
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, 2000 OR

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

For the transition period from _____ to _____

Commission file number 001-15149

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

DELAWARE

42-0991521

(State or other jurisdiction
of incorporation or organization)

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

2140 LAKE PARK BLVD.
RICHARDSON, TEXAS
75080

(Address of principal executive offices)
(Zip Code)

(972) 497-5000

(Registrant's telephone number, including area code)

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

YES X NO
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As of August 4, 2000, the number of shares outstanding of the registrant's
common stock, par value \$.01 per share, was 56,175,000.

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PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of June 30, 2000 and December 31, 1999
(In thousands, except share data)

ASSETS

	June 30, 2000	December 31, 1999
	----- (unaudited)	-----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 47,323	\$ 29,174
Accounts and notes receivable, net	505,998	443,107
Inventories	395,056	345,424
Deferred income taxes	36,192	25,367
Other assets	51,617	44,526
	-----	-----
Total current assets	1,036,186	887,598
INVESTMENTS IN JOINT VENTURES	11,610	12,434
PROPERTY, PLANT AND EQUIPMENT, net	369,965	329,966
GOODWILL, net	653,015	394,252
OTHER ASSETS	52,292	59,423
	-----	-----
TOTAL ASSETS	\$ 2,123,068	\$ 1,683,673
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Short-term debt	\$ 31,662	\$ 22,219
Current maturities of long-term debt	30,815	34,554
Accounts payable	270,728	196,143
Accrued expenses	228,389	200,221
Income taxes payable	32,970	9,859
	-----	-----
Total current liabilities	594,564	462,996
LONG-TERM DEBT	676,344	520,276
DEFERRED INCOME TAXES	879	928
POSTRETIREMENT BENEFITS, OTHER THAN PENSIONS	14,802	15,125
OTHER LIABILITIES	75,541	72,377
	-----	-----
Total liabilities	1,362,130	1,071,702
MINORITY INTEREST	2,055	14,075
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.01 par value, 25,000,000 shares authorized, no shares issued or outstanding	--	--
Common stock, \$.01 par value, 200,000,000 shares authorized, 59,481,140 shares and 46,161,607 shares issued for 2000 and 1999, respectively	595	462
Additional paid-in capital	366,841	215,523
Retained earnings	436,962	409,851
Accumulated other comprehensive loss	(29,187)	(12,706)
Deferred compensation	(4,127)	(2,848)
Treasury stock, at cost, 1,156,221 and 1,172,200 shares for 2000 and 1999, respectively	(12,201)	(12,386)
	-----	-----
Total stockholders' equity	758,883	597,896
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,123,068	\$ 1,683,673
	=====	=====

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

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the Three Months and Six Months Ended June 30, 2000 and 1999
(Unaudited, in thousands, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2000	1999	2000	1999
NET SALES	\$ 894,200	\$ 591,841	\$ 1,610,524	\$ 1,080,900
COST OF GOODS SOLD	595,868	405,519	1,083,429	743,000
Gross Profit	298,332	186,322	527,095	337,900
OPERATING EXPENSES:				
Selling, general and administrative	228,608	139,416	433,888	271,202
Income from operations	69,724	46,906	93,207	66,698
INTEREST EXPENSE, net	15,242	8,542	27,992	15,100
OTHER	517	(570)	746	(781)
MINORITY INTEREST	31	(104)	(515)	(620)
Income before income taxes	53,934	39,038	64,984	52,999
PROVISION FOR INCOME TAXES	21,657	15,467	26,967	22,798
Net income	\$ 32,277	\$ 23,571	\$ 38,017	\$ 30,201
EARNINGS PER SHARE:				
Basic	\$ 0.56	\$ 0.65	\$ 0.68	\$ 0.84
Diluted	\$ 0.56	\$ 0.64	\$ 0.68	\$ 0.82

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, 2000 and 1999
(Unaudited, in thousands)

	For the Six Months Ended June 30,	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 38,017	\$ 30,201
Adjustments to reconcile net income to net cash provided by (used in) operating activities -		
Minority interest	(515)	(620)
Joint venture losses	605	1,845
Depreciation and amortization	42,345	26,877
Loss on disposal of equipment	1,797	642
Other	206	(364)
Changes in assets and liabilities, net of effects of acquisitions -		
Accounts and notes receivable	2,147	(98,772)
Inventories	(25,304)	(28,069)
Other current assets	(6,309)	1,875
Accounts payable	41,020	16,766
Accrued expenses	(9,874)	(8,263)
Deferred income taxes	(2,039)	(950)
Income taxes payable and receivable	25,868	14,553
Long-term warranty, deferred income and other liabilities	6,839	(4,827)
	114,803	(49,106)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the disposal of property, plant and equipment	497	393
Purchases of property, plant and equipment	(33,149)	(37,887)
Acquisitions, net of cash acquired	(206,824)	(128,284)
	(239,476)	(165,778)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving short-term debt	11,065	187,957
Proceeds from revolving long-term debt	124,000	41,524
Proceeds from new long-term debt	35,000	--
Repayment of long-term debt	(15,540)	(2,170)
Proceeds from issuance of common stock	73	688
Repurchases of common stock	(97)	(152)
Cash dividends paid	(10,910)	(6,107)
	143,591	221,740
INCREASE IN CASH AND CASH EQUIVALENTS	18,918	6,856
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(769)	(864)
	29,174	28,389
CASH AND CASH EQUIVALENTS, beginning of period	29,174	28,389
	\$ 47,323	\$ 34,381
	=====	=====
Supplementary disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 27,530	\$ 14,902
	=====	=====
Income taxes	\$ 8,249	\$ 10,878
	=====	=====

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

LENNOX INTERNATIONAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION AND OTHER ACCOUNTING INFORMATION:

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

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

2. REPORTABLE BUSINESS SEGMENTS:

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

NET SALES	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2000	1999	2000	1999
North American residential	\$ 353,890	\$ 317,610	\$ 645,670	\$ 589,084
North American retail	288,938	27,041	483,466	43,721
Commercial air conditioning	122,938	117,595	218,022	210,063
Commercial refrigeration	93,508	82,577	185,180	144,175
Heat transfer (1)	64,334	53,290	129,781	103,359
Eliminations	(29,408)	(6,272)	(51,595)	(9,502)
	<u>\$ 894,200</u>	<u>\$ 591,841</u>	<u>\$ 1,610,524</u>	<u>\$ 1,080,900</u>

(1) The Heat Transfer segment had intersegment sales of \$7,285 and \$5,387 for the three months ended June 30, 2000 and 1999, respectively, and \$12,398 and \$11,974 for the six months ended June 30, 2000 and 1999, respectively.

INCOME (LOSS) FROM OPERATIONS	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2000	1999	2000	1999
North American residential	\$ 42,203	\$ 39,032	\$ 62,968	\$ 62,988
North American retail	19,234	1,575	24,660	2,476
Commercial air conditioning	4,733	3,081	1,680	1,147
Commercial refrigeration	8,445	6,864	15,495	9,170
Heat transfer	4,333	4,218	9,267	7,457
Corporate and other	(8,035)	(7,319)	(17,940)	(15,727)
Eliminations	(1,189)	(545)	(2,923)	(813)
	<u>\$ 69,724</u>	<u>\$ 46,906</u>	<u>\$ 93,207</u>	<u>\$ 66,698</u>

TOTAL ASSETS	As of June 30, 2000	As of December 31, 1999
North American residential	\$ 611,679	\$ 596,895
North American retail	741,362	290,978
Commercial air conditioning	250,127	251,226
Commercial refrigeration	240,858	252,176
Heat transfer	163,642	179,615
Corporate and other	146,364	127,320
Eliminations	(30,964)	(14,537)
	-----	-----
	\$ 2,123,068	\$ 1,683,673
	=====	=====

3. INVENTORIES:

Components of inventories are as follows (in thousands):

	As of June 30, 2000	As of December 31, 1999
Finished goods	\$263,545	\$219,303
Repair parts	53,514	36,153
Work in process	21,853	20,957
Raw materials	103,932	117,209
	-----	-----
	442,844	393,622
Reduction for last-in, first-out	47,788	48,198
	-----	-----
	\$395,056	\$345,424
	=====	=====

4. LINES OF CREDIT AND FINANCING ARRANGEMENTS:

The Company has bank lines of credit aggregating \$688 million, of which \$454 million was outstanding at June 30, 2000 and the remaining \$234 million was available for future borrowings. Included in the lines of credit are two \$300 million domestic facilities governed by revolving credit facility agreements between the Company and syndicates of banks. The facilities contain certain financial covenants and bear interest, at the Company's option, at a rate equal to either (a) the greater of the bank's prime rate or the federal funds rate plus 0.5% or (b) the London Interbank Offered Rate plus a margin equal to 0.5% to 1.25%, depending upon the ratio of total funded debt to EBITDA. The Company pays a commitment fee equal to 0.10% to 0.30% of the unused commitment, depending upon the ratio of total funded debt to EBITDA. The agreements provide restrictions on the Company's ability to incur additional indebtedness, encumber its assets, sell its assets, or pay dividends.

On April 3, 2000, the Company borrowed \$35.0 million under a shelf agreement with The Prudential Insurance Company of America. Terms of the borrowing include an interest rate of 8%, interest to be paid semi-annually and an ultimate maturity date of June 1, 2010. Terms and conditions of the borrowing are similar to those of the existing revolving credit agreements.

During the second quarter of 2000, the Company entered into a one year asset securitization arrangement. Pursuant to the arrangement, \$130.0 million of domestic trade receivables were sold on a non-recourse basis for cash of \$129.3 million. The accounts receivable that were sold are shown as a reduction of Accounts and Notes Receivable, Net in the accompanying Consolidated Balance Sheets. The loss on the sale of such receivables of \$0.7 million is included as part of Operating Expenses in the accompanying Consolidated Statements of Income.

5. EARNINGS PER SHARE:

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed by dividing net income by the sum of the weighted average number of shares outstanding and the number of equivalent shares assumed outstanding, if dilutive, under the Company's stock-based compensation plans and from convertible securities. Diluted earnings per share are computed as follows (in thousands, except per share amounts):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2000	1999	2000	1999
Net income	\$32,277	\$23,571	\$38,017	\$30,201
Weighted average shares outstanding	57,433	36,036	55,948	35,805
Effect of diluted securities attributable to stock options and performance share awards	380	924	341	891
Weighted average shares outstanding, as adjusted	57,813	36,960	56,289	36,696
Diluted earnings per share	\$ 0.56	\$ 0.64	\$ 0.68	\$ 0.82

6. INVESTMENTS IN SUBSIDIARIES:

SERVICE EXPERTS, INC.

On January 21, 2000, the Company acquired Service Experts, Inc., a holding company owning retail outlets for heating and air conditioning products and services. The acquisition took place in the form of a merger wherein 0.67 of a share of the Company's common stock was exchanged for each share of Service Experts, Inc. common stock. The 12.2 million shares so exchanged were valued at approximately \$140.1 million. In addition, transaction costs of approximately \$4.1 million were paid, and \$162.7 million of Service Experts, Inc. debt was assumed and concurrently repaid, resulting in a total purchase price of \$306.9 million. The acquisition was accounted for under the purchase method of accounting. Based on current estimates, which may be revised at a later date, approximately \$171.6 million was allocated to the fair value of the assets acquired, approximately \$96.5 million was allocated to the fair value of liabilities assumed, and \$231.8 million was allocated to goodwill, which is being amortized on a straight-line basis over 40 years. The results of Service Experts, Inc. have been fully consolidated with those of the Company since the date of acquisition.

DEALERS

In September of 1998, the Company initiated a program to acquire high quality heating and air conditioning dealers in metropolitan areas of the United States and Canada (the "Dealers"). During the first six months of 2000, six Dealers in the United States and one Dealer in Canada were purchased for a total price of approximately \$17.5 million. In addition, approximately \$21.2 million was paid in the first six months of 2000 as additional payments on Dealers acquired in 1999. Of this \$21.2 million, \$5.6 million was in the form of 491,285 shares of the Company's common stock. The purchase of the Dealers in the first six months of 2000 and the additional payments on Dealers acquired in 1999 were accounted for under the purchase method of accounting wherein approximately \$7.1 million was allocated to the fair value of assets acquired, \$4.9 million was allocated to the fair value of liabilities assumed and \$36.5 million was allocated to goodwill which is being amortized on a straight-line basis over 40 years. The results of the acquired Dealers have been fully consolidated with those of the Company since the respective dates of acquisition.

EUROPE

On April 5, 2000, the Company purchased the remaining 30% ownership in Ets. Brancher S.A, the holding company owning the Company's interest in companies in France. The Company paid 101,800,000 French francs (\$16.2 million) for the interest, and under the purchase method of accounting recorded an elimination of minority interest of approximately \$12.0 million and additional goodwill of approximately \$4.2 million.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2000	1999	2000	1999
Net sales	\$ 894,200	\$ 785,119	\$ 1,639,605	\$ 1,443,058
Net income	32,277	29,533	37,465	41,158
Basic earnings per share	0.56	0.61	0.67	0.85
Diluted earnings per share	0.56	0.59	0.67	0.83

7. TREASURY STOCK:

On November 1, 1999, the Company's Board of Directors authorized the purchase of up to 5,000,000 shares of the issued and outstanding common stock. As of June 30, 2000, 1,172,200 of such shares had been purchased at a total cost of \$12.4 million. On March 6, 2000, the Company entered into forward purchase contracts to purchase 1,557,100 shares of its common stock. On May 5, 2000, the Company entered into forward purchase contracts to purchase an additional 858,000 shares of its common stock. In accordance with the terms of these contracts, settlement is permitted on either a net cash settlement, net share settlement, or a physical settlement basis. Therefore, the shares so contracted remain issued and outstanding until such time as the contracts are settled. The Company expects to settle the contracts in the third and fourth quarters of 2000. (See Subsequent Events for further information.)

8. COMPREHENSIVE INCOME:

Comprehensive income is computed as follows (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2000	1999	2000	1999
Net income	\$ 32,277	\$ 23,571	\$ 38,017	\$ 30,201
Cumulative foreign currency translation adjustments	(7,522)	(524)	(16,481)	(6,436)
Total comprehensive income	\$ 24,755	\$ 23,047	\$ 21,536	\$ 23,765

9. SUBSEQUENT EVENTS:

As of July 31, 2000, the Company had signed letters of intent to acquire 10 Dealers for an aggregate purchase price of approximately \$31 million.

The Company settled the first of the forward contracts to acquire shares of its common stock. On July 7, 2000, 1,557,100 shares were purchased for a net cash settlement of \$15.4 million.

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

OVERVIEW

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

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

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

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

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

In September 1998, Lennox initiated a program to acquire high quality heating and air conditioning dealers in metropolitan areas in the United States and Canada to market "Lennox" and other brands of heating and air conditioning products. This strategy enables Lennox to extend its distribution directly to the consumer and permits it to participate in the revenues and margins available at the retail level while strengthening and protecting its brand equity. Lennox believes that the retail sales and service market represents a significant growth opportunity because this market is large and highly fragmented. The retail sales and service market in the United States is comprised of over 30,000 dealers. In addition, Lennox believes that the heating and air conditioning service business is somewhat less seasonal than the business of manufacturing and selling heating and air conditioning products. As of June 30, 2000, Lennox had acquired 225 dealers in the U.S. and Canada, including the dealers acquired through the acquisition of Service Experts, Inc. The aggregate purchase price of these dealers was approximately \$587 million as of June 30, 2000. The Company has signed letters of intent to acquire an additional 10 dealers in the U.S. for an aggregate purchase price of approximately \$31 million.

On January 21, 2000, Lennox completed the acquisition of Service Experts, Inc., an HVAC company comprised of HVAC retail businesses across the United States, for approximately 12.2 million shares of Lennox common stock and the assumption of approximately \$163 million of debt, which was concurrently repaid. The success of the Service

Experts acquisition, along with Lennox's other acquisitions, will depend on Lennox's ability to integrate these businesses into its business without substantial costs, delays or other operational or financial difficulties. The acquisition added over 120 dealers to the U.S. retail network.

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

RESULTS OF OPERATIONS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	66.6	68.5	67.3	68.7
Gross profit	33.4	31.5	32.7	31.3
Selling, general and administrative expenses	25.6	23.6	26.9	25.1
Income from operations	7.8	7.9	5.8	6.2
Interest expense, net	1.7	1.4	1.7	1.4
Other	0.1	(0.1)	0.1	(0.1)
Income before income taxes	6.0	6.6	4.0	4.9
Provision for income taxes	2.4	2.6	1.6	2.1
Net income	3.6%	4.0%	2.4%	2.8%

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2000		1999		2000		1999	
	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
BUSINESS SEGMENT:								
North American residential	\$ 353.9	39.6%	\$ 317.6	53.7%	\$ 645.7	40.1%	\$ 589.1	54.5%
North American retail	289.0	32.3	27.0	4.6	483.4	30.0	43.7	4.0
Commercial air conditioning	122.9	13.7	117.6	19.9	218.0	13.5	210.1	19.5
Commercial refrigeration	93.5	10.5	82.6	13.9	185.2	11.5	144.2	13.3
Heat transfer	64.3	7.2	53.3	9.0	129.8	8.1	103.3	9.6
Eliminations	(29.4)	(3.3)	(6.3)	(1.1)	(51.6)	(3.2)	(9.5)	(0.9)
Total net sales	\$ 894.2	100.0%	\$ 591.8	100.0%	\$ 1,610.5	100.0%	\$ 1,080.9	100.0%
GEOGRAPHIC MARKET:								
U.S.	\$ 712.6	79.7%	\$ 442.7	74.8%	\$ 1,267.5	78.7%	\$ 825.8	76.4%
International	181.6	20.3	149.1	25.2	343.0	21.3	255.1	23.6
Total net sales	\$ 894.2	100.0%	\$ 591.8	100.0%	\$ 1,610.5	100.0%	\$ 1,080.9	100.0%

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

Net sales. Net sales increased \$302.4 million, or 51.1%, to \$894.2 million for the quarter ended June 30, 2000 from \$591.8 million for the quarter ended June 30, 1999.

Net sales related to the North American residential segment were \$353.9 million for the quarter ended June 30, 2000, an increase of \$36.3 million, or 11.4%, from \$317.6 million for the quarter ended June 30, 1999. Of the \$36.3 million increase, \$14.6 million was due to sales from the recently acquired Ducane operations. The remaining \$21.7 million growth in North American residential net sales is due to a 6.8% increase in sales of our existing businesses over the second quarter of 1999, which was primarily attributable to an increase in unit sales.

Net sales in the North American retail segment were \$289.0 million for the quarter ended June 30, 2000, an increase of \$262.0 million from the \$27.0 million of net sales for the quarter ended June 30, 1999. This increase was due to acquisitions.

Commercial air conditioning net sales increased \$5.3 million, or 4.5%, to \$122.9 million for the quarter ended June 30, 2000 compared to the quarter ended June 30, 1999. North American sales were particularly strong, achieving growth of 10.1% for the quarter. The addition of two new commercial districts early in the year and the phase-in of the Company's cost-effective Value line contributed to the growth. The increase domestically was offset by a decrease in net sales internationally, primarily due to the impact of exchange rates. International sales growth was 4.9%, after adjusting for the impact of currency exchange rate movements.

Net sales related to the commercial refrigeration segment were \$93.5 million for the quarter ended June 30, 2000, an increase of \$10.9 million, or 13.2%, from \$82.6 million for the quarter ended June 30, 1999. Of this increase, \$8.8 million was due to the acquisition of James N. Kirby Pty. Ltd. North American commercial refrigeration net sales increased 10.9% due to strength in all served segments, with the telecommunications sector being particularly strong. Europe and Australia, two of the Company's key refrigeration markets, had significant decreases in the value of their currency compared to the U.S. dollar. Excluding the impact of currency fluctuations, international sales growth for the second quarter of 2000 was 1.6%.

Heat transfer revenues increased \$11.0 million, or 20.6 %, to \$64.3 million for the quarter ended June 30, 2000 compared to the quarter ended June 30, 1999. The acquisition of James N. Kirby Pty. Ltd. contributed \$6.6 million to heat transfer revenues in the second quarter of 2000. Net sales in the North America heat transfer business increased \$2.1 million. International heat transfer operations increased net sales \$2.3 million despite the large drop in the U.S. exchange rate of the Euro and the Australian dollar. Europe heat transfer sales benefited from increased production capacity at the Czech Republic plant.

Gross profit. Gross profit was \$298.3 million for the quarter ended June 30, 2000 compared to \$186.3 million for the quarter ended June 30, 1999, an increase of \$112.0 million. Gross profit margin was 33.4% for the quarter ended June 30, 2000 and 31.5% for the quarter ended June 30, 1999. Acquisitions account for the majority of the increase of \$112.0 million in gross profit. The gross profit margins of Lennox's traditional businesses increased 1.2% for the second quarter of 2000 compared to the second quarter of 1999 primarily due to manufacturing efficiencies, product mix and selected price increases. Acquired businesses contributed 0.7% to the increase in gross profit margins.

