

LENNOX INTERNATIONAL INC

Form POS AM

December 12, 2003

As Filed with the Securities and Exchange Commission on December 12, 2003

Registration No. 333-91136

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Post-Effective Amendment No. 7
to**

Form S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Lennox International Inc.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

42-0991521

*(I.R.S. Employer
Identification Number)*

**2140 Lake Park Boulevard
Richardson, Texas 75080
(972) 497-5000**

*(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)*

**Carl E. Edwards, Jr.
Executive Vice President,
Chief Legal Officer and Secretary
Lennox International Inc.
2140 Lake Park Boulevard
Richardson, Texas 75080
(972) 497-5000**

*(Name, address, including zip code, and telephone number, including
area code, of agent for service)*

Copy to:

Douglass M. Rayburn

**Baker Botts L.L.P.
2001 Ross Avenue
Dallas, Texas 75201
(214) 953-6500**

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

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

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

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

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

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SUBJECT TO COMPLETION, DATED DECEMBER 12, 2003

PROSPECTUS

\$143,750,000

Lennox International Inc.

6 1/4% Convertible Subordinated Notes Due June 1, 2009

and

Shares of Common Stock Issuable upon Conversion of the Notes

This prospectus relates to \$143,750,000 in aggregate principal amount of 6 1/4% Convertible Subordinated Notes due June 1, 2009 of Lennox International Inc. and 7,947,478 shares of common stock of Lennox International Inc., which are initially issuable upon conversion of the notes, plus an indeterminate number of shares as may become issuable upon conversion as a result of adjustments to the conversion rate in connection with a stock split, stock dividend or similar event. The notes were originally issued and sold by Lennox International Inc. in a private placement on May 8, 2002. This prospectus will be used by selling securityholders to resell their notes and the common stock issuable upon conversion of the notes.

We will not receive any proceeds from the sale of the notes or shares of common stock issuable upon conversion of the notes by any of the selling securityholders. Holders of the notes or the shares of our common stock issuable upon conversion of the notes may offer the notes or the

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common stock for sale at any time at market prices prevailing at the time of sale or at privately negotiated prices. The selling holders may sell the notes or the common stock directly to purchasers or through underwriters, broker-dealers or agents, who may receive compensation in the form of discounts, concessions or commissions.

Interest on the notes is payable on June 1 and December 1 of each year, commencing on December 1, 2002.

Upon the limited circumstances described in this prospectus, including the closing price of our common stock reaching a specified threshold above the conversion premium, the notes will be convertible into 55.2868 shares of our common stock per \$1,000 principal amount of notes, subject to adjustment in certain circumstances. This rate results in an initial conversion price of approximately \$18.09 per share. For a discussion of the limited circumstances upon which the notes will be convertible, see **Description of Notes Conversion Rights** beginning on page 9.

On or after June 3, 2005, we may at our option redeem the notes, in whole or in part, at the redemption prices described in this prospectus, plus any accrued and unpaid interest to the redemption date; provided that the closing price of our common stock has exceeded 130% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day prior to the date of mailing of the optional redemption notice. In the event of a change in control (as defined in this prospectus) of Lennox International Inc., each holder of notes may require us to repurchase the notes at 100% of the principal amount of the notes plus accrued and unpaid interest.

The notes are junior to all of our existing and future senior indebtedness and will be structurally subordinated to all existing and future liabilities of our subsidiaries, including trade payables, lease commitments and money borrowed.

Our common stock is listed on the New York Stock Exchange under the symbol **LII**. The last reported sale price on December 11, 2003 was \$17.08 per share.

The notes originally issued in the private placement are eligible for trading on the PORTAL Market of the National Association of Securities Dealers, Inc. However, notes sold pursuant to this prospectus will no longer be eligible for trading on the PORTAL Market. We do not intend to list the notes on any national securities exchange.

Investing in the Notes or our Common Stock involves risks. See **Risk Factors beginning on page 2.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus is _____, 2003

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IMPORTANT NOTICE TO READERS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, using a shelf registration process. Under this shelf registration process, the selling securityholders may, from time to time, offer notes or shares of our common stock owned by them. Each time the selling securityholders offer notes or common stock under this prospectus, they will provide a copy of this prospectus and, if applicable, a copy of a prospectus supplement. You should read both this prospectus and, if applicable, any prospectus supplement together with the information incorporated by reference in this prospectus. See [Where You Can Find More Information](#) and [Incorporation by Reference](#) for more information.

We have not authorized anyone else to provide you with information different from that contained in this prospectus. If anyone provides you with different information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus or any document incorporated by reference in this prospectus is accurate only as of the date on the front cover of the applicable document or as specifically indicated in the document. Our business, financial condition, results of operations and prospects may have changed since that date.

Unless otherwise indicated, in this prospectus, Lennox, the Company, we, us and our refer to Lennox International Inc. and our subsidiaries.

LENNOX INTERNATIONAL INC.

