidity providers thereunder.

Blue Ridge Purchaser Agent: Wachovia, in such capacity, and its successors and assigns.

Blue Ridge Purchaser Account: Account number 8735-098787 at Wachovia Bank, National Association, ABA number 0531000494.

Blue Ridge Purchaser Group: Blue Ridge, Wachovia (individually and as Blue Ridge Purchaser Agent) and each related Liquidity Bank, together with their respective successors, assigns and participants).

Blue Ridge Purchaser Group Limit: \$100,000,000.

Broken Funding Costs: For any Asset Interest, the sum of Blue Ridge Broken Funding Costs and Liberty Street Broken Funding Costs.

Business Day: (i) with respect to any matters relating to the Eurodollar Rate, a day on which banks are open for business in New York, New York, and in Atlanta, Georgia and on which dealings in Dollars are carried on in the London interbank market and (ii) for all other purposes, any day other than a Saturday, Sunday or other day on which banking institutions or trust companies in New York, New York, or Atlanta, Georgia are authorized or obligated by law, executive order or governmental decree to be closed.

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

Change in Control:

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

(ii) in relation to the Seller, the failure of Lennox International to own (directly or through wholly-owned Subsidiaries of Lennox International) 100% of the

issued and outstanding shares of the capital stock (including all warrants, options, conversion rights, and other rights to purchase or convert into such stock) of the Seller on a fully diluted basis.

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

Collateral: As defined in Section 9.1.

Collection Account: The segregated account that may be established and maintained with Wachovia in the name of the Seller.

Collection Period:

(i) the period from the date of the initial Purchase to the last day of the calendar month in which such date occurs; and

(ii) thereafter, each period from the last day of the next preceding Collection Period to the last day of the next following calendar month;

provided, however, that the last Collection Period shall end on the Final Payout Date.

Collections: With respect to any Receivable, all funds which either (i) are received by the Seller, the Originators or the Master Servicer from or on behalf of the related Obligor in payment of any amounts owed (including, without limitation, purchase prices, finance charges, interest and all other charges) in respect of such Receivable, or applied to such amounts owed by such Obligor (including, without limitation, insurance payments that the Seller, the Originator or the Master Servicer applies in the ordinary course of its business to amounts owed in respect of such Receivable and net proceeds of sale or other disposition of repossessed goods or other collateral or property of the Obligor or any other party directly or indirectly liable for payment of such Receivable and available to be applied thereon), or (ii) are Deemed Collections; provided that, prior to such time as Lennox shall cease to be the Master Servicer, late payment charges, collection fees, extension fees and any other similar fees or expenses billed to and collected from an Obligor shall not be deemed to be Collections.

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

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

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

CP Costs: The sum of Blue Ridge CP Costs and Liberty Street CP Costs.

Credit Agreement: That certain Revolving Credit Facility Agreement dated as of July 29, 1999 by and among Lennox International as the borrower, certain financial institutions, as the lenders, and Chase Bank of Texas, National Association ("Chase"), as administrative agent for the lenders (as amended by the First Amendment to the Revolving Credit Facility Agreement dated as of August 6, 1999, the Second Amendment to the Revolving Credit Facility dated as of January 25, 2000 and the Third Amendment to the Revolving Credit Facility Agreement dated as of January 22, 2001 or as such agreement may be further amended, restated, substituted or replaced from time to time).

Credit and Collection Policy: Collectively, those credit and collection policies and practices of the Originators and the Master Servicer relating to Contracts and Receivables as in effect on the date of this Agreement in the forms of Exhibit C-1, C-2 and C-3 hereto, as may hereafter be modified without violating Section 7.3(c), but subject to compliance with applicable tariffs or state regulations in effect from time to time.

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

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

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

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

Default Horizon Ratio: As of any Cut-Off Date, the ratio (expressed as a percentage) of (i) the aggregate sales of the Originators during the immediately preceding six Collection Periods ending on such Cut-Off Date divided by (ii) the Net Pool Balance on such Cut-Off Date.

Default Ratio: At any time, an amount (expressed as a percentage) equal to a fraction the numerator of which is equal to the sum of Eligible Receivables that became Defaulted Receivables during the immediately preceding Collection Period, and the denominator of which is the amount of sales generated during the Collection Period six months prior to the immediately preceding Collection Period.

Defaulted Receivable: A Receivable: (i) as to which any payment, or part thereof, remains unpaid for more than 120 days from the original due date for such payment, (ii) as to which an Event of Bankruptcy has occurred and remains continuing with respect to the Obligor thereof.

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

Delinquent Receivable: A Pool Receivable (i) that is not a Defaulted Receivable and (ii) as to which any payment, or part thereof, remains unpaid for 91 days or more from the original due date for such payment.

Dilution: The amount of any reduction or cancellation of the Unpaid Balance of a Pool Receivable as described in Section 3.2(a).

Dilution Horizon Ratio: As of any date, the percentage equivalent of a fraction, the numerator of which is the aggregate dollar amount of all Receivables generated by the Originators during the two most recent Collection Periods and the denominator of which is the Net Pool Balance as of the most recent Cut-Off Date.

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

Dilution Reserve: The product of (i) the sum of (A) the product of (1) 2 and (2) the Adjusted Dilution Ratio and (B) the Dilution Volatility Component and (ii) the Dilution Horizon Ratio.

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

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

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

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

Earned Discount: For any Yield Period for any Asset Tranche funded with a Liberty Street Alternate Funding or a Liquidity Funding by any Purchaser Group, as the case may be:

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

where:

IA = the daily average (calculated at the close of business each day) of the related Purchaser Group Invested Amount in such Asset Tranche during such Yield Period,

ER = the Earned Discount Rate for such Yield Period,

ED = the actual number of days elapsed during such Yield Period, and

LF = the Liquidation Fee, if any, during such Yield Period.

Earned Discount Rate: For any Yield Period for any Asset Tranche funded by a Liberty Street Alternate Funding or a Liquidity Funding, as the case may be, the Bank Rate for such Asset Tranche and such Yield Period.

provided, however, that on any day when any Liquidation Event or an Unmatured Liquidation Event shall have occurred and be continuing, the Earned Discount Rate for each Asset Tranche (including without limitation, Asset Tranches funded through the issuance of Commercial Paper Notes) shall mean a rate per annum equal to the Base Rate plus 2% per annum.

Eligible Receivable: At any time, a Receivable:

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

(ii) as to which the perfection of the Purchaser's undivided ownership interest therein is governed by the laws of a jurisdiction where the Uniform Commercial Code - Secured Transactions is in force, and which constitutes an "account" as defined in the Uniform Commercial Code as in effect in such jurisdiction;

(iii) the Obligor of which is a resident of the United States, or any of its possessions or territories and is not an Affiliate or employee of any Seller Party;

(iv) which is not a Defaulted Receivable;

(v) with regard to which the representations and warranties of the Seller set forth in Section 6.1(1) are true and correct;

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

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

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

(ix) which, together with the Contract related thereto, does not contravene in any material respect any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to usury, truth in lending, fair credit

billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which no party to the Contract related thereto is in violation of any such law, rule or regulation in any material respect if such violation would impair the collectibility of such Receivable;

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

(xi) which, according to the Contract related thereto, is due and payable within 120 days from the invoice date of such Receivable;

(xii) not more than 35% of the aggregate Unpaid Balance of all Receivables of the Obligor of which are Defaulted Receivables;

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

(xiv) the Obligor of which is not a Governmental Authority as to which the assignment of receivables owing therefrom requires compliance with the Federal Assignment of Claims Act or other similar Legislation (unless the Seller has complied therewith);

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

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

ERISA: The U.S. Employee Retirement Income Security Act of 1974, as amended from time to time.

ERISA Affiliate: Any trade or business (whether or not incorporated) that is a member of a group of which the Master Servicer is a member and which is treated as a single employer under Section 414 of the Code.

Eurodollar Business Day: A day of the year as defined in clause (i) of the definition of Business Day.

Eurodollar Rate: For any Yield Period, the rate per annum determined on the basis of the offered rate for deposits in Dollars of amounts equal or comparable to the principal amount of the related

Liquidity Funding or Liberty Street Alternate Funding, as the case may be, offered for a term comparable to such Yield Period, which rates appear on the Telerate Page 3750 effective as of 11:00 A.M., London time, two Eurodollar Business Days prior to the first day of such Yield Period, provided that if no such offered rates appear on such page, the Eurodollar Rate for such Yield Period will be the arithmetic average (rounded upwards, if necessary, to the next higher 1/100th of 1%) of rates quoted by not less than two major banks in New York City, selected by the related Purchaser Agent, at approximately 10:00 A.M., New York City time, two Eurodollar Business Days prior to the first day of such Yield Period, for deposits in Dollars offered by leading European banks for a period comparable to such Yield Period in an amount comparable to the principal amount of such Liquidity Funding or Liberty Street Alternate Funding, as the case may be.

Eurodollar Rate (Reserve Adjusted): With respect to any Yield Period means a rate per annum equal to the quotient obtained (rounded upwards, if necessary, to the next higher 1/100th of 1%) by dividing (i) the applicable Eurodollar Rate for such Yield Period by (ii) 1.0 minus the Eurodollar Reserve Percentage.

Eurodollar Reserve Percentage: With respect to any Yield Period, the maximum reserve percentage, if any, applicable to any Liquidity Bank under Regulation D during such Yield Period (or if more than one percentage shall be applicable, the daily average of such percentages for those days in such Yield Period during which any such percentage shall be applicable) for determining the Liquidity Bank's reserve requirement (including any marginal, supplemental or emergency reserves) with respect to liabilities or assets having a term comparable to such Yield Period consisting or included in the computation of "Eurocurrency Liabilities" pursuant to Regulation D. Without limiting the effect of the foregoing, the Eurodollar Reserve Percentage shall reflect any other reserves required to be maintained by the Liquidity Bank by reason of any Regulatory Change against (i) any category of liabilities which includes deposits by reference to which the "London Interbank Offered Rate" or "LIBOR" is to be determined or (ii) any category of extensions of credit or other assets which include LIBOR-based credits or assets.

Event of Bankruptcy: With respect to a Person if either:

(i) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person or all or substantially all of its assets, or any similar action with respect to such Person under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue undismissed, or unstayed and in effect, for a period of 60 consecutive days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy laws or other similar laws now or hereafter in effect; or

(ii) such Person shall commence a voluntary case or other proceeding under any applicable bankruptcy, insolvency, reorganization, debt arrangement, dissolution or other similar law now or hereafter in effect, or shall consent to the appointment of or

taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) for, such Person or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall be adjudicated insolvent, or admit in writing its inability to, pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors shall vote to implement any of the foregoing.

Excess Concentration Amount: As of any date, the sum of the amounts by which the aggregate Unpaid Balance of Receivables of each Obligor exceeds the Obligor Concentration Limit for such Obligor.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Excess Weighted Average Term Amount: On any day on which the Weighted Average Term shall exceed 60 days, the aggregate of the Unpaid Balances, on such day, of such Eligible Receivables that, were the then Eligible Receivables with the longest terms (beginning with the Eligible Receivable(s) with the longest term and working backwards toward the Eligible Receivable(s) with the shortest term) deemed to not be Eligible Receivables on such day, would cause the Weighted Average Term not to exceed 60 days on such day.

Existing Agreement: As defined in the Preamble.

Face Amount: With respect to any Commercial Paper Note, (i) the face amount stated thereon in the case of any Commercial Paper Note issued on a discount basis and (ii) the principal amount stated thereon plus the amount of all interest scheduled to accrue on such Commercial Paper Note through its stated maturity date in the case of any Commercial Paper Note issued on an interest bearing basis.

Federal Funds Rate: For any day, the rate per annum (rounded upwards, if necessary, to the next higher 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (i) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate charged to Wachovia or Scotiabank, as the case may be on such day on such transactions, as reasonably determined by the Wachovia or Scotiabank, as the case may be.

Federal Reserve Board: The Board of Governors of the Federal Reserve System, or any successor thereto or to the functions thereof.

Fee Letter: As defined in Section 4.1.

Final Payout Date: The date following the Termination Date on which the Invested Amount shall have been reduced to zero and all other amounts payable by the Seller under the Transaction Documents shall have been paid in full.

Funding Termination Date: The earliest of the following:

- (i) June 14, 2004, or such later date as may, from time to time, be agreed to in writing by the Agents;
- (ii) the date on which the Agents declare a Funding Termination Date in a notice to the Seller in accordance with Section 10.2(a); or
- (iii) in accordance with Section 10.2(b), the Funding Termination Date occurs automatically.

GAAP: Generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such accounting profession, which are applicable to the circumstances as of the date of determination.

Governmental Authority: Any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, any court or arbitrator and any accounting board or authority (whether or not a part of government) which is responsible for the establishment or interpretation of national or international accounting principles, in each case whether foreign or domestic.

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

- (i) to purchase such Indebtedness or obligation or any property constituting security therefor;
- (ii) to advance or supply funds (A) for the purchase or payment of such Indebtedness or obligation, or (B) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation;
- (iii) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of any other Person to make payment of the Indebtedness or obligation; or
- (iv) otherwise to assure the owner of such Indebtedness or obligation against loss in respect of thereof. In any computation of the Indebtedness or other liabilities of the obligor under any Guaranty, the Indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

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

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

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

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

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

(v) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money, but excluding in any event obligations in respect of (A) trade or commercial letters of credit issued for the account of such Person in the ordinary course of its business and (B) stand-by letters of credit issued to support obligations of such Person that are not of a type described in any of clauses (i), (ii), (iii), (iv), (vi) or (vii) of this definition;

(vi) Swaps of such Person; and

(vii) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (i) through (vi) hereof.

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

Indemnified Amounts: As defined in Section 13.1.

Indemnified Party: As defined in Section 13.1.

Independent Director: A Person who is a director of the Seller and who is not at such time, and has not been at any time during the preceding five (5) years: (i) a creditor, supplier, director, officer, employee, family member, manager, member, limited partner, partner or contractor of Lennox International, the Servicer any Originator or any of their respective Subsidiaries or Affiliates (other than Seller), (ii) a direct or indirect or beneficial owner, excluding de minimus ownership interests, (at the time of such individual's appointment as an Independent Director or at any time thereafter while serving as an Independent Director) of any of the outstanding common shares of the Seller, Lennox International, the Servicer, any Originator, or any of their respective Subsidiaries or Affiliates, having general voting rights, or (iii) a person who controls (whether directly, indirectly or otherwise) Lennox International, the Servicer, any Originator or any of their respective Subsidiaries or Affiliates (other than Seller) or any creditor, supplier,

employee, officer, director, manager, member, limited partner, partner or contractor of Lennox International, the Servicer, any Originator or any of their respective Subsidiaries or Affiliates (other than Seller).

Information Package: As defined in Section 3.1(a).

Initial Cut-Off Date: May 31, 2000.

Initial Due Diligence Auditor: Such person designated by the Administrative Agent as the initial due diligence auditor.

Initial Seller Note: As defined in the Sale Agreement.

Interim Cut-Off Date: Such date as may be specified by any Agent in any request to provide an Interim Information Package pursuant to Section 1.4(c).

Interim Information Package: As defined in Section 1.4(c).

Interim Reporting Date: As defined in Section 1.4(c).

Interim Reporting Period: Such period as may be specified by any Agent in any request to provide an Interim Information Package pursuant to Section 1.4(c).

Interim Settlement Date: One Business Day following each Interim Reporting Date.

Invested Amount: At any time with respect to the Asset Interest an amount equal to (i) the aggregate of the amounts theretofore paid to Seller for Purchases pursuant to Sections 1.1 and 1.2, less (ii) the aggregate amount of Collections theretofore received and actually distributed to the Investors on account of such Invested Amount pursuant to Section 1.3.

Investors: The Purchasers and the Liquidity Banks.

Lennox: As defined in the Preamble.

Lennox International: Lennox International Inc., a Delaware corporation.

Liberty Street: As defined in the preamble.

Liberty Street Alternate Funding: The portion of the outstanding Invested Amount of any Asset Tranche that is funded by the Liberty Street Investors pursuant to Section 1.1

Liberty Street Broken Funding Costs: For any Asset Tranche funded by the Liberty Street Purchaser Group which: (i) has its Purchaser Group Invested Amount reduced (I) if funded with Commercial Paper Notes, without compliance by Seller with the notice requirements hereunder or (II) if funded by reference to the Eurodollar Rate, on any date other than the last day of the related Yield Period or (ii) does not become subject to a reduction following the delivery of any reduction notice pursuant to Section 3.2(b) or (iii) is assigned by Liberty Street to the Liquidity Banks under the Liberty Street Liquidity Agreement or terminated prior to the date on which it was originally scheduled to end; an amount equal to the excess, if any, of (A) the Liberty Street

CP Costs or Earned Discount (as applicable) that would have accrued during the remainder of the Yield Periods or the tranche periods for Commercial Paper Notes determined by the Liberty Street Purchaser Agent to relate to such Asset Tranche (as applicable) subsequent to the date of such reduction, assignment or termination (or in respect of clause (ii) above, the date such reduction was designated to occur pursuant to the related reduction notice) of the Liberty Street Invested Amount of such Asset Tranche if such reduction, assignment or termination had not occurred or such reduction notice had not been delivered, over (B) the sum of (x) to the extent all or a portion of such Liberty Street Invested Amount is allocated to another Asset Tranche, the amount of Liberty Street CP Costs or Earned Discount actually accrued during the remainder of such period on such Liberty Street Invested Amount for the new Asset Tranche, and (y) to the extent such Liberty Street Invested Amount is not allocated to another Asset Tranche, the income, if any, actually received during the remainder of such period by the holder of such Asset Tranche from investing the portion of such Liberty Street Invested Amount not so allocated. All Liberty Street Broken Funding Costs shall be due and payable hereunder upon written demand..

Liberty Street CP Costs: (a) The "weighted average cost" (as defined below) for such day related to the issuance of Commercial Paper Notes by Liberty Street that is allocated, in whole or in part by Liberty Street, to fund all or part of its Purchases (and which may also be allocated in part to the funding of other assets of Liberty Street) or (b) any other written agreement among Liberty Street, the Seller, the Master Servicer and the related Purchaser Agent from time to time. As used in this definition, the "weighted average cost" shall consist of (A) the actual interest rate (or discount) paid to purchasers of Commercial Paper Notes issued by Liberty Street, together with the commissions of placement agents and dealers in respect of such Commercial Paper Notes, to the extent such commissions are allocated, in whole or in part, to such Commercial Paper Notes. (B) the costs associated with the issuance of such Commercial Paper Notes, including without limitation, issuing and paying agent fees incurred with respect to such Commercial Paper Notes, (C) any incremental carrying costs incurred with respect to Commercial Paper Notes maturing on dates other than those on which corresponding funds are received by Liberty Street under this Agreement and (D) interest on other borrowing or funding sources by Liberty Street, including to fund small or odd dollar amounts that are not easily accommodated in the commercial paper market and interest under any voluntary advance agreement. In addition to the foregoing costs, if Seller shall request any Purchase during any period of time determined by the Liberty Street Purchaser Agent in its sole discretion to result in incrementally higher Liberty Street CP Costs applicable to such Purchase, the Liberty Street Invested Amount associated with any such Purchase shall, during such period, be deemed to be funded by Liberty Street in a special pool (which may include capital associated with other receivable purchase facilities) for purposes of determining such additional Liberty Street CP Costs applicable only to such special pool and charged each day during such period to the Seller.

Liberty Street Investor: As defined in the preamble.

Liberty Street Liquidity Agreement: The Liquidity Asset Purchase Agreement dated as of June 16, 2003 among Liberty Street, Scotiabank, as administrator and liquidity agent and/or one or more other banks or other financial institutions, as "Purchasers" thereunder, and any other agreement hereafter entered into by Liberty Street providing for the making of loans, purchase of assets or other extensions of credit to Liberty Street secured by a direct or indirect security interest in the portion of the Asset Interest funding by Liberty Street (or any portion thereof), to

support all or part of Liberty Street's payment obligations under the Commercial Paper Notes issued by Liberty Street or to provide an alternate means of funding Liberty Street's investments in accounts receivable or other financial assets, and under which the amount available from such extensions of credit is limited to an amount calculated by reference to the value or eligible unpaid balance of such accounts receivable or other financial assets or any portion thereof or the level of deal-specific credit enhancement available with respect thereto, as such Liberty Street Liquidity Agreement or other agreement may be amended, supplemented or otherwise modified from time to time.

Liberty Street Liquidity Bank: The commercial lending institutions that are at any time parties to the Liberty Street Liquidity Agreement as liquidity providers thereunder.

Liberty Street Purchaser Agent: Scotiabank, in such capacity, and its successors and assigns.

Liquidity Street Purchaser Account: Account number 215813 at The Bank of Nova Scotia - New York Agency, ABA number 026-002-532, account name: Liberty Street Funding Corp., reference: LPAC Corp.

Liberty Street Purchaser Group: Liberty Street, Scotiabank (individually and as Liberty Street Purchaser Agent) and each related Liquidity Bank, together with their respective successors, assigns and participants).

Liberty Street Purchaser Group Limit: \$50,000,000.

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

Liquidation Event: As defined in Section 10.1.

Liquidation Fee: For each Asset Tranche (or portion thereof) funded through a Liquidity Funding or a Liberty Street Alternate Funding, as the case may be, for each day in any Yield Period (computed without regard to clause (iii) of the proviso of the definition of "Yield Period"), the amount, if any, by which:

(i) the additional Earned Discount (calculated without taking into account any Liquidation Fee) which would have accrued on the reductions of the related Purchaser's Tranche Investment with respect to such Asset Tranche during such Yield Period (as so computed) if such reductions had not been made, exceeds

(ii) the income, if any, received by the related Purchaser from investing the proceeds of such reductions of such Purchaser's Tranche Investment.

Liquidation Period: The period commencing on the date on which a Liquidation Event has occurred or is continuing and the Agents shall have notified Seller and the Master Servicer in writing that the Liquidation Period has commenced, and ending on the Final Payout Date;

provided, hereunder, upon the occurrence of a Liquidation Event described in Section 10.1(e), the Liquidation Period shall commence automatically.

Liquidity Agent: With respect to the Blue Ridge Purchaser Group, Wachovia, as agent for the Liquidity Banks under the Blue Ridge Liquidity Agreement, or any successor to Wachovia in such capacity and with respect to the Liberty Street Purchaser Group, Scotiabank, as agent for the Liquidity Banks under the Liberty Street Liquidity Agreement, or any successor to Scotiabank in such capacity

Liquidity Bank: Any Blue Ridge Liquidity Bank or Liberty Street Liquidity Bank, as the case may be.

Liquidity Funding: A purchase made by any Liquidity Bank (or simultaneous purchases made by the Liquidity Banks) pursuant to any Liquidity Agreement.

Lockbox Account: An account maintained for the purpose of receiving Collections at a bank or other financial institution which has executed a Lockbox Account.

Lockbox Agreement: A letter agreement, in substantially the form of Exhibit A-1, among the Master Servicer, the Administrative Agent, the Seller and any Lockbox Bank.

Lockbox Bank: Any of the banks holding one or more lockboxes or Lockbox Accounts receiving Collections from Pool Receivables.

Loss Reserve: At any time, means the product of (i) 2.5 and (ii) the highest rolling three month average Default Ratio during the immediately preceding twelve (12) months and (iii) the most recently calculated Default Horizon Ratio.

Master Servicer: As defined in the preamble.

Material Adverse Effect: With respect to any event or circumstance, a material adverse effect on:

(i) (A) the assets, operations, business or financial condition of the Seller or (B) the business, assets, operations or financial condition of Lennox International and its Subsidiaries, taken as a whole, which could reasonably be expected to have a material adverse effect on the creditworthiness of any Originator;

(ii) the ability of the Seller, the Master Servicer, any Originator or any Affiliate thereof to perform in all material respects its obligations under this Agreement or any other Transaction Document; or

(iii) the validity or enforceability of this Agreement or any other Transaction Document, or the validity, enforceability or collectibility of a material portion of the Receivables Pool; or

(iv) the status, existence, perfection, priority or enforceability of the Secured Parties' and the Administrative Agent's interest in the Receivables Pool.

Material Indebtedness: Indebtedness, the aggregate principal amount of which is greater than \$25,000,000.

Moody's: Moody's Investors Service, Inc.

Net Pool Balance: On any date, an amount equal to (i) the aggregate Unpaid Balance of all Eligible Receivables in the Receivables Pool on such date, minus (ii) the Excess Concentration Amount on such date, minus (iii) the Excess Weighted Average Term Amount on such day.

Net Worth: With respect to the Seller on any date, an amount equal to the aggregate Unpaid Pool Balance of all Pool Receivables minus the sum of (i) the Unpaid Balance of all Defaulted Receivables on such day, (ii) the aggregate amount outstanding on the Initial Seller Notes on such day and (iii) an amount equal to the Net Pool Balance times the Asset Interest on such day.

Obligor: A Person obligated to make payments with respect to a Receivable, including any guarantor thereof.

Obligor Concentration Limit: At any time, in relation to the aggregate Unpaid Balance of Receivables owed by any single Obligor and its Affiliated obligors (if any):

(i) for Obligors who have a short term unsecured debt rating currently assigned to them by either S&P or Moody's, the applicable concentration limit shall be determined according to the following table (and, if such Obligor is rated by both S&P and Moody's and has a split rating, the applicable rating will be the lower of the two):

S&P Rating	Moody's Rating	Allowable % of Eligible Receivables
A-1+	P-1	10%
A-1	P-1	8%
A-2	P-2	6%
A-3	P-3	3%

If such Obligor is rated by only S&P, the applicable rating will be deemed to be one ratings tier below the actual rating by S&P, and, if such Obligor is rated by only Moody's, the applicable rating will be deemed to be one ratings tier below the actual rating by Moody's, it being understood that if, for example, Moody's has assigned a P-1 rating to such Obligor and S&P has not rated it, the applicable rating will be deemed to be P-2.

(ii) for Obligors who do not have a debt rating listed above or who are not rated, 2% of the aggregate Unpaid Balance of Eligible Receivables at such time.

provided, however that at the Originator's request and in the Agents' sole discretion, the Agents may permit certain obligors to have an Obligor Concentration Limit in excess of those described in clauses (i) and (ii) above ("Special Obligor"); provided that any such Special Obligor designation shall not take effect without the confirmation of approval to the Agents by each of Moody's and S&P of such designation, if any Agent, in its sole discretion, determines that such confirmation of approval shall be required.

Originator: Each of Lennox, Advanced Distributor Products LLC, Heatcraft Refrigeration Products, LLC and any other Person who is a seller under the Sale Agreement."

Outstanding Balance: With respect to any Receivable, the outstanding balance of such Receivable in Dollars.

Person: An individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, government or any agency or political subdivision thereof or any other entity.

Plan: Any pension plan subject to the provisions of Title IV of ERISA or Section 412 of the Code which is maintained for employees of Lennox or any ERISA Affiliate.

Pool Receivable: A Receivable in the Receivables Pool.

Pooled Commercial Paper: Commercial Paper Notes of Purchaser subject to any pooling arrangement by Purchaser, but excluding Commercial Paper Notes issued by Purchaser for a tenor and in an amount specifically requested by any Person in connection with any agreement effected by Purchaser.

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

Prime Rate: Refers to that interest rate so denominated and set by Wachovia from time to time as an interest rate basis for borrowings. The Prime Rate is but one of several interest rate bases used by Wachovia. Wachovia lends at interest rates above and below the Prime Rate.

Program Fee: As defined in the Fee Letter.

Pro Rata Share: At any time with respect to a Purchaser Group, (a) with respect to any payment to be made to such Purchaser Group, the percentage equivalent of a fraction the numerator of which is equal to such Purchaser Group's Purchaser Group Invested Amount at such time and the denominator of which is equal to the Invested Amount at such time and (b) with respect to any Purchase to be made by such Purchaser Group, the percentage equivalent of a fraction, the numerator of which is equal to the related Purchaser Group Limit and the denominator of which is equal to the Purchase Limit.

Purchase: As defined in Section 1.1.

Purchase Limit: As defined in Section 1.1.

Purchaser: Blue Ridge, Liberty Street and/or each Liberty Street Investor, as the case may be.

Purchaser Agent: The Blue Ridge Purchaser Agent and/or the Liberty Street Purchaser Agent, as the case may be.

Purchaser Agent Account: The Blue Ridge Purchaser Account and the Liberty Street Purchaser Account.

Purchaser Group: The Blue Ridge Purchaser Group and/or the Liberty Street Purchaser Group, as the case may be.

Purchaser Group Invested Amount: With respect to a Purchaser Group, the aggregate of the portions of the Invested Amount outstanding at such time that were funded by such Purchaser Group.

Purchaser Group Limit: The Blue Ridge Purchaser Group Limit or the Liberty Street Purchaser Group Limit, as the case may be.

Purchasers' Share: With respect to any amount, at any time, the lesser of (i) the most recently calculated Asset Interest and (ii) 100%.

Purchaser's Tranche Investment: In relation to any Asset Tranche, the amount of the Invested Amount allocated by the Administrative Agent to that Asset Tranche pursuant to Section 2.1, provided, that at all times the aggregate amounts allocated to all Asset Tranches shall equal the Invested Amount.

Qualifying Liquidity Bank: A Liquidity Bank with a rating of its short-term securities equal to or higher than (i) A-1 by Standard & Poor's and (ii) P-1 by Moody's.

Receivable: Any right to payment from a Person (other than an Affiliate), whether constituting an account, chattel paper, instrument or general intangible and includes the right to payment of any interest or finance charges and other amounts with respect thereto.

Receivables Pool: At any time all then outstanding Receivables which have been sold or contributed as capital, or purported to have been sold or contributed as capital, by an Originator to the Seller, other than those reconveyed to an Originator pursuant to Section 3.5 of the Sale Agreement.

Regulation D: Regulation D of the Federal Reserve Board, as the same may be amended or supplemented from time to time.

Regulatory Change: Any change after the date of this Agreement in United States (federal, state or municipal) or foreign laws or regulations (including Regulation D) or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks (including the Liquidity Banks) of or under any United States (federal, state or municipal) or foreign, laws, or regulations (whether or not having the force of law) by any Governmental Authority or monetary authority charged with the interpretation or administration thereof.

Reinvestment: As defined in Section 1.3(a)(iii).

Related Assets: (i) all rights to, but not any obligations under, all related Contracts and other Related Security related to any Pool Receivables, (ii) all rights and interests of the Seller under the Sale Agreement in relation to any Pool Receivables, (iii) all books and records evidencing or

otherwise relating to any Pool Receivables, (iv) all Lockbox Accounts and all cash and investments therein, to the extent constituting or representing the items in the following clause (v) and (v) all Collections in respect of, and other proceeds of, any Pool Receivables or any other Related Assets.

Related Security: With respect to any Pool Receivable, all of the Seller's (in the case of usage in the Receivables Purchase Agreement) or the Originator's (in the case of usage in the Sale Agreement) right, title and interest in and to: (i) all Contracts that relate to such Pool Receivable; (ii) all merchandise (including returned merchandise), if any, relating to the sale which gave rise to such Pool Receivable; (iii) all security deposits and other security interests or liens and property subject thereto from time to time purporting to secure payment of such Pool Receivable, whether pursuant to the Contract related to such Pool Receivable or otherwise; (iv) all UCC financing statements covering any collateral securing payment of such Pool Receivable (but only to the extent of the interest of the Purchaser in the respective Pool Receivable); (v) all guarantees and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Pool Receivable whether pursuant to the Contract related to such Pool Receivable or otherwise; and (vi) all insurance policies, and all claims thereunder, related to such Pool Receivable, in each case to the extent directly related to rights to payment, collection and enforcement, and other rights with respect to such Pool Receivable. The interest of the Purchaser in any Related Security is only to the extent of the Purchaser's undivided percentage interest, as more fully described in the definition of Asset Interest.

Reportable Event: Any reportable event as defined in Section 4043(b) of ERISA or the regulations issued thereunder with respect to a Plan (other than a Plan maintained by an ERISA Affiliate which is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code).

Reporting Date: As defined in Section 3.1(a).

Required Reserve: On any day during a Collection Period, an amount equal to the product of (i) the Required Reserve Factor and (ii) the Net Pool Balance.

Required Reserve Factor: On any day during a Collection Period, the greater of (i) the Required Reserve Factor Floor and (ii) the sum of (A) the Loss Reserve, (B) the Dilution Reserve, (C) the Yield Reserve, and (D) the Servicing Reserve.

Required Reserve Factor Floor: The sum of (i) 8.0% and (ii) the product of the Adjusted Dilution Ratio times the Dilution Horizon Ratio.

Revolving Period: Means the period beginning on the date hereof and ending on the earlier of (i) June 14, 2004 and (ii) the Termination Date.

S&P: Standard & Poor's Ratings Service.

Sale Agreement: The Purchase and Sale Agreement dated as of June 19, 2000 among the Originators and the Seller as it may be amended, supplemented or otherwise modified.

Sale Amendment: As defined in Section 5.1(a)(i).

Scotiabank: As defined in the preamble.

SEC: The Securities and Exchange Commission.

Secured Parties: The Purchasers, the Agents, the Indemnified Parties and the Affected Parties.

Seller: As defined in the preamble.

Seller Information: As defined in Section 14.7(a).

Seller Information Provider: As defined in Section 14.7(a).

Seller Party: As defined in the preamble.

Seller's Share: With respect to any amount means 100% minus the lesser of (i) the most recently calculated Asset Interest and (ii) 100%.

Servicer Default: As defined in Section 8.4.

Servicer Transfer Event: As defined in Section 8.1(b).

Servicing Fee: Accrued for any day in a Collection Period means: (i) an amount equal to the product of (A) the Servicing Fee rate, (B) the aggregate Unpaid Balance of the Pool Receivables at the close of business on the first day of such Collection Period, and (C) 1/360; or (ii) on and after the Master Servicer's reasonable request made at any time when Lennox shall no longer be Master Servicer, an alternative amount specified by Master Servicer not exceeding (A) 110% of Master Servicer's costs and expenses of performing its obligations under the Agreement during the Collection Period when such day occurs divided by (B) the number of days in such Collection Period.

Servicing Fee Rate: 1.00% per annum.

Servicing Reserve: The product of (i) the Servicing Fee Rate and (ii) a fraction, the numerator of which is the Twelve Month DSO and the denominator of which is 360.

Settlement Date: Two Business Days following each Reporting Date.

Special Obligor: As defined in the definition of Obligor Concentration Limit.

Structuring Fee: As defined in the Fee Letter.

Subsidiary: With respect to any Person means (i) a corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned or controlled by such Person, directly or indirectly through Subsidiaries, and (ii) any partnership, association, joint venture or other entity in which such Person, directly or indirectly through Subsidiaries, has more than a 50% equity interest at the time.

Successor Notice: As defined in Section 8.1(b).

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

Termination Date: The earliest of:

- (i) the date of termination (whether by scheduled expiration, termination on default or otherwise) of the Liquidity Banks' commitments under the Liquidity Agreement (unless such commitments are renewed, extended or replaced on or before such date);
- (ii) the Funding Termination Date;
- (iii) the date designated by the Seller as the "Termination Date" on not less than thirty (30) days' notice to the Administrative Agent, provided that on such date the Invested Amount has been reduced to zero, all accrued Earned Discount, CP Costs, Broken Funding Costs and fees have been paid in full and all other amounts due to the Purchaser and the Administrative Agent have been paid in full; and
- (iv) the date on which any of the following shall occur:
 - (A) A Downgrading Event with respect to a Liquidity Bank shall have occurred and been continuing for not less than 45 days, (x) the Downgraded Liquidity Bank shall not have been replaced by a Qualifying Liquidity Bank pursuant to a Liquidity Agreement in form and substance acceptable to the Purchaser and the Administrative Agent, and (y) the commitment of such Downgraded Liquidity Bank under the Liquidity Agreement shall not have been funded or collateralized in such a manner that such Downgrading Event will not result in a reduction or withdrawal of the credit rating applied to the Commercial Paper Notes by any of the rating agencies then rating the Commercial Paper Notes; or
 - (B) Purchaser shall become an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Termination Notice: As defined in Section 8.4.

Threshold Amount: \$3,900,000, or such other amount to which the Administrative Agent may agree in writing from time to time.

Transaction Documents: This Agreement, the Lockbox Agreements, the Sale Agreement, the Assurance Agreement, the Fee Letter, and the other documents to be executed and delivered in connection herewith.