Selling, general and administrative expenses. Selling, general and administrative expenses were \$228.6 million for the quarter ended June 30, 2000, an increase of \$89.2 million, or 64.0%, from \$139.4 million for the quarter ended June 30, 1999. Selling, general and administrative expenses represented 25.6% and 23.6% of total revenues for the second quarter of 2000 and 1999, respectively. Of the \$89.2 million increase, acquired companies represented \$82.1 million, or 92.0%, of the increase in selling, general and administrative expenses. Acquired companies' selling, general and administrative expenses were 28.1% of sales. The majority of the remaining \$7.1 million increase was due to increased advertising and promotion, personnel and facility costs.

Interest expense, net. Interest expenses, net for the quarter ended June 30, 2000, increased to \$15.2 million from \$8.5 million for the quarter ended June 30, 1999. Increased borrowings to fund acquisitions were responsible for the increase in interest expense.

Provision for income taxes. The provision for income taxes was \$21.7 million for the quarter ended June 30, 2000 and \$15.5 million for the quarter ended June 30, 1999. The effective tax rate of 40.2% and 39.6% for the quarters ended June 30, 2000 and 1999, respectively, differs from the statutory federal rate of 35.0% principally due to state and

local taxes, non-deductible goodwill expenses, and foreign operating losses for which no tax benefits have been recognized.

SIX MONTHS ENDED JUNE 30, 2000 COMPARED TO SIX MONTHS ENDED JUNE 30, 1999

Net sales. Net sales increased \$529.6 million, or 49.0%, to \$1,610.5 million for the six months ended June 30, 2000 from \$1,080.9 million for the six months ended June 30, 1999.

Net sales related to the North American residential segment were \$645.7 million for the six months ended June 30, 2000, an increase of \$56.6 million, or 9.6%, from \$589.1 million for the six months ended June 30, 1999. Of the \$56.6 million increase, \$31.4 million was due to sales from acquired hearth products companies and the acquisition of Ducane's HVAC product lines. The remaining \$25.2 million growth in North American residential net sales is due to a 4.3% increase in sales of our existing businesses over the first six months of 1999, which is primarily due to an increase in unit sales.

Net sales in the North American retail segment were \$483.4 million for the six months ended June 30, 2000, an increase of \$439.7 million from the \$43.7 million of net sales for the six months ended June 30, 1999. This increase was due to acquisitions.

Commercial air conditioning net sales increased \$7.9 million, or 3.8%, to \$218.0 million for the six months ended June 30, 2000 compared to the six months ended June 30, 1999. North American commercial air conditioning sales increased 5.6% for the first six months of 2000 compared to the first six months of 1999. The increase domestically was offset by a much smaller increase in net sales internationally, primarily due to the impact of exchange rates. International sales growth was 10.3%, after adjusting for the impact of currency exchange rate movements. The increase in international sales is primarily due to the fact the company has rationalized its European products and they are being marketed throughout Europe rather than just within the country of manufacture.

Net sales related to the commercial refrigeration segment were \$185.2 million for the six months ended June 30, 2000, an increase of \$41.0 million, or 28.4%, from \$144.2 million for the six months ended June 30, 1999. Of this increase, \$27.5 million was due to the acquisition of James N. Kirby Pty. Ltd. North American commercial refrigeration net sales increased 15.4% as a result of strong sales in the walk-in cooler and telecommunications segments and the completion of some large cold storage projects. The increase domestically was offset by a much smaller increase in net sales internationally, primarily due to the impact of exchange rates. International net sales increased 10.4%, after adjusting for the impact of currency exchange rate movements. International sales volume growth was primarily a result of the Company's increased participation in two areas of the European refrigeration market - sales of supermarket rack systems and direct sales to contractors through the Company's H K Refrigeration brand.

Heat transfer revenues increased \$26.5 million, or 25.5%, to \$129.8 million for the six months ended June 30, 2000 compared to the six months ended June 30, 1999. The acquisitions of James N. Kirby Pty. Ltd. and Livernois Engineering Holding Company contributed \$22.0 million to heat transfer revenues in the first six months of 2000. Net sales growth in the North American heat transfer business increased 4.2%. The increase domestically was offset by a much smaller increase in net sales internationally, primarily due to the impact of exchange rates. International net sales increased 14.4%, after adjusting for the impact of currency exchange rate movements. European heat transfer sales benefited from increased production capacity at the Czech Republic plant.

Gross profit. Gross profit was \$527.1 million for the six months ended June 30, 2000 compared to \$337.9 million for the six months ended June 30, 1999, an increase of \$189.2 million. Gross profit margin was 32.7% for the six months ended June 30, 2000 and 31.3% for the six months ended June 30, 1999. Acquisitions account for the majority of the increase of \$189.2 million in gross profit. The gross profit margins of Lennox's traditional businesses increased 1.1% for the first six months of 2000 compared to the first six months of 1999 primarily due to manufacturing efficiencies, product mix and selected price increases. Acquired businesses contributed 0.3% to the increase in gross profit margins.

Selling, general and administrative expenses. Selling, general and administrative expenses were \$433.9 million for the six months ended June 30, 2000, an increase of \$162.7 million, or 60.0%, from \$271.2 million for the six months ended June 30, 1999. Selling, general and administrative expenses represented 26.9% and 25.1% of total revenues for the first six months of 2000 and 1999, respectively. Of the \$162.7 million increase, acquired companies represented \$148.7 million, or 91.4%, of the increase in selling, general and administrative expenses. Acquired companies' selling,

general and administrative expenses were 28.6% of sales. The majority of the remaining \$14.0 million increase was due to increased advertising and promotion, personnel and facility costs.

Interest expense, net. Interest expenses, net for the six months ended June 30, 2000 increased to \$28.0 million from \$15.1 million for the six months ended June 30, 1999. Increased borrowings to fund acquisitions were responsible for the increase in interest expense.

Provision for income taxes. The provision for income taxes was \$27.0 million for the six months ended June 30, 2000 and \$22.8 million for the six months ended June 30, 1999. The effective tax rates of 41.5% and 43.0% for the six months ended June 30, 2000 and 1999, respectively, differ from the statutory federal rate of 35.0% principally due to state and local taxes, non-deductible goodwill expenses, and foreign operating losses for which no tax benefits have been recognized.

LIQUIDITY AND CAPITAL RESOURCES

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

Net cash provided by (used in) operating activities was \$114.8 million and (\$49.1) million for the six months ended June 30, 2000 and 1999, respectively. The increase in cash provided by operations is primarily due to the increase in net income before depreciation and amortization of \$23.3 million and the proceeds from the sale of \$130 million in accounts receivables. Net cash used in investing activities totaled \$239.5 million and \$165.8 million for the six months ended June 30, 2000 and 1999, respectively. The greater use of cash for investing relates primarily to increased acquisition activity as \$206.8 million and \$128.3 million were spent for acquisitions in the six months ended June 30, 2000 and 1999, respectively. Net cash provided by financing activities was \$143.6 million and \$221.7 million for the six months ended June 30, 2000 and 1999, respectively. Net borrowing needs decreased \$72.8 million in the first six months of 2000 versus the same period in 1999 primarily due to the cash received by Lennox from the sale of receivables. Due to the seasonality of the air conditioning and refrigeration businesses, Lennox typically uses cash in the first six months of the year and generates cash during the latter half of the year.

In the past, Lennox has used a combination of internally generated funds, external borrowings and common stock to make acquisitions. Lennox intends to acquire additional heating and air conditioning dealers in the U.S. and Canada, and plans to finance these acquisitions with a combination of cash, stock and debt. As of June 30, 2000, Lennox had acquired 225 Dealers in the U.S. and Canada, including Dealers acquired through the acquisition of Service Experts, Inc. The aggregate purchase price of these Dealers was approximately \$587 million as of June 30, 2000. The Company has signed letters of intent to acquire an additional 10 Dealers for an aggregate purchase price of approximately \$31 million.

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

Capital expenditures were \$33.1 million for the six months ended June 30, 2000. These expenditures primarily related to production equipment (including tooling), training facilities, leasehold improvements and information systems.

The Company has bank lines of credit aggregating \$688 million, of which \$454 million was outstanding at June 30, 2000 and the remaining \$234 million was available for future borrowings. Included in the lines of credit are two \$300 million domestic facilities governed by revolving credit facility agreements between the Company and syndicates of banks. The facilities contain certain financial covenants and bear interest, at the Company's option, at a rate equal to either (a) the greater of the bank's prime rate or the federal funds rate plus 0.5% or (b) the London Interbank Offered Rate plus a margin equal to 0.5% to 1.25%, depending upon the ratio of total funded debt to EBITDA. The Company pays a commitment fee equal to 0.10% to 0.30% of the unused commitment, depending upon the ratio of total funded debt to EBITDA. The agreements provide restrictions on the Company's ability to incur additional indebtedness, encumber its assets, sell its assets, or pay dividends.

On April 3, 2000, the Company borrowed \$35.0 million under a shelf agreement with The Prudential Insurance Company of America. Terms of the borrowing include an interest rate of 8%, interest to be paid semi-annually and an ultimate maturity date of June 1, 2010. Terms and conditions of the borrowing are similar to those of the existing revolving credit agreements.

Lennox believes its shares of stock are undervalued and has initiated programs to repurchase shares. Lennox's Board of Directors has authorized the purchase of up to 5,000,000 shares. Through December 1999, 1,172,000 shares had been repurchased at a total cost of \$12.4 million. To continue the repurchase program while maintaining available debt capacity, Lennox, on March 6, 2000, entered into forward purchase contracts for 1,557,100 shares that were settled on July 7, 2000 for a cash payment of \$15.4 million. On May 5, 2000 Lennox entered into additional forward purchase contracts for 858,000 shares. Under the terms of the forward purchase contracts, settlement is permitted on a net cash basis, net share basis or physical basis.

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

RECENT ACCOUNTING PRONOUNCEMENTS

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

FORWARD LOOKING INFORMATION

This Report contains forward-looking statements and information that are based on the beliefs of Lennox's management as well as assumptions made by and information currently available to management. All statements other than statements of historical fact included in this Report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including but not limited to statements identified by the words "may," "will," "should," "plan," "predict," "anticipate," "believe," "intend," "estimate" and "expect" and similar expressions. Such statements reflect Lennox's current views with respect to future events, based on what it believes are reasonable assumptions; however, such statements are subject to certain risks, uncertainties and assumptions. These include, but are not limited to, warranty and product liability claims; ability to successfully complete and integrate acquisitions; ability to manage new lines of business; the consolidation trend in the HVACR industry; adverse reaction from customers to 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. Lennox disclaims any intention or obligation to update or review any forward-looking statements or information, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Lennox's results of operations can be affected by changes in exchange rates. Net sales and expenses in currencies other than the U.S. dollar are translated into U.S. dollars for financial reporting purposes based on the average exchange rate for the period. During the six months ended June 30, 2000 and 1999, net sales from outside the U.S. represented 21.3% and 23.6%, respectively, of total net sales. Historically, foreign currency transaction gains (losses) have not had a material effect on operations.

From time to time Lennox enters into foreign currency contracts to hedge receivables or payables denominated in foreign currencies. These contracts do not subject the Company to risk from exchange rate movements because the gains or losses on the contracts offset losses or gains, respectively, on the receivables being hedged. As of June 30, 2000, Lennox had obligations to deliver the equivalent of \$29.2 million of various foreign currencies at various dates through July 31, 2001, and contracts to buy \$3.2 million of various foreign currencies through December 29, 2000 for which the counterparties to the contracts will pay or receive fixed contract amounts. The net fair value of the currency contracts was a liability of \$2.1 million at June 30, 2000.

As of June 30, 2000, Lennox had contracts to purchase copper, aluminum sheet stock and aluminum fin stock aggregating \$19.4 million over the next 12 months. The fair value of these contracts was a net liability of \$0.3 million at June 30, 2000.

PART II -- OTHER INFORMATION

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

The Company's 2000 Annual Meeting of stockholders ("Annual Meeting") was held on April 28, 2000. At the Annual Meeting, the Company's stockholders elected five directors with terms expiring at the Company's Annual Meeting of Stockholders in 2003.

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

Directors -----	For ---	Withheld -----	Abstentions -----
Linda G. Alvarado	45,596,048	704,263	*
Richard W. Booth	45,136,498	1,163,813	*
David V. Brown	45,590,936	709,375	*
John E. Major	45,583,332	716,979	*
William G. Roth	45,594,554	705,757	*

*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, Terry D. Stinson and Richard L. Thompson, having terms expiring in 2001, and David H. Anderson, Thomas W. Booth, James J. Byrne, Donald E. Miller and John W. Norris, Jr., having terms expiring in 2002, continued in office.

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--	Receivables Purchase Agreement, dated as of June 19, 2000, among LPAC Corp., Blue Ridge Asset Funding Corporation, Wachovia Bank, N.A., and Lennox Industries Inc. (filed herewith).
10.2--	Purchase and Sale Agreement, dated as of June 19, 2000, among Lennox Industries Inc., Heatcraft Inc. and LPAC Corp. (filed herewith).
27.1--	Financial Data Schedule (filed herewith).

* Incorporated herein by reference as indicated.

Reports on Form 8-K

(None)

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 10, 2000

/s/ Clyde W. Wyant

Principal Financial Officer
and Duly Authorized Signatory

INDEX TO EXHIBITS

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PURCHASE AND SALE AGREEMENT

Dated as of June 19, 2000

among

LENNOX INDUSTRIES INC.
as a Seller,

HEATCRAFT INC.
as a Seller,

and

LPAC CORP.
as the Purchaser

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EXHIBITS

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Exhibit A	Form of Purchase Report
Exhibit B	Form of the Initial Seller Note
Exhibit C	Office Locations
Exhibit D	Form of Additional Seller Supplement
Exhibit A-1	Form of Lockbox Agreement

SCHEDULES

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Schedule 5.1(n)	Trade Names
Schedule 10.2	Notice Addresses

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (as amended, supplemented or modified from time to time, this "Agreement"), dated as of June 19, 2000, is among LENNOX INDUSTRIES INC., an Iowa corporation ("Lennox"), HEATCRAFT INC., a Mississippi corporation ("Heatcraft"), as sellers (each of Lennox and Heatcraft being a "Seller" and collectively, the "Sellers") and LPAC CORP., a Delaware corporation (the "Company"), as purchaser.

DEFINITIONS

Unless otherwise indicated, certain terms that are capitalized and used throughout this Agreement are defined in Appendix A to the Receivables Purchase Agreement of even-date herewith (as amended, supplemented or otherwise modified from time to time, (the "Receivables Purchase Agreement"), among the Company, as seller, Lennox, as master servicer, Blue Ridge Asset Funding Corporation, as purchaser ("Purchaser"), and Wachovia Bank, N.A., as administrative agent for Purchaser (the "Administrative Agent"). The following terms have the respective meanings indicated below:

Armstrong: Armstrong Air Conditioning Inc., an Ohio corporation.

Armstrong Commencement Date: As defined in Section 9.2.

Available Funds: As defined in Section 3.2 hereof.

Contributed Receivables: As defined in Section 1.2(b) hereof.

Deemed Collection: Amounts payable by the Sellers pursuant to Section 3.3 or 3.4.

Ineligible Receivable: As defined in Section 3.3 hereof.

Initial Closing Date: As defined in Section 1.2 hereof.

Initial Contributed Receivables: As defined in Section 1.1(b).

Initial Cut-Off Date: The Business Day immediately preceding the Initial Closing Date.

Initial Seller Note: As defined in Section 3.1 hereof.

Lockbox Accounts: One or more lockbox accounts held in Lockbox Banks for receiving Collections from Pool Receivables.

Purchase Price: As defined in Section 2.1 hereof.

Purchase Report: As defined in Section 2.1 hereof.

Related Rights: As defined in Section 1.1(a) hereof.

Sale Indemnified Amounts: As defined in Section 8.1 hereof.

Sale Indemnified Party: As defined in Section 8.1 hereof.

Sale Termination Date: As defined in Section 1.4 hereof.

Seller Material Adverse Effect: With respect to any event or circumstance:

(i) an effect on the assets, business, financial condition or operations of any Seller and its Subsidiaries, taken as a whole, which could reasonably be expected to make a material adverse effect on the creditworthiness of such Seller;

(ii) a material adverse effect on the ability of any Seller to perform its obligations under this Agreement or any other Transaction Document to which such Seller is a party;

(iii) a material adverse effect on the validity or enforceability as against any Seller of this Agreement or any other Transaction Document to which such Seller is a party;

(iv) a material adverse effect on the status, existence, perfection, priority or enforceability of the Company's interest in the Receivables Pool and the Related Rights; or

(v) a material adverse effect on the validity, enforceability or collectibility of a material portion of the Receivables Pool.

Servicer: As defined in Section 7.2(d).

Background

1. The Company is a limited purpose corporation, all of the issued and outstanding shares of capital stock of which are wholly-owned by the Sellers, Heatcraft Technologies and Armstrong.

2. The Sellers are concurrently with the initial sale hereunder transferring certain Receivables and Related Rights to the Company as part of the capitalization of the Company.

3. The Sellers wish to sell Receivables and Related Rights to the Company, and the Company is willing, on the terms and subject to the conditions set forth herein, to purchase Receivables and Related Rights from the Sellers.

4. The Company intends to sell to Purchaser from time to time undivided interests in the Receivables and Related Rights pursuant to the Receivables Purchase Agreement.

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

ARTICLE I

AGREEMENT TO SELL

SECTION 1.1 SALES AND CONTRIBUTIONS.

(a) Agreement to Sell. On the terms and subject to the conditions set forth in this Agreement (including Article V), and in consideration of the Purchase Price, from the Initial Closing Date until the Sale Termination Date, each Seller agrees to sell, assign and transfer, and does hereby sell, assign and transfer to the Company, and the Company agrees to purchase, and does hereby purchase from such Seller, all of such Seller's right, title and interest in and to:

(i) each Receivable (other than Initial Contributed Receivables) of such Seller that existed and was owing to such Seller as of the close of such Seller's business on the Initial Cut-Off Date;

(ii) each Receivable (other than Contributed Receivables) created or originated by such Seller from the close of such Seller's business on the Initial Cut-Off Date, to and including the Sale Termination Date;

(iii) all rights to, but not the obligations under, all related Contracts and all Related Security;

(iv) all monies due or to become due with respect to the foregoing;

(v) all books and records related to any of the foregoing;

(vi) all Lockbox Accounts, all amounts on deposit therein and all related agreements between such Seller and a Lockbox Bank, in each case to the extent constituting or representing items described in paragraph (vii) below; and

(vii) all Collections in respect of, and other proceeds of, Receivables or any other of the foregoing (as defined in the UCC) received on or after the Initial Cut-Off Date including, without limitation, all funds which either are received by such Seller, the Company or the Master Servicer from or on behalf of the Obligors in payment of any amounts owed (including, without limitation, finance charges, interest and all other charges) in respect of Receivables, or are applied to such amounts owed by the Obligors (including without limitation, insurance payments, if any, that such Seller, or the Master

Servicer (if other than Lennox) applies in the ordinary course of its business to amounts owed in respect of any 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).

All purchases and capital contributions hereunder shall be made without recourse, but shall be made pursuant to and in reliance upon the representations, warranties and covenants of each Seller, in its capacity as seller, set forth in each Transaction Document. The proceeds and rights described in subsections (iii) through (vii) of this Section 1.1(a) are herein collectively called the "Related Rights".

(b) Agreement to Contribute. In consideration of certain common and preferred stock of the Company issued to the Sellers, the Sellers agree to contribute, and do hereby contribute to the Company, and the Company agrees to accept, and does hereby accept, from the Sellers, all of such Seller's right, title and interest in and to (i) on the Initial Closing Date, certain Receivables, and the Related Rights with respect thereto, existing on the Initial Cut-Off Date, (the "Initial Contributed Receivables") and (ii) thereafter, all other Contributed Receivables.

(c) Absolute Transfer. It is the intention of the parties hereto that the conveyance of the Receivables and Related Rights by each Seller to the Company as provided in this Section 1.1 be, and be construed as, an absolute sale, without recourse, of such Receivables and Related Rights by such Seller to the Company. Furthermore, it is not intended that such conveyance be deemed a pledge of such Receivables and Related Rights by such Seller to the Company to secure a debt or other obligation of such Seller. If, however, notwithstanding the intention of the parties, the conveyance provided for in this Section 1.1 is determined to be a transfer for security, then this Agreement shall also be deemed to be a "security agreement" within the meaning of Article 9 of the UCC and such Seller hereby grants to the Company a "security interest" within the meaning of Article 9 of the UCC in all of such Seller's right, title and interest in and to such Receivables and Related Rights, now existing and hereafter created, to secure a loan in an amount equal to the aggregate Purchase Prices therefor and each of such Seller's other payment obligations under this Agreement.

SECTION 1.2 TIMING OF PURCHASES.

(a) Initial Closing Date Purchases. On the date of the first Purchase under the Receivables Purchase Agreement (the "Initial Closing Date") each Seller shall sell to the Company, and the Company shall purchase, pursuant to Section 1.1, such Seller's entire right, title and interest in (i) each Receivable (other than the Initial Contributed Receivables) that existed and was owing to such Seller as of the close of such Seller's business on the Initial Cut-Off Date, and (ii) all Related Rights with respect thereto.