We are a leading global provider of climate control solutions. We design, manufacture, market, install, service and repair a broad range of products for the heating, ventilation, air conditioning and refrigeration, or HVACR, markets. Our products are sold under well-established brand names including Lennox, Armstrong Air, Ducane, Bohn, Larkin, Advanced Distributor Products, Heatcraft, Service Experts and others. Historically, we have sold our Lennox brand of residential heating and air conditioning products directly to a network of installing dealers, which currently numbers approximately 6,500, making us one of the largest wholesale distributors of these products in North America. In September 1998, we initiated a program to acquire dealers or service centers in metropolitan areas in the United States and Canada so that we can provide heating and air conditioning products and services directly to consumers. We greatly expanded this program with the acquisition of Service Experts Inc. in January 2000.

Our principal executive offices are located at 2140 Lake Park Boulevard, Richardson, Texas 75080. Our telephone number at that location is (972) 497-5000.

RISK FACTORS

You should carefully consider all of the information contained or incorporated by reference in this prospectus before deciding whether to invest in the notes and, in particular, the information set forth below. These and other risks could materially and adversely affect our business, operating results or financial condition.

Risks Related to Our Business

Our Business Can be Hurt by an Economic Downturn.

Our business is affected by a number of economic factors, including the level of economic activity in the markets in which we operate. A decline in economic activity in the United States could materially affect our financial condition and results of operations. Sales in the residential and commercial new construction market correlate closely to the number of new homes and buildings that are built, which in turn is influenced by cyclical factors such as interest rates, inflation, consumer spending habits, employment rates and other macroeconomic factors over which we have no control. In the HVACR business, a decline in economic activity, such as that experienced in 2001, as a result of these cyclical or other factors typically results in a decline in new construction and replacement purchases, which would result in a decrease in our sales volume and profitability.

Cooler than Normal Summers and Warmer than Normal Winters May Depress Our Sales.

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

We May Incur Material Costs as a Result of Warranty and Product Liability Claims Which Would Negatively Affect Our Profitability.

The development, manufacture, sale and use of our products involve a risk of warranty and product liability claims. In addition, because we own installing heating and air conditioning dealers in the United States and Canada, we incur the risk of liability claims for the installation and service of heating and air conditioning products. Our product liability insurance policies have limits that if exceeded, may result in material costs that would have an adverse effect on our future profitability. In addition, warranty claims are not covered by our product liability insurance and there may be types of product liability claims that are also not covered by our product liability insurance.

We May Not be Able to Successfully Integrate the Businesses that We Have Acquired.

We have completed approximately 110 acquisitions since the beginning of 1998. The success of our business will depend in part on our ability to integrate and operate the acquired businesses profitably and to identify and implement opportunities for cost savings.

Our Substantial Indebtedness Will Limit Cash Flow Available for Our Operations and Could Adversely Affect Our Ability to Service Debt or Obtain Additional Financing, if Necessary.

As of September 30, 2003, we had \$372.8 million of consolidated indebtedness outstanding and \$561.0 million of consolidated stockholders equity. In addition, we had \$141.7 million of additional credit available under our credit facility.

Our significant level of indebtedness will have several important consequences to our operations and for the holders of the notes, including:

we will need to use a large portion of our consolidated cash flow to pay principal and interest on the notes and other indebtedness, which will reduce the amount of money available to finance our operations and other business activities;

we may have difficulty borrowing money in the future for working capital, capital expenditures, acquisitions or other purposes;

we may have a much higher level of debt than some of our competitors, which may put us at a competitive disadvantage;

our debt level will make us more vulnerable to economic downturns and adverse developments in our business;

we are exposed to the risk of increasing interest rates because some of our debt, including debt under our senior credit facility, has variable rates of interest;

our debt level will reduce our flexibility to respond to changing business and economic conditions, including increased competition in our industry; and

our debt level will limit our ability to pursue other business opportunities, borrow more money for operations or capital in the future and implement our business strategy.

Our ability to make payments with respect to the notes will depend on our future operating performance, which will be affected by prevailing economic conditions and financial, business, competitive and other factors. We will not be able to control many of these factors, such as the economic conditions in the markets in which we operate and initiatives taken by our competitors. We cannot be certain that our cash flow will be sufficient to allow us to pay principal and interest on our debt, including the notes, and to meet our other obligations. If we do not have enough money to do so, we may be required to refinance all or part of our existing debt, including the notes, sell assets or borrow more money. We may not be able to do so on commercially reasonable terms, if at all. In addition, the terms of our existing or future debt arrangements, including our credit facility, may restrict us from adopting any of these alternatives.

We and Our Subsidiaries May Incur Substantially More Debt Which Would Increase Our Leverage and the Risk to You of Holding the Notes.

We and our subsidiaries may incur substantial additional debt in the future. Some or all of any future borrowings could be senior to the notes. If new debt is added to our and our subsidiaries' current debt levels, the risks to you of holding the notes may increase. The indenture governing the notes does not restrict the incurrence of indebtedness ranking senior to the notes or other debt either by us or our subsidiaries.

Our Dependence on Our Subsidiaries for Cash Flow May Negatively Affect Our Business and Our Ability to Pay the Principal, Interest and Other Amounts Due on the Notes.