Transaction Fees: Subject to the limitations set forth in the Fee Letter, all reasonable expenses of the Agents incurred in connection with the consummation of this Agreement and each other Transaction Document, including but not limited to (i) the legal fees of Hunton & Williams LLP, counsel to the Administrative Agent, (ii) expenses incurred in connection with any due diligence audit and (iii) out-of-pocket expenses of the Agents.

Twelve Month DSO: For any day, the highest Days Sales Outstanding that occurred during the twelve (12) month period ending on such date of calculation.

UCC: The Uniform Commercial Code, as from time to time in effect in the applicable jurisdiction or jurisdictions.

Unmatured Liquidation Event: Any event which, with the giving of notice or lapse of time, or both, would become a Liquidation Event.

Unpaid Balance: With respect to any Receivable means at any time the unpaid amount thereof, but excluding all late payment charges, delinquency charges and extension or collection fees.

Unused Fee: As defined in the Fee Letter.

Weighted Average Term: On any day, the weighted average of the stated terms of all Eligible Receivables, weighted on the basis of the Unpaid Balance of each such Receivable, as of such date of calculation.

Yield Period: With respect to any Asset Tranche funded by a Liquidity Funding or a Liberty Street Alternate Funding, as the case may be,

(a) the period commencing on the date of the initial Purchase of the Asset Interest, the making of such Liquidity Funding or Liberty Street Alternate Funding, as the case may be, or the creation of such Asset Tranche pursuant to Section 2.1 (whichever is latest) and ending such number of days thereafter as the Administrative Agent shall select; and

(b) each period commencing on the last day of the immediately preceding Yield Period for the related Asset Tranche and ending such number of days thereafter as the Administrative Agent shall select;

provided, however, that

(i) any such Yield Period (other than a Yield Period consisting of one day) which would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day (unless the related Asset Tranche shall be accruing Earned Discount at a rate determined by reference to Eurodollar Rate (Reserve Adjusted), in

which case if such succeeding Business Day is in a different calendar month, such Yield Period shall instead be shortened to the next preceding Business Day);

(ii) in the case of Yield Periods of one day for any Asset Tranche, (A) the initial Yield Period shall be the date such Yield Period commences as described in clause (a) above; and (B) any subsequently occurring Yield Period which is one day shall, if the immediately preceding Yield Period is more than one day, be the last day of such immediately preceding Yield Period, and if the immediately preceding Yield Period is one day, shall be the next day following such immediately preceding Yield Period; and

(iii) in the case of any Yield Period for any Asset Tranche which commences before the Termination Date and would otherwise end on a date occurring after such Termination Date, such Yield Period shall end on such Termination Date and the duration of each such Yield Period which commences on or after the Termination Date for such Asset Tranche shall be of such duration as shall be selected by the related Purchaser Agent.

Yield Reserve: On any date of determination, the product of (i) 1.5, (ii) the Base Rate and (iii) a fraction the numerator of which is the Twelve Month DSO and the denominator of which is 360.

B. Other Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

C. Computation of Time Periods. Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

SCHEDULE 6.1(o)

EXHIBIT 1.2 (a)

FORM OF PURCHASE REQUEST

Wachovia Bank, National Association
191 Peachtree Street, N.E., GA-8047
Atlanta, Georgia 30303
Attention: Elizabeth Wagner

The Bank of Nova Scotia
[addresss]

Ladies and Gentlemen:

Reference is made to the Second Amended and Restated Receivables Purchase Agreement dated as of June 16, 2003 (as amended, supplemented or otherwise modified from time to time, the "Purchase Agreement") among LPAC Corp., as the Seller, Lennox Industries Inc., as the Master Servicer (and together with Seller, collectively referred to as the "Seller Parties"), Blue Ridge Asset Funding Corporation, as a purchaser ("Blue Ridge"), Liberty Street Funding Corp., as a purchaser ("Liberty Street"), the Liberty Street Investors named therein, The Bank of Nova Scotia, as Liberty Street Purchaser Agent ("Liberty Street Purchaser Agent") and Wachovia Bank National Association, as administrative agent (the "Administrative Agent") and Blue Ridge Purchaser Agent ("Blue Ridge Purchaser Agent"). Capitalized terms defined in the Purchase Agreement are used herein with the same meanings.

I. Each of the Seller Parties hereby certifies, represents and warrants to the Purchasers and the Agents that on and as of the Purchase Date (as hereinafter defined):

(a) all applicable conditions precedent set forth in Article V of the Purchase Agreement have been satisfied;

(b) each of its respective representations and warranties contained in Section 6.1 of the Purchase Agreement will be true and correct, in all material respects, as if made on and as of the Purchase Date;

(c) no event will have occurred and is continuing, or would result from the requested Purchase, that constitutes a Liquidation Event or Unmatured Liquidation Event;

(d) after giving effect to the requested Purchase, the Invested Amount will not exceed the available Purchase Limit, no Purchaser Group Invested Amount will exceed the related Purchaser Group Invested Amount and the Asset Interest will not exceed the Allocation Limit; and

(e) the Termination Date shall not have occurred.

2. The undersigned, as Seller hereby requests that the Blue Ridge Purchase Group make a Purchase on _____, 200_ (the "Purchase Date") in the amount of \$_____ and that the Liberty Street Purchaser Group make a Purchase on the Purchase Date in the amount of \$_____.

3. Please disburse the proceeds of the Purchase as follows:

[APPLY \$_____ TO PAYMENT OF INVESTED AMOUNT DUE ON THE PURCHASE DATE]. [WIRE TRANSFER \$_____ TO ACCOUNT NO. _____ AT _____ BANK, IN [CITY, STATE], ABA NO. _____, REFERENCE: _____].

IN WITNESS WHEREOF, the Seller and the Master Servicer have caused this Purchase Request to be executed and delivered as of this ____ day of _____, _____.

LPAC Corp., as Seller

By: _____
Name: _____
Title: _____

Lennox Industries Inc., as Master Servicer

By: _____
Name: _____
Title: _____

EXHIBIT 3.1(a)
FORM OF INFORMATION PACKAGE

EXHIBIT A-1

FORM OF LOCKBOX AGREEMENT

_____, 2003

[LOCKBOX BANK NAME]
[LOCKBOX BANK ADDRESS]

Attn: _____
Fax No. (____) _____

Re: [NAME OF CURRENT LOCKBOX OWNER]/LPAC CORP.

Ladies and Gentlemen:

Reference is hereby made to each of the [DEPARTMENTAL] post office boxes listed on Schedule 1 hereto (each, a "Lock-Box") of which [COLLECTION BANK NAME], a _____ banking association (hereinafter "you"), has exclusive control for the purpose of receiving mail and processing payments therefrom pursuant to the [LOCK-BOX SERVICE AGREEMENT] dated _____, originally by and between _____ (the "Company") and you (the "Service Agreement").

1. You hereby confirm your agreement to perform the services described therein. Among the services you have agreed to perform therein, is to endorse all checks and other evidences of payment received in each of the Lock-Boxes, and credit such payments to account no. _____ (the "Lock-Box Account").

2. The Company hereby informs you that it has transferred to its affiliate, LPAC Corp., a Delaware corporation (the "Seller") all of the Company's right, title and interest in and to the items from time to time received in the Lock-Boxes and/or deposited in the Lock-Box Account, but that the [Company][Lennox Industries Inc.] has agreed to [continue to] service the receivables giving rise to such items. Accordingly, the Company and the Seller hereby request that the name of the Lock-Box Account be changed to "LPAC Corp." The Borrower hereby further advises you that it has sold an undivided percentage ownership interest in the receivables giving rise to such items to a group of purchasers for whom Wachovia Bank, National Association acts as agent (in such capacity, the "Administrative Agent") and has granted a security interest to the Administrative Agent in all of the Seller's right, title and interest in and to the Lock-Box Account and the funds therein.

3. Each of the Company and the Seller hereby irrevocably instructs you, and you hereby agree, that upon receiving notice from the Agent in the form attached hereto as Annex A:

(i) the name of the Lock-Box Account will be changed to "Wachovia Bank, National Association, as Administrative Agent" (or any designee of the Administrative Agent), and the Agent will have exclusive ownership of and access to the Lock-Boxes and the Lock-Box Account, and none of the Company, the Seller, nor any of their

respective affiliates will have any control of the Lock-Boxes or the Lock-Box Account or any access thereto, (ii) you will either continue to send the funds from the Lock-Boxes to the Lock-Box Account, or will redirect the funds as the Administrative Agent may otherwise request, (iii) you will transfer monies on deposit in the Lock-Box Account to the following account:

Bank Name: Wachovia Bank, National Association
Location: Charlotte, NC
ABA Routing No.: ABA # 053000219
Credit Account No.: For credit to Blue Ridge Asset Funding
Account #2000010384921
Reference: Blue Ridge/LPAC Corp.
Attention: Douglas R. Wilson, tel. (704) 374-2520

or to such other account as the Administrative Agent may specify, (iv) all services to be performed by you under the Service Agreement will be performed on behalf of the Administrative Agent, and (v) all correspondence or other mail which you have agreed to send to the Company or the Seller will be sent to the Agent at the following address:

Wachovia Bank, National Association, as Agent
191 Peachtree Street, N.E.
26th Floor, GA-8047
Atlanta, GA 30303
Attn: Elizabeth R. Wagner,
Asset-Backed Finance
Fax: (404) 332- 5152

Moreover, upon such notice, the Administrative Agent will have all rights and remedies given to the Company (and the Seller, as the Company's assignee) under the Service Agreement. The Company agrees, however, to continue to pay all fees and other assessments due thereunder at any time.

4. You hereby acknowledge that monies deposited in the Lock-Box Account or any other account established with you by the Administrative Agent for the purpose of receiving funds from the Lock-Boxes are subject to the liens of the Administrative Agent, and will not be subject to deduction, set-off, banker's lien or any other right you or any other party may have against the Company or the Seller except that you may debit the Lock-Box Account for any items deposited therein that are returned or otherwise not collected and for all charges, fees, commissions and expenses incurred by you in providing services hereunder, all in accordance with your customary practices for the charge back of returned items and expenses.

5. You will be liable only for direct damages in the event you fail to exercise ordinary care. You shall be deemed to have exercised ordinary care if your action or failure to act is in conformity with general banking usages or is otherwise a commercially reasonable practice of the banking industry. You shall not be liable for any special, indirect or consequential damages, even if you have been advised of the possibility of these damages.

6. The parties acknowledge that you may assign or transfer your rights and obligations hereunder solely to a wholly-owned subsidiary of [INSERT NAME OF COLLECTION BANK'S HOLDING COMPANY].

7. Seller agrees to indemnify you for, and hold you harmless from, all claims, damages, losses, liabilities and expenses, including legal fees and expenses, resulting from or with respect to this letter agreement and the administration and maintenance of the Lock-Box Account and the services provided hereunder, including, without limitation: (a) any action taken, or not taken, by you in regard thereto in accordance with the terms of this letter agreement, (b) the breach of any representation or warranty made by the Seller pursuant to this letter agreement, (c) any item, including, without limitation, any automated clearinghouse transaction, which is returned for any reason, and (d) any failure of the Seller to pay any invoice or charge to you for services in respect to this letter agreement and the Lock-Box Account or any amount owing to you from the Seller with respect thereto or to the service provided hereunder.

8. THIS LETTER AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER WILL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF _____, WHICH STATE SHALL BE YOUR "LOCATION" FOR PURPOSES OF THE UNIFORM COMMERCIAL CODE. This letter agreement may be executed in any number of counterparts and all of such counterparts taken together will be deemed to constitute one and the same instrument.

9. This letter agreement contains the entire agreement between the parties, and may not be altered, modified, terminated or amended in any respect, nor may any right, power or privilege of any party hereunder be waived or released or discharged, except upon execution by all parties hereto of a written instrument so providing. In the event that any provision in this letter agreement is in conflict with, or is inconsistent with, any provision of the Service Agreement, this letter agreement will exclusively govern and control. Each party agrees to take all actions reasonably requested by any other party to carry out the purposes of this letter agreement or to preserve and protect the rights of each party hereunder.

Please indicate your agreement to the terms of this letter agreement by signing in the space provided below. This letter agreement will become effective immediately upon execution of a counterpart of this letter agreement by all parties hereto.

Very truly yours,

[NAME OF CURRENT LOCK-BOX OWNER]

By: _____
Name: _____
Title: _____

LPAC CORP.

By: _____
Name: _____
Title: _____

LENNOX INDUSTRIES INC.

By: _____
Name: _____
Title: _____

Acknowledged and agreed to as of the
date first above written:

[COLLECTION BANK]

By: _____
Name: _____
Title: _____

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent

By: _____
Name: _____
Title: _____

ANNEX A

FORM OF NOTICE

[On letterhead of the Administrative Agent]

[DATE]

[LOCKBOX BANK NAME]
[LOCKBOX BANK ADDRESS]

Attn: _____
Fax No. (____) _____

Re: [NAME OF CURRENT LOCK-BOX OWNER]/LPAC CORP.

Ladies and Gentlemen:

We hereby notify you that we are exercising our rights pursuant to that certain letter agreement dated _____, 2003 (the "Letter Agreement") among [NAME OF CURRENT LOCK-BOX OWNER], LPAC Corp., Lennox Industries Inc., you and us, to have the name of, and to have exclusive ownership and control of, account no. _____ identified in the Letter Agreement (the "Lock-Box Account") maintained with you, transferred to us. The Lock-Box Account will henceforth be a zero-balance account, and funds deposited in the Lock-Box Account should be sent at the end of each day to the account specified in Section 3(i) of the Letter Agreement, or as otherwise directed by the undersigned. You have further agreed to perform all other services you are performing under the "Service Agreement" (as defined in the Letter Agreement) on our behalf.

We appreciate your cooperation in this matter.

Very truly yours,

WACHOVIA BANK,
NATIONAL ASSOCIATION,
as Administrative Agent

By: _____
Name: _____
Title: _____

[NAME OF COMPANY]

FORM OF CERTIFICATE OF FINANCIAL OFFICER

This Certificate is made pursuant to the provisions of the Second Amended and Restated Receivables Purchase Agreement dated as of June 16, 2003 (the "Agreement") among LPAC Corp., as Seller, Lennox Industries Inc., as Master Servicer, Blue Ridge Asset Funding Corporation, as a Purchaser, Liberty Street Funding Corp., as a Purchaser, the Liberty Street Investors named therein, The Bank of Nova Scotia, as Liberty Street Purchaser Agent and Wachovia Bank, National Association, as Administrative Agent and Blue Ridge Purchaser Agent. The capitalized terms used, but not defined, herein have the meanings assigned to them in the Agreement.

The undersigned [CHIEF FINANCIAL OFFICER/TREASURER] of [NAME OF COMPANY] (the "Company") hereby certifies that the financial statements being delivered concurrently herewith fairly present the financial condition and results of operations of the Company in accordance with generally accepted accounting principles consistently applied, subject to normal year-end audit adjustments.

[NAME OF COMPANY]

Name: _____
Title: _____
Dated: _____

LENNOX INDUSTRIES INC.
CREDIT AND COLLECTION POLICY

ADVANCED DISTRIBUTOR PRODUCTS LLC

CREDIT AND COLLECTION POLICY

HEATCRAFT REFRIGERATION PRODUCTS LLC

CREDIT AND COLLECTION POLICY

SECOND AMENDMENT TO
PURCHASE AND SALE AGREEMENT

THIS SECOND AMENDMENT TO PURCHASE AND SALE AGREEMENT, dated as of June 16, 2003 (this "Amendment"), is entered into by and among LPAC CORP., as the purchaser (the "LPAC Corp."), Lennox Industries Inc., as a seller ("Lennox"), Armstrong Air Conditioning Inc., as a seller ("Armstrong"), Advanced Distributor Products LLC, as a seller ("Advanced Distributor") and Heatcraft Refrigeration Products LLC, as a seller ("Heatcraft Refrigeration"). Capitalized terms used and not otherwise defined herein are used as defined in the Agreement (as defined below and amended hereby).

WHEREAS, the parties hereto have entered into that certain Purchase and Sale Agreement, dated as of June 19, 2000 (as amended by the First Amendment dated as of June 7, 2002 and Omnibus Amendment No. 1 dated as of January 31, 2003 or as otherwise amended, supplemented or otherwise modified from time to time, the "Agreement");

WHEREAS, pursuant to that certain Sale and Assignment Agreement (the "Sale and Assignment Agreement"), dated as of June 16, 2003 by and between LPAC Corp. and Armstrong, LPAC Corp. has sold all of its right title and interest to Receivables acquired from Armstrong, together with all Related Security thereto, to Armstrong;

WHEREAS, Armstrong shall no longer be a Seller under the Agreement;

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

SECTION 1. Amendments.

The Agreement is, as of the Amendment Effective Date defined in Section 3 hereof, and subject to the satisfaction of the conditions precedent set forth in Section 3 hereof, hereby amended as follows:

(a) Section 1.2(c) of the Agreement is hereby amended by placing the words (collectively, the "Originator Collateral") after the word "created," where it appears in the eleventh line therein.

(b) Section 5.1(k) of the Agreement is hereby amended and restated in its entirety to read as follows:

(k) Quality of Title.

(i) This Agreement creates a valid and continuing security interest (as defined in the applicable UCC) in the Originator Collateral transferred by such

Originator in favor of the Administrative Agent for the benefit of the Secured Parties, which security interest is prior to all other Liens, and is enforceable as such as against creditors of and purchasers from such Originator;

(ii) The Originator Collateral transferred by such Originator hereunder constitutes "accounts" within the meaning of the applicable UCC;

(iii) Such Originator owns and has good and marketable title to the Original Collateral transferred by it hereunder free and clear of any Lien, claim or encumbrance of any Person;

(iv) Other than the security interest granted to the Company pursuant to this Agreement, such Originator has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Original Collateral originated by it. Such Originator has not authorized the filing of and is not aware of any financing statements against it that include a description of collateral covering the Originator Collateral transferred by it hereunder other than any financing statement (1) in favor of it in accordance with the Contracts, (2) in favor of the Company in accordance with this Agreement, (3) in favor of the Administrative Agent for the benefit of the Secured Parties in accordance with the Receivables Purchase Agreement or in connection with any Lien arising solely as the result of any action taken by the Secured Parties (or any assignee thereof) or by the Administrative Agent.

(c) Section 6.1(a) of the Agreement is hereby amended and restated in its entirety to read as follows:

(a) Organization and Good Standing; Ownership. Its jurisdiction of organization is correctly set forth in the Schedule 5.1(a). It is duly organized and is a "registered organization" as defined in the UCC under the laws of that jurisdiction and no other state or jurisdiction, and such jurisdiction must maintain a public record showing the organization to have been organized. It is validly existing as a corporation in good standing under the laws of its state of organization, with power and authority to own its properties and to conduct its business as such properties are presently owned and such business is presently conducted.

(d) Section 6.3(d) of the Agreement is hereby amended and restated in its entirety to read as follows:

(d) Change of Name; Jurisdiction of Organization; Offices and Records. Change (i) its name as it appears in official filings in the jurisdiction of its organization, (ii) its status as a "registered organization" (within the meaning of Article 9 of any applicable enactment of the UCC), (iii) its organizational identification number, if any, issued by its jurisdiction of organization, or (iv) its jurisdiction of organization unless it shall have: (A) given the Company and the

Agents at least forty-five (45) days' prior written notice thereof; (B) at least ten (10) days prior to such change, delivered to the Company and the Agents all financing statements, instruments and other documents requested by the Agents in connection with such change or relocation and (C) caused an opinion of counsel acceptable to the Company and the Agents and their respective assigns to be delivered to the Company and the Agents and such assigns that Administrative Agent's security interest (for the benefit of the Secured Parties) is perfected and of first priority, such opinion to be in form and substance acceptable to the Company and the Agents and such assigns in their sole discretion.

(e) Article IX of the Agreement is hereby deleted in its entirety.

(f) Exhibit C referred to in, and attached to the Sale Agreement is hereby deleted and replaced in its entirety with the revised Exhibit C attached hereto.

(g) A new Schedule 5.1(a) attached hereto is hereby added to the Sale Agreement.

(h) Schedule 5.1(n) referred to in, and attached to, the Sale Agreement, is hereby deleted and replaced in its entirety with the revised Schedule 5.1(n) attached hereto.

(i) Schedule 10.2 referred to in, and attached to, the Sale Agreement, is hereby deleted and replaced in its entirety with the revised Schedule 10.2 attached hereto.

SECTION 2. Release and Further Assurances.

(a) Effective as of the Effective Date, all references to Armstrong in the Agreement shall be deemed stricken and of no further force or effect, Armstrong shall cease to be a party to the Agreement and Armstrong shall have no further rights, duties, obligations or liabilities under the Agreement, other than rights, duties, liabilities or obligations accruing prior to the Amendment Effective Date; provided, however, the rights and remedies with respect to any breach of representation and warranty made by Armstrong pursuant to Article V and the indemnification and payment provisions of Article VII and Section 10.6 shall be continuing and shall survive after the Amendment Effective Date. Without limiting the generality of the foregoing, Armstrong shall have no right or obligation to sell, transfer or assign Receivables to the Company under the Agreement after the Amendment Effective Date. The provisions of this Amendment shall not, however, affect any transfer, sale or assignment of Receivables by Armstrong to the Company under the Agreement prior to the Amendment Effective Date.

(b) Subject to the satisfaction of Section 3, Blue Ridge and the Administrative Agent, without recourse, representation or warranty, hereby release, waive and forever discharge any and all right, title and interest in and to the Sold Assets and all related Liens or security interests created by Blue Ridge or the Administrative Agent and hereby consent to the filing of such UCC-3 termination statements and such other releases or documents as the Seller may reasonably request so that the Seller may deliver to Armstrong good and unencumbered title to the Sold Assets pursuant to the Sale and Assignment Agreement.

SECTION 3. Amendment Effective Date.

This Amendment shall become effective as of the date first above written (the "Amendment Effective Date") on the date on which the Administrator shall have received each of the following:

(a) a copy of this Amendment duly executed by each of the parties hereto;

(b) a copy of the Sale and Assignment Agreement duly executed by each of the parties thereto;

(c) payment in immediately available funds of the amount determined to be due to the Blue Ridge and the Administrative Agent with respect to the conveyance of the Receivables and Related Security contemplated by the Sale and Assignment Agreement to LPAC Corp. The payment of amounts due under this clause (e) shall be applied to the reduction of the Blue Ridge Invested Amount and the payment of all other fees and amounts then due and owing to the Blue Ridge and the Administrative Agent, including, without limitation, Earned Discount, and shall not be affected by any right of setoff, counterclaim, recoupment, defense or other right LPAC Corp. might have against the Administrator or Blue Ridge, all of which rights are hereby expressly waived by LPAC Corp.;

(d) a copy of the Lock-Box Agreement Termination in substantially the form of Exhibit A hereto, duly executed by each of the parties hereto;

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

SECTION 4. Reference to and Effect on the Agreement and the Related Documents. Upon the effectiveness of this Amendment, (i) each of the Sellers hereby reaffirms all representations and warranties made by it in Article V of the Agreement (as amended hereby) and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the effective date of this Amendment, (ii) each of the Sellers hereby represents and warrants that the Sale Termination Date shall not have occurred and (iii) each reference in the Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import shall mean and be, and any references to the Agreement in any other document, instrument or agreement executed and/or delivered in connection with the Agreement shall mean and be, a reference to the Agreement as amended hereby.

SECTION 5. Effect. Except as otherwise amended by this Amendment, the Agreement shall continue in full force and effect and is hereby ratified and confirmed.

SECTION 6. Governing Law. This Amendment will be governed by and construed in accordance with the laws of the State of New York, without giving effect to the conflicts of laws principles thereof (other than Section 5-1401 of the New York General Obligations Law).

SECTION 7. Severability. Each provision of this Amendment shall be severable from every other provision of this Amendment for the purpose of determining the legal enforceability

of any provision hereof, and the unenforceability of one or more provisions of this Amendment in one jurisdiction shall not have the effect of rendering such provision or provisions unenforceable in any other jurisdiction.

SECTION 8. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page by facsimile shall be effective as delivery of a manually executed counterpart of this Amendment.

[remainder of page intentionally left blank]

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

LPAC CORP.,

By: _____
Name
Title:

LENNOX INDUSTRIES INC.

By: _____
Name
Title:

ADVANCED DISTRIBUTOR PRODUCTS, LLC

By: _____
Name
Title:

HEATCRAFT REFRIGERATION PRODUCTS LLC,

By: _____
Name
Title:

ARMSTRONG AIR CONDITIONING INC.

By: _____
Name
Title:

Acknowledged and Agreed:

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent

By: _____

Name:

Title:

Exhibit A

LOCK-BOX TERMINATION

as of June 16, 2003

Bank One, NA
1717 Main Street, 3rd Floor
Dallas, TX ###-##-####
Attention: [_____]

RE: ARMSTRONG AIR CONDITIONING INC./LPAC CORP.

Ladies and Gentlemen:

Reference is made to lock-box number 22325 (the "Lock-Box") and account number 1065390 maintained with you (the "Account") and to (i) that certain Lockbox Agreement (the "Lockbox Agreement") dated as of March 27, 2001 by and among Armstrong Air Conditioning Inc. ("Armstrong"), LPAC Corp. ("LPAC"), Wachovia Bank, National Association (successor in interest to Wachovia Bank, N.A.) (the "Administrative Agent"), and you in your capacity as lockbox bank.

In connection with that certain Second Amendment to Purchase and Sale Agreement dated as of June 16, 2003 ("Purchase Amendment") by and among Lennox Industries Inc., LPAC, Armstrong, Heatcraft Refrigeration Products LLC, Advanced Distributor Products LLC and the Administrative Agent, on the date hereof (the "Effective Date"), the Lock-Box Agreement is hereby terminated and the Administrative Agent and LPAC hereby relinquish all right, title and interest to the Lock-Box and the Account, including, without limitation, any right to control and or remove any or all items from the Lock-Box and Account. After the Effective Date, all moneys on deposit in the Account shall be held on behalf of Armstrong and all notices, bank statements and other information related to the Accounts and the Lock-Boxes should be delivered to Armstrong or at such other address as may be notified to you in writing by Armstrong.

This letter agreement may be executed by the signatories hereto in several counterparts, each of which shall be deemed to be an original and all of which shall together constitute but one and the same letter agreement. Delivery of an executed counterpart of a signature page to this letter agreement by facsimile shall be effective as delivery of a manually executed counterpart of this letter.

[signature pages to follow]

Very truly yours,

ARMSTRONG AIR CONDITIONING INC.

By: _____
Name: _____
Title: _____

LPAC CORP.

By: _____
Name: _____
Title: _____

Address:

WACHOVIA BANK, NATIONAL
ASSOCIATION,
as Administrative Agent

By: _____
Name: _____
Title: _____

Accepted and confirmed as of the date first written above:

BANK ONE, NA
as Lock-Box Bank

By: _____

Title: _____

OFFICE LOCATION WHERE RECORDS ARE KEPT

SELLERS

Lennox Industries Inc.
2100 Lake Park Blvd.
Richardson, TX 75080-2254
400 Norris Glen Road
Etobicoke, ON, Canada M9C 1H5

Advanced Distributor Products LLC
1995 Air Industrial Park Road
Grenada, MS 38901

Heatcraft Refrigeration Products LLC
2175 West Park Place Blvd.
Stone Mountain, GA 30087

MASTER SERVICER

Lennox Industries Inc.
2100 Lake Park Blvd.
Richardson, TX 75080-2254

400 Norris Glen Road
Etobicoke, ON, Canada M9C 1H5

JURISDICTION OF ORGANIZATION

Originator	Jurisdiction of Organization
Lennox Industries Inc.	Iowa
Heatcraft Inc.	Mississippi
Advanced Distributor Products LLC	Delaware
Heatcraft Refrigeration Products LLC	Delaware

TRADE NAMES

Lennox Industries Inc.

Aire-Flo Heating and Cooling
Lennox Hearth Products

Advanced Distributor Products LLC

None

Heatcraft Refrigeration Products LLC

None

Attention: Richardson, TX 75080-2254
Phone No.: Scott Messel, Vice President and Treasurer
972-497-6818
Facsimile No.: 972-497-6940

RECEIVABLES PURCHASE AGREEMENT

DATED AS OF JUNE 27, 2003

AMONG

LPAC CORP. II, AS SELLER,
LENNOX INDUSTRIES INC., AS SERVICER,
JUPITER SECURITIZATION CORPORATION,
THE FINANCIAL INSTITUTIONS FROM TIME TO TIME
PARTIES HERETO

AND

BANK ONE, NA (MAIN OFFICE CHICAGO),
AS AGENT

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Exhibits and Schedules

Exhibit I	Definitions
Exhibit II	Form of Purchase Notice
Exhibit III	Places of Business of the Seller Parties; Locations of Records; Federal Employer Identification Number(s)
Exhibit IV	Names of Collection Banks; Collection Accounts
Exhibit V	Form of Compliance Certificate
Exhibit VI	Form of Collection Account Agreement
Exhibit VII	Form of Assignment Agreement
Exhibit VIII	Credit and Collection Policy
Exhibit IX	Form of Contract(s)
Exhibit X	Form of Monthly Report
Exhibit XI	Form of Reduction Notice
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Exhibit XIII	Form of Bi-Weekly Report
Schedule A	Commitments
Schedule B	Closing Documents

LPAC CORP. II

RECEIVABLES PURCHASE AGREEMENT

This Receivables Purchase Agreement dated as of June 27, 2003 is among LPAC Corp. II, a Delaware corporation ("Seller"), Lennox Industries Inc., an Iowa corporation ("Lennox"), as initial Servicer (the Servicer together with Seller, the "Seller Parties" and each a "Seller Party"), the entities listed on Schedule A to this Agreement (together with any of their respective successors and assigns hereunder, the "Financial Institutions"), Jupiter Securitization Corporation ("Conduit") and Bank One, NA (Main Office Chicago), as agent for the Purchasers hereunder or any successor agent hereunder (together with its successors and assigns hereunder, the "Agent"). Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Exhibit I.

PRELIMINARY STATEMENTS

Seller desires to transfer and assign Purchaser Interests to the Purchasers from time to time.

Conduit may, in its absolute and sole discretion, purchase Purchaser Interests from Seller from time to time.

In the event that Conduit declines to make any purchase, the Financial Institutions shall, at the request of Seller, purchase Purchaser Interests from time to time. In addition, the Financial Institutions have agreed to provide a liquidity facility to Conduit in accordance with the terms of the Liquidity Agreement entered into by Conduit with such Financial Institutions.

Bank One, NA (Main Office Chicago) has been requested and is willing to act as Agent on behalf of Conduit and the Financial Institutions in accordance with the terms hereof.

ARTICLE I
PURCHASE ARRANGEMENTS

Section 1.1 Purchase Facility. (a) Upon the terms and subject to the conditions hereof, Seller may, at its option, sell and assign Purchaser Interests to the Agent for the benefit of one or more of the Purchasers. In accordance with the terms and conditions set forth herein, Conduit may, at its option, instruct the Agent to purchase on behalf of Conduit, or if Conduit shall decline to purchase, the Agent shall purchase, on behalf of the Financial Institutions, Purchaser Interests from time to time in an aggregate amount not to exceed at such time the lesser of (i) the Purchase Limit and (ii) the aggregate amount of the Commitments during the period from the date hereof to but not including the Facility Termination Date.

(b) Seller may, upon at least 10 Business Days' notice to the Agent, terminate in whole or reduce in part, ratably among the Financial Institutions, the unused portion of the Purchase Limit; provided that each partial reduction of the Purchase Limit shall be in an amount equal to \$5,000,000 or an integral multiple thereof.

Section 1.2 Increases. Seller shall provide the Agent with at least two Business Days' prior notice in the form set forth as Exhibit II hereto of each Incremental Purchase (a "Purchase Notice"). Each Purchase Notice shall be subject to Section 6.2 hereof and, except as set forth below, shall be irrevocable and shall specify the requested Purchase Price (which shall not be less than \$2,000,000) and date of purchase (which, in the case of any Incremental Purchase (after the initial Incremental Purchase hereunder), shall be no more frequent than twice during any calendar month) and, in the case of an Incremental Purchase to be funded by the Financial Institutions, the requested Bank Rate and Tranche Period. Following receipt of a Purchase Notice, the Agent will determine whether Conduit agrees to make the purchase. If Conduit declines to make a proposed purchase, Seller may cancel the Purchase Notice or, in the absence of such a cancellation, the Incremental Purchase of the Purchaser Interest will be made by the Financial Institutions. On the date of each Incremental Purchase, upon satisfaction of the applicable conditions precedent set forth in Article VI, Conduit or the Financial Institutions, as applicable, shall deposit to the account of the Seller designated in the applicable Purchase Notice, in immediately available funds, no later than 12:00 noon (Chicago time), an amount equal to (i) in the case of Conduit, the aggregate Purchase Price of the Purchaser Interests then being purchased by the Conduit or (ii) in the case of a Financial Institution, such Financial Institution's Pro Rata Share of the aggregate Purchase Price of the Purchaser Interests then being purchased by the Financial Institutions.

Section 1.3 Decreases. Seller shall provide the Agent with 2 Business Days' prior written notice in substantially the form set forth on Exhibit XI hereto (each a "Reduction Notice") of any proposed reduction of Aggregate Capital from Collections. Such Reduction Notice shall designate (i) the date (the "Proposed Reduction Date") upon which any such reduction of Aggregate Capital shall occur, and (ii) the amount of Aggregate Capital to be reduced which shall be applied ratably to the Purchaser Interests of Conduit and the Financial Institutions in accordance with the amount of Capital (if any) owing to Conduit, on the one hand, and the amount of Capital (if any) owing to the Financial Institutions (ratably, based on their respective Pro Rata Shares), on the other hand (the "Aggregate Reduction"). Only one (1) Reduction Notice shall be outstanding at any time. No Aggregate Reduction will be made following the occurrence of the Amortization Date without the consent of the Agent.

Section 1.4 Payment Requirements. All amounts to be paid or deposited by any Seller Party pursuant to any provision of this Agreement shall be paid or deposited in accordance with the terms hereof no later than 12:00 noon (Chicago time) on the day when due in immediately available funds, and if not received before 12:00 noon (Chicago time) shall be deemed to be received on the next succeeding Business Day. If such amounts are payable to a Purchaser they shall be paid to the Agent, for the account of such Purchaser, at 1 Bank One Plaza, Chicago, Illinois 60670 until otherwise notified by the Agent. All computations of Yield, per annum fees calculated as part of any CP Costs, per annum fees hereunder and per annum fees under the Fee Letter shall be made on the basis of a year of 360 days for the actual number of days elapsed. If any amount hereunder shall be payable on a day which is not a Business Day, such amount shall be payable on the next succeeding Business Day.

ARTICLE II
PAYMENTS AND COLLECTIONS

Section 2.1 Payments. Notwithstanding any limitation on recourse contained in this Agreement, Seller shall immediately pay to the Agent when due, for the account of the relevant Purchaser or Purchasers on a full recourse basis, (i) such fees as set forth in the Fee Letter (which fees shall be sufficient to pay all fees owing to the Financial Institutions), (ii) all amounts payable as CP Costs and Yield, (iii) all amounts payable as Deemed Collections (which shall be immediately due and payable by Seller and applied to reduce outstanding Aggregate Capital hereunder in accordance with Sections 2.2 and 2.4 hereof), (iv) all amounts payable pursuant to Section 2.7, (v) all amounts payable pursuant to Article X, if any, (vi) all Servicer costs and expenses, including the Servicing Fee, in connection with servicing, administering and collecting the Receivables, (vii) all Broken Funding Costs (it being understood that any request for reimbursement of Broken Funding Costs shall be accompanied by a certificate setting forth in reasonable detail the calculation of such amount) and (viii) all Default Fees (collectively, the "Obligations"). If Seller fails to pay any of the Obligations when due, or if Servicer fails to make any deposit required to be made by it under this Agreement when due, such Person agrees to pay, on demand, the Default Fee in respect thereof until paid. Notwithstanding the foregoing, no provision of this Agreement or the Fee Letter shall require the payment or permit the collection of any amounts hereunder in excess of the maximum permitted by applicable law. If at any time Seller receives any Collections or is deemed to receive any Collections, Seller shall immediately pay such Collections or Deemed Collections to the Servicer for application in accordance with the terms and conditions hereof and, at all times prior to such payment, such Collections or Deemed Collections shall be held in trust by Seller for the exclusive benefit of the Purchasers and the Agent.

Section 2.2 Collections Prior to Amortization.

(a) Subject to the following Section 2.2(b) below, prior to the Amortization Date, any Collections and/or Deemed Collections received by the Servicer shall be set aside and held in trust by the Servicer for the payment of any accrued and unpaid Aggregate Unpays or for a Reinvestment as provided in this Section 2.2.