(b) Regular Purchases and Contributions. After the Initial Closing Date, and continuing until the Sale Termination Date, each Receivable described in Section 1.1(a)(ii) hereof, and all the Related Rights with respect thereto, created or originated by a Seller shall be

sold or contributed by such Seller to the Company (without any further action) upon the creation or origination of such Receivable. All such Receivables, other than those Receivables indicated on a Purchase Report as having been contributed by the Sellers to the Company (such other Receivables, together with the Initial Contributed Receivables, the "Contributed Receivables"), shall be sold to the Company on such date; all Contributed Receivables shall be contributed by the applicable Sellers to the Company on such date.

SECTION 1.3 CONSIDERATION FOR PURCHASES.

On the terms and subject to the conditions set forth in this Agreement, the Company agrees to make all Purchase Price payments to the Sellers in accordance with Article III.

SECTION 1.4 SALE TERMINATION DATE.

The "Sale Termination Date" shall be the Funding Termination Date under the Receivables Purchase Agreement.

ARTICLE II

CALCULATION OF PURCHASE PRICE

SECTION 2.1 CALCULATION OF PURCHASE PRICE.

On each Reporting Date (commencing with the first Reporting Date following the Initial Closing Date), the Master Servicer shall deliver to the Company, the Administrative Agent and the Sellers (if the Servicer is other than Lennox) a report in substantially the form of Exhibit A (each such report being herein called a "Purchase Report") with respect to the Company's purchases of Receivables from the Sellers:

(a) that arose on or prior to the Initial Cut-Off Date (in the case of the first Purchase Report to be delivered hereunder) and

(b) that were originated during the Collection Period immediately preceding such Reporting Date (in the case of each successive Purchase Report).

Each Purchase Report shall designate the amount of such Receivables that were Eligible Receivables on the date of origination (or, in the case of Receivables transferred or contributed on the Initial Closing Date, on the Initial Closing Date).

The purchase price ("Purchase Price") (to be paid to a Seller in accordance with the terms of Article III) for the Receivables and the Related Rights shall be determined in accordance with the following formula:

$$PP = AUB - (AUB \times FMVD)$$

where:

- PP = Purchase Price (to be paid to such Seller in accordance with the terms of Article III) as calculated on the relevant Reporting Date.
- AUB = (i) for purposes of calculating the Purchase Price on the Initial Closing Date, the aggregate Unpaid Balance of all Receivables that existed and were owing to such Seller as measured as at the Initial Cut-Off Date, less an amount equal to the sum of the aggregate Unpaid Balance of all Initial Contributed Receivables, and
- (ii) for purposes of calculating the Purchase Price for Receivables on each Reporting Date thereafter, the aggregate Unpaid Balance of the Receivables described in Section 1.1(a)(ii) that were originated by such Seller during the immediately preceding Collection Period, less an amount equal to the sum of the aggregate Unpaid Balance of all Contributed Receivables, if any, indicated on the related Purchase Report.
- FMVD = Fair Market Value Discount Factor on the determination date, which is the sum of (a) the Loss Discount, (b) the Cost Discount (in the cases of each of the Loss Discount and the Cost Discount, as calculated on the most recent Reporting Date as set forth in the definitions below), (c) a servicing discount of 1.00% and (d) an additional risk discount of 0.75%.

"Loss Discount" as measured on the Initial Closing Date or any Reporting Date means the ratio, expressed as a percentage, of (i) the losses (i.e. write-offs to the bad debt reserve or other write-offs consistent with the Credit and Collection Policy, in each case, net of recoveries) recognized for all Pool Receivables during the period equal to twelve (12) successive months ending on the Cut-Off Date immediately preceding the Initial Closing Date or such Reporting Date, as the case may be, divided by (ii) the Collections on all Pool Receivables received during such period.

"Cost Discount" as measured on the Initial Closing Date or any Reporting Date means a percentage determined in accordance with the following formula:

$$CD = (DSO/360) \times CR$$

where:

- CD = the Cost Discount as measured on such monthly Reporting Date;
- DSO = the Days Sales Outstanding, as set forth in the most recent Purchase Report; and

CR = the Cost Rate as measured on such Reporting Date.

"Cost Rate" as measured on the Initial Closing Date or any Reporting Date means a per annum percentage rate equal to the sum of (i) the LIBO Rate for the Initial Closing Date or the related Collection Period, as the case may be, plus (ii) 2.0%.

"LIBO Rate" for the Initial Closing Date or any Collection Period means the offered rate per annum (rounded upwards, if necessary, to the nearest 1/16th of one percent) appearing in The Wall Street Journal for three month LIBOR loans on the Initial Closing Date or the first Business Day of such Collection Period, as the case may be.

ARTICLE III

PAYMENT OF PURCHASE PRICE

SECTION 3.1 INITIAL PURCHASE PRICE PAYMENT.

On the terms and subject to the conditions set forth in this Agreement, the Company agrees to pay to each Seller on the Initial Closing Date its respective Purchase Price for the purchase to be made from such Seller with respect to Receivables existing on or prior to the Initial Cut-Off Date (other than the Initial Contributed Receivables) (a) in cash in an amount equal to the amount received by the Company in connection with the first Purchase made pursuant to the Receivables Purchase Agreement and (b) by the issuance of a promissory note in the form of Exhibit B to each Seller (each such promissory note, as it may be amended, supplemented, endorsed or otherwise modified from time to time in substitution therefor or renewal thereof in accordance with the Transaction Documents, being herein called an "Initial Seller Note" and collectively the "Initial Seller Notes") in the initial principal amount, subject to Section 3.2, equal to the remainder of the Purchase Price owing on the Initial Closing Date after subtracting the amount paid in cash. In the event the Purchase Price payable to any Seller on the Initial Closing Date exceeds the sum of (x) the cash paid by the Company to such Seller, and (y) the initial principal amount of the Initial Seller Note issued to such Seller on the Initial Closing Date, the Company shall issue its preferred stock to such Seller in the amount of the excess.

SECTION 3.2 SUBSEQUENT PURCHASE PRICE PAYMENTS.

On each Business Day after the Initial Closing Date until the termination of this Agreement pursuant to Section 10.4 hereof, the Company shall pay to each Seller a portion of the Purchase Price due pursuant to Section 2.1 by depositing into such account as such Seller shall specify immediately available funds from monies then held by or on behalf of the Company solely to the extent that such monies do not constitute Collections that are required to be set aside or segregated and held by the Master Servicer pursuant to the Receivables Purchase Agreement or to be distributed to the Administrative Agent or the Purchaser pursuant to the Receivables Purchase Agreement or required to be paid to the Master Servicer as the Servicer's Fee on the next Settlement Date, or otherwise necessary to pay current expenses of the company (in its

reasonable discretion) (such available monies, the "Available Funds") and provided that such Seller has paid all amounts then owing by it hereunder. To the extent that the Available Funds are insufficient to pay the Purchase Price then due in full, the remaining portion of such Purchase Price shall be paid by (i) increasing the principal amount of the related Initial Seller Note, effective as of the last day of the related Collection Period (provided, however, that the aggregate of the principal amounts outstanding at any time under the Initial Seller Notes may not exceed the lesser of (a) the Threshold Amount and (b) 3% of the Purchase Limit) and/or (ii) by increasing the amount of preferred stock of the Company held by such Seller. To the extent that (a) the amount due pursuant to Section 2.1 with respect to all Receivables created or originated by a Seller that arose during the corresponding Collection Period is exceeded by (b) the amount paid to such Seller during such Collection Period pursuant to the foregoing sentences for such Receivables, such excess shall be paid to or may be retained by the applicable Seller and shall be treated as a reduction in the principal amount of the related Initial Seller Note, effective as of the last day of the related Collection Period; provided, however, that if at any time the unpaid principal amount of any such Initial Seller Note has been reduced to zero, the Company shall pay such excess to such Seller either as a dividend on the preferred stock in the Company held by such Seller or as a redemption of the preferred stock of the Company held by such Seller; provided, further, that if at any time the amount outstanding of such preferred stock has been reduced to zero, such Seller shall not be paid and shall not retain such excess but shall pay or shall cause to be paid to the Company such excess in immediately available funds.

Each Seller shall make all appropriate record keeping entries with respect to its Initial Seller Note and preferred stock to reflect payments by the Company thereon and each Seller's books and records shall constitute rebuttable presumptive evidence of the principal amount of and accrued interest on its Initial Seller Note. Each Seller shall return its Initial Seller Note to the Company upon the final payment thereof after the termination of this Agreement pursuant to Section 10.4 hereof.

SECTION 3.3 SETTLEMENT AS TO SPECIFIC RECEIVABLES.

If an officer of any Seller obtains knowledge or receives notice from the Company or the Administrative Agent that (a) on the day that any Receivable purchased or contributed hereunder was created or originated by such Seller, (or, in the case of Receivables transferred or contributed on the Initial Closing Date, on the Initial Closing Date) any of the representations or warranties set forth in Section 5.1(k) was not true with respect to such Receivable, or such Receivable was designated as an Eligible Receivable on the related Purchase Report and was not an Eligible Receivable or, (b) on any day any of the representations or warranties set forth in Section 5.1(k) with respect to any Receivable is no longer true with respect to a Receivable (each such Receivable, an "Ineligible Receivable"), then the Purchase Price with respect to Receivables that arose during the same Collection Period in which such knowledge is obtained or notification is received shall be decreased by an amount equal to the Unpaid Balance of such Ineligible Receivable as of the related Settlement Date; provided, however, that if there have been no purchases of Receivables (or insufficiently large purchases of Receivables to create a Purchase Price large enough to so reduce by the amount of such net reduction) from such Seller during such Collection Period, any amount owed by which the Purchase Price payable to such Seller

would have been reduced pursuant to the immediately preceding clause of this sentence shall be paid by either (at the option of such Seller, unless the Company will, absent such payment in cash, be unable to meet its obligations under the Receivables Purchase Agreement on the next occurring Settlement Date, in which case such Seller shall make a cash payment on or before such Settlement Date) a reduction in the principal amount of the related Initial Seller Note (but not below zero and upon payment in full of such Initial Seller Note then as a dividend on the preferred stock in the Company held by such Seller or as a redemption of the preferred stock of the Company held by such Seller) or by payment within two Business Days after the related Reporting Date in cash by such Seller to the Company by payment of same day funds; provided, further, that if the Company receives payment on account of Collections due with respect to such Ineligible Receivable after such Settlement Date, the Company promptly shall deliver such funds to such Seller. The enforcement of the obligations of any Seller set forth in this Section 3.3 shall be the sole remedy of the Company with respect to Ineligible Receivables.

SECTION 3.4 SETTLEMENT AS TO DILUTION.

Each Purchase Report shall include, in respect of the Receivables previously contributed or sold by the related Seller (including the Initial Contributed Receivables), a calculation of the aggregate net reduction in the aggregate Unpaid Balance of such Receivables owed by particular Obligor(s) on account of any defective, rejected or returned merchandise or services, any cash discount, any incorrect billings or other adjustments, or setoffs in respect of any claims by the Obligor(s) thereof (whether such claims arise out of the same or a related or unrelated transaction, including without limitation, any setoff or claim arising as a result of any amount at any time owed by any such Seller in connection with any account receivable owed by any such Seller to an Obligor), or any rebate or refund during the most recent Collection Period. The Purchase Price to be paid to such Seller for the Receivables generated during the Collection Period for which such Purchase Report is delivered shall be decreased by the amount of such net reduction; provided, however, that if there have been no purchases of Receivables (or insufficiently large purchases of Receivables to create a Purchase Price large enough to so reduce by the amount of such net reduction) from such Seller during such Collection Period, any amount owed by which the Purchase Price payable to such Seller would have been reduced pursuant to the immediately preceding clause of this sentence shall be paid by either (at the option of such Seller, unless the Company will, absent such payment in cash, be unable to meet its obligations under the Receivables Purchase Agreement on the next occurring Settlement Date, in which case such Seller shall make a cash payment on or before such Settlement Date) a reduction in the principal amount of the related Initial Seller Note (but not below zero and upon payment in full of such Initial Seller Note then as a dividend on the preferred stock in the Company held by such Seller or as a redemption of the preferred stock of the Company held by such Seller) or by payment within two Business Days after the related Reporting Date in cash by such Seller to the Company by payment of same day funds.

SECTION 3.5 RECONVEYANCE OF RECEIVABLES.

In the event that any Seller has paid (by effecting a Purchase Price reduction or otherwise) to the Company the full Unpaid Balance of any Receivable pursuant to Section 3.3 or 3.4, the

Company shall reconvey such Receivable and all Related Rights with respect thereto, to such Seller, without recourse, representation or warranty, but free and clear of all liens created by the Company; such reconveyed Receivables and all Related Rights shall no longer be subject to the terms of this Agreement (including any obligation to turn over Collections with respect thereto).

ARTICLE IV

CONDITIONS OF PURCHASES

SECTION 4.1 CONDITIONS PRECEDENT TO INITIAL PURCHASE.

The initial purchase and contribution hereunder is subject to the condition precedent that the Company shall have received, on or before the Initial Closing Date, the following, each (unless otherwise indicated) dated the Initial Closing Date, and each in form, substance and date reasonably satisfactory to the Company and the Administrative Agent:

(a) A copy of the resolutions of the Board of Directors of each Seller approving the Transaction Documents to be delivered by it and the transactions contemplated hereby and thereby, certified by the Secretary or Assistant Secretary of such Seller;

(b) Good standing certificate for each Seller issued as of a recent date by the Secretary of State of such Seller's state of incorporation and state of its principal place of business;

(c) A certificate of the Secretary or Assistant Secretary of each Seller certifying the names and true signatures of the officers authorized on such Seller's behalf to sign the Transaction Documents to be delivered by it (on which certificate the Company and Master Servicer (if other than Lennox) may conclusively rely until such time as the Company and the Master Servicer shall receive from such Seller a revised certificate meeting the requirements of this subsection (c));

(d) The articles of incorporation of each Seller, duly certified by the Secretary of State of such Seller's state of incorporation as of a recent date, together with a copy of the by-laws of each Seller, duly certified by the Secretary or an Assistant Secretary of such Seller;

(e) Copies of the proper financing statements (Form UCC-1) that have been duly executed and name each Seller as the assignor and the Company as the assignee (and Purchaser as assignee of the Company) of the Receivables and the Related Rights sold or contributed by such Seller or other, similar instruments or documents, as may be necessary or, in the Master Servicer's or the Administrative Agent's opinion, desirable under the UCC of all appropriate jurisdictions or any comparable law of all appropriate jurisdictions to perfect the Company's ownership interest in all Receivables and Related Rights in which the ownership interest may be assigned to it hereunder;

(f) A written search report from a Person satisfactory to the Master Servicer and the Administrative Agent listing all effective financing statements that name any Seller as debtor or

assignor and that are filed in the jurisdictions in which filings were made pursuant to the foregoing subsection (e), together with copies of such financing statements (none of which, except for those described in the foregoing subsection (e) shall cover any Receivable or any Related Right related to any Receivable) which is to be sold to the Company hereunder, and tax and judgment lien search reports from a Person satisfactory to the Master Servicer and the Administrative Agent showing no evidence of such liens filed against any Seller;

(g) Evidence (i) of the execution and delivery by each of the parties thereto of each of the other Transaction Documents to be executed and delivered in connection herewith and (ii) that each of the conditions precedent to the execution, delivery and effectiveness of such other Transaction Documents has been satisfied to the Company's satisfaction;

(h) The Initial Seller Notes in favor of each Seller, duly executed by the Company; and

(i) A certificate from an officer of each Seller to the effect that the Master Servicer and such Seller have placed on the most recent, and have taken all steps reasonably necessary to ensure that there shall be placed on subsequent, summary master control data processing reports the following legend (or the substantive equivalent thereof): "THE RECEIVABLES DESCRIBED HEREIN HAVE BEEN SOLD TO LPAC CORP. PURSUANT TO A PURCHASE AND SALE AGREEMENT, DATED AS OF JUNE 19, 2000, AS AMENDED FROM TIME TO TIME, BETWEEN THE SELLERS AND LPAC CORP.; AND AN OWNERSHIP AND SECURITY INTEREST IN THE RECEIVABLES DESCRIBED HEREIN HAS BEEN GRANTED AND ASSIGNED TO BLUE RIDGE ASSET FUNDING CORPORATION, PURSUANT TO A RECEIVABLES PURCHASE AGREEMENT, DATED AS OF JUNE 19, 2000, AMONG LPAC CORP., BLUE RIDGE ASSET FUNDING CORPORATION, LENNOX INDUSTRIES INC. AND WACHOVIA BANK, N.A., AS THE ADMINISTRATIVE AGENT."

SECTION 4.2 CERTIFICATION AS TO REPRESENTATIONS AND WARRANTIES.

Each Seller, by accepting the Purchase Price related to each purchase of Receivables (and Related Rights), shall be deemed to have certified that the representations and warranties contained in Article V are true and correct on and as of the day of such purchase, with the same effect as though made on and as of such day.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

SECTION 5.1 REPRESENTATIONS OF THE SELLERS.

In order to induce the Company to enter into this Agreement and to make purchases hereunder, each Seller, in its capacity as seller under this Agreement, hereby makes the representations and warranties set forth in this Section 5.1.

(a) Organization and Good Standing. It has been duly organized and is validly existing as a corporation in good standing under the laws of the state of its incorporation, 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.

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

(c) Power and Authority; Due Authorization. It has (i) all necessary power, authority and legal right (A) to execute and deliver, and perform its obligations under, each Transaction Document to which it is a party and (B) to generate, own, sell, contribute and assign Receivables on the terms and subject to the conditions herein and therein provided; and (ii) duly authorized such execution and delivery and such sale, contribution and assignment and the performance of such obligations by all necessary corporate action.

(d) Valid Sale; Binding Obligations. Each sale or contribution of Receivables and Related Rights made by it pursuant to this Agreement shall constitute a valid sale (or contribution, as the case may be), transfer, and assignment thereof to the Company, enforceable against creditors of, and purchasers from, it; and this Agreement constitutes, and each other Transaction Document to be signed by it, when duly executed and delivered, will constitute, a legal, valid, and binding obligation of it, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, or other similar laws 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 in law.

(e) No Violation. The consummation of the transactions contemplated by this Agreement and the other Transaction Documents to which it is a party and the fulfillment of the terms hereof or thereof 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 (A) its articles of incorporation or by-laws, or (B) any material indenture, loan agreement, mortgage, deed of trust, or other agreement or instrument to which it is a party or by which it 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 of its properties pursuant to the terms of any such material indenture, loan agreement, mortgage, deed of trust, or other agreement or instrument, other than the Transaction Documents, or (iii) violate any law or any order, rule, or regulation applicable to it of any court or of any federal, state or foreign regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over it or any of its properties.

(f) Proceedings. There is no litigation, investigations or proceeding pending, or to the best of its knowledge, threatened, before any court, regulatory body, arbitrator, administrative

agency, or other tribunal or governmental instrumentality (i) asserting the invalidity of any Transaction Document to which it is a party, (ii) seeking to prevent the sale or contribution of Receivables and the Related Rights to the Company or the consummation of any of the other transactions contemplated by any Transaction Document to which it is a party, or (iii) that would have a Seller Material Adverse Effect.

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

(h) Government Approvals. Except for the filing of the UCC financing statements referred to in Article IV, all of which, at the time required in Article IV, shall have been duly made and shall be in full force and effect, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for its due execution, delivery and performance of any Transaction Document to which it is a party.

(i) Financial Condition. On the date hereof it is, and on the date of each transfer of a new Receivable hereunder (both before and after giving effect to such transfer), it shall be solvent.

(j) Margin Regulations. No use of any funds acquired by it under this Agreement will conflict with or contravene any of Regulations T, U and X promulgated by the Board of Governors of the Federal Reserve System from time to time.

(k) Quality of Title.

(i) Each Receivable (together with the Related Rights with respect to such Receivable) which is to be sold or contributed to the Company hereunder is or shall be, at the time of such sale or contribution, owned by it, free and clear of any Lien. Whenever the Company makes a purchase or accepts a contribution of a Receivable hereunder, it shall have acquired a valid and perfected ownership interest (free and clear of any Lien, other than a Lien created by or arising through the Company, the Purchaser or the Administrative Agent) in such Receivable and all Collections related thereto, and in its entire right, title and interest in and to the Related Rights with respect thereto.

(ii) No effective financing statement or other instrument similar in effect covering any Receivable or any Related Right is on file in any recording office except such as may be filed (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 Purchaser or the Administrative Agent in accordance with the Receivables Purchase Agreement or in connection with any Lien arising solely as the result of any action taken by the Purchaser (or any assignee thereof) or by the Administrative Agent.

(l) Accuracy of Information. No information heretofore or contemporaneously furnished in writing (and prepared) by it, as seller, to the Company, the Purchaser or the Administrative Agent for purposes of or in connection with any Transaction Document or any

transaction contemplated hereby or thereby is, and no other written information hereafter furnished (and prepared) by it, as seller, to the Company, the Purchaser, or the Administrative Agent pursuant to or in connection with any Transaction Document will be, inaccurate in any material respect as of the date it was furnished or (except as otherwise disclosed to the Company at or prior to such time) as of the date as of which such information is dated or certified, or contained or will contain any material misstatement of fact or omitted or will omit to state any material fact necessary to make such information not materially misleading in light of the circumstances presented or the circumstances under which it was made.