Our ability to meet our cash obligations in the future will be dependent upon the ability of our subsidiaries to make cash distributions to us. The ability of our subsidiaries to make these distributions is and will continue to be restricted by, among other limitations, applicable provisions of governing law and contractual provisions. The indenture governing the notes does not limit the ability of our subsidiaries to incur such restrictions in the future. Our right to participate in the assets of any subsidiaries (and thus the ability of holders of the notes to benefit indirectly from such assets) is generally subject to the prior claims of creditors, including trade creditors, of that subsidiary except to the extent that we are recognized as a creditor of such subsidiary, in which case our claim would still be subject to any security interest of other creditors of such subsidiary. The notes, therefore, are structurally subordinated to creditors, including trade creditors, of our subsidiaries with respect to the assets of the subsidiaries against which such creditors have a claim.

The Consolidation of Distributors and Dealers Could Force Us to Lower Our Prices or Hurt Our Brand Names, Which Would Result in Lower Sales.

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

We May Not be Able to Compete Favorably in the Highly Competitive HVACR Business.

Competition in our various markets could cause us to reduce our prices or lose market share, or could negatively affect our cash flow, which could have an adverse effect on our future financial results. Substantially all of the markets in which we participate are highly competitive. The most significant competitive factors we face are product reliability, product performance, service and price, with the relative importance of these factors varying among our product lines. Other factors that affect competition in the HVACR market include the development and application of new technologies and an increasing emphasis on the development of more efficient HVACR products. Moreover, new product introductions are an important factor in the market categories in which our products compete. Several of our competitors have greater financial and other resources than we have, allowing them to invest in more extensive research and development. In addition, our company-owned dealers face competition from independent dealers and dealers owned by consolidators and utility companies, some of whom may be able to provide their products or services at lower prices than we can. We may not be able to compete successfully against current and future competition and current and future competitive pressures faced by us may materially adversely affect our business and results of operations.

We May Not be Able to Successfully Develop and Market New Products.

Our future success will depend upon our continued investment in research and new product development and our ability to continue to realize new technological advances in the HVACR industry. Our inability to continue to successfully develop and market new products or our inability to achieve technological advances on a pace consistent with that of our competitors could lead to a material adverse effect on our business and results of operations.

We May be Adversely Affected by Problems in the Availability of or Increases in the Prices of Components and Raw Materials.

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

Since a Significant Percentage of Our Workforce Is Unionized, We Face Risks of Work Stoppages and Other Labor Relations Problems.

We are subject to a risk of work stoppage and other labor relations matters because a significant percentage of our workforce is unionized. As of January 2003, approximately 22% of our workforce was unionized. As we expand our operations, we are subject to increased unionization of our workforce. The results of future negotiations with these unions, including the effects of any production interruptions or labor stoppages, could have an adverse effect on our future financial results.

Moreover, our ability to provide high-quality mechanical and electrical services on a timely basis requires an adequate supply of skilled technicians. Many companies in our industry are currently experiencing shortages of qualified technicians. We may not be able to maintain an adequate skilled labor force or our labor expenses could increase. A shortage of skilled labor would require us to curtail our planned internal growth or may require us to use less-skilled labor which could adversely affect our ability to perform.

Exposure to Environmental Liabilities Could Adversely Affect Our Results of Operations.

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

The United States and other countries have established programs for limiting the production, importation and use of certain ozone depleting chemicals, including refrigerants that we use in most of our air conditioning and refrigeration products. Some categories of these refrigerants have been banned completely and others are currently scheduled to be phased out in the United States by the year 2030. The United States is under pressure from the international environmental community to accelerate the current 2030 deadline. In Europe, this phase out may occur even sooner. The industry's failure to find suitable replacement refrigerants for substances that have been or will be banned or the acceleration of any phase out schedules for these substances by governments could have an adverse effect on our future financial results.

The Norris Family Will be Able to Exercise Significant Control Over Our Company.

We believe that a significant portion of the outstanding shares of our common stock is broadly distributed among approximately 110 descendants of or persons otherwise related to D.W. Norris, one of our original owners. Accordingly, if the Norris family were to act together it would have the ability to determine the outcome of any action requiring the approval of the holders of our common stock, including the election of all of our board of directors. Circumstances may occur in which the interests of the Norris family could conflict with your interests as a holder of the notes or a holder of our common stock issued upon conversion of the notes.

Our Stockholder Rights Plan and Some Provisions in Our Certificate of Incorporation and Our Bylaws Could Delay or Prevent a Change in Control.

Our stockholder rights plan and our governing documents contain provisions that make it more difficult to implement corporate actions that may have the effect of delaying, deterring or preventing a change in control. A stockholder might consider a change in control in his or her best interest because he or she might receive a premium for his or her common stock. Examples of these provisions include:

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

our board of directors is divided into three classes, each serving three-year terms;

members of our board of directors may be removed only for cause and only upon the affirmative vote of at least 80% of our outstanding voting stock; and

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

Our board of directors has the ability, without stockholder action, to issue shares of preferred stock that could, depending on their terms, delay, discourage or prevent a change in control of Lennox. In addition, the Delaware General Corporation Law, under which we are incorporated, contains provisions that impose

restrictions on business combinations such as mergers between us and a holder of 15% or more of our voting stock. See Description of Capital Stock for a more complete description of these provisions.