(b) At any time any Collections or Deemed Collections are received by the Servicer prior to the Amortization Date:

(i) the Servicer shall set aside and hold in trust for the benefit of the Purchasers:

(A) the Termination Percentage of Collections and Deemed Collections evidenced by the Purchaser Interests of each Terminating Financial Institution,

(B) an amount equal to the accrued and unpaid Obligations, and

(C) an amount equal to the Aggregate Reduction, if any, to be effected pursuant to Section 1.3, and

(ii) Seller hereby requests and the Purchasers (other than any Terminating Financial Institutions) hereby agree to make (subject to the conditions precedent set forth in Section 6.2 and the requirements of Section 2.7), simultaneously with such receipt, a reinvestment (each a "Reinvestment") with that portion of the balance of each and every Collection received or Deemed Collection deemed received by the Servicer that is part of any Purchaser Interest, such that after giving effect to such Reinvestment, the amount of Aggregate Capital immediately after such receipt and corresponding Reinvestment shall be equal to the amount of Aggregate Capital immediately prior to such receipt.

(c) On each Settlement Date prior to the occurrence of the Amortization Date, the Servicer shall remit to the Agent's account the amounts set aside during the preceding Settlement Period that have not been subject to a Reinvestment and apply such amounts (if not previously paid in accordance with Section 2.1):

(i) first, to the payment of the Servicer's reasonable out-of-pocket costs and expenses in connection with servicing, administering and collecting the Receivables, including the Servicing Fee, if an Affiliate of the Seller is not then acting as the Servicer,

(ii) second, ratably to the payment of all accrued and unpaid CP Costs and Yield,

(iii) third, ratably to the payment of all accrued and unpaid fees under the Fee Letter,

(iv) fourth, to reduce the Capital of all Purchaser Interests of Terminating Financial Institutions to zero, applied ratably to each Terminating Financial Institution according to its respective Termination Percentage,

(v) fifth, to reduce Capital of outstanding Purchaser Interests in an amount, if any, necessary so that the aggregate of the Purchaser Interests does not exceed the Applicable Maximum Purchaser Interest applied ratably in accordance with the Capital Pro Rata Share of the Purchasers,

(vi) sixth, for the ratable payment of all other unpaid Obligations, provided that to the extent such Obligations relate to the payment of Servicer costs and expenses, including the Servicing Fee, when Seller or one of its Affiliates is acting as the Servicer, such costs and expenses will not be paid until after the payment in full of all other Obligations,

(vii) seventh, to fund any Aggregate Reduction on such Settlement Date applied ratably in accordance with the Capital Pro Rata Share of the Purchasers, and

(viii) eighth, any balance remaining thereafter shall be remitted from the Servicer to Seller on such Settlement Date.

In the event that, pursuant to Section 1.3, an Aggregate Reduction is to take place on a date other than a Settlement Date, on the date of such Aggregate Reduction, the Servicer shall remit to the Agent's account, out of the amounts set aside pursuant to this Section 2.2, an amount equal to such Aggregate Reduction to be applied in accordance with Section 1.3.

Section 2.3 Terminating Financial Institutions. Each Terminating Financial Institution shall be allocated a ratable portion of Collections and Deemed Collections from the date of its becoming a Terminating Financial Institution (the "Termination Date") until such Terminating Financial Institution's Capital shall be paid in full. This ratable portion shall be calculated on the Termination Date of each Terminating Financial Institution as a percentage equal to (i) Capital of such Terminating Financial Institution outstanding on its Termination Date, divided by (ii) the Aggregate Capital outstanding on such Termination Date (the "Termination Percentage"). Each Terminating Financial Institution's Termination Percentage shall remain constant prior to the Amortization Date. On and after the Amortization Date, each Termination Percentage shall be disregarded, and each Terminating Financial Institution's Capital shall be reduced ratably with all Purchasers in accordance with Section 2.4.

Section 2.4 Collections Following Amortization. On the Amortization Date and on each day thereafter, the Servicer shall set aside and hold in trust, for the holder of each Purchaser Interest, all Collections and Deemed Collections received on such day and an additional amount of funds for the payment of any accrued and unpaid Obligations owed by Seller and not previously paid by Seller in accordance with Section 2.1. On and on each day after the Amortization Date, the Servicer shall (i) remit to the Agent's account the amounts set aside pursuant to the preceding sentence, and (ii) apply such amounts to reduce the Aggregate Capital and any other Aggregate Unpaid.

Section 2.5 Application of Collections. If there shall be insufficient funds on deposit for the Servicer to distribute funds in payment in full of the aforementioned amounts pursuant to Section 2.4, the Servicer shall distribute funds:

- (i) first, to the payment of the Servicer's reasonable out-of-pocket costs and expenses in connection with servicing, administering and collecting the Receivables, including the Servicing Fee, if an Affiliate of the Seller is not then acting as the Servicer,
- (ii) second, to the reimbursement of the Agent's costs of collection and enforcement of this Agreement,
- (iii) third, ratably to the payment of all accrued and unpaid CP Costs, Yield and fees under the Fee Letter,
- (iv) fourth, (to the extent applicable) to the ratable reduction of the Aggregate Capital (without regard to any Termination Percentage),
- (v) fifth, for the ratable payment of all other unpaid Obligations, provided that to the extent such Obligations relate to the payment of Servicer costs and expenses, including the Servicing Fee, when Seller or one of its Affiliates is acting as the

Servicer, such costs and expenses will not be paid until after the payment in full of all other Obligations, and

(vi) sixth, after the Aggregate Unpaid have been indefeasibly reduced to zero, to Seller.

Collections applied to the payment of Aggregate Unpaid shall be distributed in accordance with the aforementioned provisions, and, giving effect to each of the priorities set forth above in this Section 2.5, shall be shared ratably (within each priority) among the Agent and the Purchasers in accordance with the amount of such Aggregate Unpaid owing to each of them in respect of each such priority.

Section 2.6 Payment Recission. No payment of any of the Aggregate Unpaid shall be considered paid or applied hereunder to the extent that, at any time, all or any portion of such payment or application is rescinded by application of law or judicial authority, or must otherwise be returned or refunded for any reason. Seller shall remain obligated for the amount of any payment or application so rescinded, returned or refunded, and shall promptly pay to the Agent (for application to the Person or Persons who suffered such recission, return or refund) the full amount thereof, plus the Default Fee from the date of any such recission, return or refunding.

Section 2.7 Maximum Purchaser Interests. Seller shall ensure that the Purchaser Interests of the Purchasers shall at no time exceed in the aggregate the Maximum Purchaser Interest at such time. If the aggregate of the Purchaser Interests of the Purchasers exceeds the Maximum Purchaser Interest, Seller shall pay to the Agent within one (1) Business Day an amount to be applied to reduce the Aggregate Capital (as allocated by the Agent), such that after giving effect to such payment the aggregate of the Purchaser Interests equals or is less than the Maximum Purchaser Interest. The Maximum Purchaser Interest shall be reduced during the months of November and December in accordance with the definition thereof if: (i) the Seller fails to make a request for the delivery of Bi-Weekly Reports on or prior to October 1 of any year in accordance with Section 8.5, (ii) the Agent does not consent to the delivery of Bi-Weekly Reports during the months of November and December, or (iii) at any time during such months, the Servicer fails to deliver a Bi-Weekly Report after the Agent has consented to such delivery.

Section 2.8 Clean Up Call. In addition to Seller's rights pursuant to Section 1.3, Seller shall have the right (after providing written notice to the Agent in accordance with the Required Notice Period), at any time following the reduction of the Aggregate Capital to a level that is less than 10.0% of the original Purchase Limit, to repurchase from the Purchasers all, but not less than all, of the then outstanding Purchaser Interests. The purchase price in respect thereof shall be an amount equal to the Aggregate Unpaid through the date of such repurchase, payable in immediately available funds. Such repurchase shall be without representation, warranty or recourse of any kind by, on the part of, or against any Purchaser or the Agent.

ARTICLE III
CONDUIT FUNDING

Section 3.1 CP Costs. Seller shall pay CP Costs with respect to the Capital associated with each Purchaser Interest of Conduit for each day that any Capital in respect of such Purchaser Interest is outstanding; provided, however, that at any time after the occurrence and during the continuance of an Amortization Event, Capital associated with each Purchaser Interest of Conduit shall accrue interest at a per annum rate equal to the Prime Rate plus 2.0%; provided, further, however, that any Purchaser Interest, or portion thereof, which, or an undivided interest in which, is being funded by the Financial Institutions, will accrue Yield pursuant to Article IV. Each Purchaser Interest funded substantially with Pooled Commercial Paper will accrue CP Costs each day on a pro rata basis, based upon the percentage share the Capital in respect of such Purchaser Interest represents in relation to all assets held by Conduit and funded substantially with Pooled Commercial Paper.

Section 3.2 CP Costs Payments. On each Settlement Date, Seller shall pay to the Agent (for the benefit of Conduit) an aggregate amount equal to all accrued and unpaid CP Costs in respect of the Capital associated with all Purchaser Interests of Conduit for the immediately preceding Accrual Period in accordance with Article II.

Section 3.3 Calculation of CP Costs. On the fifth Business Day immediately preceding each Settlement Date, Conduit shall calculate the aggregate amount of CP Costs for the applicable Accrual Period and shall notify Seller of such aggregate amount.

ARTICLE IV
FINANCIAL INSTITUTION FUNDING

Section 4.1 Financial Institution Funding. Each Purchaser Interest of the Financial Institutions shall accrue Yield for each day during its Tranche Period at either the LIBO Rate or the Prime Rate in accordance with the terms and conditions hereof. Until Seller gives notice to the Agent of another Bank Rate in accordance with Section 4.4, the initial Bank Rate for any Purchaser Interest transferred to the Financial Institutions pursuant to the terms and conditions hereof shall be the Prime Rate. If the Financial Institutions acquire by assignment from Conduit all or any portion of a Purchaser Interest (or an undivided interest therein) pursuant to the Liquidity Agreement, each Purchaser Interest so assigned shall each be deemed to have a new Tranche Period commencing on the date of any such assignment.

Section 4.2 Yield Payments. On the Settlement Date for each Purchaser Interest of the Financial Institutions, Seller shall pay to the Agent (for the benefit of the Financial Institutions) an aggregate amount equal to the accrued and unpaid Yield for the entire Tranche Period of such Purchaser Interest in accordance with Article II.

Section 4.3 Selection and Continuation of Tranche Periods.

(a) With consultation from (and approval by) the Agent (such approval not to be unreasonably withheld), Seller shall from time to time request Tranche Periods for the Purchaser Interests of the Financial Institutions, provided that, (i) if at any time the Financial Institutions shall have a Purchaser Interest, Seller shall always request Tranche Periods such that

at least one Tranche Period shall end on the date specified in clause (A) of the definition of Settlement Date and (ii) no more than 3 Tranche Periods shall be outstanding at any time.

(b) Seller or the Agent, upon notice to and consent by the other received at least three (3) Business Days prior to the last day of a Tranche Period (the "Terminating Tranche") for any Purchaser Interest, may, effective on such last day of the Terminating Tranche: (i) divide any such Purchaser Interest into multiple Purchaser Interests, (ii) combine any such Purchaser Interest with one or more other Purchaser Interests that have a Terminating Tranche ending on the same day as such Terminating Tranche or (iii) combine any such Purchaser Interest with a new Purchaser Interest to be purchased on the day such Terminating Tranche ends, provided, that in no event may a Purchaser Interest of Conduit be combined with a Purchaser Interest of the Financial Institutions.

Section 4.4 Financial Institution Bank Rates. Seller may, with the consent of the Agent, select the LIBO Rate or the Prime Rate for each Purchaser Interest of the Financial Institutions. Seller shall by 11:00 a.m. (Chicago time): (i) at least three (3) Business Days prior to the expiration of any Terminating Tranche with respect to which the LIBO Rate is being requested as a new Bank Rate and (ii) at least one (1) Business Day prior to the expiration of any Terminating Tranche with respect to which the Prime Rate is being requested as a new Bank Rate, give the Agent irrevocable notice of the requested new Bank Rate for the Purchaser Interest associated with such Terminating Tranche. Until Seller gives notice to the Agent of another Bank Rate, the initial Bank Rate for any Purchaser Interest transferred to the Financial Institutions pursuant to the terms and conditions hereof shall be the Prime Rate.

Section 4.5 Suspension of the LIBO Rate. (a) If any Financial Institution notifies the Agent that it has determined that funding its Pro Rata Share of the Purchaser Interests of the Financial Institutions at a LIBO Rate would violate any applicable law, rule, regulation, or directive of any governmental or regulatory authority, whether or not having the force of law, or that (i) deposits of a type and maturity appropriate to fund its Purchaser Interests at such LIBO Rate are not available or (ii) such LIBO Rate does not accurately reflect the cost of acquiring or maintaining a Purchaser Interest at such LIBO Rate, then the Agent shall suspend the availability of such LIBO Rate and, select the Prime Rate for any Purchaser Interest accruing Yield at such LIBO Rate, and the then current Tranche Period for such Purchaser Interest shall thereupon be terminated and a new Tranche Period based upon the Prime Rate shall commence.

(a) If less than all of the Financial Institutions give a notice to the Agent pursuant to Section 4.5(a), each Financial Institution which gave such a notice shall be obligated, at the request of Seller, Conduit or the Agent, to assign all of its rights and obligations hereunder to (i) another Financial Institution or (ii) another funding entity nominated by Seller or the Agent that is acceptable to Conduit and willing to participate in this Agreement and the related Liquidity Agreement through the Liquidity Termination Date in the place of such notifying Financial Institution; provided that (i) the notifying Financial Institution receives payment in full, pursuant to an Assignment Agreement, of an amount equal to such notifying Financial Institution's Pro Rata Share of the Capital and Yield owing to all of the Financial Institutions and all accrued but unpaid fees and other costs and expenses payable in respect of its Pro Rata Share of the Purchaser Interests of the Financial Institutions, and (ii) the replacement Financial Institution otherwise satisfies the requirements of Section 12.1(b).

Section 4.6 Liquidity Agreement Fundings. The parties hereto acknowledge that Conduit may put all or any portion of its Purchaser Interests to the Financial Institutions at any time pursuant to the Liquidity Agreement to finance or refinance the necessary portion of its Purchaser Interests through a funding under the Liquidity Agreement to the extent available. The fundings under the Liquidity Agreement will accrue interest at the Bank Rate in accordance with this Article IV. Regardless of whether a funding of Purchaser Interests by the Financial Institutions constitutes the direct purchase of a Purchaser Interest hereunder, an assignment under the Liquidity Agreement of a Purchaser Interest originally funded by Conduit or the sale of one or more participations under the Liquidity Agreement in a Purchaser Interest originally funded by Conduit, each Financial Institution participating in a funding of a Purchaser Interest shall have the rights and obligations of a "Purchaser" hereunder with the same force and effect as if it had directly purchased such Purchaser Interest from Seller hereunder.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

Section 5.1 Representations and Warranties of The Seller Parties. Each Seller Party hereby represents and warrants to the Agent and the Purchasers, as to itself, as of the date hereof and as of the date of each Incremental Purchase and the date of each Reinvestment that:

(a) Corporate Existence and Power. Such Seller Party is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation. Such Seller Party is duly qualified to do business and is in good standing and has and holds all corporate power and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is conducted, except with respect to the Servicer only, to the extent that the failure to qualify or to hold such governmental licenses, authorizations, consents and approvals could not reasonably be expected to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization, Execution and Delivery. The execution and delivery by such Seller Party of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder and, in the case of Seller, Seller's use of the proceeds of purchases made hereunder, are within its corporate powers and authority and have been duly authorized by all necessary corporate action on its part. This Agreement and each other Transaction Document to which such Seller Party is a party has been duly executed and delivered by such Seller Party.

(c) No Conflict. The execution and delivery by such Seller Party of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder do not contravene or violate (i) its certificate or articles of incorporation or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, except to the extent such violation or contravention could not reasonably be expected to have a Material Adverse Effect, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on assets of such Seller Party or its Subsidiaries (except as created

hereunder); and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(d) Governmental Authorization. Other than the filing of the financing statements required hereunder, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by such Seller Party of this Agreement and each other Transaction Document to which it is a party and the performance of its obligations hereunder and thereunder.

(e) Actions, Suits. There are no actions, suits or proceedings pending, or to the best of such Seller Party's knowledge, threatened, against or affecting such Seller Party, or any of its properties, in or before any court, arbitrator or other body, that could reasonably be expected to have a Material Adverse Effect. Such Seller Party is not in default with respect to any order of any court, arbitrator or governmental body.

(f) Binding Effect. This Agreement and each other Transaction Document to which such Seller Party is a party constitute the legal, valid and binding obligations of such Seller Party enforceable against such Seller Party in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(g) Accuracy of Information. All information heretofore furnished by such Seller Party or any of its Affiliates to the Agent or the Purchasers for purposes of or in connection with this Agreement, any Monthly Report, any of the other Transaction Documents or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by such Seller Party or any of its Affiliates to the Agent or the Purchasers will be, true and accurate in every material respect on the date such information is stated or certified and does not and will not contain any material misstatement of fact or omit to state a material fact or any fact necessary to make the statements contained therein not misleading.

(h) Use of Proceeds. No proceeds of any purchase hereunder will be used (i) for a purpose that violates, or would be inconsistent with, Regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time or (ii) to acquire any security in any transaction which is subject to Section 12, 13 or 14 of the Securities Exchange Act of 1934, as amended.

(i) Good Title. Immediately prior to each purchase hereunder, Seller shall be the legal and beneficial owner of the Receivables and Related Security with respect thereto, free and clear of any Adverse Claim, except as created by the Transaction Documents. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Seller's ownership interest in each Receivable, its Collections and the Related Security.

(j) Perfection. This Agreement, together with the filing of the financing statements contemplated hereby, is effective to, and shall, upon each purchase hereunder, transfer to the Agent for the benefit of the relevant Purchaser or Purchasers (and the Agent for

the benefit of such Purchaser or Purchasers shall acquire from Seller) a valid and perfected first priority undivided percentage ownership or security interest in each Receivable existing or hereafter arising and in the Related Security and Collections with respect thereto, free and clear of any Adverse Claim, except as created by the Transactions Documents. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Agent's (on behalf of the Purchasers) ownership or security interest in the Receivables, the Related Security and the Collections.

(k) Places of Business and Locations of Records. The principal places of business and chief executive office of such Seller Party and the offices where it keeps all of its Records are located at the address(es) listed on Exhibit III or such other locations of which the Agent has been notified in accordance with Section 7.2(a) in jurisdictions where all action required by Section 7.2(a) has been taken and completed. Seller's Delaware organizational identification number and Federal Employer Identification Number is correctly set forth on Exhibit III.

(l) Collections. The conditions and requirements set forth in Section 7.1(j) and Section 8.2 have at all times been satisfied and duly performed. The names and addresses of all Collection Banks, together with the account numbers of the Collection Accounts of Seller at each Collection Bank and the post office box number of each Lock-Box, are listed on Exhibit IV. Seller has not granted any Person, other than the Agent as contemplated by this Agreement, dominion and control of any Lock-Box or Collection Account, or the right to take dominion and control of any such Lock-Box or Collection Account at a future time or upon the occurrence of a future event.

(m) Material Adverse Effect. The initial Servicer represents and warrants that since December 31, 2002, no event has occurred that would have a material adverse effect on the financial condition or operations of the initial Servicer and its Subsidiaries (taken as a whole) or the ability of the initial Servicer to perform its obligations under this Agreement, and (ii) Seller represents and warrants that since the date of this Agreement, no event has occurred that would have a material adverse effect on (A) the financial condition or operations of Seller, (B) the ability of Seller to perform its obligations under the Transaction Documents, or (C) the collectibility of the Receivables generally or any material portion of the Receivables.

(n) Names. Seller has not used any corporate names, trade names or assumed names other than the name in which it has executed this Agreement.

(o) Ownership of Seller. Lennox International indirectly owns 100% of the issued and outstanding capital stock of Seller, Heatcraft Technologies Inc. directly owns 85% of the issued and outstanding common stock of Seller, each of Armstrong, Hearth and Excel directly owns 5% of the issued and outstanding common stock of Seller and each of Armstrong and Hearth directly owns 100% of the issued and outstanding preferred stock of Seller, in each case free and clear of any Adverse Claim. Such capital stock is validly issued, fully paid and nonassessable, and there are no options, warrants or other rights to acquire securities of Seller.

(p) Not a Holding Company or an Investment Company. Such Seller Party is not a "holding company" or a "subsidiary holding company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or any successor statute. Such Seller Party is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or any successor statute.

(q) Compliance with Law. Such Seller Party has complied in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. Each Receivable, together with the Contract related thereto, does not contravene any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy), and no part of such Contract is in violation of any such law, rule or regulation, except where such contravention or violation could not reasonably be expected to have a Material Adverse Effect.

(r) Compliance with Credit and Collection Policy. Such Seller Party has complied in all material respects with the applicable Credit and Collection Policy with regard to each Receivable and the related Contract, and has not made any change to such Credit and Collection Policy, other than as permitted under Section 7.2 and in compliance with the notification requirements of Section 7.1(a)(vii).

(s) Payments to Originators. With respect to each Receivable transferred to Seller under the Receivables Sale Agreement, Seller has given reasonably equivalent value to the applicable Originator in consideration therefor and such transfer was not made for or on account of an antecedent debt. No transfer by any Originator of any Receivable under the Receivables Sale Agreement is or may be voidable under any section of the Bankruptcy Reform Act of 1978 (11 U.S.C. Sections 101 et seq.), as amended.

(t) Enforceability of Contracts. Each Contract with respect to each Receivable is effective to create, and has created, a legal, valid and binding obligation of the related Obligor to pay the Outstanding Balance of the Receivable created thereunder and any accrued interest thereon, enforceable against the Obligor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(u) Eligible Receivables. Each Receivable included in the Net Receivables Balance as an Eligible Receivable on the date of its purchase under the Receivables Sale Agreement was an Eligible Receivable on such purchase date.

(v) Net Receivables Balance. Seller has determined that, immediately after giving effect to each purchase hereunder, the Net Receivables Balance is at least equal to the sum of (i) the Aggregate Capital, plus (ii) the Aggregate Reserves.

(w) Accounting. The manner in which such Seller Party accounts for the transactions contemplated by this Agreement and the Receivables Sale Agreement does not jeopardize the true sale analysis.

Section 5.2 Financial Institution Representations and Warranties. Each Financial Institution hereby represents and warrants to the Agent and Conduit that:

(a) Existence and Power. Such Financial Institution is a corporation or a banking association duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, and has all corporate power to perform its obligations hereunder.

(b) No Conflict. The execution and delivery by such Financial Institution of this Agreement and the performance of its obligations hereunder are within its corporate powers, have been duly authorized by all necessary corporate action, do not contravene or violate (i) its certificate or articles of incorporation or association or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on its assets. This Agreement has been duly authorized, executed and delivered by such Financial Institution.

(c) Governmental Authorization. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by such Financial Institution of this Agreement and the performance of its obligations hereunder.

(d) Binding Effect. This Agreement constitutes the legal, valid and binding obligation of such Financial Institution enforceable against such Financial Institution in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law).

ARTICLE VI CONDITIONS OF PURCHASES

Section 6.1 Conditions Precedent to Initial Incremental Purchase. The initial Incremental Purchase of a Purchaser Interest under this Agreement is subject to the conditions precedent (a) that the Agent shall have received on or before the date of such purchase: (i) the satisfactory report of the Agent's auditors; (ii) those documents listed on Schedule B; (iii) a pro forma Monthly Report covering the immediately preceding Accrual Period and (iv) all fees and expenses required to be paid on such date pursuant to the terms of this Agreement and the Fee Letter and (b) the Servicer shall have complied (and have caused the Originators to comply) with the requirements of Section 7.1(e).

Section 6.2 Conditions Precedent to All Purchases and Reinvestments. Each purchase of a Purchaser Interest (other than pursuant to Section 12.1) and each Reinvestment

shall be subject to the further conditions precedent that (a) in the case of each such purchase or Reinvestment: (i) the Servicer shall have delivered to the Agent on or prior to the date of such purchase, in form and substance satisfactory to the Agent, all Monthly Reports and Weekly Reports as and when due under Section 8.5 and (ii) upon the Agent's request, the Servicer shall have delivered to the Agent at least three (3) days prior to such purchase or Reinvestment an interim Monthly Report showing the amount of Eligible Receivables; (b) the Facility Termination Date shall not have occurred; (c) the Agent shall have received such other approvals, opinions or documents as it may reasonably request and (d) on the date of each such Incremental Purchase or Reinvestment, the following statements shall be true (and acceptance of the proceeds of such Incremental Purchase or Reinvestment shall be deemed a representation and warranty by Seller that such statements are then true):

(i) the representations and warranties set forth in Section 5.1 are true and correct in all material respects (except that the materiality standard in this clause (i) shall not apply to any such representation or warranty which is qualified by a materiality standard by its terms) on and as of the date of such Incremental Purchase or Reinvestment as though made on and as of such date;

(ii) no event has occurred and is continuing, or would result from such Incremental Purchase or Reinvestment, that will constitute an Amortization Event, and no event has occurred and is continuing, or would result from such Incremental Purchase or Reinvestment, that would constitute a Potential Amortization Event;

(iii) the Aggregate Capital does not exceed the Purchase Limit and the aggregate Purchaser Interests do not exceed the Maximum Purchaser Interest; and

(iv) after giving effect to such Incremental Purchase or Reinvestment, the Weighted Average Term (with respect to Receivables included in the Net Receivables Balance) shall not exceed 60 days.

It is expressly understood that each Reinvestment shall, unless otherwise directed by the Agent or any Purchaser, occur automatically on each day that the Servicer shall receive any Collections without the requirement that any further action be taken on the part of any Person and notwithstanding the failure of Seller to satisfy any of the foregoing conditions precedent in respect of such Reinvestment. The failure of Seller to satisfy any of the foregoing conditions precedent in respect of any Reinvestment shall give rise to a right of the Agent, which right may be exercised at any time on demand of the Agent, to rescind the related purchase and direct Seller to pay to the Agent for the benefit of the Purchasers an amount equal to the Collections prior to the Amortization Date that shall have been applied to the affected Reinvestment.

ARTICLE VII COVENANTS

Section 7.1 Affirmative Covenants of The Seller Parties.
Until the date on which the Aggregate Unpaid have been indefeasibly paid in full and this Agreement terminates in accordance with its terms, each Seller Party hereby covenants, as to itself, as set forth below:

(a) Financial Reporting. Such Seller Party will maintain, for itself and each of its Subsidiaries, a system of accounting established and administered in accordance with GAAP, and furnish or cause to be furnished to the Agent:

(i) Annual Reporting. Within 90 days after the close of each of its respective fiscal years, audited, unqualified financial statements (which shall include balance sheets, statements of income and retained earnings and a statement of cash flows) for the Seller and Lennox International and its consolidated Subsidiaries for such fiscal year certified in a manner acceptable to the Agent by independent public accountants reasonably acceptable to the Agent.

(ii) Quarterly Reporting. Within 45 days after the close of the first three (3) quarterly periods of each of its respective fiscal years, balance sheets of Lennox International and its consolidated Subsidiaries, and the Seller as at the close of each such period and statements of income and retained earnings and a statement of cash flows for each such Person for the period from the beginning of such fiscal year to the end of such quarter, all certified by its respective chief financial officer.

(iii) Compliance Certificate. Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit V signed by such Seller Party's chief financial officer and dated the date of such annual financial statement or such quarterly financial statement, as the case may be.

(iv) Shareholders Statements and Reports. Promptly upon the furnishing thereof to the shareholders of such Seller Party, each Originator or Lennox International copies of all financial statements, reports and proxy statements so furnished.

(v) S.E.C. Filings. Promptly upon the filing thereof, copies of all final registration statements (excluding exhibits) other than registration statements relating to employee benefit plans and annual, quarterly, monthly or other regular periodic reports which such Seller Party, each Originator, Lennox International or any of its Subsidiaries files with the Securities and Exchange Commission.

(vi) Copies of Notices. Promptly upon its receipt of any notice, request for consent, financial statements, certification, report or other communication under or in connection with any Transaction Document from any Person other than the Agent or Conduit, copies of the same.

(vii) Change in Credit and Collection Policy. At least thirty (30) days prior to the effectiveness of any material change in or material amendment to the Credit and Collection Policy, a copy of the Credit and Collection Policy then in effect and a notice (A) indicating such change or amendment, and (B) if such proposed change or amendment would be reasonably likely to adversely affect the collectibility of the Receivables or decrease the credit quality of any newly created Receivables, requesting the Agent's consent thereto.

(viii) Other Information. Promptly, from time to time, such other information, documents, records or reports relating to the Receivables or the condition or

operations, financial or otherwise, of such Seller Party as the Agent may from time to time reasonably request in order to protect the interests of the Agent and the Purchasers under or as contemplated by this Agreement.

(b) Notices. Such Seller Party will notify the Agent in writing of any of the following promptly upon learning of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:

(i) Amortization Events or Potential Amortization Events. The occurrence of each Amortization Event and each Potential Amortization Event, by a statement of an Authorized Officer of such Seller Party.

(ii) Judgment and Proceedings. (A) (1) The entry of any judgment or decree against Lennox International or any of its Subsidiaries if the aggregate amount of all judgments and decrees then outstanding against Lennox International and its Subsidiaries exceeds \$10,000,000 and (2) the institution of any litigation, arbitration proceeding or governmental proceeding against Lennox International or any of its Subsidiaries which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect; and (B) the entry of any judgment or decree or the institution of any litigation, arbitration proceeding or governmental proceeding against Seller.

(iii) Material Adverse Effect. The occurrence of any event or condition that has had, or could reasonably be expected to have, a Material Adverse Effect.

(iv) Termination Date. The occurrence of a "Termination Date" under and as defined in the Receivables Sale Agreement.

(v) Defaults Under Other Agreements. The occurrence of a default or an event of default under any other financing arrangement pursuant to which such Seller Party is a debtor or an obligor, that, with respect to the Servicer, could reasonably be expected to have a Material Adverse Effect.

(c) Compliance with Laws and Preservation of Corporate Existence. (i) Such Seller Party will comply in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. (ii) Such Seller Party will preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where its business is conducted, except where the failure to be so qualified could not reasonably be expected to have a Material Adverse Effect.

(d) Audits. Such Seller Party will furnish to the Agent from time to time such information with respect to it and the Receivables as the Agent may reasonably request. Such Seller Party will, from time to time during regular business hours as requested by the Agent upon reasonable notice and at the sole cost of such Seller Party, permit the Agent, or its agents or representatives (and shall cause each Originator to permit the Agent or its agents or representatives), (i) to examine and make copies of and abstracts from all Records in the

possession or under the control of such Person relating to the Receivables and the Related Security, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of such Person for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to such Person's financial condition or the Receivables and the Related Security or any Person's performance under any of the Transaction Documents or any Person's performance under the Contracts and, in each case, with any of the officers or employees of Seller or the Servicer having knowledge of such matters; provided that (A) during a Level One Enhancement Period and prior to the occurrence of an Amortization Event, the Seller Parties shall be responsible for the cost of only one audit at each location of the Originators and the Seller Parties during any 12 month period beginning on the date hereof or any anniversary of the date hereof and (B) during a Level Two Enhancement Period and prior to the occurrence of an Amortization Event, the Seller Parties shall be responsible for the cost of only two audits at each location of the Originators and the Seller Parties during any 12 month period beginning on the date hereof or any anniversary of the date hereof.

(e) Keeping and Marking of Records and Books.

(i) The Servicer will (and will cause each Originator to) maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the immediate identification of each new Receivable and all Collections of and adjustments to each existing Receivable). The Servicer will (and will cause each Originator to) give the Agent notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) Such Seller Party will (and will cause each Originator to) (A) on or prior to the date hereof, mark its master data processing records and other books and records relating to the Purchaser Interests with a legend, acceptable to the Agent, describing the Purchaser Interests and (B) upon the request of the Agent (x) mark each Contract with a legend describing the Purchaser Interests and (y) deliver to the Agent all Contracts (including, without limitation, all multiple originals of any such Contract) relating to the Receivables.

(f) Compliance with Contracts and Credit and Collection Policy. Such Seller Party will (and will cause each Originator to) timely and fully (i) perform and comply with all material provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables, and (ii) comply in all respects with the Credit and Collection Policy in regard to each Receivable and the related Contract.

(g) Performance and Enforcement of Receivables Sale Agreement and Stock Purchase Agreement. Seller will, and will require each Originator to, perform each of their respective obligations and undertakings under and pursuant to the Receivables Sale Agreement and the Stock Purchase Agreement, will purchase Receivables thereunder in strict compliance with the terms thereof and will vigorously enforce the rights and remedies accorded to Seller

under the Receivables Sale Agreement and the Stock Purchase Agreement. Seller will take all actions to perfect and enforce its rights and interests (and the rights and interests of the Agent and the Purchasers as assignees of Seller) under the Receivables Sale Agreement and the Stock Purchase Agreement as the Agent may from time to time reasonably request, including, without limitation, making claims to which it may be entitled under any indemnity, reimbursement or similar provision contained in the Receivables Sale Agreement. Seller will cause Armstrong to take all actions to perfect and enforce Armstrong's rights and interests under the Sale and Assignment as the Agent may from time to time reasonably request.

(h) Ownership. Seller will (or will cause each Originator to) take all necessary action to (i) vest legal and equitable title to the Receivables, the Related Security and the Collections purchased under the Sale and Assignment irrevocably in Armstrong and purchased under the Receivables Sale Agreement irrevocably in Seller, in each case free and clear of any Adverse Claims other than Adverse Claims in favor of the Agent and the Purchasers (including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Armstrong's and Seller's interest in such Receivables, Related Security and Collections and such other action to perfect, protect or more fully evidence the interest of Armstrong and Seller therein as the Agent may reasonably request), and (ii) establish and maintain, in favor of the Agent, for the benefit of the Purchasers, a valid and perfected first priority undivided percentage ownership interest (and/or a valid and perfected first priority security interest) in all Receivables, Related Security and Collections to the full extent contemplated herein, free and clear of any Adverse Claims other than Adverse Claims in favor of the Agent for the benefit of the Purchasers (including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Agent's (for the benefit of the Purchasers) interest in such Receivables, Related Security and Collections and such other action to perfect, protect or more fully evidence the interest of the Agent for the benefit of the Purchasers as the Agent may reasonably request).