(m) Offices. Its principal place of business and chief executive office is located at the address set forth in Exhibit C, and the offices where it keeps all its books, records and documents evidencing the Receivables, the related Contracts and all other agreements related to such Receivables are located at the address specified in Exhibit C (or at such other locations, notified to the Master Servicer (if other than Lennox), the Company and the Administrative Agent in accordance with Section 6.1(f), in jurisdictions where all action required by Section 7.3 has been taken and completed).

(n) Trade Names. Except as disclosed on Schedule 5.1(n), it does not use any trade name other than its actual corporate name. From and after the date that fell five (5) years before the date hereof, it has not been known by any legal name other than its corporate name as of the date hereof, nor has it been the subject of any merger or similar change in corporate structure, except as disclosed on Schedule 5.1(n).

(o) Taxes. It 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.

(p) Compliance with Applicable Laws. It is in compliance, in all material respects, with the requirements of all applicable laws, rules, regulations, and orders of all governmental authorities (including, without limitation, Regulation Z, 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 all other consumer laws applicable to the Receivables and related Contracts), except where such noncompliance, individually or in the aggregate, would not have a Seller Material Adverse Effect.

(q) Reliance on Separate Legal Identity. It is aware that the Purchaser, the Liquidity Banks and the Administrative Agent are entering into the Transaction Documents to which they are parties in reliance upon the Company's identity as a legal entity separate from it and any of its other Affiliates.

ARTICLE VI

COVENANTS OF THE SELLERS

SECTION 6.1 AFFIRMATIVE COVENANTS.

From the date hereof until the Final Payout Date, each Seller will, unless the Company and the Administrative Agent shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply in all material respects with all applicable laws, rules, regulations and orders, including those with respect to the Receivables generated by it and the Contracts and other agreements related thereto, except where such noncompliance, individually or in the aggregate, would not have a Seller Material Adverse Effect.

(b) Preservation of Corporate Existence. 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 the failure to preserve and maintain such existence, rights, franchises, privileges and qualification would have a Seller Material Adverse Effect.

(c) Receivables Review. (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 the Administrative Agent believes in good faith that a Liquidation Event has occurred and is continuing), in which case no such notice shall be required) permit during regular business hours (unless a Liquidation Event has occurred and is continuing (or the Administrative Agent believes in good faith that a Liquidation Event has occurred and is continuing), in which case at any time) the Company and the Administrative Agent or their respective agents or representatives, (A) to examine, to audit 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 any Seller relating to the Receivables, including, without limitation, the Contracts, and purchase orders and other agreements related thereto, and (B) to visit such Seller's offices and properties for the purpose of examining such materials described in the foregoing clause (A) and discussing matters relating to the Receivables generated by such Seller or such Seller's performance hereunder with any of the officers or employees (with notification and coordination with the treasurer of such Seller or his designee) of such Seller having knowledge of such matters; (ii) to meet with, upon not less than five (5) Business Days' notice from the Administrative Agent and the consent (which consent shall not unreasonably be withheld) of such Seller (unless a Liquidation Event has occurred and is continuing (or the Administrative 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), the independent auditors of such Seller, to review such auditor's work papers and otherwise to review with such auditors the books and records of such Seller with respect to the Receivables and the Related Rights; and (iii) without limiting the provisions of clause (i) next above, from time to time, at such Seller's expense, permit certified public accountants or other auditors acceptable to the Administrative Agent to conduct a review of its books and records with respect to the Receivables and the Related Rights; provided that, so long

as no Liquidation Event has occurred and is continuing, (A) such reviews shall not be done more than two (2) times in any one calendar year and (B) such Seller 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. Maintain an ability to recreate in all material respects records evidencing the Receivables generated by it in the event of the destruction of the originals thereof.

(e) Performance and Compliance with Receivables and Contracts. At its expense timely and fully perform and comply in all material respects with all provisions, covenants and other promises required to be observed by it under the Contracts and all purchase orders and other agreements related to the Receivables.

(f) Location of Records. Keep its principal place of business and chief executive office, and the offices where it keeps its records concerning or related to Receivables, at the address(es) referred to in Exhibit C or, upon 30 days' prior written notice to the Company and the Administrative Agent, at such other locations in jurisdictions where all action required by Section 7.3 shall have been taken and completed.

(g) Credit and Collection Policies. Comply in all material respects with its Credit and Collection Policy in connection with the Receivables and all Contracts related thereto.

(h) Separate Corporate Existence of the Company. Take such actions as shall be required in order to maintain the separate identity of the Company separate and apart from it and its other Affiliates, including those actions set forth in Section 7.4 of the Receivables Purchase Agreement.

SECTION 6.2 REPORTING REQUIREMENTS.

From the date hereof until the Final Payout Date, each Seller will, unless the Company and the Administrative Agent shall otherwise consent in writing, furnish to the Company and the Administrative Agent:

(a) Proceedings. As soon as possible and in any event within ten (10) Business Days after it has knowledge thereof, written notice to the Company and the Administrative Agent of (i) all pending proceedings and investigations of the type described in Section 5.1(f) not previously disclosed to the Company and/or the Administrative Agent and (ii) all developments that have occurred with respect to any previously disclosed proceedings and investigations which could reasonably be expected to have a Seller Material Adverse Effect;

(b) Credit and Collection Policy. Prior to its effective date, notice of any material change in the character of its business or in its Credit and Collection Policy; and

(c) Other. Promptly, from time to time, such other information, documents, records or reports respecting the Receivables or its performance as seller hereunder that the Company or

the Administrative Agent may from time to time reasonably request in order to protect the interests of the Company, the Purchaser, the Administrative Agent, or any other Affected Party under or as contemplated by the Transaction Documents.

SECTION 6.3 NEGATIVE COVENANTS.

From the date hereof until the Final Payout Date, each Seller agrees that, unless the Administrative Agent shall otherwise consent in writing, it shall not:

(a) Sales, Liens, Etc. Except as otherwise provided herein or in any other Transaction Document, 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 Receivable or related Contract or other Related Right, or any interest therein, or any Collections thereon, or assign any right to receive income in respect thereof.

(b) Change in Credit and Collection Policy. Make any material change in the Credit and Collection Policy that would impair the collectibility of any significant portion of the Receivables or otherwise adversely affect the interests or remedies of the Company hereunder or the Purchaser under any Transaction Document.

(c) Receivables Not to be Evidenced by Promissory Notes. Take any action to cause or permit any Receivable generated by it to become evidenced by any "instrument" (as defined in the applicable UCC), except in connection with the collection of overdue Receivables, provided that the original of such instrument is delivered to the Administrative Agent, duly endorsed.

ARTICLE VII

ADDITIONAL RIGHTS AND OBLIGATIONS IN
RESPECT OF THE RECEIVABLES

SECTION 7.1 RIGHTS OF THE COMPANY.

Each Seller hereby authorizes the Company and the Master Servicer or their respective designees to take any and all steps in its name necessary or desirable, in their respective determination, to collect all amounts due under any and all Receivables, including, without limitation, endorsing its name on checks and other instruments representing Collections and enforcing such Receivables and the provisions of the related Contracts that concern payment and/or enforcement of rights to payment.

SECTION 7.2 RESPONSIBILITIES OF THE SELLERS.

Anything herein to the contrary notwithstanding:

(a) Collection Procedures. Each Seller agrees to direct the Obligors, as promptly as practicable after a Credit Event, to make payments of Receivables directly to a Lockbox Account

that is the subject of a Lockbox Agreement at a Lockbox Bank. Each Seller further agrees to transfer any Collections (including any security deposits applied to the Unpaid Balance of any Receivable) that it receives directly to the Master Servicer within two Business Days of receipt thereof, and agrees that all such Collections shall be deemed to be received in trust for the Company; provided that, to the extent permitted pursuant to Section 3.2, such Seller may retain such Collections as a portion of the Purchase Price then payable or apply such Collections to the reduction of the outstanding balance of the related Initial Seller Note or as a dividend on or a redemption of the Company's preferred stock held by such Seller.

(b) Performance Under Contract. Each Seller shall remain responsible for performing its obligations hereunder and under the Contracts, and the exercise by the Company or its designee of its rights hereunder shall not relieve such Seller from such obligations.

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

(d) Sellers as Servicers. The Master Servicer hereby appoints each Seller as, and each such Seller hereby agrees to act as, subservicer with respect to any Receivables for which such Seller is the originator, and, with respect thereto shall be a "Servicer" under the Receivables Purchase Agreement. Accordingly, in connection with such Receivables, each Seller hereby assumes all of the responsibilities and obligations under the Receivables Purchase Agreement of the Master Servicer with respect to the servicing of all Receivables originated by it. The Master Servicer agrees to compensate each other Seller for acting as a Servicer by payment to such Seller of its proportional share of the Servicing Fee.

SECTION 7.3 FURTHER ACTION EVIDENCING PURCHASES.

Each Seller agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action that the Company may reasonably request in order to perfect, protect or more fully evidence the Company's ownership of the Receivables (and the Related Rights) purchased by the Company hereunder, or to enable the Company to exercise or enforce any of its rights hereunder or under any other Transaction Document. Without limiting the generality of the foregoing, upon the request of the Company, each Seller will:

(a) 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; and

(b) mark the summary master control data processing records with the legend set forth in Section 4.1(i).

Each Seller hereby authorizes the Company or its designee to file one or more financing or continuation statements, and amendments thereto and assignment thereof, relative to all or any of the Receivables (and the Related Rights) now existing or hereafter contributed or sold by such Seller. If any Seller fails to perform any of its agreements or obligations under this Agreement, the Company or its designee may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the expenses of the Company or its designee incurred in connection therewith shall be payable by such Seller as provided in Section 10.6.

SECTION 7.4 APPLICATION OF COLLECTIONS.

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

ARTICLE VIII

INDEMNIFICATION

SECTION 8.1 INDEMNITIES BY THE SELLERS.

Without limiting any other rights which the Company may have hereunder or under applicable law, each Seller hereby agrees to indemnify the Company and each of its permitted assigns, officers, directors, employees and agents (each of the foregoing Persons being individually called a "Sale Indemnified Party"), on demand, from and against any and all damages, losses, claims, judgments, liabilities and related costs and expenses, including reasonable attorneys' fees and disbursements (all of the foregoing being collectively called "Sale Indemnified Amounts") awarded against or incurred by any of them arising out of or as a result of the following:

(a) the transfer by such Seller of an interest in any Receivable or Related Right to any Person other than the Company;

(b) the breach of any representation or warranty made by such Seller under or in connection with this Agreement or any other Transaction Document, or any information or report delivered by such Seller pursuant hereto or thereto which shall have been false or incorrect in any material respect when made or deemed made; provided, however, that in the case of any representation, warranty or information that was not made in writing, indemnification shall be available to a Sale Indemnified Party only if such representation, warranty or information was reasonably relied upon by such Sale Indemnified Party;

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

(d) the failure to vest and maintain vested in the Company an ownership interest in the Receivables and the Related Rights free and clear of any Lien, other than a Lien arising solely as a result of an act of the Company, the Purchaser or the Administrative Agent, whether existing at the time of the purchase of such Receivables or at any time thereafter;

(e) the failure of such Seller to file with respect to itself, 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 or purported Receivables generated by such Seller, whether at the time of any purchase or at any subsequent time;

(f) any dispute, claim, offset or defense (other than discharge in bankruptcy) of the Obligor to the payment of any Receivable or purported Receivable generated by such Seller (including, without limitation, a defense based on such Receivables or the related Contracts 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 services or merchandise related to any such Receivable or the furnishing of or failure to furnish such services or merchandise;

(g) any product liability claim arising out of or in connection with services or merchandise that are the subject of any Receivable generated by such Seller; and

(h) any tax or governmental fee or charge (but not including taxes upon or measured by net income or representing a franchise or unincorporated business tax on such Sale Indemnified Party), 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 the Receivables generated by such Seller or any Related Right connected with any such Receivables;

excluding, however, (i) Sale Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Sale Indemnified Party, and (ii) any indemnification which has the effect of recourse to such Seller for non-payment of the Receivables due to credit problems of the Obligors.

If for any reason the indemnification provided above in this Section 8.1 is unavailable to a Sale Indemnified Party or is insufficient to hold such Sale Indemnified Party harmless, then such Seller shall contribute to the amount paid or payable by such Sale Indemnified Party to the maximum extent permitted under applicable law.

ARTICLE IX

ADDITION OF ARMSTRONG

SECTION 9.1 ADDITION OF ARMSTRONG.

Subject to Section 9.2, Armstrong may become a Seller hereunder and a party hereto by submitting a request to such effect in writing to the Company and the Administrative Agent. If the Company and the Administrative Agent shall have agreed to any such request, Armstrong shall become an additional Seller hereunder and a party hereto on the Armstrong Commencement Date upon the satisfaction of the conditions set forth in Section 9.2. On the Armstrong Commencement Date, the Company shall issue an Initial Seller Note in favor of Armstrong in an initial principal amount not to exceed an amount acceptable to the Administrative Agent in consideration for the sale by Armstrong to the Company on such date of certain Receivables.

SECTION 9.2 CONDITIONS PRECEDENT TO THE ADDITION OF ARMSTRONG.

Armstrong shall not be added as an additional Seller pursuant to Section 9.1 unless the conditions set forth below shall have been satisfied on or before the date designated for the addition of Armstrong (the "Armstrong Commencement Date"):

(a) the Company and the Administrative Agent shall have received copies of duly adopted resolutions of the Board of Directors of Armstrong, as in effect on the Armstrong Commencement Date, authorizing this Agreement, the execution of a supplement to this Agreement, substantially in the form of Exhibit D, making Armstrong a "Seller" herein and thereunder, the documents to be delivered by Armstrong hereunder and under any other Transaction Document and the transactions contemplated hereby, certified by the Secretary or Assistant Secretary of Armstrong;

(b) the Company and the Administrative Agent shall have received duly executed certificates of the Secretary or an Assistant Secretary of Armstrong, dated the Armstrong Commencement Date, certifying the names and true signatures of the officers and employees authorized on behalf of Armstrong to sign any instruments or documents in connection with the addition of Armstrong as a "Seller" under this Agreement or any other Transaction Document;

(c) a Lockbox Account with respect to the Receivables and Related Rights to be sold by Armstrong shall have been established and approval of the Administrative Agent has been obtained pursuant to Section 7.3(d) of the Receivables Purchase Agreement;

(d) the Company and the Administrative Agent shall have received acknowledgment copies (or other evidence of filing reasonably acceptable to the Administrative Agent, on the Purchaser's behalf,) of (i) proper financing statements (Form UCC-1), in such form as the Administrative Agent, on the Purchaser's behalf, may

reasonably request, naming Armstrong as the debtor and seller of Receivables and Related Rights to be sold by Armstrong, the Company as the secured party and purchaser thereof and the Purchaser as assignee, and (ii) financing statements (Form UCC-1), in such form as the Administrative Agent, on the Purchaser's behalf, may reasonably request, naming the Company as the debtor and seller of an undivided percentage interest in the Receivables and Related Rights to be sold by Armstrong and the Purchaser as the secured party and purchaser thereof, or other, similar instruments or documents, as may be necessary or, in the opinion of the Administrative Agent, on the Purchaser's behalf, desirable under the UCC or any comparable law of all appropriate jurisdictions to perfect the sale by Armstrong to the Company of, and the Purchaser's undivided percentage interest in, Receivables and Related Rights to be sold by Armstrong;

(e) the Company and the Administrative Agent, on the Purchaser's behalf, shall have received search reports (i) listing all effective financing statements that name Armstrong as debtor and that are filed in the jurisdictions in which filings were made pursuant to subsection (d) above and in such other jurisdictions that the Administrative Agent shall reasonably request, together with copies of such financing statements (none of which (other than any of the financing statements described in subsection (d) above) shall cover any Receivables or Related Rights unless appropriate releases and/or termination statements with respect thereto are executed and delivered to the Company and the Administrative Agent), and (ii) listing all tax liens and judgment liens (if any) filed against any debtor referred to in clause (i) above in the jurisdictions described therein and showing no such Liens;

(f) Armstrong shall have delivered or transmitted to the Company, with respect to the Receivables originated by it, a computer tape, diskette or data transmission reasonably acceptable to the Company showing, as of a date no later than five Business Days preceding the Armstrong Commencement Date, the information required to be contained in a Purchase Report as to all Receivables to be transferred by Armstrong to the Company on the Armstrong Commencement Date;

(g) the Company and the Administrative Agent shall have received evidence that Armstrong has entered into (i) a Stock Purchase Agreement substantially the same as the Stock Purchase Agreement dated as of June 19, 2000 by and among the Company, Lennox and Heatcraft (the "Stock Purchase Agreement") with respect to the issuance by the Company of its preferred stock or (ii) a supplement to the Stock Purchase Agreement which would make Armstrong a party thereto as a purchaser of such preferred stock;

(h) Armstrong shall have delivered in form and substance satisfactory to the Administrative Agent, its credit and collection policy, and the parties to the Receivables Purchase Agreement shall have amended such Agreement to add such policy as Exhibit C-3 thereto at which time such policy will be a "Credit and Collection Policy";

(i) Armstrong shall have delivered its Articles or Certificate of Incorporation, duly certified by the Secretary of State of Ohio, as of a recent date acceptable to the

Administrative Agent, together with its by-laws, duly certified by its Secretary or Assistant Secretary;

(j) Armstrong shall have delivered copies of good standing certificates, issued by the Secretaries of State of its state of incorporation and the state where its principal place of business is located;

(k) the Administrative Agent shall have obtained rating agency approval to permit Armstrong to become a Seller hereunder; and

(l) the Company and the Administrative Agent shall have received such other approvals, opinions or documents as the Company or the Administrative Agent, as the case may be, shall reasonably request.

ARTICLE X

MISCELLANEOUS

SECTION 10.1 AMENDMENTS, ETC.

(a) The provisions of this Agreement may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by each Seller, the Company, the Administrative Agent and the Master Servicer.

(b) No failure or delay on the part of the Company, the Master Servicer, any Seller or any third party beneficiary in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on the Company, the Master Servicer, or any Seller in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval by the Company or the Master Servicer under this Agreement shall, except as may otherwise be stated in such waiver or approval, be applicable to subsequent transactions. No waiver or approval under this Agreement shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder.

SECTION 10.2 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 10.2 of the Receivables Purchase Agreement 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.

SECTION 10.3 NO WAIVER; CUMULATIVE REMEDIES.

The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 10.4 BINDING EFFECT; ASSIGNABILITY.

This Agreement shall be binding upon and inure to the benefit of the Company, the Sellers and their respective successors and permitted assigns. The Sellers may not assign their respective rights hereunder or any interest herein without the prior written consent of the Company and the Administrative Agent; subject to Section 10.11, the Company may not assign its rights hereunder or any interest herein without the prior written consent of the Sellers and the Administrative Agent. The 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 date after the Sale Termination Date on which the Sellers have received payment in full for all Receivables and Related Rights conveyed pursuant to Section 1.1 hereof and have paid and performed all of its obligations hereunder in full. The rights and remedies with respect to any breach of any representation and warranty made by the Sellers pursuant to Article V and the indemnification and payment provisions of Article VIII and Section 10.6 shall be continuing and shall survive any termination of this Agreement.

SECTION 10.5 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, EXCEPT TO THE EXTENT THAT THE PERFECTION OF THE INTERESTS OF THE COMPANY IN THE RECEIVABLES OR RELATED RIGHTS IS GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

SECTION 10.6 COSTS, EXPENSES AND TAXES.

In addition to the obligations of the Sellers under Article VIII, each Seller agrees to pay on demand:

(a) all reasonable costs and expenses, including reasonable attorneys' fees, in connection with the enforcement against such Seller of this Agreement and the other Transaction Documents executed by such Seller; and

(b) all stamp and other similar 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 agrees to indemnify each Sale Indemnified Party against any

liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

SECTION 10.7 SUBMISSION TO JURISDICTION.

EACH PARTY HERETO HEREBY IRREVOCABLY (a) SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY NEW YORK STATE OR UNITED STATES FEDERAL COURT SITTING IN THE STATE OF NEW YORK, OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY TRANSACTION DOCUMENT; (b) AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH STATE OR UNITED STATES FEDERAL COURT; (c) WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING; (d) CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO SUCH PERSON AT ITS ADDRESS SPECIFIED IN SECTION 10.2; AND (e) TO THE EXTENT ALLOWED BY LAW, AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS SECTION 10.7 SHALL AFFECT THE COMPANY'S RIGHT TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING ANY ACTION OR PROCEEDING AGAINST ANY SELLER OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTIONS.

SECTION 10.8 WAIVER OF JURY TRIAL.

EACH PARTY HERETO 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 RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

SECTION 10.9 CAPTIONS AND CROSS REFERENCES; INCORPORATION BY REFERENCE.