Our Former Use of Arthur Andersen LLP as Our Independent Auditors May Pose Risk to Us and Will Limit Your Ability to Seek Potential Recoveries from Them Related to Their Work.

On June 15, 2002, Arthur Andersen LLP, our former independent auditor, was convicted on a federal obstruction of justice charge, and as of August 30, 2002, Arthur Andersen ceased practicing before the SEC. Some investors, including institutional investors, may choose not to invest in or hold securities of a company whose financial statements were audited by Arthur Andersen, which may serve to, among other things, suppress the price of our securities. On May 20, 2002, our board of directors decided to no longer engage Arthur Andersen and engaged KPMG LLP to serve as our independent auditors.

SEC rules require us to present our audited financial statements in various SEC filings, along with Arthur Andersen's consent to our inclusion of its audit report in those filings. The SEC recently has provided regulatory relief designed to allow companies that file reports with the SEC to dispense with the requirement to file a consent of Arthur Andersen in certain circumstances. We have been unable to obtain, after reasonable efforts, the written consent of Arthur Andersen to our naming it as an expert and as having audited the consolidated financial statements incorporated by reference into this prospectus. Notwithstanding the SEC's regulatory relief, the inability of Arthur Andersen to provide its consent or to provide assurance services to us could negatively affect our ability to, among other things, access the public capital markets. Any delay or inability to access the public markets as a result of this situation could have a material adverse impact on our business. Also, an investor's ability to seek potential recoveries from Arthur Andersen related to any claims that an investor may assert as a result of the work performed by Arthur Andersen will be limited significantly in the absence of a consent and may be further limited by the diminished amount of assets of Arthur Andersen that are or may in the future be available for claims.

Any Future Determination that a Significant Impairment of the Value of Our Goodwill Intangible Asset has Occurred Could Have a Material Adverse Affect on Our Results of Operations.

We had goodwill net of accumulated amortization, of approximately \$439.9 million on our balance sheet as of September 30, 2003. Any future determination that a significant impairment of the value of goodwill has occurred would require a write-down of the impaired portion of unamortized goodwill to fair value, which would reduce our assets and shareholders' equity and could have a material adverse affect on our results of operations.

Risks Related to the Notes

The Notes Will be Subordinated to Our Senior Indebtedness and Will be Structurally Subordinated to All Liabilities of Our Subsidiaries.

The notes are junior in right of payment to all of our existing and future senior indebtedness, and are structurally subordinated to all liabilities of our subsidiaries, including trade payables, lease commitments and money borrowed. As of September 30, 2003, we and our subsidiaries had approximately \$229.0 million of consolidated obligations effectively ranking senior to the notes. The indenture governing the notes does not restrict the incurrence of senior indebtedness or other debt by us or our subsidiaries. Substantially all of our operations are conducted through subsidiaries. None of our subsidiaries has guaranteed or otherwise become obligated with respect to the notes and, as a result, the notes will be structurally subordinated to all indebtedness and other obligations of our subsidiaries with respect to our subsidiaries' assets. By reason of such subordination, in the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of our business, our assets will be available to pay the amounts due on the notes only after all of our senior indebtedness has been paid in full, and, therefore, there may not be sufficient assets remaining to pay amounts due on any or all of the notes then outstanding. See Description of Notes Subordination of Notes.

We May Not Permitted to Pay Principal or Interest on the Notes if an Event of Default Occurs Under Our Senior Indebtedness.

Under the indenture, we are generally not permitted to pay any amount due on the notes if an event of default with respect to the payment of principal, premium or interest on senior indebtedness exists. If a default, other than a default in payment of principal, premium or interest, has occurred with respect to our senior indebtedness, then we generally cannot pay any amount due on the notes until the earlier of (1) the date on which the event of default has been cured or waived or (2) 180 days after the notice of default is received. In addition, we generally may not pay any amount due on the notes if the maturity of senior indebtedness has been accelerated until the senior indebtedness has been paid or the acceleration has been cured or waived.

We May Not Have the Ability to Raise the Funds Necessary to Finance the Change in Control Offer Required by the Indenture.

If we undergo a change in control (as defined in the indenture), each holder of the notes may require us to repurchase all or a portion of the holder's notes. There may not be sufficient funds available for any required repurchases of the notes if a change in control occurs. In addition, the terms of any agreements related to borrowing which we may enter from time to time may prohibit or limit or make our repurchase of notes an event of default under those agreements. If we fail to repurchase the notes in that circumstance, we will be in default under the indenture governing the notes. See Description of Notes-Change In Control Permits Purchase of Notes by Us at the Option of the Holder.

Absence of a Public Market for the Notes Could Cause Purchasers of the Notes to be Unable to Resell Them for an Extended Period of Time.