(i) Purchasers' Reliance. Seller acknowledges that the Purchasers are entering into the transactions contemplated by this Agreement in reliance upon Seller's identity as a legal entity that is separate from Lennox International or any Affiliate thereof (each a "Lennox Entity"). Therefore, from and after the date of execution and delivery of this Agreement, Seller shall take all reasonable steps, including, without limitation, all steps that the Agent or any Purchaser may from time to time reasonably request, to maintain Seller's identity as a separate legal entity and to make it manifest to third parties that Seller is an entity with assets and liabilities distinct from those of each Lennox Entity and not just a division of a Lennox Entity. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, Seller will:

(A) conduct its own business in its own name and require that all full-time employees of Seller, if any, identify themselves as such and not as employees of any Lennox Entity (including, without limitation, by means of providing appropriate employees with business or identification cards identifying such employees as Seller's employees);

(B) compensate all employees, consultants and agents directly, from Seller's own funds, for services provided to Seller by such employees, consultants and agents and, to the extent any employee, consultant or agent of Seller is also an employee, consultant or agent of any Lennox Entity, allocate the compensation of such employee, consultant or agent between Seller and such Lennox Entity, on a basis that reflects the services rendered to Seller and such Lennox Entity;

(C) clearly identify its offices (by signage or otherwise) as its offices and, if such office is located in the offices of any Lennox Entity, Seller shall lease such office at a fair market rent;

(D) have a separate telephone number, which will be answered only in its name and separate stationery, invoices and checks, if any, in its own name;

(E) conduct all transactions with each Lennox Entity strictly on an arm's-length basis, allocate all overhead expenses (including, without limitation, telephone and other utility charges) for items shared between Seller and any Lennox Entity on the basis of actual use to the extent practicable and, to the extent such allocation is not practicable, on a basis reasonably related to actual use;

(F) at all times have a Board of Directors consisting of three members, at least one member of which is an Independent Director;

(G) observe all corporate formalities as a distinct entity, and ensure that all corporate actions relating to (A) the selection, maintenance or replacement of the Independent Director, (B) the dissolution or liquidation of Seller or (C) the initiation of, participation in, acquiescence in or consent to any bankruptcy, insolvency, reorganization or similar proceeding involving Seller, are duly authorized by unanimous vote of its Board of Directors (including the Independent Director);

(H) maintain Seller's books and records separate from those of any Lennox Entity and otherwise readily identifiable as its own assets rather than assets of such Lennox Entity;

(I) prepare its financial statements separately from those of any Lennox Entity and insure that any consolidated financial statements of any Lennox Entity that include Seller and that are filed with the Securities and Exchange Commission or any other governmental agency have notes clearly stating that Seller is a separate corporate entity and that its assets will be available first and foremost to satisfy the claims of the creditors of Seller;

(J) except as herein specifically otherwise provided, maintain the funds or other assets of Seller separate from, and not commingled with, those of any Lennox Entity and only maintain bank accounts or other depository accounts to which Seller alone is the account party, into which Seller alone makes deposits and from which Seller alone (or the Agent hereunder) has the power to make withdrawals;

(K) pay all of Seller's operating expenses from Seller's own assets (except for certain payments by any Lennox Entity or other Persons pursuant to allocation arrangements that comply with the requirements of this Section 7.1(i));

(L) operate its business and activities such that: it does not engage in any business or activity of any kind, or enter into any transaction or indenture, mortgage, instrument, agreement, contract, lease or other undertaking, other than the transactions contemplated and authorized by this Agreement and the Receivables Sale Agreement; and does not create, incur, guarantee, assume or suffer to exist any indebtedness or other liabilities, whether direct or contingent, other than (1) as a result of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, (2) the incurrence of obligations under this Agreement, (3) the incurrence of obligations, as expressly contemplated in the Receivables Sale Agreement, to make payment to each Originator thereunder for the purchase of Receivables from each Originator under the Receivables Sale Agreement, and (4) the incurrence of operating expenses in the ordinary course of business of the type otherwise contemplated by this Agreement;

(M) maintain its corporate charter in conformity with this Agreement, such that it does not amend, restate, supplement or otherwise modify its Certificate of Incorporation or By-Laws in any respect that would impair its ability to comply with the terms or provisions of any of the Transaction Documents, including, without limitation, Section 7.1(i) of this Agreement;

(N) maintain the effectiveness of, and continue to perform under the Receivables Sale Agreement, the Stock Purchase Agreement and the Performance Guaranty, such that it does not amend, restate, supplement, cancel, terminate or otherwise modify the Receivables Sale Agreement, the Stock Purchase Agreement or the Performance Guaranty, or give any consent, waiver, directive or approval thereunder or waive any default, action, omission or breach under the Receivables Sale Agreement, the Stock Purchase Agreement or the Performance Guaranty or otherwise grant any indulgence thereunder, without (in each case) the prior written consent of the Agent;

(O) maintain its corporate separateness such that it does not merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions, and except as otherwise contemplated herein) all or substantially all of its assets (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets of, any Person, nor at any time create, have, acquire, maintain or hold any interest in any Subsidiary;

(P) maintain at all times the Required Capital Amount (as defined in the Receivables Sale Agreement), at all times after the execution of the Credit Agreement by Lennox International, refrain from making any dividend, distribution, or redemption of capital stock which would cause the Required Capital Amount to cease to be so maintained, and refrain from making any payment of any subordinated

indebtedness which would cause the Required Capital Amount to cease to be so maintained; and

(Q) take such other actions as are necessary on its part to ensure that the facts and assumptions set forth in the opinion issued by Locke Liddell & Sapp LLP, as counsel for Seller, in connection with the closing or initial Incremental Purchase under this Agreement and relating to true sale and substantive consolidation issues, and in the certificates accompanying such opinion, remain true and correct in all material respects at all times.

(j) Collections. Such Seller Party will cause (1) all Collections to be remitted by the Obligor directly to either a Lock-Box or a Collection Account, (2) all proceeds from all Lock-Boxes to be directly deposited by a Collection Bank into a Collection Account and (3) each Lock-Box and Collection Account to be subject at all times to a Collection Account Agreement that is in full force and effect; provided that Seller shall have 30 days after the date hereof to deliver a fully executed Collection Account Agreement with respect to the Lock-Box and Collection Account into which Collections of Receivables originated by Hearst are deposited. In the event any payments relating to Receivables are remitted directly to Seller or any Affiliate of Seller, Seller will remit (or will cause all such payments to be remitted) directly to a Collection Bank and deposited into a Collection Account within two (2) Business Days following receipt thereof, and, at all times prior to such remittance, Seller will itself hold or, if applicable, will cause such payments to be held in trust for the exclusive benefit of the Agent and the Purchasers. Seller will maintain exclusive ownership, dominion and control (subject to the terms of this Agreement) of each Lock-Box and Collection Account and shall not grant the right to take dominion and control of any Lock-Box or Collection Account at a future time or upon the occurrence of a future event to any Person, except to the Agent as contemplated by this Agreement.

(k) Taxes. Such Seller Party will file all tax returns and reports required by law to be filed by it and will promptly pay all taxes and governmental charges at any time owing, except any such taxes which are not yet delinquent or are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books. Seller will pay when due any taxes payable in connection with the Receivables, exclusive of taxes on or measured by income or gross receipts of Conduit, the Agent or any Financial Institution.

(l) Insurance. Seller will maintain in effect, or cause to be maintained in effect, at Seller's own expense, such casualty and liability insurance as Seller shall deem appropriate in its good faith business judgment.

(m) Payment to Originators. With respect to any Receivable purchased by Seller from an Originator, such sale shall be effected under, and in strict compliance with the terms of, the Receivables Sale Agreement, including, without limitation, the terms relating to the amount and timing of payments to be made to such Originator in respect of the purchase price for such Receivable.

Section 7.2 Negative Covenants of the Seller Parties. Until the date on which the Aggregate Unpaid have been indefeasibly paid in full and this Agreement terminates in accordance with its terms, each Seller Party hereby covenants, as to itself, that:

(a) Name Change, Offices and Records. Such Seller Party will not (and will not permit any Originator to) (i) make any change to its name (within the meaning of Section 9-507(c) of any applicable enactment of the UCC), identity, corporate structure or chief executive office or location of books and records unless, at least thirty (30) days prior to the effective date of any such name change, change in corporate structure, or change in location of its chief executive office or books and records such Seller Party notifies the Agent thereof and delivers to the Agent such financing statements (Forms UCC-1 and UCC-3) authorized or executed by such Seller Party (if required under applicable law) which the Agent may reasonably request to reflect such name change, location change, or change in corporate structure, together with such other documents and instruments that the Agent may request in connection therewith and has taken all other steps to ensure that the Agent, for the benefit of itself and the Purchasers, continues to have a first priority, perfected ownership or security interest in the Receivables, the Related Security related thereto and any Collections thereon, or (ii) change its jurisdiction of organization unless the Agent shall have received from such Seller Party, prior to such change, (A) those items described in clause (i) hereof, and (B) if the Agent or any Purchaser shall so request, an opinion of counsel, in form and substance reasonably satisfactory to such Person, as to such organization and the applicable Seller Party's valid existence and good standing and the perfection and priority of the Agent's ownership or security interest in the Receivables, the Related Security and Collections.

(b) Change in Payment Instructions to Obligors. Except as may be required by the Agent pursuant to Section 8.2(b), such Seller Party will not add or terminate any bank as a Collection Bank, or make any change in the instructions to Obligors regarding payments to be made to any Lock-Box or Collection Account, unless the Agent shall have received, at least ten (10) days before the proposed effective date therefor, (i) written notice of such addition, termination or change and (ii) with respect to the addition of a Collection Bank or a Collection Account or Lock-Box, an executed Collection Account Agreement with respect to the new Collection Account or Lock-Box; provided, however, that the Servicer may make changes in instructions to Obligors regarding payments if such new instructions require such Obligor to make payments to another existing Collection Account or Lock-Box.

(c) Modifications to Contracts and Credit and Collection Policy. Such Seller Party will not, and will not permit any Originator to, make any change to the Credit and Collection Policy that could adversely affect the collectibility of the Receivables or decrease the credit quality of any newly created Receivables. Except as provided in Section 8.2(d), the Servicer will not, and will not permit any Originator to, extend, amend or otherwise modify the terms of any Receivable or any Contract related thereto other than in accordance with the Credit and Collection Policy.

(d) Sales, Liens. Seller will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to, any Receivable, Related Security or Collections, or upon or with respect to any

Contract under which any Receivable arises, or any Lock-Box or Collection Account, or assign any right to receive income with respect thereto (other than, in each case, the creation of the interests therein in favor of the Agent and the Purchasers provided for herein), and Seller will defend the right, title and interest of the Agent and the Purchasers in, to and under any of the foregoing property, against all claims of third parties claiming through or under Seller or any Originator. Seller will not create or suffer to exist any mortgage, pledge, security interest, encumbrance, lien, charge or other similar arrangement on any of its inventory, the financing or lease of which gives rise to a Receivable.

(e) Net Receivables Balance. At no time prior to the Amortization Date shall Seller permit the Net Receivables Balance to be less than an amount equal to the sum of (i) the Aggregate Capital plus (ii) the Aggregate Reserves.

(f) Termination Date Determination. Seller will not designate the Termination Date (as defined in the Receivables Sale Agreement) with respect to any Originator, or send any written notice to any Originator in respect thereof, without the prior written consent of the Agent, except with respect to the occurrence of such Termination Date arising pursuant to Section 5.1(d) of the Receivables Sale Agreement.

(g) Restricted Junior Payments. From and after the occurrence of any Amortization Event, Seller will not make any Restricted Junior Payment if, after giving effect thereto, Seller would fail to meet its obligations set forth in Section 7.2(e).

ARTICLE VIII ADMINISTRATION AND COLLECTION

Section 8.1 Designation of Servicer. (a) The servicing, administration and collection of the Receivables shall be conducted by such Person (the "Servicer") so designated from time to time in accordance with this Section 8.1. Lennox is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms of this Agreement. The Agent may at any time following the occurrence and during the continuance of an Amortization Event, designate as Servicer any Person to succeed Lennox or any successor Servicer.

(a) Without the prior written consent of the Agent and the Required Financial Institutions, Lennox shall not be permitted to delegate any of its duties or responsibilities as Servicer to any Person other than (i) each Originator with respect to the Receivables originated by such Originator and (ii) with respect to certain Charged-Off Receivables and Defaulted Receivables, outside collection agencies in accordance with its customary practices. The Originators shall not be permitted to further delegate to any other Person any of the duties or responsibilities of the Servicer delegated to it by Lennox. If at any time following the occurrence and during the continuance of an Amortization Event, the Agent shall designate as Servicer any Person other than Lennox, all duties and responsibilities theretofore delegated by Lennox to the Originators may, at the discretion of the Agent, be terminated forthwith on notice given by the Agent to Lennox and to the Originators.

(b) Notwithstanding any delegation by Lennox pursuant to the foregoing subsection (b), (i) Lennox shall be and remain primarily liable to the Agent and the Purchasers for the full and prompt performance of all duties and responsibilities of the Servicer hereunder and (ii) the Agent and the Purchasers shall be entitled to deal exclusively with Lennox in matters relating to the discharge by the Servicer of its duties and responsibilities hereunder. The Agent and the Purchasers shall not be required to give notice, demand or other communication to any Person other than Lennox in order for communication to the Servicer and its sub-servicer or other delegate with respect thereto to be accomplished. Lennox, at all times that it is the Servicer, shall be responsible for providing any sub-servicer or other delegate of the Servicer with any notice given to the Servicer under this Agreement.

Section 8.2 Duties of Servicer. (a) The Servicer shall take or cause to be taken all such actions as may be necessary or advisable to collect each Receivable from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy.

(a) The Servicer will instruct all Obligor to pay all Collections directly to a Lock-Box or Collection Account. The Servicer shall effect a Collection Account Agreement substantially in the form of Exhibit VI with each bank maintaining a Collection Account at any time; provided that the Servicer shall have 30 days after the date hereof to deliver a fully executed Collection Account Agreement with respect to the Lock-Box and Collection Account into which Collections of Receivables originated by Hearth are deposited. In the case of any remittances received in any Lock-Box or Collection Account that shall have been identified, to the satisfaction of the Servicer, to not constitute Collections or other proceeds of the Receivables or the Related Security, the Servicer shall promptly remit such items to the Person identified to it as being the owner of such remittances. From and after the date the Agent delivers to any Collection Bank a Collection Notice pursuant to Section 8.3, the Agent may request that the Servicer, and the Servicer thereupon promptly shall instruct all Obligor with respect to the Receivables, to remit all payments thereon to a new depository account specified by the Agent and, at all times thereafter, Seller and the Servicer shall not deposit or otherwise credit, and shall not permit any other Person to deposit or otherwise credit to such new depository account any cash or payment item other than Collections.

(b) The Servicer shall administer the Collections in accordance with the procedures described herein and in Article II. The Servicer shall set aside and hold in trust for the account of Seller and the Purchasers their respective shares of the Collections in accordance with Article II. The Servicer shall, upon the request of the Agent, segregate, in a manner acceptable to the Agent, all cash, checks and other instruments received by it from time to time constituting Collections from the general funds of the Servicer or Seller prior to the remittance thereof in accordance with Article II. If the Servicer shall be required to segregate Collections pursuant to the preceding sentence, the Servicer shall (i) segregate and deposit with a bank designated by the Agent or (ii) deposit in the mail for delivery to a bank designated by the Agent, such allocable share of Collections of Receivables set aside for the Purchasers on the first Business Day following receipt by the Servicer of such Collections, duly endorsed or with duly executed instruments of transfer.

(c) The Servicer may, in accordance with the Credit and Collection Policy, extend the maturity of any Receivable or adjust the Outstanding Balance of any Receivable as the Servicer determines to be appropriate to maximize Collections thereof; provided, however, that such extension or adjustment shall not alter the status of such Receivable as a Delinquent Receivable, Defaulted Receivable or Charged-Off Receivable or limit the rights of the Agent or the Purchasers under this Agreement. Notwithstanding anything to the contrary contained herein, the Agent shall have the absolute and unlimited right to direct the Servicer to commence or settle any legal action with respect to any Delinquent Receivable or to foreclose upon or repossess any Related Security; provided that, at any time during a Level One Enhancement Period and prior to the occurrence of an Amortization Event, the Agent has given the Seller five (5) Business Days' prior notice and during such notice period the Outstanding Balance of such Receivable has not been reduced to zero.

(d) The Servicer shall hold in trust for Seller and the Purchasers all Records that (i) evidence or relate to the Receivables, the related Contracts and Related Security or (ii) are otherwise necessary or desirable to collect the Receivables and shall, as soon as practicable upon demand of the Agent, deliver or make available to the Agent all such Records, at a place selected by the Agent. The Servicer shall, as soon as practicable following receipt thereof turn over to Seller any cash collections or other cash proceeds received with respect to Indebtedness not constituting Receivables. The Servicer shall, from time to time at the request of any Purchaser, furnish to the Purchasers (promptly after any such request) a calculation of the amounts set aside for the Purchasers pursuant to Article II.

(e) Any payment by an Obligor in respect of any indebtedness owed by it to an Originator or Seller shall, except as otherwise specified by such Obligor or otherwise required by contract or law and unless otherwise instructed by the Agent, be applied as a Collection of any Receivable of such Obligor (starting with the oldest such Receivable) to the extent of any amounts then due and payable thereunder before being applied to any other receivable or other obligation of such Obligor.

Section 8.3 Collection Notices. The Agent is authorized at any time to date and to deliver to the Collection Banks the Collection Notices. Seller hereby transfers to the Agent for the benefit of the Purchasers, effective when the Agent delivers such notice, the exclusive ownership and control of each Collection Account and each Lock-Box. In case any authorized signatory of Seller whose signature appears on a Collection Account Agreement shall cease to have such authority before the delivery of such notice, such Collection Notice shall nevertheless be valid as if such authority had remained in force. Seller hereby authorizes the Agent, and agrees that the Agent shall be entitled to (i) endorse Seller's name on checks and other instruments representing Collections, (ii) enforce the Receivables, the related Contracts and the Related Security and (iii) take such action as shall be necessary or desirable to cause all cash, checks and other instruments constituting Collections of Receivables to come into the possession of the Agent rather than Seller.

Section 8.4 Responsibilities of Seller. Anything herein to the contrary notwithstanding, the exercise by the Agent and the Purchasers of their rights hereunder shall not release the Servicer, any Originator or Seller from any of their duties or obligations with respect to any Receivables or under the related Contracts. Neither the Agent nor the Purchasers shall

have any obligation or liability with respect to any Receivables or related Contracts, nor shall any of them be obligated to perform the obligations of Seller.

Section 8.5 Reports. The Servicer shall prepare and forward to the Agent (i) on the eighth day of each month (or if such day is not a Business Day, on the next succeeding Business Day) and at such times as the Agent shall request, a Monthly Report, (ii) at any time during a Level Two Enhancement Period, on Wednesday of each week with respect to and as of the end of the immediately preceding calendar week, a Weekly Report and (iii) at such times as the Agent shall request, a listing by Obligor of all Receivables together with an aging of such Receivables. On or prior to October 1 of each year during the term of this agreement, the Seller may request the Agent to accept the delivery of a Bi-Weekly Report during November and December of such year in lieu of a reduction of the Maximum Purchaser Interest during such months. If the Agent consents to the delivery of such report (such consent not to be unreasonably withheld), then the Servicer shall prepare and forward to the Agent, on the second and fourth Wednesdays of the months of November and December of such year with respect to and as of the end of the immediately preceding two calendar week period, a Bi-Weekly Report.

Section 8.6 Servicing Fees. In consideration of Lennox's agreement to act as Servicer hereunder, the Purchasers hereby agree that, so long as Lennox shall continue to perform as Servicer hereunder, Seller shall pay over to Lennox a fee (the "Servicing Fee") on the first calendar day of each month, in arrears for the immediately preceding month, equal to 1.0% per annum of the average Outstanding Balance of all Receivables during such period, as compensation for its servicing activities.

ARTICLE IX AMORTIZATION EVENTS

Section 9.1 Amortization Events. The occurrence of any one or more of the following events shall constitute an Amortization Event:

(a) Any Seller Party shall fail (i) to make any payment or deposit required hereunder or under any other Transaction Document when due and such failure shall continue for one (1) Business Day, or (ii) to perform or observe any term, covenant or agreement hereunder or under any other Transaction Document (other than as referred to in clause (i) of this paragraph (a) and paragraph 9.1(e)) and such failure shall continue for (A) in the case of any covenant set forth in paragraphs (a)(viii), (e), (k) or (l) of Section 7.1, thirty (30) days, (B) in the case of any covenant set forth in paragraphs (a)(iv) through (a)(vi) of Section 7.1 or clause (i) of Section 7.1(c), ten (10) days and (C) except as provided in the preceding clauses (A) and (B), five (5) Business Days.

(b) Any representation, warranty, certification or statement made by any Seller Party in this Agreement, any other Transaction Document or in any other document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect (except that the materiality standard in this subsection (b) shall not apply to any such representation or warranty which is qualified by a materiality standard by its terms) when made or deemed made.

(c) Failure of Seller to pay any Indebtedness when due (after the passage of any applicable notice and grace period) or the failure of Servicer, any Originator or Lennox International to pay Indebtedness when due (after the passage of any applicable notice and grace period) in excess of \$10,000,000; or the default (after the passage of any applicable notice and grace period) by any Seller Party, any Originator or Lennox International in the performance of any term, provision or condition contained in any agreement under which any such Indebtedness was created or is governed, the effect of which is to cause, or to permit the holder or holders of such Indebtedness to cause, such Indebtedness to become due prior to its stated maturity, provided that Bank One has not waived any such default in its capacity as a lender under such agreement; or any such Indebtedness of any Seller Party, any Originator or Lennox International shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof.

(d) (i) Any Seller Party, any Originator or Lennox International shall generally not pay its debts as such debts become due or shall admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors; or (ii) any proceeding shall be instituted by or against any such Person seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or any substantial part of its property or (iii) any such Person shall take any corporate action to authorize any of the actions set forth in clauses (i) or (ii) above in this subsection (d).

(e) Seller shall fail to comply with the terms of Section 2.7 hereof.

(f) As of the end of any calendar month, (i) the average of the Dilution Trigger Ratios as of the end of such calendar month and the two preceding calendar months shall exceed 11.0%, (ii) the average of the Delinquency Trigger Ratios as of the end of such calendar month and the two preceding calendar months shall exceed 6.5%, or (iii) the average of the Default Trigger Ratios as of the end of such calendar month and the two preceding calendar months shall exceed 3.0%.

(g) A Change of Control shall occur.

(h) (i) One or more final judgments for the payment of money shall be entered against Seller or (ii) one or more final judgments for the payment of money in an amount in excess of \$10,000,000, individually or in the aggregate, shall be entered against the Servicer, Lennox International or any Originator on claims not covered by insurance or as to which the insurance carrier has denied its responsibility, and such judgment shall continue unsatisfied and in effect for thirty (30) consecutive days without a stay of execution.

(i) The "Termination Date" under and as defined in the Receivables Sale Agreement shall occur under the Receivables Sale Agreement with respect to any Originator or any Originator shall for any reason cease to transfer, or cease to have the legal capacity to transfer, or otherwise be incapable of transferring Receivables to Seller under the Receivables Sale Agreement.

(j) This Agreement shall terminate in whole or in part (except in accordance with its terms), or shall cease to be effective or to be the legally valid, binding and enforceable obligation of Seller, or any Obligor shall directly or indirectly contest in any manner such effectiveness, validity, binding nature or enforceability, or the Agent for the benefit of the Purchasers shall cease to have a valid and perfected first priority security interest in the Receivables, the Related Security and the Collections with respect thereto and the Collection Accounts.

(k) Performance Guarantor shall fail to perform or observe any term, covenant or agreement required to be performed by it under the Performance Guaranty, or the Performance Guaranty shall cease to be effective or to be the legally valid, binding and enforceable obligation of Performance Guarantor, or Performance Guarantor shall directly or indirectly contest in any manner such effectiveness, validity, binding nature or enforceability.

(l) Lennox International shall fail to comply with the covenants set forth in Section 5.15 of the Existing Credit Agreement as such covenants are in effect on the date hereof, without giving effect to any amendment, modification or waiver after the date hereof other than any amendment, modification or waiver agreed to by Bank One in its capacity as a lender under the Existing Credit Agreement.

Section 9.2 Remedies. Upon the occurrence and during the continuation of an Amortization Event, the Agent may, or upon the direction of the Required Financial Institutions shall, take any of the following actions: (i) replace the Person then acting as Servicer, (ii) declare the Amortization Date to have occurred, whereupon the Amortization Date shall forthwith occur, without demand, protest or further notice of any kind, all of which are hereby expressly waived by each Seller Party; provided, however, that upon the occurrence of an Amortization Event described in Section 9.1(d), or of an actual or deemed entry of an order for relief with respect to any Seller Party, any Originator, Lennox International or any of their respective Subsidiaries under the Federal Bankruptcy Code, the Amortization Date shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by each Seller Party, (iii) to the fullest extent permitted by applicable law, declare that the Default Fee shall accrue with respect to any of the Aggregate Unpaid outstanding at such time, (iv) deliver the Collection Notices to the Collection Banks, and (v) notify Obligor of the Purchasers' interest in the Receivables. The aforementioned rights and remedies shall be without limitation, and shall be in addition to all other rights and remedies of the Agent and the Purchasers otherwise available under any other provision of this Agreement, by operation of law, at equity or otherwise, all of which are hereby expressly preserved, including, without limitation, all rights and remedies provided under the UCC, all of which rights shall be cumulative.

ARTICLE X INDEMNIFICATION

Section 10.1 Indemnities by The Seller Parties. Without limiting any other rights that the Agent or any Purchaser may have hereunder or under applicable law, (A) Seller hereby agrees to indemnify (and pay upon demand to) the Agent and each Purchaser and their respective assigns, officers, directors, agents and employees (each an "Indemnified Party") from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other

amounts payable, including reasonable attorneys' fees (which attorneys may be employees of the Agent or such Purchaser) and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them arising out of or as a result of this Agreement or the acquisition, either directly or indirectly, by a Purchaser of an interest in the Receivables, and (B) the Servicer hereby agrees to indemnify (and pay upon demand to) each Indemnified Party for Indemnified Amounts awarded against or incurred by any of them arising out of the Servicer's activities as Servicer hereunder excluding, however, in all of the foregoing instances under the preceding clauses (A) and (B):

(a) Indemnified Amounts to the extent a final judgment of a court of competent jurisdiction holds that such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification;

(b) Indemnified Amounts to the extent the same includes losses in respect of Receivables that are uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor; or

(c) taxes imposed by the jurisdiction in which such Indemnified Party's principal executive office is located, on or measured by the overall net income of such Indemnified Party to the extent that the computation of such taxes is consistent with the characterization for income tax purposes of the acquisition by the Purchasers of Purchaser Interests as a loan or loans by the Purchasers to Seller secured by the Receivables, the Related Security, the Collection Accounts and the Collections;

provided, however, that nothing contained in this sentence shall limit the liability of any Seller Party or limit the recourse of the Purchasers to any Seller Party for amounts otherwise specifically provided to be paid by such Seller Party under the terms of this Agreement. Without limiting the generality of the foregoing indemnification, Seller shall indemnify each Indemnified Party for Indemnified Amounts (including, without limitation, losses in respect of uncollectible receivables, regardless of whether reimbursement therefor would constitute recourse to Seller, the Servicer or the Performance Guarantor) relating to or resulting from:

(i) any representation or warranty made by any Seller Party or any Originator (or any officers of any such Person) under or in connection with this Agreement, any other Transaction Document or any other information or report delivered by any such Person pursuant hereto or thereto, which shall have been false or incorrect when made or deemed made;

(ii) the failure by Seller, the Servicer or any Originator to comply with any applicable law, rule or regulation with respect to any Receivable or Contract related thereto, or the nonconformity of any Receivable or Contract included therein with any such applicable law, rule or regulation or any failure of an Originator to keep or perform any of its obligations, express or implied, with respect to any Contract;

(iii) any failure of Seller, the Servicer or any Originator to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement or any other Transaction Document;

(iv) any products liability, personal injury or damage suit, or other similar claim arising out of or in connection with merchandise, insurance or services that are the subject of any Contract or any Receivable;

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

(vi) the commingling of Collections of Receivables at any time with other funds;

(vii) any investigation, litigation or proceeding related to or arising from this Agreement or any other Transaction Document, the transactions contemplated hereby, the use of the proceeds of an Incremental Purchase or a Reinvestment, the ownership of the Purchaser Interests or any other investigation, litigation or proceeding relating to Seller, the Servicer or any Originator in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby;

(viii) any inability to litigate any claim against any Obligor in respect of any Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

(ix) any Amortization Event described in Section 9.1(d);

(x) any failure of Seller to acquire and maintain legal and equitable title to, and ownership of any Receivable and the Related Security and Collections with respect thereto from the applicable Originator, free and clear of any Adverse Claim (other than as created hereunder); or any failure of Seller to give reasonably equivalent value to each Originator under the Receivables Sale Agreement in consideration of the transfer by such Originator of any Receivable, or any attempt by any Person to void such transfer under statutory provisions or common law or equitable action;

(xi) any failure to vest and maintain vested in the Agent for the benefit of the Purchasers, or to transfer to the Agent for the benefit of the Purchasers, legal and equitable title to, and ownership of, a first priority perfected undivided percentage ownership interest (to the extent of the Purchaser Interests contemplated hereunder) or security interest in the Receivables, the Related Security and the Collections, free and clear of any Adverse Claim (except as created by the Transaction Documents);

(xii) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivable, the Related Security and

Collections with respect thereto, and the proceeds of any thereof, whether at the time of any Incremental Purchase or Reinvestment or at any subsequent time;

(xiii) any action or omission by any Seller Party which reduces or impairs the rights of the Agent or the Purchasers with respect to any Receivable or the value of any such Receivable;

(xiv) any attempt by any Person to void any Incremental Purchase or Reinvestment hereunder under statutory provisions or common law or equitable action; and

(xv) the failure of any Receivable included in the calculation of the Net Receivables Balance as an Eligible Receivable to be an Eligible Receivable at the time so included.

Section 10.2 Increased Cost and Reduced Return. If after the date hereof, any Funding Source shall be charged any fee, expense or increased cost on account of (a) the adoption of any applicable law, rule or regulation (including any applicable law, rule or regulation regarding capital adequacy) after the date hereof, or (b) the adoption of any accounting principles, or (c) any change in any of the foregoing, or (d) any change in the interpretation or administration thereof by any governmental authority, the Financial Accounting Standards Board ("FASB"), any central bank or any comparable agency charged with the interpretation or administration thereof, or (e) compliance with any request or directive (whether or not having the force of law) of any such authority or agency: (i) that subjects any Funding Source to any charge or withholding on or with respect to any Funding Agreement or a Funding Source's obligations under a Funding Agreement, or on or with respect to the Receivables, or changes the basis of taxation of payments to any Funding Source of any amounts payable under any Funding Agreement (except for changes in the rate of tax on the overall net income of a Funding Source or taxes excluded by Section 10.1) or (ii) that imposes, modifies or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of a Funding Source, or credit extended by a Funding Source pursuant to a Funding Agreement or (iii) that imposes any other condition the result of which is to increase the cost to a Funding Source of performing its obligations under a Funding Agreement, or to reduce the rate of return on a Funding Source's capital as a consequence of its obligations under a Funding Agreement, or to reduce the amount of any sum received or receivable by a Funding Source under a Funding Agreement or to require any payment calculated by reference to the amount of interests or loans held or interest received by it, then, within 15 days after demand by the Agent (which demand shall be accompanied by a certificate setting forth, in reasonable detail, the basis of such demand and the methodology for calculating, and the calculation of, the amounts claimed by the Funding Source), Seller shall pay to the Agent, for the benefit of the relevant Funding Source, such amounts charged to such Funding Source or such amounts to otherwise compensate such Funding Source for such increased cost or such reduction. Each Funding Source will promptly notify the Seller and the Agent of any event of which it has knowledge (including any future event that, in the judgment of such Funding Source, is reasonably certain to occur) which will entitle such Funding Source to compensation pursuant to this Section 10.2; provided, however, the failure to give or delay in giving such notification shall not affect the rights of any Funding Source to such compensation

in any way. For the avoidance of doubt, if the issuance of FASB Interpretation No. 46, or any other change in accounting standards or the issuance of any other pronouncement, release or interpretation, causes or requires the consolidation of all or a portion of the assets and liabilities of Conduit or Seller with the assets and liabilities of the Agent, any Financial Institution or any other Funding Source, such event shall constitute a circumstance on which such Funding Source may base a claim for reimbursement under this Section 10.2.

Section 10.3 Other Costs and Expenses. Seller shall pay to the Agent and Conduit on demand all costs and out-of-pocket expenses in connection with the preparation, execution, delivery and administration of this Agreement, the transactions contemplated hereby and the other documents to be delivered hereunder, including without limitation, the cost of Conduit's auditors auditing the books, records and procedures of Seller, reasonable fees and out-of-pocket expenses of legal counsel for Conduit and the Agent (which such counsel may be employees of Conduit or the Agent) with respect thereto and with respect to advising Conduit and the Agent as to their respective rights and remedies under this Agreement. Seller shall pay to the Agent on demand any and all costs and expenses of the Agent and the Purchasers, if any, including reasonable counsel fees and expenses in connection with the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following an Amortization Event.

ARTICLE XI THE AGENT

Section 11.1 Authorization and Action. Each Purchaser hereby designates and appoints Bank One to act as its agent hereunder and under each other Transaction Document, and authorizes the Agent to take such actions as agent on its behalf and to exercise such powers as are delegated to the Agent by the terms of this Agreement and the other Transaction Documents together with such powers as are reasonably incidental thereto. The Agent shall not have any duties or responsibilities, except those expressly set forth herein or in any other Transaction Document, or any fiduciary relationship with any Purchaser, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of the Agent shall be read into this Agreement or any other Transaction Document or otherwise exist for the Agent. In performing its functions and duties hereunder and under the other Transaction Documents, the Agent shall act solely as agent for the Purchasers and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for any Seller Party or any of such Seller Party's successors or assigns. The Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement, any other Transaction Document or applicable law. The appointment and authority of the Agent hereunder shall terminate upon the indefeasible payment in full of all Aggregate Unpaid. Each Purchaser hereby authorizes the Agent to execute each of the UCC financing statements, the Collection Account Agreements and such other Transaction Documents as may require the Agent's signature on behalf of such Purchaser (the terms of which shall be binding on such Purchaser).

Section 11.2 Delegation of Duties. The Agent may execute any of its duties under this Agreement and each other Transaction Document by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties.

The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section 11.3 Exculpatory Provisions. Neither the Agent nor any of its directors, officers, agents or employees shall be (i) liable for any action lawfully taken or omitted to be taken by it or them under or in connection with this Agreement or any other Transaction Document (except for its, their or such Person's own gross negligence or willful misconduct), or (ii) responsible in any manner to any of the Purchasers for any recitals, statements, representations or warranties made by any Seller Party contained in this Agreement, any other Transaction Document or any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, this Agreement, or any other Transaction Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, or any other Transaction Document or any other document furnished in connection herewith or therewith, or for any failure of any Seller Party to perform its obligations hereunder or thereunder, or for the satisfaction of any condition specified in Article VI, or for the perfection, priority, condition, value or sufficiency of any collateral pledged in connection herewith. The Agent shall not be under any obligation to any Purchaser to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, this Agreement or any other Transaction Document, or to inspect the properties, books or records of the Seller Parties. The Agent shall not be deemed to have knowledge of any Amortization Event or Potential Amortization Event unless the Agent has received notice thereof from Seller or a Purchaser.

Section 11.4 Reliance by Agent. The Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to Seller), independent accountants and other experts selected by the Agent. The Agent shall in all cases be fully justified in failing or refusing to take any action under this Agreement or any other Transaction Document unless it shall first receive such advice or concurrence of Conduit or the Required Financial Institutions or all of the Purchasers, as applicable, as it deems appropriate and it shall first be indemnified to its satisfaction by the Purchasers, provided that unless and until the Agent shall have received such advice, the Agent may take or refrain from taking any action, as the Agent shall deem advisable and in the best interests of the Purchasers. The Agent shall in all cases be fully protected in acting, or in refraining from acting, in accordance with a request of Conduit or the Required Financial Institutions or all of the Purchasers, as applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Purchasers.

Section 11.5 Non-Reliance on Agent and Other Purchasers. Each Purchaser expressly acknowledges that neither the Agent, nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by the Agent hereafter taken, including, without limitation, any review of the affairs of any Seller Party, shall be deemed to constitute any representation or warranty by the Agent. Each Purchaser represents and warrants to the Agent that it has and will, independently and without reliance upon the Agent or any other Purchaser and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business,

operations, property, prospects, financial and other conditions and creditworthiness of Seller and made its own decision to enter into this Agreement, the other Transaction Documents and all other documents related hereto or thereto.

Section 11.6 Reimbursement and Indemnification. The Financial Institutions agree to reimburse and indemnify the Agent and its officers, directors, employees, representatives and agents ratably according to their Pro Rata Shares, to the extent not paid or reimbursed by the Seller Parties (i) for any amounts for which the Agent, acting in its capacity as Agent, is entitled to reimbursement by the Seller Parties hereunder and (ii) for any other expenses incurred by the Agent, in its capacity as Agent and acting on behalf of the Purchasers, in connection with the administration and enforcement of this Agreement and the other Transaction Documents.

Section 11.7 Agent in its Individual Capacity. The Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with Seller or any Affiliate of Seller as though the Agent were not the Agent hereunder. With respect to the acquisition of Purchaser Interests pursuant to this Agreement, the Agent shall have the same rights and powers under this Agreement in its individual capacity as any Purchaser and may exercise the same as though it were not the Agent, and the terms "Financial Institution," "Purchaser," "Financial Institutions" and "Purchasers" shall include the Agent in its individual capacity.

Section 11.8 Successor Agent. The Agent may, upon five days' notice to Seller and the Purchasers, and the Agent will, upon the direction of all of the Purchasers (other than the Agent, in its individual capacity) resign as Agent. If the Agent shall resign, then the Required Financial Institutions during such five-day period shall appoint from among the Purchasers a successor agent. If for any reason no successor Agent is appointed by the Required Financial Institutions during such five-day period, then effective upon the termination of such five day period, the Purchasers shall perform all of the duties of the Agent hereunder and under the other Transaction Documents and Seller and the Servicer (as applicable) shall make all payments in respect of the Aggregate Unpaid directly to the applicable Purchasers and for all purposes shall deal directly with the Purchasers. After the effectiveness of any retiring Agent's resignation hereunder as Agent, the retiring Agent shall be discharged from its duties and obligations hereunder and under the other Transaction Documents and the provisions of this Article XI and Article X shall continue in effect for its benefit with respect to any actions taken or omitted to be taken by it while it was Agent under this Agreement and under the other Transaction Documents.