The various captions (including, without limitation, the table of contents) in this Agreement are included for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. References in this Agreement to any underscored Section or Exhibit are to such Section or Exhibit of this Agreement, as the case may be. The Exhibits hereto are hereby incorporated by reference into and made a part of this Agreement.

SECTION 10.10 EXECUTION IN COUNTERPARTS.

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

SECTION 10.11 ACKNOWLEDGMENT AND AGREEMENT.

By execution below, each Seller expressly acknowledges and agrees that all of the Company's rights, title, and interests in, to, and under this Agreement shall be assigned by the Company to the Purchaser pursuant to the Receivables Purchase Agreement (and the Purchaser may further assign such rights in accordance with the Receivables Purchase Agreement), and each Seller consents to such assignment. Each of the parties hereto acknowledges and agrees that the Administrative Agent and the Purchaser are third party beneficiaries of the rights of the Company arising hereunder and under the other Transaction Documents to which each Seller is a party as seller.

SECTION 10.12 NO PROCEEDINGS.

Each Seller agrees that it shall not institute against the Company, or join any other Person in instituting against the Company, any insolvency proceeding (namely, any proceeding of the type referred to in the definition of Event of Bankruptcy) as long as there shall not have elapsed one year plus one day since the Final Payout Date. The foregoing shall not limit any Seller's right to file any claim in or otherwise take any action with respect to any insolvency proceeding that was instituted by any Person other than such Seller.

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

LENNOX INDUSTRIES INC.

By: /s/ Scott E. Messel

Name: Scott E. Messel
Title: Vice President and Treasurer

HEATCRAFT INC.

By: /s/ Scott E. Messel

Name: Scott E. Messel
Title: Vice President and Treasurer

LPAC CORP.

By: /s/ Scott E. Messel

Name: Scott E. Messel
Title: Vice President and Treasurer

EXHIBIT A

PURCHASE REPORT

[SELLER]
 [PURCHASER]
 As of [DATE]

Total Receivables		\$	Cut-Off Date
Initial Contributed Receivables		\$	Input
Aggregate Unpaid Balance of Receivables	AUB	\$	Fixed
LIBOR			Calculated
Turnover Days			Input
12 Month Losses		\$	Input
12 Month Collections		\$	Input
Purchaser's Total Investment	PTI		Fixed
Cost Rate (LIBOR + 2.0%)	CR		Calculated
Cost Discount (DSO/360)*CR	CD		Calculated
Loss Discount (12 Month Losses/12 Month Collections)	LD		Calculated
Servicing Discount (1.00%)	SD	\$	
Additional Risk Discount (0.75%)	ARD	\$	
Fair Market Value Discount (CD + LD + SD + ARD)	FMVD		Calculated
Purchase Price (AUB - (AUB*FMVD))	PP		Calculated
Eligible Receivables		\$	Input
Ineligible Receivables		\$	Input

EXHIBIT B

PROMISSORY NOTE
(NON-NEGOTIABLE
INITIAL SELLER NOTE)

JUNE 19, 2000

FOR VALUE RECEIVED, the undersigned, LPAC CORP., a Delaware corporation (the "Company"), promises to pay to [SELLER], a [_____] corporation ("SELLER"), on the terms and subject to the conditions set forth herein and in the Purchase Agreement referred to below, the principal sum of the aggregate unpaid Purchase Price of all Receivables purchased from time to time by the Company from [SELLER] pursuant to such Purchase Agreement, as such unpaid Purchase Price is shown in the records of [SELLER].

1. Purchase Agreement. This promissory note (this "Initial Seller Note") is one of the Initial Seller Notes described in, and is subject to the terms and conditions set forth in, that certain Purchase and Sale Agreement of even date herewith (as the same may be amended or otherwise modified from time to time, the "Purchase Agreement"), among [SELLER], certain other selling parties and the Company. Reference is hereby made to the Purchase Agreement for a statement of certain other rights and obligations of [SELLER] and the Company.

2. Definitions. Capitalized terms used (but not defined) herein have the meanings assigned thereto in the Purchase Agreement and in Appendix A to the Receivables Purchase Agreement dated as of even date herewith among Lennox Industries Inc., as Master Servicer, the Company, Blue Ridge Asset Funding Corporation and Wachovia Bank, N.A., as Administrative Agent (as it may be amended or otherwise modified from time to time, the "Receivables Purchase Agreement"). In addition, as used herein, the following terms have the following meanings:

Bankruptcy Proceedings: As defined in clause (b) of paragraph 9 hereof.

Final Maturity Date: The date that is one year and one day following the Final Payout Date.

Interest Period: The period from and including a Reporting Date (or, in the case of the first Interest Period, the date hereof) to but excluding the next Reporting Date.

Senior Interest: Collectively, (i) the obligation of the Company and the Master Servicer to set aside, and to turn over, Collections and other proceeds of the Asset Interest acquired by Purchaser pursuant to the Receivables Purchase Agreement, (ii) any Indemnified Amounts and (iii) all other obligations of the Company that are due and payable to any Affected Party, together with all interest accruing on any such amounts after the commencement of any Bankruptcy Proceedings, notwithstanding any provision or rule of law that might restrict the rights of any Senior Interest Holder, as against the Company or anyone else, to collect such interest.

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Senior Interest Holders: Collectively, the Purchaser, the Administrative Agent, the other Affected Parties and the Indemnified Parties.

3. Interest. Subject to the provisions set forth below, the Company promises to pay interest on this Initial Seller Note as follows:

(a) Prior to the Final Payout Date, the aggregate unpaid Purchase Price from time to time outstanding during any Interest Period shall bear interest at a rate per annum equal to the LIBO Rate as in effect from time to time on the first Business Day of each Collection Period, as determined by [SELLER], plus ___%; and

(b) From (and including) the Final Payout Date to (but excluding) the date on which the entire aggregate unpaid Purchase Price is fully paid, the aggregate unpaid Purchase Price from time to time outstanding shall bear interest at a rate per annum equal to the LIBO Rate as in effect from time to time on the first Business Day of each Collection Period, as determined by [SELLER], plus ___%,

but in no event in excess of the maximum rate permitted by law. In the event that, contrary to the intent of [SELLER] and Company, Company pays interest hereunder and it is determined that such interest rate was in excess of the then legal maximum rate, then that portion of the interest payment representing an amount in excess of the then legal maximum rate shall be deemed a payment of principal and applied against the principal then due hereunder.

4. Interest Payment Dates. Subject to the provisions set forth below, the Company shall pay accrued interest on this Initial Seller Note on each Settlement Date, and shall pay accrued interest on the amount of each principal payment made in cash on a date other than a Settlement Date at the time of such principal payment.

5. Basis of Computation. Interest accrued hereunder shall be computed for the actual number of days elapsed on the basis of a 365- or 366-day year.

6. Principal Payment Dates. Subject to the provisions set forth below, payments of the principal amount of this Initial Seller Note shall be made as follows:

(a) The principal amount of this Initial Seller Note shall be reduced from time to time pursuant to Sections 3.2, 3.3, 3.4 and 7.2 of the Purchase Agreement;

(b) The entire remaining unpaid balance of this Initial Seller Note shall be paid on the Final Maturity Date.

Subject to the provisions set forth below, the principal amount of and accrued and unpaid interest on this Initial Seller Note may be prepaid on any Business Day without premium or penalty.

7. Payments. All payments of principal and interest hereunder are to be made in lawful money of the United States of America.

8. Enforcement Expenses. In addition to and not in limitation of the foregoing, but subject to the provisions set forth below and to any limitation imposed by applicable law, the Company agrees to pay all expenses, including reasonable attorneys' fees and legal expenses, incurred by [SELLER] in seeking to collect any amounts payable hereunder which are not paid when due.

9. Provisions Regarding Restrictions on Payment. The Company covenants and agrees, and [SELLER], by its acceptance of this Initial Seller Note, likewise covenants and agrees on behalf of itself and any holder of this Initial Seller Note, that the payment of the principal amount of, and interest on, this Initial Seller Note is hereby expressly subject to certain restrictions set forth in the following clauses of this paragraph 9:

(a) No payment or other distribution of the Company's assets of any kind or character, whether in cash, securities, or other rights or property, shall be made on account of this Initial Seller Note except to the extent such payment or other distribution is permitted under the Purchase Agreement and the Receivables Purchase Agreement;

(b) In the event of any dissolution, winding up, liquidation, readjustment, reorganization or other similar event relating to the Company, whether voluntary or involuntary, partial or complete, and whether in bankruptcy, insolvency or receivership proceedings, or upon an assignment for the benefit of creditors, or any other marshaling of the assets and liabilities of the Company or any sale of all or substantially all of the assets of the Company (such proceedings being herein collectively called "Bankruptcy Proceedings"), the Senior Interest shall first be paid and performed in full and in cash before [SELLER] shall be entitled to receive and to retain any payment or distribution in respect to this Initial Seller Note. In order to implement the foregoing, [SELLER] hereby irrevocably agrees that the Administrative Agent, in the name of [SELLER] or otherwise, may demand, sue for, collect, receive and receipt for any and all such payments or distributions, and the file, prove and vote or consent in any such Bankruptcy Proceedings with respect to any and all claims of [SELLER] relating to this Initial Seller Note, in each case until the Senior Interests shall have been paid and performed in full and in cash;

(c) In the event that the [SELLER] receives any payment or other distribution of any kind or character from the Company or from other source whatsoever, in respect of this Initial Seller Note, other than as expressly permitted by the terms of this Initial Seller Note, such payment or other distribution shall be received for the sole benefit of the Senior Interest Holders and shall be turned over by [SELLER] to the Administrative Agent (for the benefit of the Senior Interest Holders) forthwith;

(d) Notwithstanding any payments or distributions received by the Senior Interest Holders in respect of this Initial Seller Note, [SELLER] shall not be subrogated to the rights of the Senior Interest Holders in respect of the Senior Interests;

(e) The provisions set forth in this Section 9 are intended solely for the purpose of defining the relative rights of [SELLER], on the one hand, and the Senior Interest Holders on the other hand;

(f) [SELLER] shall not, until Final Payout Date, transfer, pledge or assign, or commence legal proceedings to enforce or collect this Initial Seller Note or any rights in respect hereof;

(g) [SELLER] shall not, without the advance written consent of the Administrative Agent, commence, take any action to cause any other Person to commence, or join with any other Person in commencing, any Bankruptcy Proceedings with respect to the Company until the Final Payout Date shall have occurred;

(h) If, at any time, any payment (in whole or in part) of any Senior Interest is rescinded or must be restored or returned by a Senior Interest Holder (whether in connection with Bankruptcy Proceedings or otherwise), these provisions shall continue to be effective or shall be reinstated, as the case may be, as though such payment had not been made;

(i) [SELLER] hereby waives; (i) notice of acceptance of these provisions by any of the Senior Interest Holders; (ii) notice of the existence, creation, non-payment or non-performance of all or any of the Senior Interests; and (iii) all diligence in enforcement, collection or protection of, or realization upon, the Senior Interests, or any thereof, or any security therefor;

(j) These provisions constitute a continuing offer from the holder of this Initial Seller Note to all Persons who become the holders of, or who continue to hold, Senior Interests; and these provisions are made for the benefit of the Senior Interest Holders, and the Administrative Agent or the Purchaser may proceed to enforce such provisions on behalf of each of such Persons.

10. General. No failure or delay on the part of [SELLER] in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power of right preclude any other or further exercise thereof or the exercise of any other power or right. No amendment, modification or waiver of, or consent with respect to, any provision of this Initial Seller Note shall in any event be effective unless (i) the same shall be in writing and signed and delivered by the Company and [SELLER] and (ii) all consents required for such actions under the Transaction Documents shall have been received by the appropriate Persons.

11. No Negotiation. This Initial Seller Note is not negotiable.

12. Governing Law. THIS PROMISSORY NOTE SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

13. Captions. Paragraph captions used in this Initial Seller Note are for convenience only and shall not affect the meaning or interpretation of any provision of this Initial Seller Note.

LPAC CORP.

By: _____
Name: _____
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

Heatcraft Inc.
ADP Plant
1995 Air Industrial Park Road
Grenada, MS 38901

Heat Transfer Division
3984 Highway 51 South
Grenada, MS 38901

HRPD
2175 West Park Place Blvd.
Stone Mountain, GA 30087

Electrical Products Division
315 Murfreesboro Street
Murfreesboro, TN 37127

Armstrong Air Conditioning Inc.
421 Monroe Street
Bellevue, OH 44811

SERVICER
Same as above

TRADE NAMES

LENNOX INDUSTRIES INC.

Aire-Flo Heating and Cooling
Lennox Hearth Products

HEATCRAFT INC.

ADP
Advanced Distributor Products

ARMSTRONG AIR CONDITIONING INC.

None

NOTICE ADDRESSES

Sellers:

Lennox Industries Inc.

Michael E. Kinney, Controller, North American Sales
Mail: P. O. Box 799900
Dallas, TX 75379-9900
Physical Address: 2100 Lake Park Blvd.
Richardson, TX 75080-2254

400 Norris Glen Road
Etobicoke, On, Canada M9C 1H5

Heatcraft, Inc.

Lowell Fry, Group Controller and HTD Vice President-Administration
Mail: P. O. Box 948
Grenada, MS 38902-0948
Physical Address: 3984 Highway 51 South
Grenada, MS 38901

Armstrong Air Conditioning Inc.

David L. Inman, Controller
421 Monroe Street
Bellevue, OH 44811

Copies to:

Carl E. Edwards, Jr., General Counsel
Lennox International Inc.
Mail: P. O. Box 799900
Dallas, TX 75379-9900
Physical Address: 2140 Lake Park Blvd.
Richardson, TX 75080-2254

Scott Messel, Vice President and Treasurer
Lennox International Inc.

Mail: P. O. Box 799900
Dallas, TX 75379-9900
Physical Address: 2140 Lake Park Blvd.
Richardson, TX 75080-2254

[FORM OF LOCKBOX AGREEMENT]

[Letterhead of Originator]

, , 2000

[LOCKBOX BANK]

Ladies and Gentlemen:

Reference is made to our Lockbox account no. _____ maintained with you (the "Account") pursuant to a Lockbox agreement between the undersigned and you, the terms and conditions of which are incorporated herein by reference (the "Lockbox Agreement"). Pursuant to a Purchase and Sale Agreement, dated as of June 19, 2000, as amended, supplemented or otherwise modified from time to time, among the undersigned as sellers, and LPAC Corp., as purchaser, we have sold and/or may hereafter sell to LPAC Corp. certain of the accounts, chattel paper, instruments or general intangibles (collectively, "Receivables") with respect to which payments are or may hereafter be made to the Account. Pursuant to a Receivables Purchase Agreement, dated as of June 19, 2000 (as amended, supplemented or otherwise modified from time to time, the "Receivables Purchase Agreement"), among LPAC Corp., as seller, Lennox Industries Inc., as Master Servicer (the "Master Servicer") (LPAC Corp. and the Master Servicer being referred to hereinafter collectively as the "Seller Parties"), Blue Ridge Asset Funding Corporation ("Blue Ridge"), as purchaser and Wachovia Bank, N.A., as administrative agent (the "Administrative Agent"), LPAC Corp. has assigned and/or may hereafter assign to Blue Ridge an undivided percentage interest in the Receivables.

For purposes of this letter agreement, Wachovia Bank, N.A. is acting as Administrative Agent for Blue Ridge. We hereby transfer exclusive ownership and control of the Account to the Administrative Agent, for the benefit of Blue Ridge, subject only to the condition subsequent that the Administrative Agent shall have given you notice of its election to assume such ownership and control, which notice shall be substantially in the form attached hereto as Annex A.

We hereby irrevocably instruct you, at all times from and after the date of your receipt of notice from the Administrative Agent of its assumption of control of the Account as described above, (i) to make all payments to be made by you out of or in connection with the Account directly to the Administrative Agent in accordance with the instructions of the Administrative Agent, (ii) to hold all moneys and instruments delivered to the Account or any Lockbox administered by you for the order of the Administrative Agent (for the benefit of Blue Ridge), (iii) to refrain from initiating any transfer from the Account to any Seller Party and (iv) to change the name of the Account to "Wachovia Bank, N.A., as Administrative Agent for Blue Ridge Asset Funding

Corporation." The Administrative Agent agrees to execute your standard wire transfer documentation in effect from time to time, or other customary documentation related to wire transfers, prior to the initiation of any wire transfers.

We also hereby notify you that, at all times from and after the date of your receipt of notice from the Administrative Agent as described above, the Administrative Agent shall be irrevocably entitled to exercise in our place and stead any and all rights in respect of or in connection with the Account, including, without limitation, (a) the right to specify when payments are to be made out of or in connection with the Account and (b) the right to require preparation of duplicate monthly bank statements on the Account for the Administrative Agent's audit purposes and mailing of such statements directly to the Administrative Agent at an address specified by the Administrative Agent.

Notices from the Administrative Agent and other notices or communications under this letter agreement may be personally served or sent by facsimile or by certified mail, return receipt requested, or by express mail or courier, to the address or facsimile number set forth under the signature of the relevant party to this letter agreement (or to such other address or facsimile number as the relevant party shall have designated by written notice to the party giving the aforesaid notice or other communication). Notwithstanding the foregoing, any notice delivered by you may be delivered by regular mail. If notice is given by facsimile, it will be deemed to have been received when the notice is sent and receipt is confirmed by telephone or other electronic means. All other notices will be deemed to have been received when actually received or, in the case of personal delivery, delivered.

By executing this letter agreement, you acknowledge the existence of the Administrative Agent's right to ownership and control of the Account and its ownership (on behalf of Blue Ridge and LPAC Corp. as the parties having interests in such amounts) of the amounts from time to time on deposit therein, and agree that from the date hereof the Account shall be maintained by you for the benefit of, and amounts from time to time therein held by you for, the Administrative Agent (on behalf of Blue Ridge and LPAC Corp.) on the terms provided herein. Except as otherwise provided in this letter agreement, payments to the Account are to be processed in accordance with the standard procedures currently in effect. All service charges and fees with respect to the Account shall continue to be payable by us as under the arrangements currently in effect.

By executing this letter agreement, you irrevocably waive and agree not to assert, claim or endeavor to exercise, irrevocably bar and estop yourself from asserting, claiming or exercising, and acknowledge that you have not heretofore received a notice, writ, order or any form of legal process from any other party asserting, claiming or exercising, any right of set-off, banker's lien or other purported form of claim with respect to the Account or any funds from time to time therein. Except for your right to payment of your service charges and fees and your right to make deductions for returned items, you shall have no rights in the Account or funds therein. To the extent you may ever have such rights, you hereby expressly subordinate all such rights to all rights of the Administrative Agent.

You may terminate this letter agreement by canceling the Account maintained with you, which cancellation and termination shall become effective only upon 90 days' prior written notice thereof from you to the Administrative Agent. Incoming mail addressed to the Account received after such cancellation shall be forwarded in accordance with the Administrative Agent's instructions. This letter agreement may also be terminated upon written notice to you by the Administrative Agent stating that the Receivables Purchase Agreement is no longer in effect. Except as otherwise provided in this paragraph, this letter agreement may not be terminated or amended without the prior written consent of the Administrative Agent.

Notwithstanding any other provision of this letter agreement, it is agreed by the parties hereto that you shall not be liable to Blue Ridge or the Administrative Agent for any action taken by you or any of your directors, officers, agents or employees in accordance with this letter agreement at the request of the Administrative Agent, except for your or such person's own gross negligence or willful misconduct.

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. This letter agreement shall be governed by and interpreted under the laws of the State of New York.

Please acknowledge your agreement to the terms set forth in this letter agreement by signing the six copies of this letter agreement enclosed herewith in the space provided below and returning each of such signed copies to the Administrative Agent.

Very truly yours,

[Name of Originator]

By: _____

Name: _____

Title: _____

Address for notice:
P.O. Box 799900
Dallas, Texas 75379-9900
Attention: Scott E. Messel
Facsimile No.: (972) 497-6940

Accepted and confirmed as of
the date first written above:

BLUE RIDGE ASSET FUNDING CORPORATION,
as Purchaser

By: _____

Name: _____

Title: _____

Address for notice:
c/o Wachovia Bank, N.A., as Administrative Agent
100 North Main Street
Winston-Salem, North Carolina 27150
Attention: John Dillon
Facsimile No: (336) 732-5021

WACHOVIA BANK, N.A.,
as Administrative Agent

By: _____

Name: _____

Title: _____

Address for notice:
191 Peachtree Street, N.E., GA-423
Atlanta, Georgia 30303
Attention: Elizabeth Wagner
Facsimile: (404) 332-5152

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

LPAC CORP.

By: _____

Name: _____

Title: _____

Address for notice:
2140 Lake Park Blvd.
Richardson, Texas 75080
Attention: Treasurer
Facsimile No: (972) 497-6940

[LOCKBOX BANK]

By: _____

Name: _____

Title: _____

Address for notice:
- _____
- _____
- _____

Attention: _____

Facsimile No: _____

[FORM OF NOTICE OF ASSUMPTION OF CONTROL OF ACCOUNT]

[LETTERHEAD OF WACHOVIA BANK, N.A.]