There is no established trading market for the notes. The notes originally issued in the private placement are eligible for trading on the PORTAL Market. However, notes sold pursuant to this prospectus will no longer be eligible for trading on the PORTAL Market. The notes will not be listed on any securities exchange or included in any automated quotation system. An active trading market for the notes may not develop or, if such market develops, it may not be very liquid.

If a trading market does not develop or is not maintained, holders of the notes may experience difficulty in reselling, or an inability to sell, the notes. If a market for the notes develops, any such market may be discontinued at any time. If a public trading market develops for the notes, future trading prices of the notes will depend on many factors, including, among other things, the price of our common stock into which the notes are convertible, prevailing interest rates, our operating results and the market for similar securities. Depending on the price of our common stock into which the notes are convertible, prevailing interest rates, the market for similar securities and other factors, including our financial condition, the notes may trade at a discount from their principal amount.

RATIO OF EARNINGS TO FIXED CHARGES

Year Ended December 31,					Nine Months Ended
1998	1999	2000	2001	2002	September 30, 2003
3.94x	3.53x	2.23x		2.55x	3.61x

Earnings consist of income (loss) before income taxes and fixed charges, excluding minority interest. Fixed charges consist of the total of interest expense, amortization of loan origination costs and that portion of rental expense considered to represent interest cost. Due to restructuring charges in 2001 of \$73.2 million of which \$7.8 million was included in costs of goods sold, additional earnings of \$44.3 million would have been necessary to cover fixed charges. Due to product inspection charges in 1997 of \$140.0 million, additional earnings of \$45.7 million would have been necessary to cover fixed charges.

RECENT ACCOUNTING PRONOUNCEMENTS

On January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142 Goodwill and Other Intangible Assets (SFAS No. 142), and recorded a \$285.7 million impairment of goodwill (\$249.2 million, net of taxes). The adoption of SFAS No. 142 requires that goodwill and other intangible assets with an indefinite useful life no longer be amortized as expenses of operations but rather tested for impairment at least annually using a fair-value-based test. The impairment charge relates primarily to the 1998 to 2000 acquisitions of our retail and hearth products operations, where lower than expected operating results occurred. Our estimates of fair value for our reporting units were determined based on a combination of the future earnings forecasts using discounted values of projected cash flows and market values of comparable businesses.

As a result of the adoption of SFAS No. 142 on January 1, 2002, we have discontinued the amortization of our goodwill and trademark intangible assets. The following table reconciles reported net (loss) income and (loss) earnings per share amounts to adjusted net (loss) income and (loss) earnings per share amounts as if SFAS No. 142 had been in effect for each of the three years ended December 31, 2002 (in thousands, except per share amounts):

	For the Twelve Months Ended December 31,		
	2002	2001	2000
Reported net (loss) income	\$58,801	\$(42,398)	\$59,058
Add back: goodwill amortization		18,473	16,335
Add back: trademark amortization		165	165
Income tax effect of discontinued amortization		(2,111)	(2,021)
	<u> </u>	<u> </u>	<u> </u>
Adjusted net (loss) income	\$58,801	\$(25,871)	\$73,537
	<u> </u>	<u> </u>	<u> </u>
Basic (loss) earnings per share:			
Reported net (loss) income	\$ 1.03	\$ (0.75)	\$ 1.06
Add back: goodwill amortization		0.33	0.29
Add back: trademark amortization			
Income tax effect of discontinued amortization		(0.04)	(0.04)
	<u> </u>	<u> </u>	<u> </u>
Adjusted net (loss) income	\$ 1.03	\$ (0.46)	\$ 1.31
	<u> </u>	<u> </u>	<u> </u>
Diluted (loss) earnings per share:			
Reported net (loss) income	\$ 1.00	\$ (0.75)	\$ 1.05
Add back: goodwill amortization		0.33	0.29
Add back: trademark amortization			
Income tax effect of discontinued amortization		(0.04)	(0.04)
	<u> </u>	<u> </u>	<u> </u>
Adjusted net (loss) income	\$ 1.00	\$ (0.46)	\$ 1.30
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USE OF PROCEEDS

All of the notes and the shares of our common stock issuable upon conversion of the notes are being sold by the selling securityholders or by their pledgees, donees, transferees or other successors in interest. We will not receive any proceeds from the sale of the notes or the shares of our common stock issuable upon conversion of the notes.

DESCRIPTION OF NOTES

We issued \$143,750,000 aggregate principal amount of notes in a private placement on May 8, 2002. The notes were issued under an indenture entered into between us and The Bank of New York, as trustee. The following is a summary of the material provisions of the indenture but it does not purport to be complete and is subject to the detailed provisions of the indenture and is qualified in its entirety by reference to the indenture. We will provide copies of the indenture to prospective investors upon request, and it is also available for inspection at the office of the trustee. Particular provisions of the indenture which are referred to in this prospectus are incorporated by reference as a part of the statements made, and the statements are qualified in their entirety by the reference. For purposes of this summary, the terms Lennox, the Company, we, us, and our refer only to Lennox International Inc. and not to any of our subsidiaries. References to interest shall be deemed to include liquidated damages unless the context otherwise requires.