ARTICLE XII ASSIGNMENTS; PARTICIPATIONS

Section 12.1 Assignments. (a) Seller and each Financial Institution hereby agree and consent to the complete or partial assignment by Conduit of all or any portion of its rights under, interest in, title to and obligations under this Agreement (i) to the Financial Institutions pursuant to this Agreement or the Liquidity Agreement or (ii) to any other issuer of commercial paper notes sponsored or administered by Bank One or (iii) to any other Person; provided that, prior to the occurrence of an Amortization Event, Conduit may not make any such assignment pursuant to this clause (iii), except in the event that the circumstances described in Section

12.1(c) occur, without the consent of Seller (which consent shall not be unreasonably withheld or delayed). Upon such assignment, Conduit shall be released from its obligations so assigned. Further, Seller and each Financial Institution hereby agree that any assignee of Conduit of this Agreement or all or any of the Purchaser Interests of Conduit shall have all of the rights and benefits under this Agreement as if the term "Conduit" explicitly referred to such party, and no such assignment shall in any way impair the rights and benefits of Conduit hereunder. Except as provided in Section 8.1, neither Seller nor the Servicer shall have the right to assign its rights or obligations under this Agreement.

(a) Any Financial Institution may at any time and from time to time assign to one or more Persons ("Purchasing Financial Institutions") all or any part of its rights and obligations under this Agreement and the other Transaction Documents pursuant to an assignment agreement, substantially in the form set forth in Exhibit VII hereto (the "Assignment Agreement") executed by such Purchasing Financial Institution and such selling Financial Institution. The consent of Conduit shall be required prior to the effectiveness of any such assignment. In addition, so long as no Amortization Event has occurred, the consent of the Seller shall be required if such assignment is to a Person which is not an Affiliate of Bank One (which consent shall not be unreasonably withheld or delayed). Each assignee of a Financial Institution must (i) have a short-term debt rating of A-1 or better by S&P and P-1 by Moody's and (ii) agree to deliver to the Agent, promptly following any request therefor by the Agent or Conduit, an enforceability opinion in form and substance satisfactory to the Agent and Conduit. Upon delivery of the executed Assignment Agreement to the Agent, such selling Financial Institution shall be released from its obligations hereunder to the extent of such assignment. Thereafter the Purchasing Financial Institution shall for all purposes be a Financial Institution party to this Agreement and shall have all the rights and obligations of a Financial Institution under this Agreement to the same extent as if it were an original party hereto and no further consent or action by Seller, the Purchasers or the Agent shall be required.

(b) Each of the Financial Institutions agrees that in the event that it shall cease to have a short-term debt rating of A-1 or better by S&P and P-1 by Moody's (an "Affected Financial Institution"), such Affected Financial Institution shall be obligated, at the request of Conduit or the Agent, to assign all of its rights and obligations hereunder to (x) another Financial Institution or (y) another funding entity nominated by the Agent and acceptable to Conduit, and willing to participate in this Agreement through the Liquidity Termination Date in the place of such Affected Financial Institution; provided that the Affected Financial Institution receives payment in full, pursuant to an Assignment Agreement, of an amount equal to such Financial Institution's Pro Rata Share of the Aggregate Capital and Yield owing to the Financial Institutions and all accrued but unpaid fees and other costs and expenses payable in respect of its Pro Rata Share of the Purchaser Interests of the Financial Institutions.

Section 12.2 Participations. Any Financial Institution may, in the ordinary course of its business at any time sell to one or more Persons (each a "Participant") participating interests in its Pro Rata Share of the Purchaser Interests of the Financial Institutions, its obligation to pay Conduit its Acquisition Amounts or any other interest of such Financial Institution hereunder. Notwithstanding any such sale by a Financial Institution of a participating interest to a Participant, such Financial Institution's rights and obligations under this Agreement shall remain unchanged, such Financial Institution shall remain solely responsible for the

performance of its obligations hereunder, and Seller, Conduit and the Agent shall continue to deal solely and directly with such Financial Institution in connection with such Financial Institution's rights and obligations under this Agreement. Each Financial Institution agrees that any agreement between such Financial Institution and any such Participant in respect of such participating interest shall not restrict such Financial Institution's right to agree to any amendment, supplement, waiver or modification to this Agreement, except for any amendment, supplement, waiver or modification described in Section 13.1(b)(i).

Section 12.3 Extension of Liquidity Termination Date. The Seller may advise the Agent in writing of its desire to extend the Liquidity Termination Date for an additional 364 days, provided such request is made not more than 60 days prior to, and not less than 45 days prior to, the then current Liquidity Termination Date. The Agent, upon being so advised by the Seller, shall promptly notify each Financial Institution of any such request and each such Financial Institution shall notify the Agent and the Seller of its decision to accept or decline the request for such extension no later than 30 days prior to the then current Liquidity Termination Date (it being understood that each Financial Institution may accept or decline such request in its sole discretion and on such terms as it may elect, and the failure to so notify the Agent and the Seller shall be deemed an election not to extend by such Financial Institution). In the event that at least one Financial Institution agrees to extend the Liquidity Termination Date, the Seller Parties, the Agent, the extending Financial Institutions shall enter into such documents as such extending Financial Institutions may deem necessary or appropriate to reflect such extension, and all reasonable costs and expenses incurred by such Financial Institutions and the Agent (including reasonable attorneys' fees) shall be paid by the Seller. In the event that any Financial Institution declines the request to extend the Liquidity Termination Date (each such Financial Institution being referred to herein as a "Non-Renewing Financial Institution"), and the Commitment of such Non-Renewing Financial Institution is not assigned to another Person in accordance with the terms of this Article XII prior to the then current Liquidity Termination Date, the Purchase Limit shall be reduced by an amount equal to each such Non-Renewing Financial Institution's Commitment on the then current Liquidity Termination Date.

Section 12.4 Terminating Financial Institutions.

(a) Any Affected Financial Institution or Non-Renewing Financial Institution which has not assigned its rights and obligations hereunder if requested pursuant to this Article XII shall be a "Terminating Financial Institution" for purposes of this Agreement as of the then current Liquidity Termination Date (or, in the case of any Affected Financial Institution, such earlier date as declared by the Administrative Agent).

(b) The Commitment of any Financial Institution shall terminate on the date it becomes a Terminating Financial Institution. Upon reduction to zero of the Capital of all of the Purchaser Interests of a Terminating Financial Institution (after application of Collections thereto pursuant to Sections 2.2 and 2.4) all rights and obligations of such Terminating Financial Institution hereunder shall be terminated and such Terminating Financial Institution shall no longer be a "Financial Institution" hereunder; provided, however, that the provisions of Article X shall continue in effect for its benefit with respect to Purchaser Interests or the Commitment held by such Terminating Financial Institution prior to its termination as a Financial Institution.

ARTICLE XIII
MISCELLANEOUS

Section 13.1 Waivers and Amendments. (a) No failure or delay on the part of the Agent or any Purchaser in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(a) No provision of this Agreement may be amended, supplemented, modified or waived except in writing in accordance with the provisions of this Section 13.1(b). Conduit, Seller and the Agent, at the direction of the Required Financial Institutions, may enter into written modifications or waivers of any provisions of this Agreement, provided, however, that no such modification or waiver shall:

(i) without the consent of each affected Purchaser, (A) extend the Liquidity Termination Date or the date of any payment or deposit of Collections by Seller or the Servicer, (B) reduce the rate or extend the time of payment of Yield or any CP Costs (or any component of Yield or CP Costs), (C) reduce any fee payable to the Agent for the benefit of the Purchasers, (D) except pursuant to Article XII hereof, change the amount of the Capital of any Purchaser, any Financial Institution's Pro Rata Share (except as may be required pursuant to the Liquidity Agreement) or any Financial Institution's Commitment, (E) amend, modify or waive any provision of the definition of Required Financial Institutions or this Section 13.1(b), (F) consent to or permit the assignment or transfer by Seller of any of its rights and obligations under this Agreement, (G) change the definition of "Eligible Receivable," "Dilution Percentage," "Dilution Reserve," "Loss Reserve," or "Loss Percentage," or (H) amend or modify any defined term (or any defined term used directly or indirectly in such defined term) used in clauses (A) through (G) above in a manner that would circumvent the intention of the restrictions set forth in such clauses; or

(ii) without the written consent of the then Agent, amend, modify or waive any provision of this Agreement if the effect thereof is to affect the rights or duties of the Agent.

Notwithstanding the foregoing, (i) without the consent of the Financial Institutions, but with the consent of Seller, the Agent may amend this Agreement solely to add additional Persons as Financial Institutions hereunder and (ii) the Agent, the Required Financial Institutions and Conduit may enter into amendments to modify any of the terms or provisions of Article XI, Article XII, Section 13.13 or any other provision of this Agreement without the consent of Seller, provided that such amendment has no negative impact upon Seller or its rights and/or obligations under the Transaction Documents. Any modification or waiver made in accordance with this Section 13.1 shall apply to each of the Purchasers equally and shall be binding upon Seller, the Purchasers and the Agent.

Section 13.2 Notices. Except as provided in this Section 13.2, all communications and notices provided for hereunder shall be in writing (including bank wire, telecopy or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or telecopy numbers set forth on the signature pages hereof or at such other address or telecopy number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto. Each such notice or other communication shall be effective (i) if given by facsimile transmission, upon confirmation of receipt thereof, (ii) if given by mail, three (3) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (iii) if given by any other means, when received at the address specified in this Section 13.2. Seller hereby authorizes the Agent to effect purchases and Tranche Period and Bank Rate selections based on telephonic notices made by any Person whom the Agent in good faith believes to be acting on behalf of Seller. Seller agrees to deliver promptly to the Agent a written confirmation of each telephonic notice signed by an Authorized Officer of Seller; provided, however, the absence of such confirmation shall not affect the validity of such notice. If the written confirmation differs from the action taken by the Agent, the records of the Agent shall govern absent manifest error.

Section 13.3 Ratable Payments. If any Purchaser, whether by setoff or otherwise, has payment made to it with respect to any portion of the Aggregate Unpays owing to such Purchaser (other than payments received pursuant to Section 10.2 or 10.3) in a greater proportion than that received by any other Purchaser entitled to receive a ratable share of such Aggregate Unpays, such Purchaser agrees, promptly upon demand, to purchase for cash without recourse or warranty a portion of such Aggregate Unpays held by the other Purchasers so that after such purchase each Purchaser will hold its ratable proportion of such Aggregate Unpays; provided that if all or any portion of such excess amount is thereafter recovered from such Purchaser, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

Section 13.4 Protection of Ownership Interests of the Purchasers. (a) Seller agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary or reasonably desirable, or that the Agent may reasonably request, to perfect, protect or more fully evidence the Purchaser Interests, or to enable the Agent or the Purchasers to exercise and enforce their rights and remedies hereunder. At any time, the Agent may, or the Agent may direct Seller or the Servicer to, notify the Obligors of Receivables, at Seller's expense, of the ownership or security interests of the Purchasers under this Agreement and may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to the Agent or its designee. Seller or the Servicer (as applicable) shall, at any Purchaser's request, withhold the identity of such Purchaser in any such notification.

(a) If any Seller Party fails to perform any of its obligations hereunder, the Agent or any Purchaser may (but shall not be required to) perform, or cause performance of, such obligations, and the Agent's or such Purchaser's costs and expenses incurred in connection therewith shall be payable by Seller as provided in Section 10.3. Each Seller Party irrevocably authorizes the Agent at any time and from time to time in the sole discretion of the Agent, and appoints the Agent as its attorney-in-fact, to act on behalf of such Seller Party (i) to execute on behalf of Seller as debtor and to file financing statements necessary or desirable in the Agent's

sole discretion to perfect and to maintain the perfection and priority of the interest of the Purchasers in the Receivables and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Receivables as a financing statement in such offices as the Agent in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the interests of the Purchasers in the Receivables. This appointment is coupled with an interest and is irrevocable.

Section 13.5 Confidentiality. (a) Each Seller Party and each Purchaser shall maintain and shall cause each of its employees and officers to maintain the confidentiality of this Agreement and the other confidential or proprietary information with respect to the Agent and Conduit and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that such Seller Party and such Purchaser and its officers and employees may disclose such information to such Seller Party's and such Purchaser's external accountants and attorneys and as required by any applicable law, regulation or order of any judicial, regulatory or administrative proceeding (whether or not having the force of law). Anything herein to the contrary notwithstanding, each Seller Party, each Purchaser, the Agent, each Indemnified Party and any successor or assign of any of the foregoing (and each employee, representative or other agent of any of the foregoing) may disclose to any and all Persons, without limitation of any kind, the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated herein and all materials of any kind (including opinions or other tax analyses) that are or have been provided to any of the foregoing relating to such tax treatment or tax structure, and it is hereby confirmed that each of the foregoing have been so authorized since the commencement of discussions regarding the transactions.

(a) Anything herein to the contrary notwithstanding, each Seller Party hereby consents to the disclosure of any nonpublic information with respect to it (i) to the Agent, the Financial Institutions or Conduit by each other, (ii) by the Agent or the Purchasers to any prospective or actual assignee or participant of any of them and (iii) by the Agent to any rating agency, Commercial Paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to Conduit or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which Bank One acts as the administrative agent and to any officers, directors, employees, outside accountants and attorneys of any of the foregoing, provided each such Person is informed of the confidential nature of such information. In addition, the Purchasers and the Agent may disclose any such nonpublic information pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

Section 13.6 Bankruptcy Petition. Seller, the Servicer, the Agent and each Financial Institution hereby covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of Conduit, it will not institute against, or join any other Person in instituting against, Conduit any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 13.7 Limitation of Liability. No claim may be made by any Seller Party or any other Person against Conduit, the Agent or any Financial Institution or their respective

Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and each Seller Party hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

Section 13.8 CHOICE OF LAW. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF ILLINOIS (INCLUDING, BUT NOT LIMITED TO, 735 ILCS SECTION 105/5-1 ET. SEQ., BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAW PROVISIONS).

Section 13.9 CONSENT TO JURISDICTION. EACH SELLER PARTY HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR ILLINOIS STATE COURT SITTING IN CHICAGO, ILLINOIS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH PERSON PURSUANT TO THIS AGREEMENT AND EACH SELLER PARTY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT OR ANY PURCHASER TO BRING PROCEEDINGS AGAINST ANY SELLER PARTY IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ANY SELLER PARTY AGAINST THE AGENT OR ANY PURCHASER OR ANY AFFILIATE OF THE AGENT OR ANY PURCHASER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH SELLER PARTY PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN CHICAGO, ILLINOIS.

Section 13.10 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY DOCUMENT EXECUTED BY ANY SELLER PARTY PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 13.11 Integration; Binding Effect; Survival of Terms.

(a) THIS AGREEMENT AND EACH OTHER TRANSACTION DOCUMENT CONTAIN THE FINAL AND COMPLETE INTEGRATION OF ALL PRIOR EXPRESSIONS BY THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF AND SHALL CONSTITUTE THE ENTIRE AGREEMENT AMONG THE

PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF SUPERSEDING ALL PRIOR ORAL OR WRITTEN UNDERSTANDINGS.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns (including any trustee in bankruptcy). This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and shall remain in full force and effect until terminated in accordance with its terms; provided, however, that the rights and remedies with respect to (i) any breach of any representation and warranty made by any Seller Party pursuant to Article V, (ii) the indemnification and payment provisions of Article X, and Sections 13.6 and 13.7 shall be continuing and shall survive any termination of this Agreement.

Section 13.12 Counterparts; Severability; Section References. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Unless otherwise expressly indicated, all references herein to "Article," "Section," "Schedule" or "Exhibit" shall mean articles and sections of, and schedules and exhibits to, this Agreement.

Section 13.13 Bank One Roles. Each of the Financial Institutions acknowledges that Bank One acts, or may in the future act, (i) as administrative agent for Conduit or any Financial Institution, (ii) as issuing and paying agent for the Commercial Paper, (iii) to provide credit or liquidity enhancement for the timely payment for the Commercial Paper and (iv) to provide other services from time to time for Conduit or any Financial Institution (collectively, the "Bank One Roles"). Without limiting the generality of this Section 13.13, each Financial Institution hereby acknowledges and consents to any and all Bank One Roles and agrees that in connection with any Bank One Role, Bank One may take, or refrain from taking, any action that it, in its discretion, deems appropriate, including, without limitation, in its role as administrative agent for Conduit.

Section 13.14 Characterization.

(a) It is the intention of the parties hereto that each purchase hereunder shall constitute and be treated as an absolute and irrevocable sale, which purchase shall provide the applicable Purchaser with the full benefits of ownership of the applicable Purchaser Interest. Except as specifically provided in this Agreement, each sale of a Purchaser Interest hereunder is made without recourse to Seller; provided, however, that (i) Seller shall be liable to each Purchaser and the Agent for all representations, warranties, covenants and indemnities made by Seller pursuant to the terms of this Agreement, and (ii) such sale does not constitute and is not intended to result in an assumption by any Purchaser or the Agent or any assignee thereof of any obligation of Seller or any Originator or any other person arising in connection with the Receivables, the Related Security, or the related Contracts, or any other obligations of Seller or such Originator.

(b) In addition to any ownership interest which the Agent may from time to time acquire pursuant hereto, Seller hereby grants to the Agent for the ratable benefit of the Indemnified Parties a valid and perfected security interest in all of Seller's right, title and interest in, to and under all Receivables now existing or hereafter arising, the Collections, each Lock-Box, each Collection Account, all Related Security, all other rights and payments relating to such Receivables, all of Seller's rights, title, and interest in, to and under the Receivables Sale Agreement (including, without limitation, (a) all rights to indemnification arising thereunder and (b) all UCC financing statements filed pursuant thereto), and all proceeds of any thereof and all other assets in which the Agent on behalf of the Purchasers has acquired, may hereafter acquire and/or purports to have acquired an interest under this Agreement prior to all other liens on and security interests therein to secure the prompt and complete payment of the Aggregate Unpaid. The Agent and the Purchasers shall have, in addition to the rights and remedies that they may have under this Agreement, all other rights and remedies provided to a secured creditor under the UCC and other applicable law, which rights and remedies shall be cumulative. The Seller hereby authorizes the Agent, within the meaning of 9-509 of any applicable enactment of the UCC, as secured party for the benefit of itself and of the Purchasers, to file, without the signature of the Seller or any Originator, as debtors, the UCC financing statements contemplated herein and under the Receivables Sale Agreement. The Agent shall promptly deliver a copy of any such UCC financing statements so filed to the Seller, provided that the Agent's failure to deliver such copy shall not effect the validity of such filing.

(c) In connection with Seller's transfer of its right, title and interest in, to and under the Receivables Sale Agreement, the Seller agrees that the Agent shall have the right to enforce the Seller's rights and remedies under the Receivables Sale Agreement, to receive all amounts payable thereunder or in connection therewith, to consent to amendments, modifications or waivers thereof, and to direct, instruct or request any action thereunder, but in each case without any obligation on the part of the Agent or any Purchaser or any of its or their respective Affiliates to perform any of the obligations of the Seller under the Receivables Sale Agreement. To the extent that the Seller enforces the Seller's rights and remedies under the Receivables Sale Agreement, from and after the occurrence of an Amortization Event, and during the continuance thereof, the Agent shall have the exclusive right to direct such enforcement by the Seller.

Section 13.15 Amendments Related to Credit Agreement. On or prior to the date which is 30 days after the execution of the Amended and Restated Revolving Credit Facility Agreement to be entered into among Lennox International, the lenders from time to time party thereto, JPMorgan Chase Bank, as Administrative Agent, and certain other Persons (the "Credit Agreement"), the parties hereto agree to amend the following provisions to conform to the parallel provisions contained in the Credit Agreement:

- (a) the dollar amounts set forth in Sections 7.1(b)(ii)(A)(1), 9.1(c), and 9.1(h);
- (b) Section 9.1(l);
- (c) clause (i) of the definition of Change of Control;
- (d) the Definitions of Level One Enhancement Period, Level Two Enhancement Period and Debt to Adjusted EBITDA Ratio; and

(e) any defined term (or any defined term used directly or indirectly in such defined term) used in clauses (b) through (d) above.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

LPAC CORP. II

By: _____
Name:
Title:

Address:
LPAC Corp. II
2140 Lake Park Blvd.
Richardson, Texas 75080-2254
Attention: Gregg Moseman
Fax: (972) 497-6940

with a copy to:

Carl Edwards
General Counsel
Lennox International Inc.
P.O. Box 799900
Dallas, Texas 75379-9900
Physical address:
2140 Lake Park Blvd.
Richardson, Texas 75080-2254
Fax:

LENNOX INDUSTRIES INC.

By: _____
Name:
Title:

Address:
LPAC Corp. II
2140 Lake Park Blvd.
Richardson, Texas 75080
Attention: [____]
Fax:(972) [497-6940]

Signature Page
to
Receivables Purchase Agreement

JUPITER SECURITIZATION CORPORATION

By: _____
Authorized Signatory

Address: c/o Bank One, NA (Main Office
Chicago), as Agent
Asset Backed Finance
Suite IL1-0079, 1-19
1 Bank One Plaza
Chicago, Illinois 60670-0079
Fax: (312) 732-1844

BANK ONE, NA (MAIN OFFICE CHICAGO), as a Financial
Institution and as Agent

By: _____
Name:
Title:

Address: Bank One, NA (Main Office Chicago)
Asset Backed Finance
Suite IL1-0596, 1-21
1 Bank One Plaza
Chicago, Illinois 60670-0596
Fax: (312) 732-4487

Signature Page
to
Receivables Purchase Agreement

EXHIBIT I

DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Accrual Period" means each calendar month, provided that the initial Accrual Period hereunder means the period from (and including) the date of the initial purchase hereunder to (and including) the last day of the calendar month thereafter.

"Adverse Claim" means a lien, security interest, financing statement, charge or encumbrance, or other right or claim in, of or on any Person's assets or properties in favor of any other Person.

"Affected Financial Institution" has the meaning specified in Section 12.1(c).

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person or any Subsidiary of such Person. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting securities of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Agent" has the meaning set forth in the preamble to this Agreement.

"Aggregate Capital" means, on any date of determination, the aggregate amount of Capital of all Purchaser Interests outstanding on such date.

"Aggregate Reduction" has the meaning specified in Section 1.3.

"Aggregate Reserves" means, on any date of determination, the sum of the Loss Reserve, the Dilution Reserve and the Yield and Servicer Fee Reserve.

"Aggregate Unpays" means, at any time, an amount equal to the sum of all, Aggregate Capital and all other unpaid Obligations (whether due or accrued) at such time.

"Agreement" means this Receivables Purchase Agreement, as it may be amended or modified and in effect from time to time.

"Amortization Date" means the earliest to occur of (i) the day on which any of the conditions precedent set forth in Section 6.2 are not satisfied, (ii) the Business Day immediately prior to the occurrence of an Amortization Event set forth in Section 9.1(d), (iii) the Business Day specified in a written notice from the Agent following the occurrence of any other Amortization Event, and (iv) the date which is 30 Business Days after the Agent's receipt of written notice from Seller that it wishes to terminate the facility evidenced by this Agreement.

"Amortization Event" has the meaning specified in Article IX.

"Armstrong" means Armstrong Air Conditioning Inc., an Ohio corporation.

"Assignment Agreement" has the meaning set forth in Section 12.1(b).

"Authorized Officer" means, with respect to any Person, its president, vice president, corporate controller, treasurer, assistant treasurer or chief financial officer.

"Bank One" means Bank One, NA (Main Office Chicago) in its individual capacity and its successors.

"Bank Rate" means, the LIBO Rate or the Prime Rate, as applicable, with respect to each Purchaser Interest of the Financial Institutions and any Purchaser Interest of Conduit, an undivided interest in which has been assigned by Conduit to a Financial Institution pursuant to the Liquidity Agreement; provided, however, that at any time after the occurrence and during the continuance of an Amortization Event, the "Bank Rate" shall be the Prime Rate plus 2.0%.

"Bi-Weekly Report" means a report, in substantially the form of Exhibit XIII hereto (appropriately completed), furnished by the Servicer to the Agent pursuant to Section 8.5.

"Broken Funding Costs" means for any Purchaser Interest which: (i) has its Capital reduced without compliance by Seller with the notice requirements hereunder, (ii) does not become subject to an Aggregate Reduction following the delivery of any Reduction Notice or (iii) is assigned under the Liquidity Agreement or terminated prior to the date on which it was originally scheduled to end, including as a result of the occurrence of the Amortization Date pursuant to clause (iv) of the definition thereof; an amount equal to the excess, if any, of (A) the CP Costs or Yield (as applicable) that would have accrued during the remainder of the Tranche Periods or the tranche periods for Commercial Paper determined by the Agent to relate to such Purchaser Interest (as applicable) subsequent to the date of such reduction, assignment or termination (or in respect of clause (ii) above, the date such Aggregate Reduction was designated to occur pursuant to the Reduction Notice) of the Capital of such Purchaser Interest if such reduction, assignment or termination had not occurred or such Reduction Notice had not been delivered, over (B) the sum of (x) to the extent all or a portion of such Capital is allocated to another Purchaser Interest, the amount of CP Costs or Yield actually accrued during the remainder of such period on such Capital for the new Purchaser Interest, and (y) to the extent such Capital is not allocated to another Purchaser Interest, the income, if any, actually received during the remainder of such period by the holder of such Purchaser Interest from investing the portion of such Capital not so allocated. In the event that the amount referred to in clause (B) exceeds the amount referred to in clause (A), the relevant Purchaser or Purchasers agree to pay to Seller the amount of such excess. All Broken Funding Costs shall be due and payable hereunder upon demand.

"Business Day" means any day on which banks are not authorized or required to close in New York, New York, Dallas, Texas or Chicago, Illinois and The Depository Trust Company of New York is open for business, and, if the applicable Business Day relates to any computation or payment to be made with respect to the LIBO Rate, any day on which dealings in dollar deposits are carried on in the London interbank market.

"Canadian Receivable" means a Receivable, the Obligor of which, if a natural person, is a resident of Canada, or if a corporation or other business organization, is organized under the laws of Canada or any political subdivision thereof and has its chief executive office in Canada.

"Capital" of any Purchaser Interest means, at any time, (A) the Purchase Price of such Purchaser Interest, minus (B) the sum of the aggregate amount of Collections and other payments received by the Agent which in each case are applied to reduce such Capital in accordance with the terms and conditions of this Agreement; provided that such Capital shall be restored (in accordance with Section 2.6) in the amount of any Collections or other payments so received and applied if at any time the distribution of such Collections or payments are rescinded, returned or refunded for any reason.

"Change of Control" means (i) the acquisition by any New Owner of beneficial ownership of shares of Lennox International having Voting Rights pertaining thereto which would allow such New Owner to elect more members of the board of directors of Lennox International than could be elected by the exercise of all Voting Rights pertaining to shares of Lennox International then owned beneficially by the Norris Family, (ii) Lennox International shall fail to own, directly or indirectly, 100% of the issued and outstanding capital stock of Servicer, Seller or any Originator, (iii) Heatcraft Technologies Inc., Armstrong, Hearth and Excel shall fail to directly own 85%, 5%, 5% and 5%, respectively, of the issued and outstanding common stock of Seller, or (iv) each of Armstrong, Hearth and Excel shall fail to directly own 100% of the issued and outstanding preferred stock of Seller.

"Charged-Off Receivable" means a Receivable: (i) as to which the Obligor thereof has taken any action, or suffered any event to occur, of the type described in Section 9.1(d) (as if references to Seller Party therein refer to such Obligor); (ii) as to which the Obligor thereof, if a natural person, is deceased, (iii) which, consistent with the applicable Originator's Credit and Collection Policy, would be written off Seller's books as uncollectible or (iv) which has been identified by Seller as uncollectible.

"Collection Account" means each concentration account, depositary account, lock-box account or similar account in which any Collections are collected or deposited and which is listed on Exhibit IV.

"Collection Account Agreement" means an agreement substantially in the form of Exhibit VI among the applicable Originator, Seller, the Agent and a Collection Bank.

"Collection Bank" means, at any time, any of the banks holding one or more Collection Accounts.

"Collection Notice" means a notice, in substantially the form of Annex A to Exhibit VI, from the Agent to a Collection Bank.

"Collections" means, with respect to any Receivable, all cash collections and other cash proceeds in respect of such Receivable, including, without limitation, all yield, Finance Charges or other related amounts accruing in respect thereof and all cash proceeds of Related Security with respect to such Receivable.

"Commercial Paper" means promissory notes of Conduit issued by Conduit in the commercial paper market.

"Commitment" means, for each Financial Institution, the commitment of such Financial Institution to purchase Purchaser Interests from (i) Seller and (ii) Conduit, in an amount not to exceed (a) in the aggregate, the amount set forth opposite such Financial Institution's name on Schedule A to this Agreement, as such amount may be modified in accordance with the terms hereof and (b) with respect to any individual purchase hereunder, its Pro Rata Share of the Purchase Price therefor.

"Conduit" has the meaning set forth in the preamble to this Agreement.

"Concentration Limit" means, at any time, for any Obligor, 6.0% of the Eligible Receivables Balance at such time, or such other amount (a "Special Concentration Limit") for such Obligor designated by the Agent; provided, that in the case of an Obligor and any Affiliate of such Obligor, the Concentration Limit shall be calculated as if such Obligor and such Affiliate are one Obligor; and provided, further, that Conduit or the Required Financial Institutions may, upon not less than five Business Days' notice to Seller, cancel any Special Concentration Limit. The Special Concentration Limit for Masco Corporation and its Affiliates at any time shall be 13.5% of the Eligible Receivables Balance at such time.

"Contingent Obligation" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or application for a letter of credit.

"Contract" means, with respect to any Receivable, any and all instruments, agreements, invoices or other writings pursuant to which such Receivable arises or which evidences such Receivable.

"CP Costs" means, for each day, the sum of (i) discount or yield accrued on Pooled Commercial Paper on such day, plus (ii) any and all accrued commissions in respect of placement agents and Commercial Paper dealers, and issuing and paying agent fees incurred, in respect of such Pooled Commercial Paper for such day, plus (iii) other costs associated with funding small or odd-lot amounts with respect to all receivable purchase facilities which are funded by Pooled Commercial Paper for such day, minus (iv) any accrual of income net of expenses received on such day from investment of collections received under all receivable purchase facilities funded substantially with Pooled Commercial Paper, minus (v) any payment received on such day net of expenses in respect of Broken Funding Costs related to the prepayment of any Purchaser Interest of Conduit pursuant to the terms of any receivable purchase facilities funded substantially with Pooled Commercial Paper. In addition to the foregoing costs, if Seller shall request any Incremental Purchase during any period of time determined by the Agent in its sole discretion to result in incrementally higher CP Costs applicable to such Incremental Purchase, the Capital associated with any such Incremental

Purchase shall, during such period, be deemed to be funded by Conduit in a special pool (which may include capital associated with other receivable purchase facilities) for purposes of determining such additional CP Costs applicable only to such special pool and charged each day during such period against such Capital.

"Credit Agreement" shall have the meaning set forth in Section 13.15.

"Credit and Collection Policy" means each Originator's credit and collection policies and practices relating to Contracts and Receivables existing on the date hereof and summarized in Exhibit VIII hereto, as modified from time to time in accordance with this Agreement.

"Debt to Adjusted EBITDA Ratio" shall have the meaning assigned to such term in the Existing Credit Agreement, as such term and the terms used therein are defined on the date hereof, without giving effect to any amendments, modifications or waivers after the date hereof other than any amendment, modification or waiver agreed to by Bank One in its capacity as a lender under the Existing Credit Agreement.

"Deemed Collections" means the aggregate of all amounts Seller shall have been deemed to have received as a Collection of a Receivable. Seller shall be deemed to have received a Collection of a Receivable to the extent that (i) the Outstanding Balance of any such Receivable is either (x) reduced as a result of any defective or rejected goods or services, any volume incentive discount, promotional or advertising credits, any other discount or any adjustment or otherwise by Seller or the applicable Originator (other than cash Collections on account of such Receivable) or (y) reduced or canceled as a result of a setoff in respect of any claim by any Person (whether such claim arises out of the same or a related transaction or an unrelated transaction) or (ii) any of the representations or warranties in Article V are no longer true with respect to such Receivable.

"Default Fee" means with respect to any amount due and payable by Seller (or required to be deposited by Servicer) in respect of any Aggregate Unpaid, an amount equal to the greater of (i) \$1000 and (ii) interest on any such unpaid Aggregate Unpaid at a rate per annum equal to 2% above the Prime Rate.

"Default Trigger Ratio" means, at any time, a percentage equal to (i) the sum of (A) the aggregate Outstanding Balance of all Receivables as to which any payment, or part thereof, remains unpaid for 91 to 120 days from the original due date for such payment at such time and (B) the aggregate Outstanding Balance of all Charged-Off Receivables at such time, divided by (ii) the aggregate Original Balance of all Receivables generated during the month ending five (5) months prior to such date.

"Defaulted Receivable" means a Receivable as to which any payment, or part thereof, remains unpaid for 91 days or more from the original due date for such payment.

"Delinquency Trigger Ratio" means, at any time, a percentage equal to (i) the aggregate Outstanding Balance of all Receivables that were Defaulted Receivables at such time divided by (ii) the aggregate Outstanding Balance of all Receivables at such time.

"Delinquent Receivable" means a Receivable as to which any payment, or part thereof, remains unpaid for 60 days or more from the original due date for such payment.

"Designated Obligor" means an Obligor indicated by the Agent to Seller in writing.

"Dilution Horizon Factor" means, for any Accrual Period, a fraction, the numerator of which equals the sum of (i) the aggregate Original Balance of all Receivables originated during such Accrual Period and (ii) half of the aggregate Original Balance of all Receivables originated during the immediately preceding Accrual Period, and the denominator of which equals the Eligible Receivables Balance as of the last day of such Accrual Period.

"Dilution Percentage" means, as of any date of determination, a percentage calculated in accordance with the following formula:

$$DP = [(2 \times ADR) + [(HDR - ADR) \times (HDR/ADR)]] \times DHF$$

where:

DP = the Dilution Percentage;

ADR = the average of the monthly Dilution Ratios occurring during the 12 most recent Accrual Periods;

HDR = the highest three-month rolling average of Dilution Ratios occurring during the 12 most recent Accrual Periods; and

DHF = the Dilution Horizon Factor at such time.

"Dilution Ratio" means, for any Accrual Period, a percentage equal to (i) the aggregate amount of Dilutions which occurred during such Accrual Period minus the sum of (A) the aggregate amount of all cash and payment discounts given by the Originators with respect to the Receivables during such Accrual Period and (B) the aggregate amount of all volume incentive discounts paid or accrued by Hearth during such Accrual Period divided by (ii) the aggregate Original Balance of all Receivables generated during the immediately preceding Accrual Period.

"Dilution Reserve" means, on any date, an amount equal to (i) the greater of (a) 5.0 % and (b) the Dilution Percentage (provided that at any time prior to the earlier to occur of (A) December 31, 2003 and (B) the date on which Excel becomes an Originator, the percentage for purposes of this clause (b) shall equal the Dilution Percentage minus 5.0%), multiplied by (ii) the Net Receivables Balance as of such date.

"Dilution Trigger Ratio" means, for any Accrual Period, a percentage equal to (i) the aggregate amount of Dilutions which occurred during such Accrual Period minus the aggregate amount of all volume incentive discounts paid or accrued by Hearth during such Accrual Period, divided by (ii) the aggregate Original Balance of all Receivables generated during the immediately preceding Accrual Period.

"Dilutions" means, at any time, the aggregate amount of reductions or cancellations described in clause (i) of the definition of "Deemed Collections".