_____, 200_

[NAME OF LOCKBOX BANK]
[ADDRESS OF LOCKBOX BANK]

Re: [Name of Originator]
Lockbox Account No.

Ladies and Gentlemen:

Reference is made to the letter agreement dated _____, 200_ (as amended, supplemented or otherwise modified from time to time, the "Letter Agreement") among Lennox Industries Inc., LPAC Corp., Blue Ridge Asset Funding Corporation (the "Purchaser"), Wachovia Bank, N.A., as Administrative Agent for the Purchaser, and you, concerning the above-described Lockbox account (the "Account").

We hereby give you notice of our assumption of ownership and control of the Account as provided in the Letter Agreement.

We hereby instruct you to make all payments to be made by you out of or in connection with the Account [DIRECTLY TO THE UNDERSIGNED, AT [OUR ADDRESS SET FORTH ABOVE], FOR THE ACCOUNT OF [BLUE RIDGE ASSET FUNDING CORPORATION] (ACCOUNT NO. _____)].

[OTHER INSTRUCTIONS]

Very truly yours,
WACHOVIA BANK N.A.,
as Administrative Agent

By: _____
Name: _____
Title: _____

[FORM OF ADDITIONAL SELLER SUPPLEMENT]

SUPPLEMENT, dated as of [_____], (the "Supplement") to the Purchase and Sale Agreement, dated as of June 19, 2000 (as amended, supplemented or otherwise modified from time to time in accordance with its terms, the "Sale Agreement"), among LPAC Corp. and the Sellers named therein. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Sale Agreement.

WITNESSETH:

WHEREAS, the Sale Agreement provides that Armstrong, although not originally a Seller thereunder, may become a Seller under the Sale Agreement upon the satisfaction of each of the conditions precedent set forth in Section 9.2 of the Sale Agreement and any applicable provisions of any Supplement; and

WHEREAS, Armstrong was not an original Seller under the Sale Agreement or an original Servicer but now desires to become a Seller and a Servicer, respectively, thereunder.

NOW, THEREFORE, the undersigned hereby agrees as follows:

The undersigned agrees to be bound by all of the provisions of each of the Sale Agreement and the Receivables Purchase Agreement applicable to a Seller and a Servicer, respectively, thereunder and agrees that it shall, on the date this Supplement is accepted by the Company, become (a) in the case of the Sale Agreement, a Seller, and (b) in the case of the Receivables Purchase Agreement, a Servicer, for all purposes of the Sale Agreement and the Receivables Purchase Agreement, respectively, to the same extent as if originally a party thereto.

[The remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the undersigned has caused this Supplement to be executed and delivered by a duly authorized officer on the date first above written.

ARMSTRONG HEATING AND AIR CONDITIONING INC.

By: _____
Title:

Accepted as of the date first above written:

LPAC CORP.

By: _____
Title:

Acknowledged as of the date first above written:

WACHOVIA BANK, N.A.,
as Administrative Agent

By: _____
Title:

=====

RECEIVABLES PURCHASE AGREEMENT

Dated as of June 19, 2000

Among

LPAC CORP.
as the Seller

and

LENNOX INDUSTRIES INC.,
as the Master Servicer

and

BLUE RIDGE ASSET FUNDING CORPORATION

as the Purchaser

and

WACHOVIA BANK, N.A.
as the Administrative Agent

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APPENDIX

Appendix A Definitions

SCHEDULES

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RECEIVABLES PURCHASE AGREEMENT

Dated as of June 19, 2000

THIS IS A 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 (together with its successors and assigns, the "Purchaser"),
- (4) WACHOVIA BANK, N.A., a national banking association ("Wachovia"), as administrative agent for the Purchaser (in such capacity, together with any successors thereto in such capacity, the "Administrative Agent").

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

Background

1. The Seller is jointly owned by the Originators, Armstrong and Heatcraft Technologies.
2. The Originators and Armstrong 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; provided, that Armstrong will not make any such transfers until the Armstrong Commencement Date.
4. The Seller has requested the Purchaser, and the Purchaser has agreed, subject to the terms and conditions contained in this Agreement, to purchase from the Seller from time to time an undivided percentage interest, referred to herein as the Asset Interest, in Pool Receivables and related property.

5. The Seller and the Purchaser 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. Wachovia has been requested, and is willing, to act as the Administrative Agent under this Agreement.

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 PURCHASER'S 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 Purchaser purchase from the Seller ownership interests in Pool Receivables and Related Assets, and the Purchaser shall make such purchase (each being a "Purchase"); provided that no Purchase shall be made by the Purchaser if, after giving effect thereto, either (a) the then sum of the Purchaser's Total Investment and aggregate CP Discount would exceed \$ 130,000,000 (as adjusted pursuant to Section 3.2(b)) (the "Purchase Limit"), or (b) 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.

SECTION 1.2 PURCHASE PROCEDURES; ASSIGNMENT OF THE PURCHASER'S INTERESTS.

(a) Purchase Request. Each Purchase from the Seller by the Purchaser shall be made on notice from the Seller to the Administrative Agent (on behalf of the Purchaser) received by the Administrative 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. The Administrative Agent shall promptly upon receipt notify the 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, the Purchaser shall, upon satisfaction of the applicable conditions set forth in Article V, make available to the Seller the amount of its 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 Purchaser, effective on and as of the date of each Purchase and each Reinvestment by the Purchaser hereunder, the Asset Interest in the Pool Receivables and Related Assets.

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 Purchaser (provided that unless otherwise requested by the Administrative Agent, on behalf of the Purchaser, after a Credit Event, 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 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 Purchaser or the Administrative Agent hereunder and the Purchaser's 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 or (2) the sum of (I) the Purchaser's Total Investment and (II) the aggregate CP Discount would exceed the Purchase Limit, then the Master Servicer shall not reinvest, but shall identify and hold in trust for the benefit of the Purchaser, a portion of such Collections which, together with other Collections previously identified and then so held, shall equal the amount necessary to reduce (1) the sum of (I) the Purchaser's Total Investment and (II) the aggregate CP Discount to the Purchase Limit and (2) 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 Purchaser;

(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 Purchaser 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 the Administrative Agent after a Credit Event, such Collections need not be held in a segregated account. If, prior to the date when such Collections are required to be paid to the Administrative Agent for the benefit of the Purchaser pursuant to Section 1.3(c)(iv), the amount of Collections so identified exceeds the amount, if any, necessary to reduce (i) the sum of (A) the Purchaser's Total Investment and (B) the aggregate CP Discount to the Purchase Limit and (ii) 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 to the Administrative Agent, on the 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 the Administrative Agent, on the Purchaser's behalf, on the last day of the then current CP Tranche 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 the Administrative Agent, on the 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 the Administrative Agent for the account of the Purchaser (A) on the last day of the then current Yield Period for any Asset Tranche funded by a Liquidity Funding, as provided in Section 3.1(b), in an amount not exceeding the Purchaser's

Tranche Investment of such Asset Tranche, and (B) on the last day of the then current CP Tranche Period for any Asset Tranche funded by Commercial Paper Notes, as provided in Section 3.1, in an amount not exceeding the Purchaser's Tranche Investment of such Asset Tranche; provided, however, no payment shall be made under clause (B) above unless the Purchaser's Tranche Investments of all Asset Tranches, if any, funded by the Liquidity Fundings shall have been reduced to zero.

(d) Funds Under Sale Agreement. Upon the written request of the Administrative Agent, on the Purchaser's behalf, given at any time when (i) based on the most recent Information Package, either (A) the Asset Interest would exceed the Allocation Limit or, (B) the sum of (1) the Purchaser's Total Investment and (2) the aggregate CP Discount 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 (i) at any time, purchasing Receivables from an Originator in accordance with the Sale Agreement; (ii) on the Settlement Date for any Collection Period, making payments in accordance with the last sentence of Section 3.1(c)(ii), and (iii) on the Settlement Date for any Collection Period, if, on the basis of the most recent Information Package, 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), both (i) the sum of (A) the Purchaser's Total Investment and (B) the aggregate CP Discount does not exceed the Purchase Limit and (ii) 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 Purchaser's 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:

$$\frac{\text{PTI}+\text{RR}}{\text{NPB}}$$

where:

PTI = the sum of the Purchaser's Total Investment and aggregate CP Discount;

RR = the Required Reserve; and

NPB = the Net Pool Balance;

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 Initial Cut-Off Date and as of the Cut-Off Date for each Collection Period, and (ii) on the Settlement Date following each Reporting Date, after giving effect to the payments made pursuant to Section 3.1. In addition, at any time, the Administrative Agent, on the Purchaser's behalf, may require the Master Servicer to provide an Information Package, based on the information then available to the Master Servicer, for purposes of computing the Asset Interest 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 the Administrative Agent's request.

ARTICLE II

COMPUTATIONAL RULES

SECTION 2.1 SELECTION OF ASSET TRANCHEs.

The Administrative Agent shall, from time to time for purposes of computing Earned Discount, divide the Asset Interest into Asset Tranches. The applicable Earned Discount Rate may be different for each Asset Tranche. The Purchaser's Total Investment and aggregate CP Discount shall be allocated to each Asset Tranche by the Administrative Agent, on the Purchaser's behalf, to reflect the funding sources for the Asset Interest, so that:

(a) there will be one or more Asset Tranches equal to the excess of the sum of the Purchaser's Total Investment and the aggregate CP Discount 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; and

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

SECTION 2.2 COMPUTATION OF PURCHASER'S TOTAL INVESTMENT AND PURCHASER'S TRANCHE INVESTMENT.

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

(a) the Purchaser's Total Investment 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 Administrative Agent, on the Purchaser's behalf;

(b) the Purchaser's Total Investment 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 Purchaser's Total Investment, there shall be a corresponding reduction in the Purchaser's Tranche Investment with respect to one or more Asset Tranches selected by the Administrative Agent, on the 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) the Administrative Agent, on the Purchaser's behalf, shall determine the Earned Discount accruing with respect to each Asset Tranche, and each CP Tranche Period therefor (or, in the case of the Asset Tranche funded by Liquidity Fundings, each Yield Period), in accordance with the definition of Earned Discount;

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

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

It is the intent of the Purchaser to fund the Asset Interest by the issuance of Commercial Paper Notes. If, for any reason, the Purchaser is unable, or determines that it is undesirable, to issue Commercial Paper Notes to fund the Asset Interest, or is unable, for any reason, to repay such Commercial Paper Notes upon the maturity thereof, the Purchaser will draw on Liquidity Fundings to the extent available. If the Purchaser funds itself through Liquidity Fundings, 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, the Administrative Agent, on the Purchaser's behalf, shall notify the Master Servicer (and, if Lennox is not the Master Servicer, the Seller) from time to time of the Purchaser's Tranche Investment of each Asset Tranche, the Earned Discount Rate applicable to each Asset Tranche and the rates at which fees and other amounts are accruing hereunder. It is

understood and agreed that (a) the Earned Discount Rate for any Asset Tranche may change from one applicable Yield Period or CP Tranche 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, (b) certain rate information provided by the Administrative Agent to the Master Servicer shall be based upon the Administrative Agent's good faith estimate, (c) the amount of Earned Discount actually accrued with respect to an Asset Tranche during any CP Tranche Period (or, in the case of the Asset Tranche funded by Liquidity Fundings any Yield Period) may exceed, or be less than, the amount identified with respect thereto by Master Servicer, and (d) 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 the Administrative Agent, for the benefit of the 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 fifteenth 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 the Administrative Agent, on the 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 the Administrative Agent (collectively, an "Information Package").

(b) Earned Discount; Other Amounts Due. On or before 12:00 noon, Atlanta, Georgia, time on the Business Day before the last day of each CP Tranche Period or Yield Period, as the case may be, the Administrative Agent shall notify the Master Servicer of the amount of Earned Discount accrued with respect to any Asset Tranche corresponding to such CP Tranche Period or Yield Period, as the case may be. The Master Servicer shall pay to the Administrative Agent for the benefit of the Purchaser the amount of such Earned Discount before 12:00 noon, Atlanta, Georgia time on the last day of such CP Tranche Period or Yield Period. On or before 12:00 noon, Atlanta, Georgia time, on the Business Day before each Reporting Date, the Administrative Agent, on the Purchaser's behalf, shall notify the Master Servicer of all fees and other amounts accrued and payable by the Seller under this Agreement during the prior calendar month (other than amounts described in clause (c) below). The Master Servicer shall pay to the Administrative Agent, for the benefit of the Purchaser, the amount of fees and other amounts (to the extent of Collections attributable to the Asset Interest during such Collection Period) on the Settlement Date for such month. Such payments shall be made (i) out of amounts identified pursuant to Section 1.3 for such payment, (ii) in the case of amounts other than Earned Discount, to the extent that amounts were not set aside pursuant to Section 1.3 for such payment

(because the actual Earned Discount for such month was greater than the estimated Earned Discount used in calculating the Asset Interest during such month), 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, and (D) the excess (if any) of the sum of (1) the Purchaser's Total Investment and (2) the aggregate CP Discount over the Purchase Limit. Such calculations shall be based upon the assumptions that (A) the information in the Information Package is correct, and (B) Collections identified pursuant to Section 1.3(b) will be paid to the Administrative Agent, for the benefit of the Purchaser, on the Settlement Date for such Collection Period.

(ii) If, according to the computations made pursuant to clause (i) above, either (A) the Asset Interest exceeds the Allocation Limit or (B) the sum of (1) the Purchaser's Total Investment and (2) the aggregate CP Discount exceeds the Purchase Limit, then on the Settlement Date for such Collection Period, the Master Servicer shall pay to the Administrative Agent, for the benefit of the Purchaser, (to the extent of Collections during the related Collection Period attributable to all Asset Tranches and not previously paid to the Administrative Agent) the amount necessary to reduce both (A) the sum of the Purchaser's Total Investment and the aggregate CP Discount to the Purchase Limit and (B) 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, during the Liquidation Period, the Master Servicer shall pay to the Administrative Agent, for the benefit of the 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 Liquidity Funding, in an amount not exceeding the Purchaser's Tranche Investment of such Asset Tranche, and (B) after reduction to zero of the Purchaser's Tranche Investments of the Asset Tranches, if any, funded by Liquidity Fundings, on the last day of the each CP Tranche Period, in an amount not exceeding the Purchaser's Tranche Investment of the Asset Tranche funded by Commercial Paper Notes.

(d) Order of Application. Upon receipt by the Administrative Agent, on the Purchaser's behalf, of funds distributed pursuant to this Section 3.1, the Administrative 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, plus any previously accrued Earned Discount not paid;

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

(iii) to 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 Purchaser's Total Investment and aggregate CP Discount, to the extent such reduction is required under Section 3.1(c);

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

(vi) to the 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. The Administrative Agent hereby consents (which consent may be revoked at any time after the occurrence and during the continuance of a Liquidation Event or a Credit Event), 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 Liquidity Fundings or by the issuance of Commercial Paper Notes), because Collections during the relevant CP Tranche 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 PURCHASER'S TOTAL INVESTMENT, 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 (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 Purchaser's Total Investment. The Seller may at any time elect to reduce the Purchaser's Total Investment as follows:

(i) the Seller shall give the Administrative Agent, on the 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 Purchaser, pending payment to the Administrative 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 Purchaser's Total Investment,

(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, and

(C) unless the Purchaser's Total Investment will be reduced to zero, after giving effect to such reduction, the Purchaser's Total Investment will be at least \$25,000,000.

SECTION 3.3 PAYMENTS AND COMPUTATIONS, ETC.

(a) Payments. All amounts to be paid to the Administrative 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 (Atlanta, Georgia time) on the day when due in lawful money of the United States of America in same day funds to the Purchaser in care of Wachovia Bank, N.A., ABA #8735-098787, Account #0531 00494, for credit: Blue Ridge Asset Funding Corporation, Reference: LPAC Corp., Attention: John Dillon (336) 732-2690, or to such other account at the bank named therein or at such other bank as the Administrative Agent on behalf of the 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 Alternate 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, Earned Discount, any fees payable under Section 4.1 and any other fees payable by the Seller to the Purchaser or the

Administrative 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, accrued Servicing Fee, repayment of the Purchaser's Total Investment, 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 the Administrative Agent, on the Purchaser's behalf, or its designee, or lock boxes or accounts directly or indirectly owned or controlled by the Administrative Agent, the Master Servicer shall forthwith cause such Deemed Collections to be paid to the Administrative Agent, on the Purchaser's behalf, or its designee or to such lock boxes or accounts, as applicable, or as the Administrative Agent shall request. So long as the Seller shall hold any Collections (including Deemed Collections) required to be paid to the Master Servicer or the Administrative Agent, it shall hold such Collections in trust for the benefit of the Administrative Agent, on behalf of the Purchaser, 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 the 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 Purchaser and the Administrative Agent. Lennox shall pay or cause to be paid to the Administrative Agent the structuring fee set forth in the letter dated April 13, 2000 between Lennox International and Wachovia (the "Mandate Letter") on or before the date this Agreement is executed.

SECTION 4.2 YIELD PROTECTION.

(a) If (i) Regulation D or (ii) any Regulatory Change occurring after the date hereof:

(A) shall subject an Affected Party to any tax, duty or other charge with respect to 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 Purchaser's Total Investment 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 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 the Liquidity Agreement, or any commitment of such Affected Party with respect to any of the foregoing, or (2) the Administrative Agent for continuing its or the Seller's relationship with the 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 the 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 the Administrative 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.

SECTION 4.3 FUNDING LOSSES.

In the event that the 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 the Purchaser or such Liquidity Bank to make any Liquidity Funding or maintain any Liquidity Funding) as a result of (a) any settlement with respect to the Purchaser's Tranche Investment of any Asset Tranche funded by a Liquidity Funding being made on any day other than the scheduled last day of an applicable Yield Period with respect thereto (it being understood that the foregoing shall not apply to any portion of the Purchasers' Total Investment that is accruing Earned Discount calculated by reference to the Alternate Base Rate), or (b) any Purchase not being made in accordance with a request therefor under Section 1.2, then, upon written notice from the Administrative Agent to the Seller and the Master Servicer, the Seller shall pay to the Master Servicer, and the Master Servicer shall pay to the Administrative Agent for the account of such Liquidity Bank, 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) the Administrative 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 the Administrative Agent:

(i) The Sale Agreement and any other Transaction Document, duly executed by the parties thereto;

(ii) A certificate of the Secretary or Assistant Secretary of each Seller Party certifying the names and true signatures of the officers authorized on its behalf to sign this Agreement and the other Transaction Documents to be delivered by it hereunder (on which certificate the Administrative Agent and the Purchaser may conclusively rely until such time as the Administrative Agent, on the Purchaser's behalf, shall receive from such Seller Party a revised certificate meeting the requirements of this subsection (ii));

(iii) The Articles or Certificate of Incorporation of each Seller Party, duly certified by the Secretary of State of such Seller Party's state of incorporation, as of a recent date acceptable to Administrative Agent, on the Purchaser's behalf, in each case together with a copy of the by-laws of such Seller Party, duly certified by the Secretary or an Assistant Secretary of such Seller Party;

(iv) A true and complete copy of the resolutions of the Board of Directors of each Seller Party authorizing the execution, delivery and performance of this Agreement and the Transaction Documents to which it is a party and the transactions contemplated hereby and thereby;

(v) Copies of good standing certificates for each Seller Party, issued by the Secretaries of State of the state of incorporation of such Seller Party and the state where such Seller Party's principal place of business is located;

(vi) Acknowledgment copies (or other evidence of filing reasonably acceptable to the Administrative Agent, on the Purchaser's behalf) of (A) proper financing statements (Form UCC-1), in such form as the Administrative Agent, on the Purchaser's behalf, 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) financing statements (Form UCC-1), in such form as the Administrative Agent, on

the Purchaser's behalf, may reasonably request, naming the Seller as the debtor and the seller of an undivided percentage interest 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 Administrative Agent, on the Purchaser's 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 the Purchaser's undivided percentage interest in, the Pool Receivables and Related Assets;

(vii) Search reports provided in writing to the Administrative Agent, on the Purchaser's behalf, (A) listing all effective financing statements that name any Seller Party or Originator (including legal names and tradenames) as debtor and that are filed in the jurisdictions in which filings were made pursuant to subsection (vi) above and in such other jurisdictions that the Administrative Agent shall reasonably request, together with copies of such financing statements (none of which (other than any of the financing statements described in subsection (vi) above) shall cover any Receivables or Related Assets, and (B) listing all tax liens and judgment liens (if any) filed against any debtor referred to in clause (A) above in the jurisdictions described therein and showing no such Liens;

(viii) Evidence that the Initial Seller Notes have been duly executed and delivered by the Seller;

(ix) [Reserved];

(x) A favorable opinion of Locke Liddell & Sapp LLP, counsel to the Seller Parties and Lennox International, as to:

(A) the existence of a "true sale" of the Receivables from the Originators to the Seller under the Sale Agreement;

(B) the inapplicability of the doctrine of substantive consolidation to the Seller and the Originators in connection with any bankruptcy proceeding involving Heatcraft Technologies, Armstrong or the Originators;

(C) the creation of a first priority perfected security interest in favor of the Purchaser in (1) all the Pool Receivables and Related Assets (and including specifically any undivided interest therein retained by Seller hereunder), the Sale Agreement and other Transaction Documents and (2) all proceeds of any of the foregoing;

(D) due authorization, execution, delivery, enforceability and other corporate matters of the Seller Parties and Lennox International as to the Transaction Documents (however, the opinion as to certain New York law matters may be provided by in-house counsel); and

(E) such other matters as the Administrative Agent, acting on behalf of the Purchaser, may reasonably request.