General

The notes represent our unsecured general obligations, subordinate in right of payment to certain of our obligations as described under Subordination of Notes, and convertible into our common stock as described under Conversion rights. The notes are limited to \$143,750,000 aggregate principal amount. Interest on the notes is payable semi-annually on June 1 and December 1 of each year, with the first interest payment made on December 1, 2002, at the rate of 6 1/4% per annum, to the persons who are registered holders of the notes at the close of business on the preceding May 15 and November 15, respectively. Unless previously redeemed, repurchased or converted, the notes will mature on June 1, 2009. The notes are payable at the office of the paying agent, which initially is an office or agency of the trustee, or an office or agency maintained by us for such purpose, in the Borough of Manhattan, the City of New York. Payments in respect of the notes may, at our option, be made by check and mailed to the holders of record as shown on the register for the notes.

The notes are issued without coupons in denominations of \$1,000 and integral multiples thereof.

Holders may present for conversion any notes that have become eligible for conversion at the office of the conversion agent, and may present notes for registration of transfer at the office of the trustee.

The indenture does not contain any financial covenants or any restrictions on the payment of dividends or on the repurchase of our securities. The indenture does not require us to maintain any sinking fund or other reserves for repayment of the notes.

The notes are not subject to defeasance or covenant defeasance.

Conversion Rights

General

Holders may convert any outstanding notes (or portions of outstanding notes) under the circumstances summarized below into 55.2868 shares of our common stock, par value \$0.01 per share, per \$1,000 principal amount of notes, subject to adjustment in certain circumstances as described below. This rate results in an initial conversion price of approximately \$18.09 per share. We will not issue fractional shares of common stock upon conversion of notes. Instead, we will pay a cash adjustment based upon the closing sale price of our common stock on the business day immediately preceding the conversion date. You may convert notes only in denominations of \$1,000 and whole multiples of \$1,000.

Holders may surrender notes for conversion into our common stock only under the following circumstances:

during any conversion period, as described below, if the closing price of our common stock for at least 20 consecutive trading days in the 30 consecutive trading-day period ending on the first day of the conversion period was more than 110% of the conversion price in effect on that thirtieth trading day;

during the five business-day period following any 10 consecutive trading-day period in which the daily average of the trading prices (as described below under Conversion Rights Conversion upon

satisfaction of market price conditions) for the notes for that 10 trading-day period was less than 95% of the average conversion value, as described below, for the notes during that period;

if we have called the notes for redemption; or

upon the occurrence of the corporate transactions summarized below.

Conversion upon Satisfaction of Market Price Conditions

A holder may convert its notes into our common stock during any quarterly conversion period if the closing price of our common stock for at least 20 consecutive trading days during the 30 consecutive trading-day period ending on the first day of the conversion period exceeds 110% of the conversion price in effect on that thirtieth trading day. A conversion period will be the period from and including the thirtieth trading day in a fiscal quarter to, but not including, the thirtieth trading day in the immediately following fiscal quarter.

A holder also may convert its notes into our common stock during the five business-day period following any 10 consecutive trading-day period in which the daily average of the trading prices for the notes for that 10 trading-day period was less than 95% of the average conversion value for the notes during that period.

The indenture does not require us to notify holders upon satisfaction of the conditions in the prior two paragraphs.

Conversion value is equal to the product of the closing price for our common stock on a given day multiplied by the then current conversion rate, which is the number of shares of common stock into which each note is then convertible.

The trading price of the notes on any date of determination means the average of the secondary market bid quotations per note obtained by us or the calculation agent for \$10,000,000 principal amount of notes at approximately 3:30 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers we select, provided that if at least three such bids cannot reasonably be obtained by us or the calculation agent, but two such bids are obtained, then the average of the two bids shall be used, and if only one such bid can reasonably be obtained by us or the calculation agent, this one bid shall be used. If either we or the calculation agent cannot reasonably obtain at least one bid for \$10,000,000 principal amount of notes from a nationally recognized securities dealer or, in our reasonable judgment, the bid quotations are not indicative of the secondary market value of the notes, then the trading price of the notes will equal (a) the then-applicable conversion rate of the notes multiplied by (b) the closing price of our common stock on such determination date.

Conversion upon Notice of Redemption

A holder may surrender for conversion any notes we call for redemption at any time prior to the close of business on the day that is one business day prior to the redemption date, even if the notes are not otherwise convertible at that time. If a holder already has delivered a change in control purchase notice with respect to a note, however, the holder may not surrender that note for conversion until the holder has withdrawn the notice in accordance with the indenture. See Redemption of Notes at Our Option for a description of the notice of redemption.