"Eligible Receivable" means, at any time, a Receivable:

(i) the Obligor of which (a) if a natural person, is a resident of the United States or Canada or, if a corporation or other business organization, is organized under the laws of the United States or Canada or any political subdivision thereof and has its chief executive office in the United States or Canada; (b) is not an Affiliate of any of the parties hereto; (c) is not a Designated Obligor; and (d) is not a government or a governmental subdivision or agency,

(ii) the Obligor of which is not the Obligor of any Charged-Off Receivable,

(iii) which is not a Charged-Off Receivable or a Defaulted Receivable,

(iv) which by its terms is due and payable within 210 days of the original billing date therefor and has not had its payment terms extended and which, when included in the calculation of Weighted Average Term, would not cause the Weighted Average Term to exceed 60 days,

(v) which is an "account" within the meaning of Section 9-102 of the UCC of all applicable jurisdictions,

(vi) which is denominated and payable only in United States dollars in the United States,

(vii) which arises under a Contract in substantially the form of one of the form contracts set forth on Exhibit IX hereto or otherwise approved by the Agent in writing, which, together with such Receivable, is in full force and effect and constitutes the legal, valid and binding obligation of the related Obligor enforceable against such Obligor in accordance with its terms subject to no offset, rescission, counterclaim or other defense,

(viii) which arises under a Contract which (A) does not require the Obligor under such Contract to consent to the transfer, sale or assignment of the rights to payment of the Originator thereof or any of its assignees under such Contract and (B) does not contain a confidentiality provision that purports to restrict the ability of any Purchaser to exercise its rights under this Agreement, including, without limitation, its right to review the Contract,

(ix) which arises under a Contract that contains an obligation to pay a specified sum of money, contingent only upon the sale of goods or the provision of services by the Originator thereof,

(x) which, together with the Contract related thereto, does not contravene any law, rule or regulation applicable thereto (including, without limitation,

any law, rule and regulation relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which no part of the Contract related thereto is in violation of any such law, rule or regulation, except where such violation could not reasonably be expected to have a Material Adverse Effect,

(xi) which satisfies all applicable requirements of the applicable Credit and Collection Policy,

(xii) which was generated in the ordinary course of business of the Originator thereof,

(xiii) which arises solely from the sale of goods or the provision of services to the related Obligor by the Originator thereof, and not by any other Person (in whole or in part),

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

(xv) which is not subject to any right of rescission, set-off, counterclaim, any other defense (including defenses arising out of violations of usury laws) of the applicable Obligor against the Originator thereof or any other Adverse Claim, and the Obligor thereon holds no right as against the Originator thereof to cause such Originator to repurchase the goods or merchandise the sale of which shall have given rise to such Receivable (except with respect to sale discounts effected pursuant to the Contract, or defective goods returned in accordance with the terms of the Contract); provided, however, that only that portion of such Receivable that is subject to any such right of rescission, set-off, counterclaim, other defense or Adverse Claim shall be considered to be ineligible pursuant to this clause (xv),

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

(xvii) all right, title and interest to and in which has been validly transferred by the Originator thereof directly to Seller under and in accordance with the Receivables Sale Agreement, and Seller has good and marketable title thereto free and clear of any Adverse Claim, and

(xviii) the Obligor of which is not the Obligor of Defaulted Receivables which in the aggregate constitute more than 35% of the aggregate Outstanding Balance of all Receivables of such Obligor.

"Eligible Receivables Balance" means, at any time, the aggregate Outstanding Balance of all Eligible Receivables at such time, minus the sum of (i) the amount equal to 1.5

times the average of the Monthly Discount Amounts for each of the immediately preceding six months and (ii) the aggregate amount of all accrued volume incentive discounts given by Hearth at such time.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Excel" means Excel Comfort Systems Inc., a Delaware corporation.

"Excess Canadian Receivables Amount" means at any time, an amount equal to the excess, if any, of (i) the aggregate Outstanding Balance of all Eligible Receivables at such time which are Canadian Receivables over (ii) the product of 8.0% and the Eligible Receivables Balance at such time.

"Existing Credit Agreement" means that certain Revolving Credit Facility Agreement dated as of July 29, 1999 among Lennox International Inc., each of the lenders parties thereto, JPMorgan Chase Bank, as administrative agent, Wachovia Bank, N.A., as syndication agent, and The Bank of Nova Scotia, as documentation agent, as such agreement has been amended prior to the date hereof.

"Facility Termination Date" means the earliest of (i) the Liquidity Termination Date and (ii) the Amortization Date.

"Federal Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as amended and any successor statute thereto.

"Federal Funds Effective Rate" means, for any period, a fluctuating interest rate per annum for each day during such period equal to (a) the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York in the Composite Closing Quotations for U.S. Government Securities; or (b) if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:30 a.m. (Chicago time) for such day on such transactions received by Bank One from three federal funds brokers of recognized standing selected by it.

"Fee Letter" means that certain letter agreement dated as of the date hereof among Seller, Conduit and the Agent, as it may be amended or modified and in effect from time to time.

"Finance Charges" means, with respect to a Contract, any finance, interest, late payment charges or similar charges owing by an Obligor pursuant to such Contract.

"Financial Institutions" has the meaning set forth in the preamble in this Agreement.

"Funding Agreement" means this Agreement and any agreement or instrument executed by any Funding Source with or for the benefit of Conduit (including the Liquidity Agreement).

"Funding Source" means (i) any Financial Institution or (ii) any insurance company, bank or other funding entity providing liquidity, credit enhancement or back-up purchase support or facilities to Conduit.

"GAAP" means generally accepted accounting principles in effect in the United States of America as of the date of this Agreement.

"Hearth" means Lennox Hearth Products Inc., a California corporation.

"Incremental Purchase" means a purchase of one or more Purchaser Interests which increases the total outstanding Aggregate Capital hereunder.

"Indebtedness" of a Person means such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by liens or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) capitalized lease obligations, (vi) net liabilities under interest rate swap, exchange or cap agreements, (vii) Contingent Obligations and (viii) liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA.

"Independent Director" shall have the meaning set forth in Seller's certificate of incorporation.

"Lennox International" means Lennox International Inc., a Delaware corporation.

"Level One Enhancement Period" means any period during which the Debt to Adjusted EBITDA Ratio is less than or equal to 2.75 to 1.0.

"Level Two Enhancement Period" means any period during which the Debt to Adjusted EBITDA Ratio is greater than 2.75 to 1.0.

"LIBO Rate" means the rate per annum equal to the sum of (i) (a) the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars appearing on Reuters Screen FRBD as of 11:00 a.m. (London time) two Business Days prior to the first day of the relevant Tranche Period, and having a maturity equal to such Tranche Period, provided that, (1) if Reuters Screen FRBD is not available to the Agent for any reason, the applicable LIBO Rate for the relevant Tranche Period shall instead be the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars as reported by any other generally recognized financial information service as of 11:00 a.m. (London time) two Business Days prior to the first day of such Tranche Period, and having a maturity equal to such Tranche Period, and (2) if no such British Bankers' Association Interest Settlement Rate is available to the Agent, the applicable LIBO Rate for the relevant Tranche Period shall instead be the rate determined by the Agent to be the rate at which Bank One offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Tranche Period, in the approximate amount to be funded at the LIBO Rate and having a maturity equal to such Tranche Period, divided by (b) one minus the

maximum aggregate reserve requirement (including all basic, supplemental, marginal or other reserves) which is imposed against the Agent in respect of Eurocurrency liabilities, as defined in Regulation D of the Board of Governors of the Federal Reserve System as in effect from time to time (expressed as a decimal), applicable to such Tranche Period plus (ii) 2.25% per annum. The LIBO Rate shall be rounded, if necessary, to the next higher 1/16 of 1%.

"Liquidity Agreement" means the agreement entered into by Conduit with the Financial Institutions in connection herewith for the purpose of providing liquidity with respect to the Capital funded by Conduit under the Agreement.

"Liquidity Termination Date" means June 25, 2004.

"Lock-Box" means each locked postal box with respect to which a bank who has executed a Collection Account Agreement has been granted exclusive access for the purpose of retrieving and processing payments made on the Receivables and which is listed on Exhibit IV.

"Loss Horizon Factor" means, for any Accrual Period, a fraction, the numerator of which equals the aggregate Original Balance of all Receivables originated during such Accrual Period and the four immediately preceding Accrual Periods, and the denominator of which equals the Eligible Receivables Balance as of the last day of such Accrual Period.

"Loss Percentage" means at any time the greater of (i) 18.0% and (ii) a percentage calculated in accordance with the following formula:

$$LP = 2 \times LHF \times LR$$

where:

LP = the Loss Percentage;
LHF = the Loss Horizon Factor; and
LR = the highest three month rolling average of the Loss Ratios occurring during the 12 most recent Accrual Periods.

"Loss Ratio" means, for any Accrual Period, a ratio (expressed as a percentage) equal to (i) the aggregate Outstanding Balance of all Receivables which are more than 120 and less than 150 days past due as of the last day of such Accrual Period plus all Charged-Off Receivables which are more than 120 and less than 150 days past due as of the last day of such Accrual Period and which have been written off during such Accrual Period, divided by (ii) the aggregate Original Balance of all Receivables originated during the sixth preceding Accrual Period.

"Loss Reserve" means, at any time, an amount equal to the Loss Percentage multiplied by the Net Receivables Balance as of the close of business on such date.

"Material Adverse Effect" means a material adverse effect on (i) the financial condition or operations of (A) the Seller, (B) the Servicer and its Subsidiaries (taken as a whole), (C) any Originator and its respective Subsidiaries (taken as a whole) or (D) the Performance Guarantor and its Subsidiaries (taken as a whole), (ii) the ability of any Seller Party, any

Originator, the Performance Guarantor or any of their respective Subsidiaries to perform its respective obligations under this Agreement or any other Transaction Document, (iii) the legality, validity or enforceability of this Agreement or any other Transaction Document, (iv) any Purchaser's interest in the Receivables generally or in any significant portion of the Receivables, the Related Security or the Collections with respect thereto, or (v) the collectibility of the Receivables generally or of any material portion of the Receivables.

"Maximum Purchaser Interest" means (i) at any time during the month of November, 85%; provided that for so long as the Servicer delivers Bi-Weekly Reports to the Agent during the month of November with the Agent's consent pursuant to Section 8.5, the Maximum Purchaser Interest shall mean 100%, (ii) at any time during the month of December, 70%; provided that for so long as the Servicer delivers Bi-Weekly Reports to the Agent during the month of December with the Agent's consent pursuant to Section 8.5, the Maximum Purchaser Interest shall mean 100%, and (iii) at any other time, 100%.

"Monthly Discount Amount" means, with respect to any calendar month, the aggregate amount of all cash and payment discounts given by the Originators with respect to the Receivables during such month.

"Monthly Report" means a report, in substantially the form of Exhibit X hereto (appropriately completed), furnished by the Servicer to the Agent pursuant to Section 8.5.

"Moody's" means Moody's Investors Service, Inc.

"Net Receivables Balance" means, at any time, the Eligible Receivables Balance at such time, minus the sum of (without duplication) (i) the aggregate amount by which the Outstanding Balance of all Eligible Receivables of each Obligor and its Affiliates at such time exceeds the Concentration Limit for such Obligor at such time and (ii) the Excess Canadian Receivables Amount at such time.

"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 purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended, who directly or indirectly acquires shares of Lennox International.

"Non-Renewing Financial Institution" has the meaning set forth in Section 12.3.

"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 such other descendants or spouses) have the right, whether by ownership of stock or other equity interests or otherwise, to direct the management 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.

"Obligations" shall have the meaning set forth in Section 2.1.

"Obligor" means a Person obligated to make payments pursuant to a Contract.

"Original Balance" means, with respect to any Receivable, the Outstanding Balance of such Receivable on the date it was originated.

"Originator" means each of Armstrong and Hearth and any other Subsidiary of Performance Guarantor which becomes a party to the Receivables Sale Agreement as a seller thereunder with the consent of the Agent in their capacity as sellers under the Receivables Sale Agreement.

"Outstanding Balance" of any Receivable at any time means the then outstanding principal balance thereof.

"Participant" has the meaning set forth in Section 12.2.

"Performance Guarantor" means Lennox International.

"Performance Guaranty" means that certain Performance Guaranty, dated as of June 27, 2003, by Performance Guarantor in favor of Seller, as the same may be amended, restated or otherwise modified from time to time.

"Person" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Pooled Commercial Paper" means Commercial Paper notes of Conduit subject to any particular pooling arrangement by Conduit, but excluding Commercial Paper issued by Conduit for a tenor and in an amount specifically requested by any Person in connection with any agreement effected by Conduit.

"Potential Amortization Event" means an event which, with the passage of time or the giving of notice, or both, would constitute an Amortization Event.

"Prime Rate" means a per annum rate equal to the higher of (i) the "prime rate" announced by the Agent from time to time, changing when and as such rate changes or (ii) the Federal Funds Effective Rate plus 0.50%.

"Proposed Reduction Date" has the meaning set forth in Section 1.3.

"Pro Rata Share" means, for each Financial Institution, a percentage equal to (i) the Commitment of such Financial Institution, divided by (ii) the aggregate amount of all Commitments of all Financial Institutions hereunder, adjusted as necessary to give effect to any assignments pursuant to Article XII.

"Purchase Limit" means \$50,000,000, as such amount may be decreased in accordance with Section 1.1(b).

"Purchase Notice" has the meaning set forth in Section 1.2.

"Purchase Price" means, with respect to any Incremental Purchase of a Purchaser Interest, the amount paid to Seller for such Purchaser Interest which shall not exceed the least of (i) the amount requested by Seller in the applicable Purchase Notice, (ii) the unused portion of the Purchase Limit on the applicable purchase date and (iii) the excess, if any, of the Net Receivables Balance (less the Aggregate Reserves) on the applicable purchase date over the aggregate outstanding amount of Aggregate Capital determined as of the date of the most recent Monthly Report, taking into account such proposed Incremental Purchase.

"Purchasers" means Conduit and each Financial Institution.

"Purchaser Interest" means, at any time, an undivided percentage ownership interest (computed as set forth below) associated with a designated amount of Capital, selected pursuant to the terms and conditions hereof in (i) each Receivable arising prior to the time of the most recent computation or recomputation of such undivided interest, (ii) all Related Security with respect to each such Receivable, and (iii) all Collections with respect to, and other proceeds of, each such Receivable. Each such undivided percentage interest shall equal:

$$C / (NRB-AR)$$

where:

C = the Capital of such Purchaser Interest.

AR = the Aggregate Reserves.

NRB = the Net Receivables Balance.

Such undivided percentage ownership interest shall be initially computed on its date of purchase. Thereafter, until the Amortization Date, each Purchaser Interest shall be automatically recomputed (or deemed to be recomputed) on each day prior to the Amortization Date. The variable percentage represented by any Purchaser Interest as computed (or deemed recomputed) as of the close of the Business Day immediately preceding the Amortization Date shall remain constant at all times thereafter.

"Purchasing Financial Institution" has the meaning set forth in Section 12.1(b).

"Receivable" means all indebtedness and other obligations owed to Seller or the Originator thereof (at the time it arises, and before giving effect to any transfer or conveyance under the Receivables Sale Agreement or hereunder) or in which Seller or such Originator has a security interest or other interest, including, without limitation, any indebtedness, obligation or interest constituting an account, chattel paper, instrument or general intangible, arising in

connection with the sale of goods or the rendering of services by such Originator, and further includes, without limitation, the obligation to pay any Finance Charges with respect thereto. Indebtedness and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual invoice, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction; provided that any indebtedness, rights or obligations referred to in the immediately preceding sentence shall be a Receivable regardless of whether the account debtor, the applicable Originator or Seller treats such indebtedness, rights or obligations as a separate payment obligation.

"Receivables Sale Agreement" means that certain Receivables Sale Agreement, dated as of June 27, 2003, among the Originators and Seller, as the same may be amended, restated or otherwise modified from time to time.

"Records" means, with respect to any Receivable, all Contracts and other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to such Receivable, any Related Security therefor and the related Obligor.

"Reduction Notice" has the meaning set forth in Section 1.3.

"Reinvestment" has the meaning set forth in Section 2.2.

"Related Security" means, with respect to any Receivable:

(i) all of the applicable Originator's and the Seller's interest in the inventory and goods (including returned or repossessed inventory or goods), if any, the sale, financing or lease of which by an Originator gave rise to such Receivable, and all insurance contracts with respect thereto,

(ii) all other security interests or liens and property subject thereto from time to time, if any, purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all financing statements and security agreements describing any collateral securing such Receivable,

(iii) all guaranties, letters of credit, letter of credit rights, supporting obligations, insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Contract related to such Receivable or otherwise,

(iv) all service contracts and other contracts and agreements associated with such Receivable,

(v) all Records related to such Receivable,

(vi) all of Seller's right, title and interest in, to and under the Receivables Sale Agreement in respect of such Receivable, and

(vii) all proceeds of any of the foregoing.

"Required Financial Institutions" means, at any time, Financial Institutions with Commitments in excess of 66-2/3% of the Purchase Limit.

"Restricted Junior Payment" means (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of capital stock of Seller now or hereafter outstanding, except a dividend payable solely in shares of that class of stock or in any junior class of stock of Seller; provided that this clause (i) shall not be effective prior to the date on which Lennox International executes the Credit Agreement, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of capital stock of Seller now or hereafter outstanding, (iii) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment and any claim for rescission with respect to the Subordinated Loans (as defined in the Receivables Sale Agreement), (iv) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of capital stock of Seller now or hereafter outstanding, and (v) any payment of management fees by Seller (except for reasonable management fees to an Originator or its Affiliates in reimbursement of actual management services performed).

"Sale and Assignment" means that certain Sale and Assignment dated as of June 16, 2003 between LPAC Corp., a Delaware corporation, and Armstrong, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"S&P" means Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc.

"Seller" has the meaning set forth in the preamble to this Agreement.

"Seller Parties" has the meaning set forth in the preamble to this Agreement.

"Servicer" means at any time the Person (which may be the Agent) then authorized pursuant to Article VIII to service, administer and collect Receivables.

"Servicing Fee" has the meaning set forth in Section 8.6.

"Settlement Date" means (A) the date each month which is two (2) Business Days after the applicable Monthly Report is due, and (B) the last day of the relevant Tranche Period in respect of each Purchaser Interest of the Financial Institutions.

"Settlement Period" means (A) in respect of each Purchaser Interest funded by Conduit, the immediately preceding Accrual Period, and (B) in respect of each Purchaser Interest funded by the Financial Institutions, the entire Tranche Period of such Purchaser Interest.

"Stock Purchase Agreement" means that certain Stock Purchase Agreement dated as of June 27, 2003 among Seller, Hearth and Armstrong, as such agreement may be amended,

restated, supplemented or otherwise modified from time to time in accordance with its terms and with the consent of the Agent.

"Subsidiary" of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, association, limited liability company, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of Seller.

"Terminating Financial Institution" has the meaning set forth in Section 12.4.

"Terminating Tranche" has the meaning set forth in Section 2.3(b).

"Termination Date" has the meaning set forth in Section 2.3.

"Termination Percentage" has the meaning set forth in Section 2.3.

"Tranche Period" means, with respect to any Purchaser Interest funded by a Financial Institution, including any Purchaser Interest or undivided interest therein which has been assigned to a Financial Institution pursuant to the Liquidity Agreement:

(a) if Yield for such Purchaser Interest is calculated on the basis of the LIBO Rate, a period of one, two, three or six months, or such other period as may be mutually agreeable to the Agent and Seller, commencing on a Business Day selected by Seller or the Agent pursuant to this Agreement. Such Tranche Period shall end on the day in the applicable succeeding calendar month which corresponds numerically to the beginning day of such Tranche Period, provided, however, that if there is no such numerically corresponding day in such succeeding month, such Tranche Period shall end on the last Business Day of such succeeding month; or

(b) if Yield for such Purchaser Interest is calculated on the basis of the Prime Rate, a period commencing on a Business Day selected by Seller and agreed to by the Agent, provided no such period shall exceed one month.

If any Tranche Period would end on a day which is not a Business Day, such Tranche Period shall end on the next succeeding Business Day, provided, however, that in the case of Tranche Periods corresponding to the LIBO Rate, if such next succeeding Business Day falls in a new month, such Tranche Period shall end on the immediately preceding Business Day. In the case of any Tranche Period for any Purchaser Interest which commences before the Amortization Date and would otherwise end on a date occurring after the Amortization Date, such Tranche Period shall end on the Amortization Date. The duration of each Tranche Period which commences after the Amortization Date shall be of such duration as selected by the Agent.

"Transaction Documents" means, collectively, this Agreement, each Purchase Notice, the Receivables Sale Agreement, each Collection Account Agreement, the Performance

Guaranty, the Fee Letter, the Sale and Assignment, the Subordinated Note (as defined in the Receivables Sale Agreement) and the Stock Purchase Agreement and all other instruments, documents and agreements executed and delivered in connection herewith.

"UCC" means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

"Voting Rights" means, with respect to shares of a corporation, the right 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).

"Weekly Report" means a report, in substantially the form of Exhibit XII hereto (appropriately completed), furnished by the Servicer to the Agent pursuant to Section 8.5.

"Weighted Average Term" means, at any time, the weighted average of the stated terms of all Eligible Receivables, weighted on the basis of the Outstanding Balance of each such Receivable, as of the time of such calculation.

"Yield" means for each respective Tranche Period relating to Purchaser Interests of the Financial Institutions, an amount equal to the product of the applicable Bank Rate for each Purchaser Interest multiplied by the Capital of such Purchaser Interest for each day elapsed during such Tranche Period, annualized on a 360 day basis.

"Yield and Servicer Fee Reserve" means, on any date, an amount equal to 1.5% multiplied by the Net Receivables Balance as of the close of business on such date.

All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of Illinois, and not specifically defined herein, are used herein as defined in such Article 9.

EXHIBIT II

FORM OF PURCHASE NOTICE

[Date]

Bank One, NA (Main Office Chicago), as Agent
1 Bank One Plaza, 21st Floor
Asset-Backed Finance
Chicago, Illinois 60670-0596

Attention: [_____]

Re: PURCHASE NOTICE

Ladies and Gentlemen:

Reference is hereby made to the Receivables Purchase Agreement, dated as of June 27, 2003, by and among LPAC Corp. II, a Delaware corporation (the "Seller"), Lennox Industries Inc., as Servicer, the Financial Institutions, Jupiter Securitization Corporation ("Conduit"), and Bank One, NA (Main Office Chicago), as Agent (the "Receivables Purchase Agreement"). Capitalized terms used herein shall have the meanings assigned to such terms in the Receivables Purchase Agreement.

The Agent is hereby notified of the following Incremental Purchase:

Purchase Price: \$ _____

Date of Purchase: _____

Requested Bank Rate: [LIBO Rate] [Prime Rate]
[Pooled Commercial Paper rate]

Please wire-transfer the Purchase Price in immediately available funds on the above-specified date of purchase to:

[Account Name]
[Account No.]
[Bank Name & Address]
[ABA #]

Reference:
Telephone advice to: [Name] @ tel. No. ()

Please advise [Name] at telephone no () _____ if Conduit will not be making this purchase.

Exh. II-1

In connection with the Incremental Purchase to be made on the above listed "Date of Purchase" (the "Purchase Date"), the Seller hereby certifies that the following statements are true on the date hereof, and will be true on the Purchase Date (before and after giving effect to the proposed Incremental Purchase):

(i) the representations and warranties of the Seller set forth in Section 5.1 of the Receivables Purchase Agreement are true and correct in all material respects (except that the materiality standard in this clause (i) shall not apply to any such representation or warranty which is qualified by a materiality standard by its terms) on and as of the Purchase Date as though made on and as of such date;

(ii) no event has occurred and is continuing, or would result from the proposed Incremental Purchase, that will constitute an Amortization Event or a Potential Amortization Event;

(iii) the Facility Termination Date has not occurred, the Aggregate Capital does not exceed the Purchase Limit and the aggregate Purchaser Interests do not exceed the Maximum Purchaser Interest;

(iv) after giving effect to such Incremental Purchase, the Weighted Average Term (with respect to Receivables included in the Net Receivables Balance) shall not exceed 60 days; and

(v) the amount of Aggregate Capital is \$_____ after giving effect to the Incremental Purchase to be made on the Purchase Date.

Very truly yours,

LPAC CORP. II

By: _____
Name: _____
Title: _____

Exh. II-2

EXHIBIT III

PLACES OF BUSINESS OF THE SELLER PARTIES;
LOCATIONS OF RECORDS;

Lennox Industries Inc.
2100 Lake Park Blvd.
Richardson, Texas 75080

LPAC Corp. II
2140 Lake Park Blvd.
Richardson, Texas 75080-2254

FEDERAL EMPLOYER IDENTIFICATION NUMBER(S)

Lennox Industries Inc.: 42-0377110

LPAC Corp. II: 55-0836692

ORGANIZATIONAL IDENTIFICATION NUMBER(S)

Lennox Industries Inc.: 24693

LPAC Corp. II: 3671965

Exh. III-1

EXHIBIT IV

EXHIBIT V

FORM OF COMPLIANCE CERTIFICATE

To: Bank One, NA (Main Office Chicago), as Agent

This Compliance Certificate is furnished pursuant to that certain Receivables Purchase Agreement dated as of June 27, 2003 among LPAC Corp. II (the "Seller"), Lennox Industries Inc. (the "Servicer"), the Purchasers party thereto and Bank One, NA (Main Office Chicago), as agent for such Purchasers (the "Agreement").

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected [_____] of Seller.

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Seller and the Servicer and its Subsidiaries during the accounting period covered by the attached financial statements.

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes an Amortization Event or Potential Amortization Event, as each such term is defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth in paragraph 5 below.

4. Schedule I attached hereto sets forth financial data and computations evidencing the compliance with certain covenants of the Agreement, all of which data and computations are true, complete and correct.

5. Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Seller has taken, is taking, or proposes to take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this _____ day of _____, 20____.

SCHEDULE I TO COMPLIANCE CERTIFICATE

A. Schedule of Compliance as of _____, ____ with Section ____ of the Agreement. Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

This schedule relates to the month ended:

Exh. V-2

EXHIBIT VI
FORM OF COLLECTION ACCOUNT AGREEMENT

Attached

Exh. VI-1

EXHIBIT VII

FORM OF ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT (this "Assignment Agreement") is entered into as of the ___ day of _____, ____, by and between _____ ("Assignor") and _____ ("Assignee").

PRELIMINARY STATEMENTS

A. This Assignment Agreement is being executed and delivered in accordance with Section 12.1(b) of that certain Receivables Purchase Agreement dated as of June 27, 2003 by and among LPAC Corp. II, as Seller, Lennox Industries Inc., as Servicer, Jupiter Securitization Corporation, Bank One, NA (Main Office Chicago), as Agent, and the Financial Institutions party thereto (as amended, modified or restated from time to time, the "Purchase Agreement"). Capitalized terms used and not otherwise defined herein are used with the meanings set forth or incorporated by reference in the Purchase Agreement.

B. Assignor is a Financial Institution party to the Purchase Agreement, and Assignee wishes to become a Financial Institution thereunder; and

C. Assignor is selling and assigning to Assignee an undivided _____% (the "Transferred Percentage") interest in all of Assignor's rights and obligations under the Purchase Agreement and the Transaction Documents, including, without limitation, Assignor's Commitment and (if applicable) the Capital of Assignor's Purchaser Interests as set forth herein.

AGREEMENT

The parties hereto hereby agree as follows:

1. The sale, transfer and assignment effected by this Assignment Agreement shall become effective (the "Effective Date") two (2) Business Days (or such other date selected by the Agent in its sole discretion) following the date on which a notice substantially in the form of Schedule II to this Assignment Agreement ("Effective Notice") is delivered by the Agent to Conduit, Assignor and Assignee. From and after the Effective Date, Assignee shall be a Financial Institution party to the Purchase Agreement for all purposes thereof as if Assignee were an original party thereto and Assignee agrees to be bound by all of the terms and provisions contained therein.

2. If Assignor has no outstanding Capital under the Purchase Agreement, on the Effective Date, Assignor shall be deemed to have hereby transferred and assigned to Assignee, without recourse, representation or warranty (except as provided in paragraph 6 below), and the Assignee shall be deemed to have hereby irrevocably taken, received and assumed from Assignor, the Transferred Percentage of Assignor's Commitment and all rights and obligations associated therewith under the terms of the Purchase Agreement, including, without limitation, the Transferred Percentage of Assignor's future funding obligations under Section 4.1 of the Purchase Agreement.

3. If Assignor has any outstanding Capital under the Purchase Agreement, at or before 12:00 noon, local time of Assignor, on the Effective Date Assignee shall pay to Assignor, in immediately available funds, an amount equal to the sum of (i) the Transferred Percentage of the outstanding Capital of Assignor's Purchaser Interests (such amount, being hereinafter referred to as the "Assignee's Capital"); (ii) all accrued but unpaid (whether or not then due) Yield attributable to Assignee's Capital; and (iii) accruing but unpaid fees and other costs and expenses payable in respect of Assignee's Capital for the period commencing upon each date such unpaid amounts commence accruing, to and including the Effective Date (the "Assignee's Acquisition Cost"); whereupon, Assignor shall be deemed to have sold, transferred and assigned to Assignee, without recourse, representation or warranty (except as provided in paragraph 6 below), and Assignee shall be deemed to have hereby irrevocably taken, received and assumed from Assignor, the Transferred Percentage of Assignor's Commitment and the Capital of Assignor's Purchaser Interests (if applicable) and all related rights and obligations under the Purchase Agreement and the Transaction Documents, including, without limitation, the Transferred Percentage of Assignor's future funding obligations under Section 4.1 of the Purchase Agreement.

4. Concurrently with the execution and delivery hereof, Assignor will provide to Assignee copies of all documents requested by Assignee which were delivered to Assignor pursuant to the Purchase Agreement.

5. Each of the parties to this Assignment Agreement agrees that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Assignment Agreement.

6. By executing and delivering this Assignment Agreement, Assignor and Assignee confirm to and agree with each other, the Agent and the Financial Institutions as follows: (a) other than the representation and warranty that it has not created any Adverse Claim upon any interest being transferred hereunder, Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made by any other Person in or in connection with the Purchase Agreement or the Transaction Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of Assignee, the Purchase Agreement or any other instrument or document furnished pursuant thereto or the perfection, priority, condition, value or sufficiency of any collateral; (b) Assignor makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Seller, any Obligor, any Seller Affiliate or the performance or observance by the Seller, any Obligor, any Seller Affiliate of any of their respective obligations under the Transaction Documents or any other instrument or document furnished pursuant thereto or in connection therewith; (c) Assignee confirms that it has received a copy of the Purchase Agreement and copies of such other Transaction Documents, and other documents and information as it has requested and deemed appropriate to make its own credit analysis and decision to enter into this Assignment Agreement; (d) Assignee will, independently and without reliance upon the Agent, Conduit, the Seller or any other Financial Institution or Purchaser and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Purchase Agreement and the Transaction Documents; (e) Assignee appoints and authorizes the Agent to take such action as agent on its

behalf and to exercise such powers under the Transaction Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (f) Assignee agrees that it will perform in accordance with their terms all of the obligations which, by the terms of the Purchase Agreement and the other Transaction Documents, are required to be performed by it as a Financial Institution or, when applicable, as a Purchaser.

7. Each party hereto represents and warrants to and agrees with the Agent that it is aware of and will comply with the provisions of the Purchase Agreement, including, without limitation, Sections 4.1 and 13.6 thereof.

8. Schedule I hereto sets forth the revised Commitment of Assignor and the Commitment of Assignee, as well as administrative information with respect to Assignee.

9. THIS ASSIGNMENT AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF ILLINOIS.

10. Assignee hereby covenants and agrees that, prior to the date which is one year and one day after the payment in full of all senior indebtedness for borrowed money of Conduit, it will not institute against, or join any other Person in instituting against, Conduit any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Exh. VII-3

IN WITNESS WHEREOF, the parties hereto have caused this Assignment Agreement to be executed by their respective duly authorized officers of the date hereof.

[ASSIGNOR]

By: _____
Title: _____

[ASSIGNEE]

By: _____
Title: _____

Exh. VII-4

SCHEDULE I TO ASSIGNMENT AGREEMENT

LIST OF LENDING OFFICES, ADDRESSES
FOR NOTICES AND COMMITMENT AMOUNTS

Date: _____, ____

Transferred Percentage: _____%

	A-1	A-2	B-1	B-2
Assignor	Commitment (prior to giving effect to the Assignment Agreement)	Commitment (after giving effect to the Assignment Agreement)	Outstanding Capital (if any)	Ratable Share of Outstanding Capital

	A-2	B-1	B-2
Assignee	Commitment (after giving effect to the Assignment Agreement)	Outstanding Capital (if any)	Ratable Share of Outstanding Capital

Address for Notices

Attention:

Phone:

Fax:

SCHEDULE II TO ASSIGNMENT AGREEMENT

EFFECTIVE NOTICE

TO: _____, Assignor

TO: _____, Assignor

The undersigned, as Agent under the Receivables Purchase Agreement dated as of June 27, 2003 by and among LPAC Corp. II a Delaware corporation, Lennox Industries Inc., as Servicer, Jupiter Securitization Corporation, Bank One, NA (Main Office Chicago), as Agent, and the Financial Institutions party thereto, hereby acknowledges receipt of executed counterparts of a completed Assignment Agreement dated as of _____, ____ between _____, as Assignor, and _____, as Assignee. Terms defined in such Assignment Agreement are used herein as therein defined.

1. Pursuant to such Assignment Agreement, you are advised that the Effective Date will be _____, ____.
2. Conduit hereby consents to the Assignment Agreement as required by Section 12.1(b) of the Receivables Purchase Agreement.
3. [Pursuant to such Assignment Agreement, the Assignee is required to pay \$_____ to Assignor at or before 12:00 noon (local time of Assignor) on the Effective Date in immediately available funds.]

Very truly yours,

BANK ONE, NA (MAIN OFFICE CHICAGO),
individually and as Agent

By: _____
Title: _____

JUPITER SECURITIZATION CORPORATION

By: _____
Authorized Signatory

EXHIBIT VIII

CREDIT AND COLLECTION POLICY

See Exhibit V to Receivables Sale Agreement

Exh. VIII-1

EXHIBIT IX
FORM OF CONTRACT(S)

See Attached

Exh. IX-1

EXHIBIT X
FORM OF MONTHLY REPORT

Attached

Exh. X-1

EXHIBIT XI
FORM OF REDUCTION NOTICE

[Date]

Bank One, NA (Main Office Chicago), as Agent
Suite IL1-1729, 1-19
1 Bank One Plaza
Chicago, Illinois 60670-1729

Attention: Jupiter Administrator

Re: REDUCTION NOTICE

Ladies and Gentlemen:

Reference is hereby made to the Receivables Purchase Agreement, dated as of June 27, 2003, by and among LPAC Corp. II, a Delaware corporation (the "Seller"), Lennox Industries Inc., as Servicer, the Financial Institutions, Jupiter Securitization Corporation ("Conduit"), and Bank One, NA (Main Office Chicago), as Agent (the "Receivables Purchase Agreement"). Capitalized terms used herein shall have the meanings assigned to such terms in the Receivables Purchase Agreement.

The Agent is hereby notified of the following Aggregate Reduction:

Aggregate Reduction: \$[]

Proposed Reduction Date: []

Aggregate Reduction will be made in available funds (by 12:00 noon Chicago time) to:

Jupiter Securitization Corporation
51 - 14810
Bank One N.A.
Chicago, IL 60670
ABA# 071000013
Reference: LPAC Corp. II

Exh. XI-1

After giving effect to such Aggregate Reduction made on the Proposed Reduction Date, the Aggregate Capital is \$[].

Very truly yours,

LPAC CORP. II

By: _____

Name:

Title:

Exh. XI-2

EXHIBIT XII
FORM OF WEEKLY REPORT

Exh. XII-1

EXHIBIT XIII
FORM OF BI-WEEKLY REPORT

Exh. XIII-1

SCHEDULE A

COMMITMENTS

Financial Institution	Commitment
Bank One, NA (Main Office Chicago)	\$50,000,000

SCHEDULE B

LIST OF CLOSING DOCUMENTS

(Attached.)

RECEIVABLES SALE AGREEMENT

Dated as of June 27, 2003

by and among

ARMSTRONG AIR CONDITIONING INC.

and

LENNOX HEARTH PRODUCTS INC.,
as the initial Originators

and

LPAC CORP. II,
as Buyer

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SCHEDULE A	--	List of Documents to Be Delivered to Buyer Prior to Initial Purchase

RECEIVABLES SALE AGREEMENT

THIS RECEIVABLES SALE AGREEMENT, dated as of June 27, 2003, is by and among Armstrong Air Conditioning Inc., an Ohio corporation ("Armstrong"), Lennox Hearth Products Inc., a California corporation ("Hearth") (each of Armstrong and Hearth and each other Subsidiary of Lennox International which hereafter enters into a Joinder Agreement, an "Originator" and collectively, the "Originators"), and LPAC Corp. II, a Delaware corporation ("Buyer"). Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Exhibit I.

PRELIMINARY STATEMENTS

Each Originator now owns, and from time to time hereafter will own, Receivables. Each Originator wishes to sell and assign to Buyer, and Buyer wishes to purchase from each Originator, all of such Originator's right, title and interest in and to such Receivables, together with the Related Security and Collections with respect thereto.