(xi) A pro forma Information Package, prepared as of the Cut-Off Date of May 31, 2000;

(xii) A report in form and substance satisfactory to the Administrative Agent, on the Purchaser's behalf, from the Initial Due Diligence Auditor as to a pre-closing due diligence audit by the Initial Due Diligence Auditor;

(xiii) The Liquidity Agreement, in form and substance satisfactory to the Administrative Agent, on the Purchaser's behalf, duly executed by the Purchaser, the Liquidity Agent and each Liquidity Bank;

(xiv) Lockbox Agreements with respect to each Lockbox Account;

(xv) Evidence that the Assurance Agreement has been duly executed and delivered by Lennox International;

(xvi) [Reserved];

(xvii) With respect to Lennox International, a consolidated balance sheet, income statement and statement of shareholders' equity as at December 31, 1999 and with respect to the Seller, a balance sheet, income statement and statement of shareholders' equity as at June 9, 2000, each of the foregoing together with a certification of the chief financial officer, chief accounting officer, controller or treasurer in the form attached hereto as Exhibit B; and

(xviii) such other agreements, instruments, certificates, opinions and other documents as the Administrative Agent may reasonably request; and

(b) Lennox shall have paid or caused to be paid (i) the Structuring Fee and (ii) 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 sum of the Purchaser's Total Investment and aggregate CP Discount will not exceed the Purchase 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, the Administrative Agent shall have timely received an appropriate notice of the proposed Purchase in accordance with Section 1.2(a),

(f) a completed Information Package shall have been delivered by the Master Servicer to the Administrative Agent, on the Purchaser's behalf, as of the applicable Reporting Date,

(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 Purchaser's Total Investment and aggregate CP Discount, after giving effect to such Reinvestment or Purchase, to exceed the Purchaser's Total Investment and aggregate CP Discount 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. It has been duly organized and is validly existing as a corporation in good standing under the laws of the State of its incorporation, 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, Armstrong and Heatcraft Technologies 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 Purchaser, 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 court, regulatory body, administrative agency, or other tribunal or governmental instrumentality (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, 1999, and the related statements of income and shareholders' equity of Lennox International and its consolidated subsidiaries for the fiscal year then ended, certified by Arthur Andersen LLP, independent certified public accountants, copies of which have been furnished to the Administrative Agent, 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, 1999 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 June 9, 2000, 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 Administrative Agent, 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) Each Pool Receivable, together with the Related Assets, is owned by the Seller free and clear of any Lien (other than any Lien arising solely as the result of any action taken by the Purchaser (or any assignee thereof) or by the Administrative Agent); (ii) when the 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 Asset Interest in each Pool Receivable, each Related Asset and Collections with respect thereto, free and clear of any Lien (other than any Lien arising as the result of any action taken by the Purchaser (or any assignee thereof) or by the Administrative Agent); and (iii) no financing statement or other instrument similar in effect covering any Pool Receivable, any interest therein, the Related Assets or Collections with respect thereto is on file in any recording office 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 Purchaser 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 Purchaser (or any assignee thereof) or by the Administrative Agent.

(m) Accurate Reports. No 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, in each case in writing, by or on behalf of such Seller Party to the Administrative Agent or the 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 the Administrative 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 the Administrative Agent, on the 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 and addresses of all the Lockbox Banks, together with the account numbers of the accounts of the Originators or the Seller at such Lockbox Banks, are specified in Schedule 6.1(o) (or have been notified to and approved by the Administrative Agent, on the Purchaser's behalf, in accordance with Section 7.3(d)).

(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 the Administrative 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. The Originators, Armstrong and Heatcraft Technologies 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.

(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.

From the date hereof until the Final Payout Date, unless the Administrative 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, 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 the Administrative Agent, on the 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 the Administrative Agent, on the 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 the Administrative Agent or any of its agents or representatives, upon not less than five (5) Business Days' notice from the Administrative Agent and the consent (which consent shall not unreasonably be withheld) of such Seller Party (unless a Liquidation Event has occurred and is continuing (or the Administrative 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 the Administrative 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, (i) such reviews shall not be done more than two (2) times in any one calendar year and (ii) 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 Obligors to deposit all Collections to the Lockbox Accounts. Upon the establishment of the Collection Account, if any, the Master Servicer shall instruct each Lockbox Bank to deposit all Collections to the Collection Account. The Seller 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 the Administrative Agent, on the Purchaser's behalf, shall otherwise consent in writing:

(a) Quarterly Financial Statements - Lennox International. The Master Servicer will furnish to the Administrative Agent, on the 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 the Administrative 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 Arthur Andersen LLP or other independent public accountants of recognized national standing acceptable to the Administrative 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 Administrative 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 Administrative 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 the Administrative Agent's request, the Master Servicer will furnish or cause to be furnished to the Administrative Agent, on the 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 the Administrative Agent, on the 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 the Administrative Agent, on the 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 the Administrative Agent, on the 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 the Administrative Agent, on the 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 the Administrative Agent, on the Purchaser's behalf, notice of any Credit Event;

(l) [Reserved]; and

(m) Other. Promptly, from time to time, each Seller Party will furnish to the Administrative Agent, on the 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 the Administrative Agent may from time to time reasonably request in order to protect the interests of the Administrative Agent or Purchaser under or as contemplated by this Agreement.

SECTION 7.3 NEGATIVE COVENANTS OF THE SELLER PARTIES.

From the date hereof 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), unless (i) the Administrative Agent shall have received prior written notice of such addition, termination or change and (ii) if a Credit Event has occurred, the Administrative Agent shall have received duly executed copies of Lockbox Agreements with each new 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. The Seller will not change its name, any trade name or corporate structure, or commence the use of any new trade name unless it has given the Administrative Agent at least 30 days prior written notice thereof and has taken all steps necessary to continue the perfection of the Purchaser's interest, including the filing of amendments to the UCC financing statements filed pursuant to Section 5.1(a).

(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 Purchaser 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 the Administrative 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 Administrative Agent 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 (the "Independent Director") shall be an individual who is not, and never has been, a direct, indirect or beneficial stockholder, officer, director, employee, affiliate, associate, material supplier or material customer of any Seller Party or any of its Affiliates. 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 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, on the Purchaser's 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, on the Purchaser's 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 Administrative Agent believes 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. The Administrative Agent agrees not to give Lennox a Successor Notice until after the occurrence and during the continuance of any Liquidation Event or a Credit Event (any such event being herein called a "Servicer Transfer Event"), in which case such Successor Notice may be given at any time in the Administrative Agent's discretion. If Lennox disputes the occurrence of a Servicer Transfer Event, Lennox may take appropriate action to resolve such dispute; provided that Lennox must terminate its activities hereunder as Master Servicer and allow the newly designated Master Servicer to perform such activities on the date provided by the Administrative Agent as described above, notwithstanding the commencement or continuation of any proceeding to resolve the aforementioned dispute, if the Administrative Agent, on the Purchaser's behalf, reasonably determines, in good faith, that such termination is necessary or advisable to protect the Purchaser's interests hereunder.

(c) Subcontracts. The Master Servicer may, with the prior consent of the Administrative Agent, subcontract with any other Person for servicing, administering or collecting the Pool Receivables, provided that the Master Servicer shall remain liable for the performance of the duties and obligations of the Master Servicer pursuant to the terms hereof and such subservicing arrangement may be terminated at the Administrative Agent's request, on the 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 Purchaser and the Administrative Agent 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 Purchaser 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 Purchaser's behalf, after the occurrence of a Credit Event) to segregate the funds constituting such portions of such Collections prior to the remittance thereof in accordance with said Section. If instructed by the Administrative Agent, on the Purchaser's behalf, after the occurrence of a Credit Event, the Master Servicer shall segregate and deposit into the Collection Account, the Purchaser's 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).

(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 the Administrative Agent as required by this Agreement including, without limitation, delivery of any Information Package and, (i) in the case of failure to deliver an Information Package 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 the Administrative Agent to the Master Servicer or (B) the Master Servicer shall have otherwise become aware of such failure and (ii) 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 the Administrative 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 the Administrative 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 the Administrative Agent and/or the Purchaser;

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

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

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

SECTION 8.5 RIGHTS OF THE ADMINISTRATIVE AGENT.

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

(b) Notice to Lockbox Banks. At any time following the occurrence of a Liquidation Event, if Lockbox Agreements have been executed, 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 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 Purchaser's 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 the Administrative 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 the Administrative 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 Administrative Agent 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 Purchaser hereby authorizes the Administrative Agent, on the 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. The Administrative Agent and Purchaser shall not have any obligation or liability with respect to any Pool Receivables, Contracts related thereto or any other related agreements, nor shall any of them be obligated to perform any of the obligations of any Seller Party or any Originator thereunder.

SECTION 8.7 FURTHER ACTION EVIDENCING PURCHASES AND REINVESTMENTS.

(a) Further Assurances. Each Seller Party agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action that the Administrative Agent or its designee may reasonably request in order to perfect, protect or more fully evidence the Purchases hereunder and the resulting Asset Interest, or to enable Purchaser or the Administrative Agent or its designee 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, execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate, in accordance with the terms of this Agreement;

(ii) upon the request of the Administrative Agent 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 Administrative Agent, 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 Administrative Agent, 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 promptly execute and deliver to the Administrative Agent, on the Purchaser's behalf, any financing statement or continuation statement or amendment thereto or assignment thereof requested by the Administrative Agent, on the Purchaser's behalf, each Seller Party hereby authorizes the Administrative Agent, on the Purchaser's behalf, to execute such statement on behalf of such 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 the Administrative 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 the Administrative 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 Purchaser and its successors and assigns, for the benefit of the Secured Parties, and hereby grants to the Administrative Agent, as agent for the Purchaser, 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 (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.

SECTION 9.2 FURTHER ASSURANCES.

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

SECTION 9.3 REMEDIES.

Upon the occurrence of a Liquidation Event, the 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 the 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 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 the Administrative Agent and/or the 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 the Administrative 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 12.00%; 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% or (ii) the Purchaser's Total Investment and aggregate CP Discount exceeds the Purchase Limit; 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 Administrative Agent; or
- (o) The Purchaser, 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 Administrative Agent, on the Purchaser's behalf, the Administrative Agent shall have notified the Master Servicer in writing that (i) the Administrative Agent, on the 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; or

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

SECTION 10.2 REMEDIES.

(a) Optional Liquidation. Upon the occurrence of a Liquidation Event (other than a Liquidation Event described in subsection (e) of Section 10.1), the Administrative Agent shall, at the request, or may with the consent, of the 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 the Administrative Agent, the Purchaser 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 AUTHORIZATION AND ACTION.

Pursuant to agreements entered into with the Administrative Agent, the 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 Purchaser 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 WACHOVIA AND AFFILIATES.

Wachovia and any of its 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 Wachovia was not the Administrative Agent, and without any duty to account therefor to the Purchaser 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 Administrative Agent (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). The Purchaser may not assign its rights hereunder (although it may delegate its duties hereunder as expressly indicated herein) or the Asset Interest (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) The 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, or any Affiliate thereof, or to any "bankruptcy remote" special purpose entity, the business of which is administered by Wachovia or any Affiliate thereof (which assignee shall then be subject to this Article XII); and

(ii) The 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 the Purchaser's obligations under or in connection with the Commercial Paper Notes, the Liquidity Agreement, and certain other obligations of the 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 Administrative Agent within five (5) Business Days after notice to the Seller of any proposed assignment by the 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, the 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 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 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 Administrative 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 Administrative Agent and Purchaser hereunder, with respect to the Asset Interest (or any portions thereof), and Collections with respect thereto, which are owned by the Purchaser, and all other rights and interests of the 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 Administrative Agent), the Liquidity Banks may request the Master Servicer to segregate Purchaser's 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 Wachovia, both individually and as the Administrative Agent, the Purchaser, 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, (a) 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 (b) 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 Wachovia, the Administrative Agent, the Purchaser, 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 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 the 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.

(c) 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.

(d) 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 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 Wachovia, the Administrative Agent, the Purchaser, 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 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 Administrative Agent and the Purchaser (with respect to an amendment), or (b) the Administrative Agent and the Purchaser (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, the Purchaser may also be required to obtain the approval of some or all of the 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, the 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 Wachovia, individually, and as Administrative Agent 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 Wachovia 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 the Administrative Agent, any Affected Party, any Indemnified Party or 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 Administrative Agent, the Purchaser 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 Administrative Agent, any Liquidity Bank, the 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 (except as otherwise provided in the Mandate Letter), 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).

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 Wachovia (individually or as Administrative Agent) hereby agrees that it will not institute against the Purchaser, or join any other Person in instituting against the 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 the 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 the Purchaser or the Administrative 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 the Purchaser's commercial paper, 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 the Purchaser, any Liquidity Bank or the Administrative 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 the Purchaser's commercial paper or is considering the issuance of such a rating, for the purposes of reviewing the credit of the 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, the Purchaser and the Administrative Agent may disclose on a "no name" basis to any actual or potential investor in Purchaser's Commercial Paper Notes information regarding the nature of this Agreement, the basic terms hereof (including without limitation the amount and nature of the Purchaser's commitment and Purchaser's Total Investment with respect to the Asset Interest 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) This Section 14.7 shall survive termination of this Agreement.

SECTION 14.8 [RESERVED].

SECTION 14.9 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 14.10 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 14.11 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, EXCEPT TO THE EXTENT THAT THE PERFECTION OF THE INTERESTS OF THE PURCHASER IN THE RECEIVABLES OR RELATED PROPERTY IS GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

SECTION 14.12 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 14.13 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 14.14 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 telecopier shall be as effective as delivery of a manually executed counterpart of a signature page of this Agreement.

SECTION 14.15 NO RECOURSE AGAINST OTHER PARTIES.

The obligations of the Purchaser under this Agreement are solely the corporate obligations of the Purchaser. No recourse shall be had for the payment of any amount owing by the Purchaser under this Agreement or for the payment by the Purchaser of any fee in respect hereof or any other obligation or claim of or against the Purchaser arising out of or based upon this Agreement, against Wachovia or against any employee, officer, director, incorporator or stockholder of the Purchaser. For purposes of this Section 14.15, the term "Wachovia" shall mean and include Wachovia Bank, N.A. and all affiliates thereof and any employee, officer, director, incorporator, stockholder or beneficial owner of any of them; provided, however, that the Purchaser shall not be considered to be an affiliate of Wachovia for purposes of this paragraph. Each of the Seller, the Master Servicer and the Administrative Agent agree that the Purchaser shall be liable for any claims that such party may have against the Purchaser only to the extent the Purchaser has excess funds and to the extent such assets are insufficient to satisfy

the obligations of the Purchaser hereunder, the 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 the Purchaser. Any and all claims against the Purchaser or the Administrative Agent shall be subordinate to the claims of the holders of Commercial Paper and the Liquidity Banks.

SECTION 14.16 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.

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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: /s/ Scott E. Messel

Name: Scott E. Messel

Title: Vice President and Treasurer

LENNOX INDUSTRIES INC., as Master Servicer

By: /s/ Scott E. Messel

Name: Scott E. Messel

Title: Vice President and Treasurer

BLUE RIDGE ASSET FUNDING CORPORATION,
as Purchaser

By: Wachovia Bank, N.A. as Attorney-in-Fact
By: /s/ W. Adrian Jordan

Name: W. Adrian Jordan

Title: Vice President

WACHOVIA BANK, N.A., as Administrative Agent

By: /s/ Kevin T. McConnell

Name: Kevin T. McConnell

Title: Senior Vice President

APPENDIX A
DEFINITIONS

This is Appendix A to the Receivables Purchase Agreement dated as of June 19, 2000 among LPAC Corp., as the Seller, Lennox Industries, Inc., as the Master Servicer, Blue Ridge Asset Funding Corporation, as the Purchaser, and Wachovia Bank, N.A., as the Administrative 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 the Purchaser, each Liquidity Bank, any assignee or participant of the Purchaser or any Liquidity Bank, Wachovia, any successor to Wachovia, as Administrative Agent, or any sub-agent of the Administrative 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.

Allocation Limit: As defined in Section 1.1.

Alternate Base Rate: For any day, the rate per annum equal to the higher as of such day of (a) the Prime Rate, or (b) one-half of one percent above the Federal Funds Rate. For purposes of determining the Alternate 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 Alternate Base Rate is not necessarily intended to be the lowest rate of interest determined by Wachovia in connection with extensions of credit.

Armstrong: Armstrong Air Conditioning Inc., an Ohio corporation.

Armstrong Commencement Date: As defined in the Sale Agreement.

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

Asset Tranche: At any time, a portion of the Asset Interest selected by the Administrative 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:

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

(b) in the case of

(i) any Yield Period commencing on or prior to the first day of which the Purchaser or any Liquidity Bank shall have notified the Administrative Agent that (A) 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 (a) above, or (B) 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 (a) above (and in the case of subclause (A) or (B) above, such Person shall not have subsequently notified the Administrative Agent that such circumstances no longer exist), or

(ii) any Yield Period as to which the Administrative 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 Liquidity Fundings and not by the issuance of Commercial Paper Notes,

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

Bank Rate Spread: As defined in the Fee Letter.

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:

(a) 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 Administrative Agent; and

(b) 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.

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

Collection Period:

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

(b) 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 (a) 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 (b) 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, if any, issued by or on behalf of the Purchaser or that fund, the Purchase by the Purchaser of an Asset Tranche funded at the CP Rate.

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 Discount: The difference between (i) the Face Amount of any Commercial Paper Note and (ii) the proceeds received by the Purchaser with respect to such Commercial Paper Note.

CP Rate: With respect to any CP Tranche Period, the rate equivalent to the rate (or if more than one rate, the weighted average of the rates) at which Commercial Paper Notes having a term equal to such CP Tranche Period are sold plus the amount of any placement agent or commercial paper dealer fees incurred in connection with such sale; provided, however, if the rate (or rates) is a discounted rate (or rates), the CP Rate for such CP Tranche Period shall be the rate (or, if more than one rate, the weighted average of the rates) resulting from converting such discount rate (or rates) to an interest bearing equivalent rate.

CP Tranche Period: A period of up to 270 days commencing on a Business Day determined by the Administrative Agent in consultation with the Seller pursuant to Section 1.2. If such CP Tranche Period would end on a day which is not a Business Day, such CP Tranche Period shall end on the preceding Business Day.

Credit Agreement: That certain 364 Day Revolving Credit Facility Agreement dated as of January 25, 2000 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 such agreement may be 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 and C-2 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 Collection Period.

Days Sales Outstanding or DSO: As of any day, an amount equal to the product of (a) 91 and (b) 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: Means 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: Means a Receivable: (a) as to which any payment, or part thereof, remains unpaid for more than 120 days from the original due date for such payment, (b) 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 (x) the aggregate Unpaid Balance of all Pool Receivables that are Delinquent Receivables on such Cut-Off Date by (y) the aggregate Unpaid Balance of Pool Receivables on such Cut-Off Date.

Delinquent Receivable: A Pool Receivable (a) that is not a Defaulted Receivable and (b) 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 most recent Collection Period 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 (a) the sum of (i) the product of (A) 2 and (B) the Adjusted Dilution Ratio and (ii) the Dilution Volatility Component and (b) the Dilution Horizon Ratio.

Dilution Volatility Component: The product of (a) the positive excess, if any, of (i) the highest three month rolling average Dilution Ratio over the past 12 months over (ii) the Adjusted Dilution Ratio and (b) 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.

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.

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

Earned Discount: For any Yield Period or CP Tranche Period, as applicable, for any Asset Tranche:

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

where:

- PTI = the daily average (calculated at the close of business each day) of the Purchaser's Tranche Investment in such Asset Tranche during such Yield Period or CP Tranche Period, as applicable,
- ER = the Earned Discount Rate for such Yield Period or CP Tranche Period,
- ED = the actual number of days elapsed during such Yield Period or CP Tranche Period, and
- LF = the Liquidation Fee, if any, during such Yield Period or CP Tranche Period.

Earned Discount Rate: For any Yield Period or any CP Tranche Period, as applicable, for any Asset Tranche:

(a) in the case of an Asset Tranche funded by a Liquidity Funding, the Bank Rate for such Asset Tranche and such Yield Period; and

(b) in the case of an Asset Tranche funded by Commercial Paper Notes, the CP Rate for such CP Tranche 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 shall mean a rate per annum equal to the Alternate Base Rate plus 2% per annum.