Conversion upon Specified Corporate Transactions

If:

we distribute to all holders of our common stock certain rights entitling them to purchase, for a period expiring within 60 days of the date of distribution, common stock at less than the current market price of the common stock at the time of the announcement of such distribution;

we elect to distribute to all holders of our common stock cash or other assets, debt securities or certain rights to purchase our securities, which distribution has a per share value exceeding 10% of the closing price of the common stock on the trading day preceding the declaration date for the distribution; or

a change in control, as described below under *Change in Control Permits Purchase of Notes by Us at the Option of the Holder*, occurs other than pursuant to a transaction described in the following paragraph, then we must notify the holders of notes at least 20 days prior to the ex-dividend date for the distribution or within 30 days of the occurrence of the change in control, as the case may be. Once we have given that notice, holders may convert their notes at any time until either (a) the earlier of close of business on the business day immediately prior to the ex-dividend date and our announcement that the distribution will not take place, in the case of a distribution, or (b) within 30 days of the change in control notice, in the case of a change in control. In the case of a distribution, no adjustment to the ability of a holder of notes to convert will be made if the holder participates or will participate in the distribution without conversion.

In addition, if we are party to a consolidation, merger or binding share exchange or transfer of all or substantially all our assets pursuant to which our common stock will be converted into or the right to receive cash, securities or other property, a holder may convert notes at any time from and after the date which is 15 days prior to the anticipated effective date of the transaction until 15 days after the effective date of the transaction. If we are a party to a consolidation, merger or binding share exchange or transfer of all or substantially all our assets pursuant to which our common stock is converted into or the right to receive cash, securities or other property, then at the effective time of the transaction, the right to convert a note into common stock will be changed into a right to convert the note into or the right to receive the kind and amount of cash, securities or other property which the holder would have received if the holder had converted such note immediately prior to the transaction. If the transaction also constitutes a change in control, as defined below, the holder can require us to repurchase all or a portion of its notes as described below under *Change in Control Permits Purchase of Notes by Us at the Option of the Holder*.

Conversion Procedures

We are not obligated to pay accrued interest on notes submitted for conversion. Accordingly, if a note is converted after the close of business of a record date for the payment of interest and before the opening of business on the next succeeding interest payment date, notes submitted for conversion must be accompanied by funds equal to the interest payable to the registered holder on the interest payment date on the principal amount of such notes submitted for conversion. We will then make the interest payment due on the interest payment date to the registered holder of the note on the record date. Notwithstanding anything to the contrary in this paragraph, any note submitted for conversion need not be accompanied by any funds if such notes have been called for redemption on a redemption date that is after a record date for the payment of interest and on or before the date that is one business day immediately following the corresponding interest payment date.

As soon as practicable following the conversion date, we will deliver through the conversion agent a certificate for the full number of full shares of common stock into which any note is converted, together with any cash payment for fractional shares. For a discussion of the tax treatment of a holder receiving common shares upon surrendering notes for conversion, see *Material United States Federal Income Tax Considerations Tax Consequences to United States Holders Conversion of the Notes*.

Conversion Price Adjustments

We will adjust the conversion rate for:

dividends or distributions on shares of our common stock payable in common stock or other capital stock of ours;

subdivisions, combinations or certain reclassifications of our common stock;

distributions to all holders of common stock of certain rights or warrants entitling them for a period of 60 days or less to purchase common stock at less than the current market price at the time; provided that the conversion rate will be readjusted to the extent the rights or warrants are not exercised prior to their expiration;

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distributions to all holders of our common stock of our assets or debt securities or certain rights to purchase our securities, but excluding cash dividends or other cash distributions from current or retained earnings referred to in the next paragraph;

all-cash distributions to all or substantially all holders of our common stock in an aggregate amount that, together with

(1) any cash and the fair market value of any other consideration payable in respect of any tender offer or exchange offer by us or any of our subsidiaries for our common stock consummated within the preceding 12 months not triggering a conversion rate adjustment and

(2) all other all-cash distributions to all or substantially all stockholders made within the preceding 12 months not triggering a conversion rate adjustment,

exceeds an amount equal to 10% of the market capitalization of our common stock on the business day immediately preceding the day on which we declare the distribution; and

payment in respect of a tender offer or exchange offer by us or any of our subsidiaries for our common stock to the extent that the offer involves aggregate consideration that, together with

(1) any cash and the fair market value of any other consideration payable in respect of any tender offer or exchange offer by us or any of our subsidiaries for our common stock consummated within the preceding 12 months not triggering a conversion rate adjustment and

(2) all-cash distributions to all or substantially all stockholders made within the preceding 12 months not triggering a conversion rate adjustment,

exceeds an amount equal to 10% of the market capitalization of our common stock on the expiration date of the tender offer or exchange offer.

Each adjustment referred to above will be made upon conclusion of the applicable event. We will not adjust the conversion rate, however, if holders of notes are to participate in the transaction without conversion, or in certain other cases.

No adjustment in the conversion rate will be required unless the adjustment would require a change of at least 1% in the conversion rate then in effect; provided that any adjustment that would otherwise be required to be made will be carried forward and taken into account in any subsequent adjustment.

We may at any time increase the conversion rate by any amount for any period of time, provided that the conversion price is not less than the par value of a share of our common stock, the period during which the increased rate is in effect is at least 20 days or such longer period as may be required by law and the increased rate is irrevocable during such period.