Each Originator and Buyer intend the transactions contemplated hereby to be true sales of the Receivables from such Originator to Buyer, providing Buyer with the full benefits of ownership of the Receivables, and none of the Originators or Buyer intends these transactions to be, or for any purpose to be characterized as, loans from Buyer to an Originator.

Following each purchase of Receivables from the Originators, Buyer will sell undivided interests therein and in the associated Related Security and Collections pursuant to that certain Receivables Purchase Agreement dated as of June 27, 2003 (as the same may from time to time hereafter be amended, supplemented, restated or otherwise modified, the "Purchase Agreement") among Buyer, Lennox Industries Inc., as Servicer, Jupiter Securitization Corporation ("Jupiter"), the financial institutions from time to time party thereto as "Financial Institutions" and Bank One, NA (Main Office Chicago) or any successor agent appointed pursuant to the terms of the Purchase Agreement, as agent for Jupiter and such Financial Institutions (in such capacity, the "Agent").

ARTICLE I AMOUNTS AND TERMS

Section 1.1 Purchases of Receivables.

(a) In consideration for the Purchase Price and upon the terms and subject to the conditions set forth herein, (i) effective on its Closing Date, each Originator does hereby sell, assign, transfer, set-over and otherwise convey to Buyer, without recourse (except to the extent expressly provided herein), and Buyer does hereby purchase from each Originator, all of such Originator's right, title and interest in and to all Receivables originated by such Originator and existing as of the close of business on the Business Day immediately prior to its Closing Date, together, in each case, with all Related Security relating thereto and all Collections thereof and

(ii) from and after its Closing Date, each Originator hereby agrees to sell, assign, transfer, set-over and otherwise convey to Buyer, without recourse (except to the extent expressly provided herein), and Buyer hereby agrees to purchase from each Originator, all of such Originator's right, title and interest in and to all Receivables originated by such Originator from and after its Closing Date, together, in each case, with all Related Security relating thereto and all Collections thereof. In accordance with the preceding sentence, Buyer shall acquire all of each Originator's right, title and interest in and to all Receivables originated by such Originator existing as of the close of business on the Business Day immediately prior to its Closing Date and thereafter arising through and including its Termination Date, together with all Related Security relating thereto and all Collections thereof, and Buyer shall be obligated to pay the Purchase Price therefor in accordance with Section 1.2. In connection with the payment of the Purchase Price for any Receivables purchased hereunder, Buyer may request that the applicable Originator deliver, and such Originator shall deliver, such approvals, opinions, information, reports or documents as Buyer may reasonably request.

(b) It is the intention of the parties hereto that each Purchase of Receivables made hereunder shall constitute a sale of "accounts" (as such term is used in Article 9 of the UCC), which sale is absolute and irrevocable and provides Buyer with the full benefits of ownership of the Receivables. Except for the Purchase Price Credits owed pursuant to Section 1.3, each sale of Receivables hereunder is made without recourse to the Originators; provided, however, that (i) each Originator shall be liable to Buyer for all representations, warranties and covenants made by such Originator pursuant to the terms of the Transaction Documents to which such Originator is a party, and (ii) such sale does not constitute and is not intended to result in an assumption by Buyer or any assignee thereof of any obligation of such Originator or any other Person arising in connection with the Receivables originated by such Originator, the related Contracts and/or other Related Security or any other obligations of such Originator. In view of the intention of the parties hereto that the Purchases of Receivables made hereunder shall constitute a sale of such Receivables rather than loans secured thereby, each Originator agrees that it will, on or prior to its Closing Date and in accordance with Section 4.1(e)(ii), mark its master data processing records relating to the Receivables originated by it with a legend acceptable to Buyer and to the Agent (as Buyer's assignee), evidencing that Buyer has purchased such Receivables as provided in this Agreement and to note in its financial statements that its Receivables have been sold to Buyer. Upon the request of Buyer or the Agent (as Buyer's assignee), each Originator will execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate to perfect and maintain the perfection of Buyer's ownership interest in the Receivables and the Related Security and Collections with respect thereto, or as Buyer or the Agent (as Buyer's assignee) may reasonably request.

Section 1.2 Payment for the Purchases.

(a) The Purchase Price for the Purchase of Receivables of each Originator that are in existence on the close of business on the Business Day immediately preceding its Closing Date (the "Initial Cutoff Date") shall be payable in full by Buyer to such Originator on its Closing Date, and shall be paid to such Originator in the following manner:

(i) by delivery of immediately available funds, to the extent of funds made available to Buyer in connection with its subsequent sale of an interest in such Receivables to the Purchasers under the Purchase Agreement or other cash on hand;

(ii) by delivery of the proceeds of a subordinated revolving loan from such Originator to Buyer (a "Subordinated Loan") in an amount not to exceed the least of (A) the remaining unpaid portion of such Purchase Price and (B) the maximum Subordinated Loan that could be borrowed without rendering Buyer's Net Worth less than the Required Capital Amount; and

(iii) by accepting such Receivables as a contribution to Buyer's capital in exchange for shares of Series A Preferred Stock in accordance with the terms of the Stock Purchase Agreement.

Each Receivable coming into existence after the Initial Cutoff Date shall be sold or contributed to the Buyer on the Business Day immediately following the day such Receivable was originated and the Purchase Price for such Receivable shall be due and owing in full by Buyer to the Originator of such Receivable or its designee on such Business Day (except that Buyer may, with respect to any such Purchase Price, offset against such Purchase Price any amounts owed by such Originator to Buyer hereunder and which have become due but remain unpaid) and shall be paid to such Originator in the manner provided in the following paragraphs (b), (c) and (d).

(b) With respect to any Receivables sold or contributed hereunder after the Initial Cutoff Date, on the first Business Day after such Receivable is originated, such Receivable shall be transferred to Buyer and on such date of Purchase, Buyer shall pay the Purchase Price therefor to the applicable Originator in the following manner:

(i) first, by delivery of immediately available funds, to the extent of funds available to Buyer from its subsequent sale of an interest in the Receivables to the Agent for the benefit of the Purchasers under the Purchase Agreement or other cash on hand;

(ii) second, by delivery of the proceeds of a Subordinated Loan, provided that the making of any such Subordinated Loan shall be subject to the provisions set forth in Section 1.2(a)(ii); and

(iii) third, by accepting such Receivables as a contribution to Buyer's capital in exchange for shares of Series A Preferred Stock in accordance with the terms of the Stock Purchase Agreement; PROVIDED that no such capital contribution shall be made from and after the date on which such Originator notifies Buyer in writing that it has designated a date as such Originator's Termination Date.

Subject to the limitations set forth in Section 1.2(a)(ii), each Originator irrevocably agrees to advance each Subordinated Loan requested by Buyer on or prior to such Originator's Termination Date. The Subordinated Loans shall be evidenced by, and shall be payable in accordance with the terms and provisions of such Originator's Subordinated Note and shall be

payable solely from funds which Buyer is not required under the Purchase Agreement to set aside for the benefit of, or otherwise pay over to, the Agent or the Purchasers. Such Originator is hereby authorized by Buyer to endorse on the schedule attached to its Subordinated Note an appropriate notation evidencing the date and amount of each advance thereunder, as well as the date of each payment with respect thereto, provided that the failure to make such notation shall not affect any obligation of Buyer thereunder.

(c) From and after its Termination Date, no Originator shall be obligated to (but may, at its option) sell Receivables to Buyer unless such Originator reasonably determines that the Purchase Price therefor will be satisfied with funds available to Buyer from sales of interests in the Receivables pursuant to the Purchase Agreement, Collections, proceeds of Subordinated Loans, other cash on hand or otherwise.

(d) Although the Purchase Price for each Receivable coming into existence after the Initial Cutoff Date shall be paid in full by Buyer to the applicable Originator on the date such Receivable is purchased, a precise reconciliation of the Purchase Price between Buyer and such Originator shall be effected on a monthly basis on Settlement Dates with respect to all Receivables sold during the same Calculation Period most recently ended prior to such Settlement Date and based on the information contained in the Monthly Report delivered by the Servicer pursuant to Article VIII of the Purchase Agreement for such Calculation Period. Although such reconciliation shall be effected on Settlement Dates, increases or decreases in the amount owing under the applicable Subordinated Note made pursuant to Section 1.2(b) and any contribution of capital by the applicable Originator to Buyer made pursuant to Section 1.2(b) shall be deemed to have occurred and shall be effective as of the date that the Purchase Price is paid. On each Settlement Date, each Originator shall determine the net increase or the net reduction in the outstanding principal amount of its Subordinated Note occurring during the immediately preceding Calculation Period and shall account for such net increase or net reduction in its books and records. Each Originator hereby agrees that within three (3) Business Days after Buyer so requests, such Originator will provide Buyer with a current report of daily sales giving rise to Receivables purchased hereunder and a current daily report of Collections received.

(e) Each contribution of a Receivable by an Originator to Buyer shall be deemed to be a Purchase of such Receivable by the Buyer for all purposes of this Agreement. Buyer hereby acknowledges that no Originator shall have any obligations to make further capital contributions to Buyer, in respect of Originator's equity interest in the Buyer or otherwise, in order to provide funds to pay the Purchase Price to such Originator under this Agreement or for any other reason.

Section 1.3 Purchase Price Credit Adjustments.

(a) If on any day the Outstanding Balance of a Receivable is:

(i) reduced as a result of any defective or rejected goods or services, any volume incentive discount, promotional or advertising credits, any other discount or any adjustment or otherwise by the applicable Originator (other than cash Collections on

account of such Receivable and other than reductions resulting from such Receivable being written off the applicable Originator's books as uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor),

(ii) reduced or canceled as a result of a setoff in respect of any claim by any Person (whether such claim arises out of the same or a related transaction or an unrelated transaction), or

(b) if any of the representations and warranties set forth in Article II were not true with respect to any Receivable on the date of its Purchase hereunder,

then, in such event, Buyer shall be entitled to a credit (each, a "Purchase Price Credit") against the Purchase Price otherwise payable hereunder in an amount equal to the amount of such reduction or cancellation in the case of clause (a) or the Outstanding Balance of such Receivable in the case of clause (b). If such Purchase Price Credit exceeds the Purchase Price for the Receivables sold by such Originator on such day, then such Originator shall pay the remaining amount of such Purchase Price Credit in cash within five (5) Business Days thereafter, provided that if the Termination Date of such Originator has not occurred, such Originator shall be allowed to deduct the remaining amount of such Purchase Price Credit from any indebtedness owed to it under its Subordinated Note to the extent permitted thereunder.

Section 1.4 Payments and Computations, Etc. All amounts to be paid or deposited by Buyer hereunder shall be paid or deposited in accordance with the terms hereof on the day when due in immediately available funds to the account of the applicable Originator designated from time to time by such Originator or as otherwise directed by such Originator. In the event that any payment owed by any Person hereunder becomes due on a day that is not a Business Day, then such payment shall be made on the next succeeding Business Day. If any Person fails to pay any amount hereunder when due, such Person agrees to pay, on demand, the Default Fee in respect thereof until paid in full; provided, however, that such Default Fee shall not at any time exceed the maximum rate permitted by applicable law. All computations of interest payable hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first but excluding the last day) elapsed.

Section 1.5 Transfer of Records.

(a) In connection with each Purchase of Receivables hereunder, each Originator hereby sells, transfers, assigns and otherwise conveys to Buyer all of such Originator's right and title to and interest in the Records relating to all Receivables sold hereunder, without the need for any further documentation in connection with such Purchase. In connection with such transfer, each Originator hereby grants to each of Buyer, the Agent and the Servicer an irrevocable, non-exclusive license to use, without royalty or payment of any kind, all software used by such Originator to account for the Receivables, to the extent necessary to administer the Receivables, whether such software is owned by such Originator or is owned by others and used by such Originator under license agreements with respect thereto, provided that should the consent of any licensor of such software to such grant of the license described herein be required, such Originator hereby agrees that upon the request of Buyer (or the Agent as Buyer's assignee), such Originator will use its reasonable efforts to obtain the consent of such

third-party licensor. The license granted hereby shall be irrevocable, and shall terminate on the date this Agreement terminates in accordance with its terms.

(b) Each Originator (i) shall take such action requested by Buyer and/or the Agent (as Buyer's assignee), from time to time hereafter, that may be necessary or appropriate to ensure that Buyer and its assigns under the Purchase Agreement have an enforceable ownership interest in the Records relating to the Receivables purchased from such Originator hereunder, and (ii) shall use its reasonable efforts to ensure that Buyer, the Agent and the Servicer each has an enforceable right (whether by license or sublicense or otherwise) to use all of the computer software used to account for the Receivables and/or to recreate such Records.

Section 1.6 Characterization. (a) If, notwithstanding the intention of the parties expressed in Section 1.1(b), any sale or contribution by an Originator to Buyer of Receivables hereunder shall be characterized as a secured loan and not a sale or such sale shall for any reason be ineffective or unenforceable, then this Agreement shall be deemed to constitute a security agreement under the UCC and other applicable law. For this purpose and without being in derogation of the parties' intention that the sale of Receivables hereunder shall constitute a true sale thereof, each Originator hereby grants to Buyer a valid and perfected security interest in all of such Originator's right, title and interest, now owned or hereafter acquired, in, to and under all Receivables now existing and hereafter arising, and in all Collections, Related Security with respect thereto, each Lock-Box and Collection Account, all other rights and payments relating to the Receivables and all proceeds of the foregoing to secure the prompt and complete payment of a loan deemed to have been made in an amount equal to the Purchase Price of the Receivables originated by such Originator together with all other obligations of such Originator hereunder, which security interest shall be prior to all other Adverse Claims thereto. Buyer and its assigns shall have, in addition to the rights and remedies which they may have under this Agreement, all other rights and remedies provided to a secured creditor under the UCC and other applicable law, which rights and remedies shall be cumulative. Each Originator hereby authorizes the Buyer (or its assigns), within the meaning of Section 9-509 of any applicable enactment of the UCC, as secured party, to file, without the signature of the debtor, the UCC financing statements contemplated hereby.

(b) Each Originator acknowledges that Buyer, pursuant to the Purchase Agreement, shall assign to the Agent, for the benefit of the Agent and the Purchasers thereunder, all of its rights, remedies, powers and privileges under this Agreement and that the Agent may further assign such rights, remedies, powers and privileges to the extent permitted by the Purchase Agreement. Each Originator agrees that the Agent, as the assignee of the Buyer, shall, subject to the terms of the Purchase Agreement, have the right to enforce this Agreement and to exercise directly all of Buyer's rights and remedies under this Agreement (including, without limitation, the right to give or withhold any consents or approvals of Buyer to be given or withheld hereunder, and, in any case without regard to whether specific reference is made to Buyer's assigns in the provisions of this Agreement which set forth such rights and remedies) and each Originator agrees to cooperate fully with the Agent and the Purchasers in the exercise of such rights and remedies. Each Originator further agrees to give to the Agent copies of all notices it is required to give to Buyer hereunder.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of Originators.

Each Originator hereby represents and warrants to Buyer on the date hereof and on the date of each Purchase hereunder that:

(a) Corporate Existence and Power. Such Originator is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation. Such Originator is duly qualified to do business and is in good standing as a foreign corporation, and has and holds all corporate power and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is conducted, except to the extent that the failure to qualify or to hold such governmental licenses, authorizations, consents and approvals could not reasonably be expected to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization Execution and Delivery. The execution and delivery by such Originator of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder and, such Originator's use of the proceeds of the Purchases made hereunder, are within its corporate powers and authority and have been duly authorized by all necessary corporate action on its part. This Agreement and each other Transaction Document to which such Originator is a party has been duly executed and delivered by such Originator.

(c) No Conflict. The execution and delivery by such Originator of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder do not contravene or violate (i) its certificate or articles of incorporation or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound except to the extent such contravention or violation could not reasonably be expected to have a Material Adverse Effect or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on assets of such Originator or its Subsidiaries (except as created hereunder); and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(d) Governmental Authorization. Other than the filing of the financing statements required hereunder, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by such Originator of this Agreement and each other Transaction Document to which it is a party and the performance of its obligations hereunder and thereunder.

(e) Actions, Suits. There are no actions, suits or proceedings pending, or to the best of such Originator's knowledge, threatened, against or affecting such Originator, or any of its properties, in or before any court, arbitrator or other body, that could reasonably be expected to have a Material Adverse Effect. Such Originator is not in default with respect to any order of any court, arbitrator or governmental body.

(f) Binding Effect. This Agreement and each other Transaction Document to which such Originator is a party constitute the legal, valid and binding obligations of such Originator enforceable against such Originator in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(g) Accuracy of Information. All information heretofore furnished by such Originator or any of its Affiliates to Buyer (or its assigns) for purposes of or in connection with this Agreement, any of the other Transaction Documents or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by such Originator or any of its Affiliates to Buyer (or its assigns) will be, true and accurate in every material respect on the date such information is stated or certified and does not and will not contain any material misstatement of fact or omit to state a material fact or any fact necessary to make the statements contained therein not misleading.

(h) Use of Proceeds. No proceeds of the Purchases hereunder will be used (i) for a purpose that violates, or would be inconsistent with, Regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time or (ii) to acquire any security in any transaction which is subject to Section 12, 13 or 14 of the Securities Exchange Act of 1934, as amended.

(i) Good Title. Immediately prior to each Purchase of a Receivable hereunder from such Originator, such Originator shall be the legal and beneficial owner of each such Receivable and Related Security with respect thereto, free and clear of any Adverse Claim, except as created by the Transaction Documents. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect such Originator's ownership interest in each such Receivable, its Collections and the Related Security. Armstrong hereby represents and warrants that immediately prior to each purchase under the Sale and Assignment, LPAC Corp. shall be the legal and beneficial owner of the Receivables and Related Security with respect thereto sold by it thereunder, free and clear of any Adverse Claim, except as created by the Transaction Documents and there have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Armstrong's ownership interest in each Receivable, its Collections and the Related Security purchased by it from LPAC Corp.

(j) Perfection. This Agreement, together with the filing of the financing statements contemplated hereby, is effective to, and shall upon each Purchase from such Originator hereunder, transfer to Buyer (and Buyer shall acquire from such Originator) legal and equitable title to, with the right to sell and encumber each Receivable originated by such Originator, whether now existing or hereafter arising, together with the Related Security and Collections with respect thereto, free and clear of any Adverse Claim, except as created by the Transaction Documents. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Buyer's security interest in the Receivables, the Related Security and the Collections.

(k) Places of Business. The principal places of business and chief executive office of such Originator and the offices where it keeps all of its Records are located at the address(es) listed on Exhibit II or such other locations of which Buyer has been notified in accordance with Section 4.2(a) in jurisdictions where all action required by Section 4.2(a) has been taken and completed. The state of incorporation, Federal Employer Identification Number and organizational identification number of each Originator is correctly set forth on Exhibit II.

(l) Collections. The conditions and requirements set forth in Section 4.1(j) have at all times been satisfied and duly performed. The names and addresses of all Collection Banks, together with the account numbers of the Collection Accounts of such Originator at each Collection Bank and the post office box number of each Lock-Box, are listed on Exhibit III.

(m) Material Adverse Effect. Since December 31, 2002, no event has occurred that would have a Material Adverse Effect.

(n) Names. Such Originator has not used any corporate names, trade names or assumed names other than the name in which it has executed this Agreement, other than as listed on Exhibit II.

(o) Ownership of Buyer. Lennox International indirectly owns 100% of the issued and outstanding capital stock of Buyer, each Originator directly owns 5% of the issued and outstanding common stock of Buyer, Heatcraft Technologies Inc. directly owns 85% of the issued and outstanding common stock of Buyer, and collectively the Originators directly own all of the issued and outstanding preferred stock of Buyer, in each case free and clear of any Adverse Claim. Such capital stock is validly issued, fully paid and nonassessable, and there are no options, warrants or other rights to acquire equity securities of Buyer.

(p) Not a Holding Company or an Investment Company. Such Originator is not a "holding company" or a "subsidiary holding company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or any successor statute. Such Originator is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or any successor statute.

(q) Compliance with Law. Such Originator has complied in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. Each Receivable originated by such Originator, together with the Contract related thereto, does not contravene any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy), and no part of such Contract is in violation of any such law, rule or regulation, except where such contravention or violation could not reasonably be expected to have a Material Adverse Effect.

(r) Compliance with Credit and Collection Policy. Such Originator has complied in all material respects with its Credit and Collection Policy with regard to each Receivable originated by it and the related Contract, and has not made any change to such Credit

and Collection Policy, other than as permitted under Section 4.2 and in compliance with the notification requirements of Section 4.1(a)(vii).

(s) Payments to Originator and LPAC Corp. With respect to each Receivable originated by such Originator and transferred to Buyer hereunder, the Purchase Price received by such Originator constitutes reasonably equivalent value in consideration therefor and such transfer was not made for or on account of an antecedent debt. No transfer by such Originator of any Receivable hereunder is or may be voidable under any section of the Bankruptcy Reform Act of 1978 (11 U.S.C. Sections 101 et seq.), as amended. With respect to each Receivable transferred to Armstrong under the Sale and Assignment, the purchase price paid by Armstrong constitutes reasonably equivalent value in consideration therefor and such transfer was not made for or on account of an antecedent debt. No transfer by LPAC Corp. of any Receivable under the Sale and Assignment is or may be voidable under any section of the Bankruptcy Reform Act of 1978 (11 U.S.C. Sections 101 et seq.), as amended.

(t) Enforceability of Contracts. Each Contract with respect to each Receivable originated by such Originator is effective to create, and has created, a legal, valid and binding obligation of the related Obligor to pay the Outstanding Balance of the Receivable created thereunder and any accrued interest thereon, enforceable against the Obligor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(u) Eligible Receivables. Each Receivable included in the Net Receivables Balance as an Eligible Receivable on the date of its purchase hereunder was an Eligible Receivable on such date.

(v) Accounting. The manner in which such Originator accounts for the transactions contemplated by this Agreement does not jeopardize the characterization of the transactions contemplated herein as being true sales.

ARTICLE III CONDITIONS OF PURCHASE

Section 3.1 Conditions Precedent to Initial Purchase. The initial Purchase under this Agreement is subject to the conditions precedent that (a) Buyer shall have received on or before the date of such Purchase those documents listed on Schedule A and (b) all of the conditions to the initial purchase under the Purchase Agreement shall have been satisfied or waived in accordance with the terms thereof.

Section 3.2 Conditions Precedent to Subsequent Payments. Buyer's obligation to pay for Receivables coming into existence after the Initial Cutoff Date shall be subject to the further conditions precedent that (a) the Facility Termination Date shall not have occurred; and (b) Buyer (or its assigns) shall have received such other approvals, opinions or documents as it may reasonably request. Each Originator represents and warrants that the representations and warranties set forth in Article II are true and correct in all material respects (except that the

foregoing materiality standard shall not apply to any such representation or warranty which is qualified by a materiality standard by its terms) on and as of the date each Receivable came into existence as though made on and as of such date.

ARTICLE IV COVENANTS

Section 4.1 Affirmative Covenants of Originators. Until the date on which this Agreement terminates in accordance with its terms, each Originator hereby covenants as set forth below:

(a) Reporting. Such Originator will maintain, for itself and each of its Subsidiaries, a system of accounting established and administered in accordance with generally accepted accounting principles, and furnish to Buyer (and its assigns to the extent not furnished by Buyer under the Purchase Agreement):

(i) Copies of Notices. Promptly upon its receipt of any notice, request for consent, financial statements, certification, report or other communication under or in connection with any Transaction Document from any Person other than Buyer, the Agent or Jupiter, copies of the same.

(ii) Change in Credit and Collection Policy. At least thirty (30) days prior to the effectiveness of any material change in or material amendment to the Credit and Collection Policy, a copy of the Credit and Collection Policy then in effect and a notice indicating such change or amendment.

(iii) Other Information. Promptly, from time to time, such other information, documents, records or reports relating to the Receivables or the condition or operations, financial or otherwise, of such Originator as Buyer (or its assigns) may from time to time reasonably request in order to protect the interests of Buyer (and its assigns) under or as contemplated by this Agreement.

(b) Notices. Such Originator will notify the Buyer (and its assigns) in writing of any of the following promptly upon learning of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:

(i) Termination Events or Potential Termination Events. The occurrence of each Termination Event and each Potential Termination Event, by a statement of an Authorized Officer of such Originator.

(ii) Judgment and Proceedings. (1) The entry of any judgment or decree against such Originator or any of its Subsidiaries if the aggregate amount of all judgments and decrees then outstanding against such Originator and its Subsidiaries exceeds \$10,000,000, and (2) the institution of any litigation, arbitration proceeding or governmental proceeding against such Originator or any of its Subsidiaries which, individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

(iii) Material Adverse Effect. The occurrence of any event or condition that has had, or could reasonably be expected to have, a Material Adverse Effect.

(iv) Defaults Under Other Agreements. The occurrence of a default or an event of default under any other financing arrangement pursuant to which such Originator is a debtor or an obligor, which could reasonably be expected to have a Material Adverse Effect.

(c) Compliance with Laws and Preservation of Corporate Existence. (i) Such Originator will comply in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. (ii) Such Originator will preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where its business is conducted, except where the failure to be so qualified could not reasonably be expected to have a Material Adverse Effect.

(d) Audits. Such Originator will furnish to Buyer (and its assigns) from time to time such information with respect to it and the Receivables as Buyer (or its assigns) may reasonably request. Such Originator will, from time to time during regular business hours as requested by Buyer (or its assigns), upon reasonable notice and at the sole cost of such Originator, permit Buyer (and its assigns) or their respective agents or representatives, (i) to examine and make copies of and abstracts from all Records in the possession or under the control of such Person relating to the Receivables and the Related Security, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of such Person for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to such Person's financial condition or the Receivables and the Related Security or such Person's performance under any of the Transaction Documents or such Person's performance under the Contracts and, in each case, with any of the officers or employees of such Person having knowledge of such matters; provided that (A) during a Level One Enhancement Period and prior to the occurrence of an Amortization Event, such Originator shall be responsible for the cost of only one audit at each location of such Originator during any 12 month period beginning on the date hereof or any anniversary of the date hereof and (B) during a Level Two Enhancement Period and prior to the occurrence of an Amortization Event, such Originator shall be responsible for the cost of only two audits at each location of such Originator during any 12 month period beginning on the date hereof or any anniversary of the date hereof.

(e) Keeping and Marking of Records and Books.

(i) Such Originator will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the immediate identification of each new Receivable and all Collections of and adjustments to each existing Receivable). Such Originator will give

Buyer (and its assigns) notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) Such Originator will (A) on or prior to the date hereof, mark its master data processing records and other books and records relating to the Receivables with a legend, acceptable to Buyer (and its assigns), describing Buyer's ownership interests in the Receivables and further describing the Purchaser Interests of the Agent (on behalf of the Purchasers) under the Purchase Agreement and (B) upon the request of Buyer (or its assigns), (x) mark each Contract with a legend describing Buyer's ownership interests in the Receivables and further describing the Purchaser Interests of the Agent (on behalf of the Purchasers) and (y) deliver to Buyer (or its assigns) all Contracts (including, without limitation, all multiple originals of any such Contract) relating to the Receivables.

(f) Compliance with Contracts and Credit and Collection Policy. Such Originator will timely and fully (i) perform and comply with all material provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables, and (ii) comply in all respects with the Credit and Collection Policy in regard to each Receivable and the related Contract.

(g) Ownership. Such Originator will take all necessary action to establish and maintain, irrevocably in Buyer, legal and equitable title to the Receivables, the Related Security and the Collections, free and clear of any Adverse Claims other than Adverse Claims in favor of Buyer (and its assigns) (including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Buyer's interest in such Receivables, Related Security and Collections and such other action to perfect, protect or more fully evidence the interest of Buyer as Buyer (or its assigns) may reasonably request). Armstrong will take all necessary action to establish and maintain, irrevocably in itself, legal and equitable title to the Receivables, the Related Security and the Collections Armstrong purchased from LPAC Corp., free and clear of any Adverse Claims other than Adverse Claims in favor of Armstrong, Buyer and Buyer's assigns (including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Armstrong's and Buyer's interest in such Receivables, Related Security and Collections and such other action to perfect, protect or more fully evidence the interest of Buyer as Buyer (or its assigns) may reasonably request). Armstrong shall take all actions to perfect and enforce its rights and interests under the Sale and Assignment as the Buyer or its assigns may from time to time reasonably request.

(h) Purchasers' Reliance. Such Originator acknowledges that the Agent and the Purchasers are entering into the transactions contemplated by the Purchase Agreement in reliance upon Buyer's identity as a legal entity that is separate from any Lennox Entity. Therefore, from and after the date of execution and delivery of this Agreement, such Originator will take all reasonable steps including, without limitation, all steps that Buyer or any assignee of Buyer may from time to time reasonably request to maintain Buyer's identity as a separate legal entity and to make it manifest to third parties that Buyer is an entity with assets and liabilities distinct from those of such Originator and not just a division of such Originator. Without

limiting the generality of the foregoing and in addition to the other covenants set forth herein, such Originator (i) will not hold itself out to third parties as liable for the debts of Buyer nor purport to own the Receivables and other assets acquired by Buyer, (ii) will take all other actions necessary on its part to ensure that Buyer is at all times in compliance with the covenants set forth in Section 7.1(i) of the Purchase Agreement and (iii) will cause all tax liabilities arising in connection with the transactions contemplated herein or otherwise to be allocated between such Originator and Buyer on an arm's-length basis and in a manner consistent with the procedures set forth in U.S. Treasury Regulations Sections 1.1502-33(d) and 1.1552-1.

(i) Collections. Such Originator will cause (1) all Collections to be remitted by the Obligor directly to either a Lock-Box or a Collection Account, (2) all proceeds from all Lock-Boxes to be directly deposited by a Collection Bank into a Collection Account and (3) each Lock-Box and Collection Account to be subject at all times to a Collection Account Agreement that is in full force and effect; provided that Hearth shall have 30 days after the date hereof to deliver a fully executed Collection Account Agreement with respect to the Lock-Box and Collection Account into which Collections of Receivables originated by Hearth are deposited. In the event any payments relating to Receivables are remitted directly to such Originator or any Affiliate of such Originator, such Originator will remit (or will cause all such payments to be remitted) directly to a Collection Bank for deposit into a Collection Account within two (2) Business Days following receipt thereof and, at all times prior to such remittance, such Originator will itself hold or, if applicable, will cause such payments to be held in trust for the exclusive benefit of Buyer and its assigns. Such Originator will transfer exclusive ownership, dominion and control of each Lock-Box and Collection Account to Buyer, and will not grant the right to take dominion and control of any Lock-Box or Collection Account at a future time or upon the occurrence of a future event to any Person, except to Buyer (or its assigns) as contemplated by this Agreement and the Purchase Agreement.

(j) Taxes. Such Originator will file all tax returns and reports required by law to be filed by it and will promptly pay all taxes and governmental charges at any time owing except any such taxes which are not yet delinquent or are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with generally accepted accounting principles shall have been set aside on its books. Such Originator will pay when due any taxes payable in connection with the Receivables, exclusive of taxes on or measured by income or gross receipts of Buyer and its assigns.

(k) Insurance. Such Originator will maintain in effect, or cause to be maintained in effect, at such Originator's own expense, such casualty and liability insurance covering the Equipment as such Originator deems appropriate in its good faith business judgment.

Section 4.2 Negative Covenants of Originators. Until the date on which this Agreement terminates in accordance with its terms, each Originator hereby covenants that:

(a) Name Change, Offices and Records. Such Originator will not (i) make any change to its name (within the meaning of Section 9-507(c) of any applicable enactment of the UCC), identity, corporate structure or chief executive office or location of its books and records unless, at least thirty (30) days prior to the effective date of any such name change,

change in corporate structure, or change in location of its chief executive office or books and records such Originator notifies Buyer (and its assigns) thereof and delivers to the Agent such financing statements (Forms UCC-1 and UCC-3) authorized or executed by such Originator (if required under applicable law) which Buyer (or its assigns) may reasonably request to reflect such name change, location change, or change in corporate structure, together with such other documents and instruments that Buyer (or its assigns) may reasonably request in connection therewith and has taken all other steps to ensure that Buyer (and its assigns) continues to have a first priority, perfected security interest in the Receivables originated by such Originator, the Related Security related thereto and any Collections thereon, or (ii) change its jurisdiction of organization unless the Buyer (and its assigns) shall have received from such Originator, prior to such change, (A) those items described in clause (i) hereof, and (B) if Buyer (or its assigns) shall so request, an opinion of counsel, in form and substance reasonably satisfactory to such Person, as to such organization and such Originator's valid existence and good standing and the perfection and priority of Buyer's and the Agent's security interests in the Receivables originated by such Originator, the Related Security and Collections.

(b) Change in Payment Instructions to Obligors. Such Originator will not add or terminate any bank as a Collection Bank, or make any change in the instructions to Obligors regarding payments to be made to any Lock-Box or Collection Account, unless Buyer (and its assigns) shall have received, at least ten (10) days before the proposed effective date therefor, (i) written notice of such addition, termination or change and (ii) with respect to the addition of a Collection Bank or a Collection Account or Lock-Box, an executed Collection Account Agreement with respect to the new Collection Account or Lock-Box; provided, however, that such Originator may make changes in instructions to Obligors regarding payments if such new instructions require such Obligor to make payments to another existing Collection Account or Lock-Box.

(c) Modifications to Contracts and Credit and Collection Policy. Such Originator will not make any change to the Credit and Collection Policy that could adversely affect the collectibility of the Receivables or decrease the credit quality of any newly created Receivables. Such Originator will not extend, amend or otherwise modify the terms of any Receivable or any Contract related thereto other than in accordance with its Credit and Collection Policy.

(d) Sales, Liens. Such Originator will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to, any Receivable, Related Security or Collections, or upon or with respect to any Contract under which any Receivable arises, or any Lock-Box or Collection Account, or assign any right to receive income with respect thereto (other than, in each case, the creation of the interests therein in favor of Buyer provided for herein), and such Originator will defend the right, title and interest of Buyer and its assigns in, to and under any of the foregoing property, against all claims of third parties claiming through or under such Originator. Such Originator shall not create or suffer to exist any mortgage, pledge, security interest, encumbrance, lien, charge or other similar arrangement on any of its inventory, the financing or lease of which gives rise to a Receivable.

(e) Accounting for Purchases. Such Originator will not, and will not permit any Affiliate to, account for or treat (whether in financial statements or otherwise) the transactions contemplated hereby in any manner other than the sale of the Receivables originated by it and the Related Security and Collections with respect thereto by such Originator to Buyer or in any other respect account for or treat the transactions contemplated hereby in any manner other than as a sale of the Receivables originated by it and the Related Security and Collections with respect thereto by such Originator to Buyer except to the extent that such transactions are not recognized on account of consolidated financial reporting in accordance with generally accepted accounting principles.

ARTICLE V
TERMINATION EVENTS

Section 5.1 Termination Events. The occurrence of any one or more of the following events shall constitute a Termination Event with respect to an Originator:

(a) Such Originator shall fail (i) to make any payment or deposit required hereunder or under any other Transaction Document when due and such failure shall continue for one (1) Business Day, or (ii) to perform or observe any term, covenant or agreement hereunder (other than as referred to in clause (i) of this paragraph (a)) or any other Transaction Document to which it is a party and such failure shall continue for (A) in the case of any covenant set forth in paragraphs (a)(iii), (e), (j) or (k) of Section 4.1, thirty (30) days, (B) in the case of any covenant set forth in Section 4.1(a)(i) or Section 4.1(c)(i), ten (10) days and (C) except as provided in the preceding clauses (A) and (B), five (5) Business Days.

(b) Any representation, warranty, certification or statement made by such Originator or Performance Guarantor in this Agreement, any other Transaction Document or in any other document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made or deemed made (except that the materiality standard in this subsection (b) shall not apply to any such representation or warranty which is qualified by a materiality standard by its terms).

(c) Failure of such Originator or Performance Guarantor to pay any Indebtedness when due (after the passage of any applicable notice and grace period) in excess of \$10,000,000; or the default (after the passage of any applicable notice and grace period) by such Originator or Performance Guarantor in the performance of any term, provision or condition contained in any agreement under which such Indebtedness was created or is governed, the effect of which is to cause, or to permit the holder or holders of such Indebtedness to cause, such Indebtedness to become due prior to its stated maturity; provided that Bank One has not waived any such default in its capacity as a lender under such agreement; or any such Indebtedness of such Originator or Performance Guarantor shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof.