Eligible Receivable: At any time, a Receivable:

(a) 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;

(b) 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;

(c) 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;

(d) which is not a Defaulted Receivable;

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

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

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

(h) 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;

(i) 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;

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

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

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

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

(n) 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); and

(o) 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 (i) "Authorizer," (ii) "Cash Application," (iii) "Check in Progress," (iv) "COD-Certified Check," (v) "COD-Company Check," (vi) "Consignment Shipment," (vii) "Direct Pay," (viii) "Due Immediately," (ix) "Gratis," (x) "Invoice to be Considered," (xi) "Paid in Advance," (xii) "Payroll Deduction," (xiii) "Warrant Gratis," (xiv) "Warranty Parts," or (xv) any other classification now existing or hereinafter created that has the same or any similar definition as any of the foregoing;

provided, however, that Receivables originated by Armstrong shall not become Eligible Receivables until the Armstrong Commencement Date.

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 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 Administrative 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.

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 the 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 (a) any category of liabilities which includes deposits by reference to which the "London Interbank Offered Rate" or "LIBOR" is to be determined or (b) 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:

(a) 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

(b) 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.

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 the Administrative Agent on such day on such transactions, as reasonably determined by the Administrative Agent.

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 Purchaser's Total Investment 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:

(a) 364 days following the date hereof, or such later date as may, from time to time, be agreed to in writing by the Administrative Agent;

(b) the Administrative Agent declares a Funding Termination Date in a notice to the Seller in accordance with Section 10.2(a); or

(c) 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 Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

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:

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

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

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

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

Heatcraft: Heatcraft Inc., a Mississippi corporation.

Heatcraft Technologies: Heatcraft Technologies Inc., a Delaware corporation

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

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

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

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

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

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

(f) Swaps of such Person; and

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

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) above to the extent such Person remains legally liable in respect 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: As defined in Section 7.4.

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.

Lennox: As defined in the preamble.

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

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

Liquidation Event: As defined in Section 10.1.

Liquidation Fee: For each Asset Tranche (or portion thereof) for each day in any Yield Period or CP Tranche Period (computed without regard to clause (iii) of the proviso of the definition of "Yield Period"), the amount, if any, by which:

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

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

Liquidation Period: The period commencing on the date on which the conditions precedent to Purchases and Reinvestment set forth in Section 5.2 are not satisfied (or expressly waived by the Purchaser) and the Administrative Agent shall have notified Seller and the Master Servicer in writing that the Liquidation Period has commenced, and ending on the Final Payout Date.

Liquidity Agent: Wachovia, as agent for the Liquidity Banks under the Liquidity Agreement, or any successor to Wachovia in such capacity.

Liquidity Agreement: The Liquidity Asset Purchase Agreement dated as of the date hereof among Purchaser, 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 the Purchaser providing for the making of loans, purchase of assets or other extensions of credit to the Purchaser secured by a direct or indirect security interest in the Asset Interest (or any portion thereof), to support all or part of the Purchaser's payment obligations under the Commercial Paper Notes or to provide an alternate means of funding Purchaser'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 Liquidity Agreement or other agreement may be amended, supplemented or otherwise modified from time to time.

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

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

Lockbox Account: Any bank account into which Collections are deposited or transferred.

Lockbox Agreement: A letter agreement, in substantially the form of Exhibit A-1, among the Master Servicer, the Purchaser, 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 (a) two and (b) the highest rolling three month average Default Ratio during the immediately preceding twelve (12) months and (b) the most recently calculated Default Horizon Ratio.

Mandate Letter: As defined in Section 4.1.

Master Servicer: As defined in the preamble.

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

(a) (i) the assets, operations, business or financial condition of the Seller or (ii) 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;

(b) 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

(c) 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

(d) 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):

(a) 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.

(b) 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 Administrative Agent's sole discretion, the Administrative Agent may permit certain obligors to have an Obligor Concentration Limit in excess of those described in clauses (a) and (b) above ("Special

Obligor"); provided that any such Special Obligor designation shall not take effect without the confirmation of approval to the Administrative Agent by each of Moody's and S&P of such designation.

Originator: Each of Lennox, Heatcraft and Armstrong (provided, that Armstrong shall not become an Originator until the Armstrong Commencement Date) in their capacity as originators 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.

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.

Purchase: As defined in Section 1.1.

Purchase Limit: As defined in Section 1.1.

Purchaser: As defined in the preamble.

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

Purchaser's Total Investment: At any time with respect to the Asset Interest an amount equal to (a) the aggregate of the amounts theretofore paid to Seller for Purchases pursuant to Sections 1.1 and 1.2, less (b) the aggregate amount of Collections theretofore received and actually distributed to Purchaser on account of such Purchaser's Total Investment pursuant to Section 1.3.

Purchaser's Tranche Investment: In relation to any Asset Tranche, the amount of the Purchaser's Total Investment 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 Purchaser's Total Investment.

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 Bank) 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 court or governmental or monetary authority charged with the interpretation or administration thereof.

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

Related Assets: (a) all rights to, but not any obligations under, all related Contracts and other Related Security related to any Pool Receivables, (b) all rights and interests of the Seller hereunder under the Sale Agreement in relation to any Pool Receivables, (c) all books and records evidencing or otherwise relating to any Pool Receivables, (d) all Lockbox Accounts and all cash and investments therein, to the extent constituting or representing the items in the following clause (e) and (e) 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: (a) all Contracts that relate to such Pool Receivable; (b) all merchandise (including returned merchandise), if any, relating to the sale which gave rise to such Pool Receivable; (c) 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; (d) 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); (e) 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 (f) 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 (a) the Required Reserve Factor Floor and (b) the sum of (i) the Loss Reserve, (ii) the Dilution Reserve, (iii) the Yield Reserve, and (iv) the Servicing Reserve.

Required Reserve Factor Floor: 13.0%.

Revolving Period: Means the period beginning on the date hereof and ending on the earlier of (a) June 19, 2003 and (b) 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.

SEC: The Securities and Exchange Commission.

Secured Parties: The Purchaser, the Administrative Agent, 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: (a) an amount equal to the product of (i) the Servicing Fee rate, (ii) the aggregate Unpaid Balance of the Pool Receivables at the close of business on the first day of such Collection Period, and (iii) 1/360; or (b) 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 (i) 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 (ii) the number of days in such Collection Period.

Servicing Fee Rate: 1.00% per annum.

Servicing Reserve: The product of (a) the Servicing Fee Rate and (b) 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:

(a) 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);

(b) the Funding Termination Date;

(c) 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 Purchaser's Total Investment has been reduced to zero, all accrued Earned Discount 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

(d) the date on which any of the following shall occur:

(i) 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

(ii) 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, the Mandate 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 Administrative Agent incurred in connection with the consummation of this Agreement and

each other Transaction Document, including but not limited to (i) the legal fees of Kilpatrick Stockton LLP, counsel to the Administrative Agent, (ii) expenses incurred in connection with any due diligence audit and (iii) out-of-pocket expenses of the Administrative Agent.

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,

(a) the period commencing on the date of the initial Purchase of the Asset Interest, the making of such Liquidity Funding or the creation of such Asset Tranche pursuant to Section 2.1 (whichever is latest) and ending 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 Administrative Agent.

Yield Reserve: On any date of determination, the product of (a) 1.5, (b) the Alternate Base Rate and c) 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(i)

DESCRIPTIONS OF MATERIAL ADVERSE CHANGES

Seller: None

Originators:

Lennox: None

Heatcraft: None

SCHEDULE 6.1(n)

LIST OF OFFICES OF MASTER SERVICER AND SELLER WHERE RECORDS ARE KEPT

Seller

LPAC Corp.
2140 Lake Park Blvd.
Richardson, TX 75080-2254

Master Servicer

Lennox Industries Inc.
2100 Lake Park Blvd.
Richardson, TX 75080-2254

400 Norris Glen Road
Etobicoke, ON Canada M9C 1H5

Heatcraft Inc.

ADP Plant
1995 Air Industrial Park Road
Grenada, MS 38901

Heat Transfer Division
3984 Highway 51 South
Grenada, MS 38901

HRPD

2175 West Park Place Blvd.
Stone Mountain, GA 30087

Electrical Products Division

315 Murfreesboro Street
Murfreesboro, TN 37127

Armstrong Air Conditioning Inc.

421 Monroe Street
Bellevue, OH 44811

SCHEDULE 6.1(o)

LIST OF LOCKBOX BANKS
MAIN OFFICE ADDRESS & ACCOUNT NUMBER

Chase Bank of Texas, N.A.
P.O. Box 660197
Dallas, TX 75266-0197
Lennox Industries Inc.
Lockbox Account No. 07300186205

The Northern Trust Company
50 South LaSalle Street
Chicago, IL 60675
Lennox Industries Inc.
Lockbox Account No. 30996733

The Northern Trust Company
50 South LaSalle Street
Chicago, IL 60675
Heatcraft - Grenada
Lockbox Account No. 30184182

Wachovia Bank, N.A.
191 Peachtree Street, N.E.
Atlanta, GA 30303
Heatcraft - Stone Mountain, Danville, Tifton
Lockbox Account No. 1868075223

Wachovia Bank, N.A.
191 Peachtree Street, N.E.
Atlanta, GA 30303
Heatcraft - Grenada
Lockbox Account No. 1868019492

SCHEDULE 14.2
NOTICE ADDRESSES

Seller:

LPAC Corp.
Mail: P.O. Box 799900
Dallas, TX 75379-9900
Physical Address: 2140 Lake Park Blvd.
Richardson, TX 75080-2254
Attention: Scott Messel, Vice President and Treasurer
Phone No.: 972-497-6818
Facsimile No.: 972-497-6940

Servicers:

Lennox Industries Inc.
Mail: P.O. Box 799900
Dallas, TX 75379-9900
Physical Address: 2100 Lake Park Blvd.
Richardson, TX 75080-2254
Attention: Michael E. Kinney, Controller, North American Sales
Phone No.: 972-497-5363
Facsimile No.: 972-497-5254

Physical Address: 400 Norris Glen Road
Etobicoke, ON, Canada M9C 1H5

Heatcraft Inc.
Mail: P.O. Box 948
Grenada, MS 38902-0948
Physical Address: 3984 Highway 51 South
Grenada, MS 38901
Attention: Lowell Fry, Group Controller and
HTD Vice President - Administration
Phone No.: 601-229-2258
Facsimile No.: 601-229-2226

Armstrong Air Conditioning Inc.
421 Monroe Street
Bellevue, OH 44811
Attention: David L. Inman, Controller
Phone No.: 419-483-4840, extension 2312
Facsimile No.: 419-483-4942

Copies to:

Carl E. Edwards, Jr., General Counsel
Lennox International Inc.
Mail: P.O. Box 799900
Dallas, TX 75379-9900
Physical Address: 2140 Lake Park Blvd.
Richardson, TX 75080-2254
Facsimile No.: 972-497-5268

Scott Messel, Vice President and Treasurer
Lennox International Inc.
Mail: P.O. Box 799900
Dallas, TX 75379-9900
Physical Address: 2140 Lake Park Blvd.
Richardson, TX 75080-2254
Facsimile No.: 972-497-6940

Purchaser:

Blue Ridge Asset Funding Corporation
c/o: Wachovia Bank, N.A., as Administrative Agent
100 North Main Street
Winston-Salem, NC 27150
Attention: John Dillon

Administrative Agent:

Wachovia Bank, N.A.
191 Peachtree Street, Suite 423
Atlanta, GA 30303
Attention: Elizabeth Wagner
Facsimile No.: 404-332-5152
Telephone No.: 404-332-1398

EXHIBIT 1.2 (a)
FORM OF PURCHASE REQUEST

Wachovia Bank, N.A.
191 Peachtree Street, N.E., GA-423
Atlanta, Georgia 30303
Attention: Elizabeth Wagner

Ladies and Gentlemen:

Reference is made to the Receivables Purchase Agreement dated as of June 19, 2000 (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 purchaser (the "Purchaser") and Wachovia Bank N.A., as administrative agent for Purchaser (the "Administrative 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 Purchaser and the Administrative Agent 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, Purchaser's Total Investment and aggregate CP Discount will not exceed the available Purchase Limit, and the Asset Interest will not exceed the Allocation Limit; and

(e) the Termination Date shall not have occurred.

II. The undersigned, as Seller hereby requests that the Purchaser make a Purchase on _____, ____ (the "Purchase Date") as follows:

- \$ - Face value of maturing CP
- \$ - Principal paydown by Seller
- \$ _____ - Discount to be paid by Seller
- \$ - Minimum net proceeds needed from rolling CP to effect Purchase in required amount
- \$ - Requested face value CP to mature on _____
- \$ _____ - Requested face value CP to mature on _____
- \$ - aggregate requested face value CP to be issued on Purchase Date

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

[LETTERHEAD OF ORIGINATOR]

_____, ___, 200_

[LOCKBOX BANK]

Ladies and Gentlemen:

Reference is made to our Lockbox account no. _____ maintained with you (the "Account") pursuant to a Lockbox agreement between the undersigned and you, the terms and conditions of which are incorporated herein by reference (the "Lockbox Agreement"). Pursuant to a Purchase and Sale Agreement, dated as of June 19, 2000, as amended, supplemented or otherwise modified from time to time, among the undersigned, as seller, and LPAC Corp., as purchaser, we have sold and/or may hereafter sell to LPAC Corp. certain of the accounts, chattel paper, instruments or general intangibles (collectively, "Receivables") with respect to which payments are or may hereafter be made to the Account. Pursuant to a Receivables Purchase Agreement, dated as of June 19, 2000 (as amended, supplemented or otherwise modified from time to time, the "Receivables Purchase Agreement"), among LPAC Corp., as seller, Lennox Industries Inc., as master servicer ("Master Servicer") (LPAC Corp. and the Master Servicer being referred to hereinafter collectively as the "Seller Parties"), Blue Ridge Asset Funding Corporation ("Blue Ridge"), as purchaser and Wachovia Bank, N.A., as administrative agent (the "Administrative Agent"), LPAC Corp. has assigned and/or may hereafter assign to Blue Ridge an undivided percentage interest in the Receivables.

For purposes of this letter agreement, Wachovia Bank, N.A. is acting as Administrative Agent for Blue Ridge. We hereby transfer exclusive ownership and control of the Account to the Administrative Agent, for the benefit of Blue Ridge, subject only to the condition subsequent that the Administrative Agent shall have given you notice of its election to assume such ownership and control, which notice shall be substantially in the form attached hereto as Annex A.

We hereby irrevocably instruct you, at all times from and after the date of your receipt of notice from the Administrative Agent of its assumption of control of the Account as described above, (i) to make all payments to be made by you out of or in connection with the Account directly to the Administrative Agent in accordance with the instructions of the Administrative Agent, (ii) to hold all moneys and instruments delivered to the Account or any Lockbox administered by you for the order of the Administrative Agent (for the benefit of Blue Ridge), (iii) to refrain from initiating any transfer from the Account to any Seller Party and (iv) to change the name of the Account to "Wachovia Bank, N.A., as Administrative Agent for Blue Ridge Asset Funding Corporation". The Administrative Agent agrees to execute your standard wire transfer

documentation in effect from time to time, or other customary documentation related to wire transfers, prior to the initiation of any wire transfers.

We also hereby notify you that, at all times from and after the date of your receipt of notice from the Administrative Agent as described above, the Administrative Agent shall be irrevocably entitled to exercise in our place and stead any and all rights in respect of or in connection with the Account, including, without limitation, (a) the right to specify when payments are to be made out of or in connection with the Account and (b) the right to require preparation of duplicate monthly bank statements on the Account for the Administrative Agent's audit purposes and mailing of such statements directly to the Administrative Agent at an address specified by the Administrative Agent.

Notices from the Administrative Agent and other notices or communications under this letter agreement may be personally served or sent by facsimile or by certified mail, return receipt requested, or by express mail or courier, to the address or facsimile number set forth under the signature of the relevant party to this letter agreement (or to such other address or facsimile number as the relevant party shall have designated by written notice to the party giving the aforesaid notice or other communication). Notwithstanding the foregoing, any notice delivered by you may be delivered by regular mail. If notice is given by facsimile, it will be deemed to have been received when the notice is sent and receipt is confirmed by telephone or other electronic means. All other notices will be deemed to have been received when actually received or, in the case of personal delivery, delivered.

By executing this letter agreement, you acknowledge the existence of the Administrative Agent's right to ownership and control of the Account and its ownership (on behalf of Blue Ridge and LPAC Corp. as the parties having interests in such amounts) of the amounts from time to time on deposit therein, and agree that from the date hereof the Account shall be maintained by you for the benefit of, and amounts from time to time therein held by you for, the Administrative Agent (on behalf of Blue Ridge and LPAC Corp.) on the terms provided herein. Except as otherwise provided in this letter agreement, payments to the Account are to be processed in accordance with the standard procedures currently in effect. All service charges and fees with respect to the Account shall continue to be payable by us as under the arrangements currently in effect.

By executing this letter agreement, you irrevocably waive and agree not to assert, claim or endeavor to exercise, irrevocably bar and estop yourself from asserting, claiming or exercising, and acknowledge that you have not heretofore received a notice, writ, order or any form of legal process from any other party asserting, claiming or exercising, any right of set-off, banker's lien or other purported form of claim with respect to the Account or any funds from time to time therein. Except for your right to payment of your service charges and fees and your right to make deductions for returned items, you shall have no rights in the Account or funds therein. To the extent you may ever have such rights, you hereby expressly subordinate all such rights to all rights of the Administrative Agent.

You may terminate this letter agreement by canceling the Account maintained with you, which cancellation and termination shall become effective only upon 90 days' prior written notice

thereof from you to the Administrative Agent. Incoming mail addressed to the Account received after such cancellation shall be forwarded in accordance with the Administrative Agent's instructions. This letter agreement may also be terminated upon written notice to you by the Administrative Agent stating that the Receivables Purchase Agreement is no longer in effect. Except as otherwise provided in this paragraph, this letter agreement may not be terminated or amended without the prior written consent of the Administrative Agent.

Notwithstanding any other provision of this letter agreement, it is agreed by the parties hereto that you shall not be liable to Blue Ridge or the Administrative Agent for any action taken by you or any of your directors, officers, agents or employees in accordance with this letter agreement at the request of the Administrative Agent, except for your or such person's own gross negligence or willful misconduct.

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. This letter agreement shall be governed by and interpreted under the laws of the State of New York.

Please acknowledge your agreement to the terms set forth in this letter agreement by signing the six copies of this letter agreement enclosed herewith in the space provided below and returning each of such signed copies to the Administrative Agent.

Very truly yours,

[NAME OF ORIGINATOR]

By: _____

Name: _____

Title: _____

Address for notice:
P.O. Box 799900
Dallas, Texas 75379-9900
Attention: Scott E. Messel
Facsimile No.: (972) 497-6940

Accepted and confirmed as of the date first written above:

BLUE RIDGE ASSET FUNDING CORPORATION,
as Purchaser

By: _____
Name: _____
Title: _____

Address for notice:
c/o Wachovia Bank, N.A., as Administrative Agent
100 North Main Street
Winston-Salem, North Carolina 27150
Attention: John Dillon
Facsimile No: (336) 732-5021

WACHOVIA BANK, N.A.,
as Administrative Agent

By: _____
Name: _____
Title: _____

Address for notice:
191 Peachtree Street, N.E., GA-423
Atlanta, Georgia 30303
Attention: Elizabeth Wagner
Facsimile: (404) 332-5152
Acknowledged and agreed to as of
the date first written above:

LPAC CORP.

By: _____
Name: _____
Title: _____

Address for notice:
2140 Lake Park Blvd.
Richardson, Texas 75080
Attention: Treasurer
Facsimile No: _____

[LOCKBOX BANK]

By: _____

Name: _____

Title: _____

Address for notice:

- _____

- _____

- _____

Attention: _____

Facsimile No: _____

[FORM OF NOTICE OF ASSUMPTION OF CONTROL OF ACCOUNT]

[LETTERHEAD OF WACHOVIA BANK, N.A.]

_____, 200_

[NAME OF LOCKBOX BANK]
[ADDRESS OF LOCKBOX BANK]

- - - - -

- - - - -

Re: [Name of Originator]
Lockbox Account No.

Ladies and Gentlemen:

Reference is made to the letter agreement dated _____, 200_ (as amended, supplemented or otherwise modified from time to time, the "Letter Agreement") among LPAC Corp., Lennox Industries Inc., Blue Ridge Asset Funding Corporation (the "Purchaser"), Wachovia Bank, N.A., as Administrative Agent for the Purchaser, and you, concerning the above-described Lockbox account (the "Account").

We hereby give you notice of our assumption of ownership and control of the Account as provided in the Letter Agreement.

We hereby instruct you to make all payments to be made by you out of or in connection with the Account [DIRECTLY TO THE UNDERSIGNED, AT [OUR ADDRESS SET FORTH ABOVE], FOR THE ACCOUNT OF [BLUE RIDGE ASSET FUNDING CORPORATION] (ACCOUNT NO. _____)].

[OTHER INSTRUCTIONS]

Very truly yours,
WACHOVIA BANK N.A.,
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 Receivables Purchase Agreement dated as of June 19, 2000 (the "Agreement") among LPAC Corp., as Seller, Lennox Industries Inc., as Master Servicer, Blue Ridge Asset Funding Corporation, as Purchaser, and Wachovia Bank, N.A., as Administrative 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

[HEATCRAFT INC.]

CREDIT AND COLLECTION POLICY

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

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		38,017
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