If we are party to a consolidation, merger or binding share exchange pursuant to which our common stock is converted into cash, securities or other property, at the effective time of the transaction, the right to convert a note into common stock will be changed into a right to convert it into the kind and amount of cash, securities or other property which the holder would have received if the holder had converted its note immediately prior to the transaction.

In the event of:

a taxable distribution to holders of shares of common stock which results in an adjustment of the conversion rate; or

an increase in the conversion rate at our discretion,

the holders of the notes may, in certain circumstances, be deemed to have received a distribution subject to Federal income tax as a dividend. See Material United States Federal Income Tax Considerations Tax Consequences to United States Holders Conversion of the Notes.

Redemption of Notes at Our Option

No sinking fund is provided for the notes. Prior to June 3, 2005, we cannot redeem the notes. The notes will be redeemable at our option, in whole or in part, at any time on or after June 3, 2005, on any date not less than 30 nor more than 60 days after the mailing of a redemption notice to each holder of notes to be redeemed at the address of the holder appearing in the security register; provided that the closing price of our common stock has exceeded 130% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day prior to the date of mailing of the optional redemption notice. The redemption price for the notes, expressed as a percentage of principal amount, if redeemed during the twelve-month period beginning on the date set forth below, is as follows:

Period Beginning	Redemption Price
June 3, 2005	103.571%
June 1, 2006	102.679%
June 1, 2007	101.786%
June 1, 2008 and thereafter	100.893%

Accrued and unpaid interest will also be paid to the redemption date.

If we will redeem less than all of the outstanding notes, the trustee will select the notes to be redeemed on a pro rata basis in principal amounts of \$1,000 or integral multiples of \$1,000. If a portion of a holder's notes is selected for partial redemption and the holder converts a portion of the notes, the converted portion shall be deemed to be the portion selected for redemption.

Change in Control Permits Purchase of Notes by Us at the Option of the Holder

In the event of a change in control (as defined below) with respect to us, each holder will have the right, at its option, subject to the terms and conditions of the indenture, to require us to purchase for cash all or any portion of the holder's notes in integral multiples of \$1,000 principal amount, at a price for each \$1,000 principal amount of such notes equal to 100% of the principal amount of such notes tendered, plus any accrued and unpaid interest to the purchase date. We will be required to purchase the notes no later than 30 business days after notice of a change in control has been mailed as described below. We refer to this date in this prospectus as the change in control purchase date.

Within 30 business days after the occurrence of a change in control, we must mail to the trustee and to all holders of notes at their addresses shown in the register of the registrar and to beneficial owners as required by applicable law a notice regarding the change in control, which notice must state, among other things:

the events causing a change in control;

the date of such change in control;

the last date on which a holder may exercise the purchase right;

the change in control purchase price;

the change in control purchase date;

the name and address of the paying agent and the conversion agent;

the conversion rate and any adjustments to the conversion rate;

that notes with respect to which a change in control purchase notice is given by the holder may be converted, if otherwise convertible, only if the change in control purchase notice has been withdrawn in accordance with the terms of the indenture; and

the procedures that holders must follow to exercise these rights.

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To exercise this right, the holder must deliver a written notice so as to be received by the paying agent no later than the close of business on the third business day prior to the change in control purchase date. The required purchase notice upon a change in control must state:

the certificate numbers of the notes to be delivered by the holder, if applicable;

the portion of the principal amount of notes to be purchased, which portion must be \$1,000 or an integral multiple of \$1,000; and

that we are to purchase such notes pursuant to the applicable provisions of the indenture.

A holder may withdraw any change in control purchase notice by delivering to the paying agent a written notice of withdrawal prior to the close of business on the business day prior to the change in control purchase date. The notice of withdrawal must state:

the principal amount of the notes being withdrawn;

the certificate numbers of the notes being withdrawn, if applicable; and

the principal amount, if any, of the notes that remain subject to a change in control purchase notice.

Our obligation to pay the change in control purchase price for a note for which a change in control purchase notice has been delivered and not validly withdrawn is conditioned upon delivery of the note, together with necessary endorsements, to the paying agent at any time after the delivery of such change in control purchase notice. We will cause the change in control purchase price for such note to be paid promptly following the later of the change in control purchase date or the time of delivery of such note.

If the paying agent holds money sufficient to pay the change in control purchase price of the note on the change in control purchase date in accordance with the terms of the indenture, then, immediately after the change in control purchase date, interest on such note will cease to accrue, whether or not the note is delivered to the paying agent. Thereafter, all other rights of the holder shall terminate, other than the right to receive the change in control purchase price upon delivery of the note.

Under the indenture, a change in control is deemed to have occurred at such time as:

any person or group (as such terms are used for purposes of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934), other than an exempt person (as defined below), is or becomes the beneficial owner (as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50% or more of the voting power of our common stock or other capital stock into which our common stock is reclassified or changed;

at any time the following persons cease for any reason to constitute a majority of our board of directors:

(1) individuals who on the issue date of the notes constituted our board of directors and

(2) any new directors whose election by our board of directors or whose nomination for election by our stockholders was approved by at least a majority of the directors then still in office who were either directors on the issue date of the notes or whose election or nomination for election was previously so approved; or