(d) (i) Such Originator or Performance Guarantor shall generally not pay its debts as such debts become due or shall admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors; or (ii) any proceeding shall be

instituted by or against any such Person seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or any substantial part of its property or (iii) any such Person shall take any corporate action to authorize any of the actions set forth in the foregoing clauses (i) or (ii) of this subsection (d).

(e) A Change of Control shall occur with respect to such Originator or the Performance Guarantor.

(f) One or more final judgments for the payment of money in an amount in excess of \$10,000,000, individually or in the aggregate, shall be entered against such Originator or Performance Guarantor on claims not covered by insurance or as to which the insurance carrier has denied its responsibility, and such judgment shall continue unsatisfied and in effect for thirty (30) consecutive days without a stay of execution.

(g) Performance Guarantor shall fail to perform or observe any term, covenant or agreement required to be performed by it under the Performance Guaranty, or the Performance Guaranty shall cease to be effective or to be the legally valid, binding and enforceable obligation of Performance Guarantor, or Performance Guarantor shall directly or indirectly contest in any manner such effectiveness, validity, binding nature or enforceability.

Section 5.2 Remedies. Upon the occurrence and during the continuation of a Termination Event with respect to any Originator, Buyer may take any of the following actions: (i) declare such Originator's Termination Date to have occurred, whereupon its Termination Date shall forthwith occur, without demand, protest or further notice of any kind, all of which are hereby expressly waived by each Originator; provided, however, that upon the occurrence of Termination Event described in Section 5.1(d), or of an actual or deemed entry of an order for relief with respect to any Originator under the Federal Bankruptcy Code, such Originator's Termination Date shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by each Originator and (ii) to the fullest extent permitted by applicable law, declare that the Default Fee shall accrue with respect to any amounts then due and owing to Buyer by such Originator. The aforementioned rights and remedies shall be without limitation and in addition to all other rights and remedies of Buyer and its assigns available under this Agreement, by operation of law, at equity or otherwise, all of which are hereby expressly preserved, including, without limitation, all rights and remedies provided under the UCC, all of which rights shall be cumulative.

ARTICLE VI INDEMNIFICATION

Section 6.1 Indemnities by Originators. Without limiting any other rights that Buyer may have hereunder or under applicable law, each Originator hereby agrees to indemnify (and pay upon demand to) Buyer and its assigns, and their respective assigns, officers, directors, agents and employees (each an "Indemnified Party") from and against any and all damages,

losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including reasonable attorneys' fees (which attorneys may be employees of Buyer or its assigns) and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them arising out of or as a result of this Agreement or the acquisition, either directly or indirectly, by Buyer of an interest in the Receivables, excluding, however:

(i) Indemnified Amounts to the extent a final judgment of a court of competent jurisdiction holds that such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification;

(ii) Indemnified Amounts to the extent the same includes losses in respect of Receivables that are uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor; or

(iii) taxes imposed by the jurisdiction in which such Indemnified Party's principal executive office is located, on or measured by the overall net income of such Indemnified Party to the extent that the computation of such taxes is consistent with the Intended Characterization;

provided, however, that nothing contained in this sentence shall limit the liability of any Originator or limit the recourse of Buyer to any Originator for amounts otherwise specifically provided to be paid by such Originator under the terms of this Agreement. Without limiting the generality of the foregoing indemnification, such Originator shall indemnify each Indemnified Party for Indemnified Amounts (including, without limitation, losses in respect of uncollectible receivables, regardless of whether reimbursement therefor would constitute recourse to such Originator of Performance Guarantor) relating to or resulting from:

(A) any representation or warranty made by such Originator (or any officers of any such Originator) under or in connection with this Agreement, any other Transaction Document or any other information or report delivered by any such Person pursuant hereto or thereto, which shall have been false or incorrect when made or deemed made;

(B) the failure by such Originator to comply with any applicable law, rule or regulation with respect to any Receivable or Contract related thereto, or the nonconformity of any Receivable or Contract included therein with any such applicable law, rule or regulation or any failure of such Originator to keep or perform any of its obligations, express or implied, with respect to any Contract;

(C) any failure of such Originator to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement or any other Transaction Document;

(D) any products liability, personal injury or damage suit or other similar claim arising out of or in connection with merchandise, insurance or services that are the subject of any Contract or any Receivable;

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

(F) the commingling of Collections of Receivables at any time with other funds;

(G) any investigation, litigation or proceeding related to or arising from this Agreement or any other Transaction Document, the transactions contemplated hereby, the use of the proceeds of any Purchase, the ownership of the Receivables or any other investigation, litigation or proceeding relating to such Originator in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby;

(H) any inability to litigate any claim against any Obligor in respect of any Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

(I) any Termination Event described in Section 5.1(d);

(J) any failure to vest and maintain vested in Buyer, or to transfer to Buyer, legal and equitable title to, and ownership of, the Receivables, the Related Security and the Collections, free and clear of any Adverse Claim;

(K) in the case of Armstrong, any failure of Armstrong to acquire and maintain legal and equitable title to, and ownership of any Receivable transferred to it under the Sale and Assignment and the Related Security and Collections with respect thereto from LPAC Corp., free and clear of any Adverse Claim (other than as created hereunder); or any failure of Armstrong to give reasonably equivalent value to LPAC Corp. under the Sale and Assignment in consideration of the transfer by LPAC Corp. of any Receivable, or any attempt by any Person to void such transfer under statutory provisions or common law or equitable action;

(L) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivable, the Related Security and Collections with respect thereto, and the proceeds of any thereof, whether at the time of any Purchase or at any subsequent time;

(M) any action or omission by such Originator which reduces or impairs the rights of Buyer or its assigns with respect to any Receivable or the value of any such Receivable; and

(N) any attempt by any Person to void any Purchase hereunder under statutory provisions or common law or equitable action.

Section 6.2 Other Costs and Expenses. The Originators, jointly and severally, shall pay to Buyer, on demand, all reasonable costs and out-of-pocket expenses in connection with the preparation, execution, delivery and administration of this Agreement, the transactions contemplated hereby and the other documents to be delivered hereunder. The Originators, jointly and severally, shall pay to Buyer, on demand, any and all reasonable costs and expenses of Buyer, if any, including reasonable counsel fees and expenses in connection with the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following a Termination Event.

ARTICLE VII MISCELLANEOUS

Section 7.1 Waivers and Amendments.

(a) No failure or delay on the part of Buyer (or its assigns) in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing signed by each Originator and Buyer, and consented to by the Agent.

Section 7.2 Notices. All communications and notices provided for hereunder shall be in writing (including bank wire, telecopy or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or telecopy numbers set forth on the signature pages hereof or at such other address or telecopy number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto. Each such notice or other communication shall be effective (i) if given by facsimile transmission, upon confirmation of receipt thereof, (ii) if given by mail, three (3) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (iii) if given by any other means, when received at the address specified in this Section 7.2.

Section 7.3 Protection of Ownership Interests of Buyer.

(a) Each Originator agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be

necessary or reasonably desirable, or that Buyer (or its assigns) may reasonably request, to perfect, protect or more fully evidence the interests of the Buyer hereunder and the Purchaser Interests under the Purchase Agreement, or to enable Buyer (or its assigns) to exercise and enforce their rights and remedies hereunder. At any time, Buyer (or its assigns) may, direct an Originator to notify the Obligors of Receivables originated by it, at such Originator's expense, of the ownership interests of Buyer under this Agreement and may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to Buyer or its designee.

(b) If any Originator fails to perform any of its obligations hereunder, Buyer (or its assigns) may (but shall not be required to) perform, or cause performance of, such obligation, and Buyer's (or such assigns') costs and expenses incurred in connection therewith shall be payable by such Originator as provided in Section 6.2. Each Originator irrevocably authorizes Buyer (and its assigns) at any time and from time to time in the sole discretion of Buyer (or its assigns), and appoints Buyer (and its assigns) as its attorney(ies)-in-fact, to act on behalf of such Originator (i) to execute on behalf of such Originator as debtor and to file financing statements identifying such Originator as debtor or seller necessary or desirable in Buyer's (or its assigns') sole discretion to perfect and to maintain the perfection and priority of the interest of Buyer in the Receivables and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Receivables as a financing statement in such offices as Buyer (or its assigns) in their sole discretion deem necessary or desirable to perfect and to maintain the perfection and priority of Buyer's and its assigns' interests in the Receivables. This appointment is coupled with an interest and is irrevocable.

Section 7.4 Confidentiality.

(a) Each Originator shall maintain and shall cause each of its employees and officers to maintain the confidentiality of this Agreement and the other confidential proprietary information with respect to the Agent and Jupiter and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that such Originator and its officers and employees may disclose such information to such Originator's external accountants and attorneys and as required by any applicable law, regulation or order of any judicial or administrative proceeding whether or not having the force of law.

(b) Anything herein to the contrary notwithstanding, each Originator hereby consents to the disclosure of any nonpublic information with respect to it (i) to Buyer, the Agent, the Financial Institutions or Jupiter by each other, (ii) by Buyer, the Agent or the Purchasers to any prospective or actual assignee or participant of any of them or (iii) by the Agent to any rating agency, Commercial Paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to Jupiter or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which Bank One, NA acts as the administrative agent and to any officers, directors, employees, outside accountants and attorneys of any of the foregoing. In addition, the Purchasers and the Agent may disclose any such nonpublic information pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

(c) Anything herein to the contrary notwithstanding, each of the Buyer, each Originator, each Indemnified Party and any successor or assign of any of the foregoing (and each employee, representative or other agent of any of the foregoing) may disclose to any and all Persons, without limitation of any kind, the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated herein and all materials of any kind (including opinions or other tax analyses) that are or have been provided to any of the foregoing relating to such tax treatment or tax structure, and it is hereby confirmed that each of the foregoing have been so authorized since the commencement of discussions regarding the transactions.

Section 7.5 Bankruptcy Petition. The Originators and Buyer each hereby covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding senior Indebtedness of Jupiter, it will not institute against, or join any other Person in instituting against, Jupiter any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 7.6 CHOICE OF LAW. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF ILLINOIS (INCLUDING, BUT NOT LIMITED TO, 735 ILCS SECTION 105/5-1 ET SEQ., BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAW PROVISIONS).

Section 7.7 CONSENT TO JURISDICTION. EACH ORIGINATOR HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR ILLINOIS STATE COURT SITTING IN CHICAGO, ILLINOIS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH PERSON PURSUANT TO THIS AGREEMENT AND EACH ORIGINATOR HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF BUYER (OR ITS ASSIGNS) TO BRING PROCEEDINGS AGAINST ANY ORIGINATOR IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ANY ORIGINATOR AGAINST BUYER (OR ITS ASSIGNS) OR ANY AFFILIATE OF ANY SUCH PARTIES INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH ORIGINATOR PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A UNITED STATES FEDERAL COURT OR AN ILLINOIS STATE COURT SITTING IN CHICAGO, ILLINOIS.

Section 7.8 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH

THIS AGREEMENT, ANY DOCUMENT EXECUTED BY ANY ORIGINATOR PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 7.9 Integration; Binding Effect; Survival of Terms.

(a) THIS AGREEMENT AND EACH OTHER TRANSACTION DOCUMENT CONTAIN THE FINAL AND COMPLETE INTEGRATION OF ALL PRIOR EXPRESSIONS BY THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF AND SHALL CONSTITUTE THE ENTIRE AGREEMENT AMONG THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF SUPERSEDING ALL PRIOR ORAL OR WRITTEN UNDERSTANDINGS.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns (including any trustee in bankruptcy). This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and shall remain in full force and effect until terminated in accordance with its terms; provided, however, that the rights and remedies with respect to (i) any breach of any representation and warranty made by an Originator pursuant to Article II, (ii) the indemnification and payment provisions of Article VI, and Section 7.5 shall be continuing and shall survive any termination of this Agreement.

Section 7.10 Counterparts; Severability; Section References.

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Unless otherwise expressly indicated, all references herein to "Article," "Section," "Schedule" or "Exhibit" shall mean articles and sections of, and schedules and exhibits to, this Agreement.

Section 7.11 Joinder of Originators. Subject to the approval of the Agent, any wholly-owned domestic Subsidiary of Lennox International may become an Originator hereunder by entering into a Joinder Agreement with Buyer. From and after the effective date of such Joinder Agreement, subject to the terms and conditions set forth therein, and upon the Agent's receipt of each other agreement, document, lien search report, financing statement, opinion and certificate requested by the Agent, such Subsidiary shall become a party hereto as an Originator, entitled to the rights and subject to the obligations of an Originator hereunder.

Section 7.12 Amendments Related to Credit Agreement. On or prior to the date which is 30 days after the execution of the Credit Agreement, the parties hereto agree to amend the dollar amounts set forth in Sections 4.1(b)(ii)(1), 5.1(c), and 5.1(f) to conform to the parallel provisions contained in the Credit Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

ARMSTRONG AIR CONDITIONING INC., as
an Originator

By: _____
Name:
Title:

Address: 421 Monroe Street
Bellevue, Ohio 44811

Attention: David L. Inwan, Controller
Fax:

LENNOX HEARTH PRODUCTS INC., as an
Originator

By: _____
Name:
Title:

Address:

Attention:
Fax:

Signature Page to Receivables Sale Agreement

LPAC CORP. II, as Buyer

By: _____
Name:
Title:

Address: 2140 Lake Park Blvd.
Richardson, Texas 75080-2254
Attention: Gregg Moseman

Fax:

Copy to: Carl Edwards
General Counsel
Lennox International Inc.
P.O. Box 799900
Dallas, Texas 75379-9900

Physical address:
2140 Lake Park Blvd.
Richardson, Texas 75080-2254

Fax:

Signature Page to Receivables Sale Agreement

EXHIBIT I

DEFINITIONS

This is Exhibit I to the Agreement (as hereinafter defined). As used in the Agreement and the Exhibits, Schedules and Annexes thereto, capitalized terms have the meanings set forth in this Exhibit I (such meanings to be equally applicable to the singular and plural forms thereof). If a capitalized term is used in the Agreement, or any Exhibit, Schedule or Annex thereto, and not otherwise defined therein or in this Exhibit I, such term shall have the meaning assigned thereto in Exhibit I to the Purchase Agreement.

"Agent" has the meaning set forth in the Preliminary Statements to the Agreement.

"Agreement" means the Receivables Sale Agreement, dated as of June 27, 2003, among the Originators and Buyer, as the same may be amended, restated or otherwise modified.

"Armstrong" has the meaning set forth in the Preliminary Statements to the Agreement.

"Authorized Officer" means, with respect to an Originator, its president, any vice president, corporate controller, treasurer, assistant treasurer or chief financial officer.

"Bank Rate" means a per annum rate equal to the "prime rate" announced by the Agent from time to time, changing when and as such rate changes.

"Business Day" means any day on which banks are not authorized or required to close in New York, New York, Dallas, Texas or Chicago, Illinois and The Depository Trust Company of New York is open for business.

"Buyer" has the meaning set forth in the preamble to the Agreement.

"Calculation Period" means each calendar month or portion thereof which elapses during the term of the Agreement. The first Calculation Period for each Originator shall commence on the date of the initial Purchase of Receivables from such Originator hereunder and the final Calculation Period shall terminate on the Termination Date for such Originator.

"Closing Date" means, in the case of any Originator that is a party to this Agreement on the date hereof, the date hereof, and in the case of any Originator that joins this Agreement pursuant to a Joinder Agreement, the effective date of such Joinder Agreement.

"Collection Account" means each concentration account, depository account, lock-box account or similar account in which any Collections are collected or deposited and which is listed on Exhibit III.

"Collections" means, with respect to any Receivable, all cash collections and other cash proceeds in respect of such Receivable, including, without limitation, all yield,

Finance Charges or other related amounts accruing in respect thereof and all cash proceeds of Related Security with respect to such Receivable.

"Contract" means, with respect to any Receivable, any and all instruments, agreements, invoices or other writings pursuant to which such Receivable arises or which evidences such Receivable.

"Credit and Collection Policy" means each Originator's credit and collection policies and practices relating to Contracts and Receivables existing on the date hereof and summarized in Exhibit IV, as modified from time to time in accordance with the Agreement.

"Dilutions" means, at any time, the aggregate amount of reductions or cancellations described in Section 1.3(a) of the Agreement.

"Discount Factor" means a percentage calculated to provide Buyer with a reasonable return on its investment in the Receivables after taking account of (i) the time value of money based upon the anticipated dates of collection of the Receivables and the cost to Buyer of financing its investment in the Receivables during such period and (ii) the risk of nonpayment by the Obligors. Each Originator and Buyer may agree from time to time to change the Discount Factor based on changes in one or more of the items affecting the calculation thereof, provided that any change to the Discount Factor shall take effect as of the commencement of a Calculation Period, shall apply only prospectively and shall not affect the Purchase Price payment in respect of a Purchase which occurred during or prior to the Calculation Period during which such Originator and Buyer agree to make such change.

"Federal Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy", as amended and any successor statute thereto.

"Finance Charges" means, with respect to a Contract, any finance, interest, late payment charges or similar charges owing by an Obligor pursuant to such Contract.

"Hearth" has the meaning set forth in the Preliminary Statements to the Agreement.

"Initial Cutoff Date" has the meaning set forth in Section 1.2(a).

"Intended Characterization" means, for income tax purposes, the characterization of the acquisition by the Purchasers of Purchaser Interests under the Purchase Agreement as a loan or loans by the Purchasers to Buyer secured by the Receivables, the Related Security and the Collections.

"Joinder Agreement" means a Joinder Agreement substantially in the form of Exhibit VI to the Agreement executed by a Subsidiary of Lennox International and Buyer pursuant to Section 7.11 of the Agreement.

"Jupiter" has the meaning set forth in the Preliminary Statements to the Agreement.

"Lock-Box" means each locked postal box with respect to which a bank who has executed a Collection Account Agreement has been granted exclusive access for the purpose of retrieving and processing payments made on the Receivables and which is listed on Exhibit III.

"Material Adverse Effect" means a material adverse effect on (i) the financial condition or operations of any Originator and its Subsidiaries taken as a whole or the Performance Guarantor and its Subsidiaries taken as a whole, (ii) the ability of any Originator to perform its obligations under the Agreement or any other Transaction Document or the Performance Guarantor to perform its obligations under the Performance Guaranty or any other Transaction Document, (iii) the legality, validity or enforceability of the Agreement or any other Transaction Document, (iv) any Originator's, Buyer's, the Agent's or any Purchaser's interest in the Receivables generally or in any significant portion of the Receivables, the Related Security or Collections with respect thereto, or (v) the collectibility of the Receivables generally or of any material portion of the Receivables.

"Net Value" means, as of any date of determination, an amount equal to the sum of (i) the aggregate Outstanding Balance of the Receivables at such time, minus (ii) the sum of (A) the aggregate Capital outstanding at such time, plus (B) the Aggregate Reserves.

"Net Worth" means as of the last Business Day of each Calculation Period preceding any date of determination, the excess, if any, of (a) the aggregate Outstanding Balance of the Receivables at such time, over (b) the sum of (i) the Aggregate Capital outstanding at such time, plus (ii) the aggregate outstanding principal balance of the Subordinated Loans (including any Subordinated Loan proposed to be made on the date of determination).

"Original Balance" means, with respect to any Receivable, the Outstanding Balance of such Receivable on the date it was purchased by Buyer.

"Originators" has the meaning set forth in the Preliminary Statements to the Agreement.

"Potential Termination Event" means an event which, with the passage of time or the giving of notice, or both, would constitute a Termination Event.

"Purchase" means each purchase or receipt of a contribution pursuant to Section 1.1(a) of the Agreement by Buyer from each Originator of the Receivables originated by such Originator and the Related Security and the Collections related thereto, together with all related rights in connection therewith.

"Purchase Agreement" has the meaning set forth in the Preliminary Statements to the Agreement.

"Purchase Price" means, with respect to any Purchase from any Originator on any date, the aggregate price to be paid by Buyer to such Originator for the Receivables of such Originator that are the subject of such Purchase in accordance with Section 1.2 of the Agreement for the Receivables, Collections and Related Security being sold to Buyer by such Originator on such date, which price shall equal (i) the product of (x) the Original Balance of such Receivables, multiplied by (y) one minus the Discount Factor then in effect, minus (ii) any Purchase Price

Credits to be credited against the Purchase Price otherwise payable to such Originator in accordance with Section 1.3 of the Agreement.

"Purchase Price Credit" has the meaning set forth in Section 1.3 of the Agreement.

"Purchaser" means Jupiter or a Financial Institution, as applicable.

"Receivable" means all indebtedness and other obligations owed to the applicable Originator (at the time it arises, and before giving effect to any transfer or conveyance under the Agreement) or Buyer (after giving effect to the transfers under the Agreement) or in which the Buyer or such Originator has a security interest or other interest, including, without limitation, any indebtedness, obligation or interest constituting an account, chattel paper, instrument or general intangible, arising in connection with the sale of goods or the rendering of services by such Originator and further includes, without limitation, the obligation to pay any Finance Charges with respect thereto. Indebtedness and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual invoice, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction; provided, that any indebtedness, rights or obligations referred to in the immediately preceding sentence shall be a Receivable regardless of whether the account debtor or such Originator treats such indebtedness, rights or obligations as a separate payment obligation.

"Records" means, with respect to any Receivable, all Contracts and other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to such Receivable, any Related Security therefor and the related Obligor.

"Related Security" means, with respect to any Receivable:

(i) all of the applicable Originator's interest in the inventory and goods (including returned or repossessed inventory or goods), if any, the sale, financing or lease of which by such Originator gave rise to such Receivable, and all insurance contracts with respect thereto,

(ii) all other security interests or liens and property subject thereto from time to time, if any, purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all financing statements and security agreements describing any collateral securing such Receivable,

(iii) all guaranties, letters of credit, letter of credit rights, supporting obligations, insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Contract related to such Receivable or otherwise,

- (iv) all service contracts and other contracts and agreements associated with such Receivable,
- (v) all Records related to such Receivable, and
- (vi) all proceeds of any of the foregoing.

"Required Capital Amount" means, as of any date of determination, an amount equal to 3% of the Net Receivables Balance as of such date.

"Sale and Assignment" means that certain Sale and Assignment dated as of June 16, 2003 between LPAC Corp., a Delaware corporation, and Armstrong, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Settlement Date" means the date each month which is two (2) Business Days after the applicable Monthly Report is due.

"Stock Purchase Agreement" means that certain Stock Purchase Agreement dated as of June 27, 2003 among the Buyer, Hearth and Armstrong, as such agreement may be amended, restated, supplemented or otherwise modified from time to time in accordance with its terms and with the consent of the Agent.

"Subordinated Loan" has the meaning set forth in Section 1.2(a) of the Agreement.

"Subordinated Note" means each promissory note in substantially the form of Exhibit V hereto as more fully described in Section 1.2 of the Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Termination Date" means, with respect to any Originator, the earliest to occur of (i) the Facility Termination Date, (ii) the Business Day immediately prior to the occurrence of a Termination Event set forth in Section 5.1(d) with respect to such Originator, (iii) the Business Day specified in a written notice from Buyer to such Originator following the occurrence of any other Termination Event with respect to such Originator, and (iv) the date which is 30 Business Days after Buyer's receipt of written notice from such Originator that it wishes to terminate the facility evidenced by this Agreement with respect to such Originator.

"Termination Event" has the meaning set forth in Section 5.1 of the Agreement.

"Transaction Documents" means, collectively, this Agreement, the Performance Guaranty, each Collection Account Agreement, the Sale and Assignment, each Subordinated Note, the Stock Purchase Agreement and all other instruments, documents and agreements executed and delivered in connection herewith.

All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles. All terms used in Article 9 of the UCC in the State of Illinois, and not specifically defined herein, are used herein as defined in such Article 9.

EXHIBIT II

PLACES OF BUSINESS; LOCATIONS OF RECORDS;
FEDERAL EMPLOYER IDENTIFICATION NUMBER(S); OTHER NAMES

1. Armstrong Air Conditioning Inc.

Chief executive office:

Armstrong Air Conditioning Inc.
421 Monroe St.
Bellevue, Ohio 44811

Location of records:

Armstrong Air Conditioning Inc.
421 Monroe St.
Bellevue, Ohio 44811

Business locations:

Armstrong Air Conditioning Inc.
421 Monroe St.
Bellevue, Ohio 44811

Federal Employer Identification Number:
34-1601572

Organizational Number:
737517

Corporate, Partnership Trade and Assumed Names:

2. Lennox Hearth Products Inc.

Chief executive office:

Lennox Hearth Products Inc.
1110 W. Taft Ave
Orange, California 92865

Location of records:

Lennox Hearth Products Inc.
1110 W. Taft Ave
Orange, California 92865

Business locations:

Lennox Hearth Products Inc.
1110 W. Taft Ave
Orange, California 92865

Federal Employer Identification Number:
95-3127770

Organizational Number:
C0795492

Corporate, Partnership Trade and Assumed Names:

Exh.II-2

EXHIBIT III

EXHIBIT IV
CREDIT AND COLLECTION POLICIES

Attached

Exh. IV-1

EXHIBIT V

FORM OF SUBORDINATED NOTE

SUBORDINATED NOTE

June 27, 2003

1. Note. FOR VALUE RECEIVED, the undersigned, LPAC CORP. II, a Delaware corporation ("SPV"), hereby unconditionally promises to pay to the order of [NAME OF APPLICABLE ORIGINATOR], a [____] corporation ("Originator"), in lawful money of the United States of America and in immediately available funds, on the date following the Amortization Date which is one year and one day after the date on which (i) the Outstanding Balance of all Receivables sold under the "Sale Agreement" referred to below has been reduced to zero and (ii) Originator has paid to the Buyer all indemnities, adjustments and other amounts which may be owed thereunder in connection with the Purchases (the "Collection Date"), the aggregate unpaid principal sum outstanding of all "Subordinated Loans" made from time to time by Originator to SPV pursuant to and in accordance with the terms of that certain Receivables Sale Agreement dated as of June 27, 2003 among Originator, [Names of other Originators] and SPV (as amended, restated, supplemented or otherwise modified from time to time, the "Sale Agreement"). Reference to Section 1.2 of the Sale Agreement is hereby made for a statement of the terms and conditions under which the loans evidenced hereby have been and will be made. All terms which are capitalized and used herein and which are not otherwise specifically defined herein shall have the meanings ascribed to such terms in the Sale Agreement or the Purchase Agreement described below.

2. Interest. SPV further promises to pay interest on the outstanding unpaid principal amount hereof from the date hereof until payment in full hereof at a rate equal to the Bank Rate; provided, however, that if SPV shall default in the payment of any principal hereof, SPV promises to pay, on demand, interest at the rate of the Bank Rate plus 2.00% per annum on any such unpaid amounts, from the date such payment is due to the date of actual payment. Interest shall be payable on the first Business Day of each month in arrears; provided, however, that SPV may elect on the date any interest payment is due hereunder to defer such payment and upon such election the amount of interest due but unpaid on such date shall constitute principal under this Subordinated Note. The outstanding principal of any loan made under this Subordinated Note shall be due and payable on the Collection Date and may be repaid or prepaid at any time without premium or penalty.

3. Principal Payments. Originator is authorized and directed by SPV to enter on the grid attached hereto, or, at its option, in its books and records, the date and amount of each loan made by it which is evidenced by this Subordinated Note and the amount of each payment of principal made by SPV, and absent manifest error, such entries shall constitute prima facie evidence of the accuracy of the information so entered; provided that neither the failure of Originator to make any such entry or any error therein shall expand, limit or affect the obligations of SPV hereunder.

Exh.V-1

4. Subordination. The indebtedness evidenced by this Subordinated Note is subordinated to the prior payment in full of all of SPV's recourse obligations under that certain Receivables Purchase Agreement dated as of June 27, 2003 by and among SPV, Lennox Industries Inc., as Servicer, various "Purchasers" from time to time party thereto, and Bank One, NA (Main Office Chicago), as the "Agent" (as amended, restated, supplemented or otherwise modified from time to time, the "Purchase Agreement"). The subordination provisions contained herein are for the direct benefit of, and may be enforced by, the Agent and the Purchasers and/or any of their respective assignees (collectively, the "Senior Claimants") under the Purchase Agreement. Until the date on which all "Capital" outstanding under the Purchase Agreement has been repaid in full and all other obligations of SPV and/or the Servicer thereunder and under the "Fee Letter" referenced therein (all such obligations, collectively, the "Senior Claim") have been indefeasibly paid and satisfied in full, Originator shall not demand, accelerate, sue for, take, receive or accept from SPV, directly or indirectly, in cash or other property or by set-off or any other manner (including, without limitation, from or by way of collateral) any payment or security of all or any of the indebtedness under this Subordinated Note or exercise any remedies or take any action or proceeding to enforce the same; provided, however, that (i) Originator hereby agrees that it will not institute against SPV any proceeding of the type described in Section 5.1(d) of the Sale Agreement unless and until the Collection Date has occurred and (ii) nothing in this paragraph shall restrict SPV from paying, or Originator from requesting, any payments under this Subordinated Note so long as SPV is not required under the Purchase Agreement to set aside for the benefit of, or otherwise pay over to, the funds used for such payments to any of the Senior Claimants and further provided that the making of such payment would not otherwise violate the terms and provisions of the Purchase Agreement. Should any payment, distribution or security or proceeds thereof be received by Originator in violation of the immediately preceding sentence, Originator agrees that such payment shall be segregated, received and held in trust for the benefit of, and deemed to be the property of, and shall be immediately paid over and delivered to the Agent for the benefit of the Senior Claimants.

5. Bankruptcy; Insolvency. Upon the occurrence of any proceeding of the type described in Section 5.1(d) of the Sale Agreement involving SPV as debtor, then and in any such event the Senior Claimants shall receive payment in full of all amounts due or to become due on or in respect of Capital and the Senior Claim (including "CP Costs" and "Yield" as defined and as accruing under the Purchase Agreement after the commencement of any such proceeding, whether or not any or all of such CP Costs or Yield is an allowable claim in any such proceeding) before Originator is entitled to receive payment on account of this Subordinated Note, and to that end, any payment or distribution of assets of SPV of any kind or character, whether in cash, securities or other property, in any applicable insolvency proceeding, which would otherwise be payable to or deliverable upon or with respect to any or all indebtedness under this Subordinated Note, is hereby assigned to and shall be paid or delivered by the Person making such payment or delivery (whether a trustee in bankruptcy, a receiver, custodian or liquidating trustee or otherwise) directly to the Agent for application to, or as collateral for the payment of, the Senior Claim until such Senior Claim shall have been paid in full and satisfied.

6. Amendments. This Subordinated Note shall not be amended or modified except in accordance with Section 7.1 of the Sale Agreement. The terms of this Subordinated Note may not be amended or otherwise modified without the prior written consent of the Agent for the benefit of the Purchasers.

7. GOVERNING LAW. THIS SUBORDINATED NOTE HAS BEEN MADE AND DELIVERED AT CHICAGO, ILLINOIS, AND SHALL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED IN ACCORDANCE WITH THE LAWS AND DECISIONS OF THE STATE OF ILLINOIS. WHEREVER POSSIBLE EACH PROVISION OF THIS SUBORDINATED NOTE SHALL BE INTERPRETED IN SUCH MANNER AS TO BE EFFECTIVE AND VALID UNDER APPLICABLE LAW, BUT IF ANY PROVISION OF THIS SUBORDINATED NOTE SHALL BE PROHIBITED BY OR INVALID UNDER APPLICABLE LAW, SUCH PROVISION SHALL BE INEFFECTIVE TO THE EXTENT OF SUCH PROHIBITION OR INVALIDITY, WITHOUT INVALIDATING THE REMAINDER OF SUCH PROVISION OR THE REMAINING PROVISIONS OF THIS SUBORDINATED NOTE.

8. Waivers. All parties hereto, whether as makers, endorsers, or otherwise, severally waive presentment for payment, demand, protest and notice of dishonor. Originator additionally expressly waives all notice of the acceptance by any Senior Claimant of the subordination and other provisions of this Subordinated Note and expressly waives reliance by any Senior Claimant upon the subordination and other provisions herein provided.

9. Assignment. This Subordinated Note may not be assigned, pledged or otherwise transferred to any party without the prior written consent of the Agent, and any such attempted transfer shall be void.

LPAC CORP. II

By: _____
Title:

Exh.VI-3

EXHIBIT VI

FORM OF JOINDER AGREEMENT

JOINDER AGREEMENT
[DATE]

Reference is made to the Receivables Sale Agreement (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "AGREEMENT") dated as of June 27, 2003, between the Originators from time to time party thereto and LPAC CORP. II ("BUYER"). To the extent not defined herein, capitalized terms used herein have the meanings assigned to such terms in the Agreement.

_____, a _____ [corporation] (the "NEW ORIGINATOR") and Buyer agree as follows:

1. Pursuant to Section 7.11 of the Agreement, Buyer has requested that the New Originator agree to become an "Originator" under the Agreement.

2. The effective date (the "EFFECTIVE DATE") of this Joinder Agreement shall be the later of (i) the date on which a fully executed copy of this Joinder Agreement is delivered to, and agreed to and acknowledged by, Bank One, NA, in its capacity as Agent under the Purchase Agreement (the "AGENT") and each other agreement, document, lien search report, financing statement, opinion and certificate requested by the Agent is delivered to the Agent and (ii) the date of this Joinder Agreement.

3. By executing and delivering this Joinder Agreement, the New Originator confirms to and agrees with Buyer that (i) it has received a copy of the Agreement and such other documents and information as it has deemed appropriate to make its own decision to enter into this Joinder Agreement, (ii) it will perform all of the obligations which by the terms of the Agreement and the Transaction Documents are required to be performed by it as an Originator, (iii) its address for notices shall be the office set forth beneath its name on the signature pages of this Joinder Agreement and (iv) as of the date hereof, each of the representations and warranties set forth in Article II of the Agreement is true and correct with respect to such Originator (including without limitation that Annexes 1, 2 and 3 hereto correctly set forth all information required to be provided by such Originator on Exhibits II, III and IV to the Agreement, respectively, under Sections 2.1(k), (l) and (n) thereof).

4. On the Effective Date of this Joinder Agreement, the New Originator shall join in and be a party to the Agreement and shall have the rights and obligations of an Originator under the Agreement.

5. This Joinder Agreement may be executed by one or more of the parties on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

Exh. VI-1

6. THIS JOINDER AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF ILLINOIS (INCLUDING, BUT NOT LIMITED TO, 735 ILCS SECTION 105/5-1 ET SEQ., BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAW PROVISIONS).

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

[NEW ORIGINATOR]

By: _____
Name:
Title:
Address for notices:
[Address]

LPAC CORP. II, as Buyer

By: _____
Name:
Title:

AGREED AND ACKNOWLEDGED THIS ____ DAY
OF _____, 200_ BY:
BANK ONE, NA (MAIN OFFICE CHICAGO), as Agent

By: _____
Name:
Title:

Exh. VI-2

ANNEX 1 TO JOINDER AGREEMENT
PLACES OF BUSINESS; LOCATIONS OF RECORDS;
FEDERAL EMPLOYER IDENTIFICATION NUMBER(S); JURISDICTION OF INCORPORATION;
ORGANIZATIONAL IDENTIFICATION NUMBER; OTHER NAMES

[NEW ORIGINATOR]

Jurisdiction of Organization:

Places of Business:

Locations of Records:

Organizational Identification Number:

Federal Employer Identification Number:

Legal, Trade and Assumed Names:

Exh. VI-3

ANNEX 2 TO JOINDER AGREEMENT

LOCK-BOXES; COLLECTION ACCOUNTS; COLLECTION BANKS

Exh. VI-4

ANNEX 3 TO JOINDER AGREEMENT

CREDIT AND COLLECTION POLICY

Exh. VI-5

SCHEDULE A

LIST OF DOCUMENTS TO BE DELIVERED TO BUYER PRIOR TO INITIAL PURCHASE

Attached.

Sch. A-1

CERTIFICATION

I, Robert E. Schjerven, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lennox International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2003

/s/ Robert E. Schjerven
Robert E. Schjerven
Chief Executive Officer

CERTIFICATION

I, Richard A. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lennox International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2003

/s/ Richard A. Smith
Richard A. Smith
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lennox International Inc. (the "Company") on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, Robert E. Schjerven, Chief Executive Officer of the Company and Richard A. Smith, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Robert E. Schjerven
Chief Executive Officer
August 13, 2003

/s/ Richard A. Smith
Chief Financial Officer
August 13, 2003

A signed original of this written statement required by Section 906 has been provided to Lennox International Inc. and will be retained by Lennox International Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is accompanying the Report solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.