

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **February 10, 2005**

LEAR CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other
jurisdiction of
incorporation)

1-11311
(Commission File Number)

13-3386776
(IRS Employer
Identification
Number)

21557 Telegraph Road, Southfield, Michigan
(Address of principal executive offices)

48034
(Zip Code)

(248) 447-1500

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Section 1 — Registrant’s Business and Operations

Item 1.01 Entry into a Material Definitive Agreement.

1. On February 10, 2005, the Compensation Committee (the “Committee”) of the Board of Directors of Lear Corporation (“Lear”) determined the amount of 2004 bonuses payable to members of Lear’s management under the Senior Executive Incentive Compensation Plan (the “Annual Incentive Compensation Plan”). Each executive was assigned a bonus target opportunity under the plan which was a certain percentage of his or her annual base salary. The bonus payable for 2004 was based 50% upon whether Lear net income per share reached a certain target threshold and 50% upon whether Lear’s return on net assets reached a certain target threshold. Based on the satisfaction of target thresholds, the following named executive officers of Lear will be paid 2004 cash bonuses as set forth below:

<u>Named Executive Officer</u>	<u>Amount of 2004 Cash Bonus</u>
Robert E. Rossiter	\$ 1,506,000
James H. Vandenberghe	\$ 813,240
Douglas G. DelGrosso	\$ 542,160
Donald J. Stebbins	\$ 542,160
David C. Wajsgas	\$ 461,840

Certain of the named executive officers have elected to defer a portion of their 2004 cash bonuses under the Management Stock Purchase Plan which is part of the Lear Corporation Long-Term Stock Incentive Plan (the “LTSIP”).

2. On February 10, 2005, the Committee restated the Annual Incentive Compensation Plan, subject to approval by Lear’s stockholders at the 2005 annual meeting. The plan is attached hereto as Exhibit 10.1.

3. On February 10, 2005, the Committee also approved the payout of common stock to certain members of Lear’s management under the terms of performance share awards granted in 2002 under the LTSIP based on attainment of performance objectives during the three-year period ended December 31, 2004. For an executive to receive a payout of shares of common stock, selected performance measures were required to meet or exceed certain specified thresholds. The performance criteria consisted of two equally-weighted performance measures: improvement on return on invested capital; and relative return to shareholders compared to a peer group consisting of ArvinMeritor, Dana Corporation, Delphi Corporation, Eaton Corporation, Johnson Controls, Inc., Magna International and Visteon Corporation (collectively, the “Peer Group”). For the 2002-2004 performance period, improvement on return on invested capital and relative return to shareholders met or exceeded target levels of performance resulting in the issuance of shares of common stock, prior to amounts withheld to satisfy tax liability, to the named executive officers of Lear as follows:

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<u>Named Executive Officer</u>	<u>Shares of Common Stock</u>
Robert E. Rossiter	8,315
James H. Vandenberghe	6,860
Douglas G. DelGrosso	4,780
Donald J. Stebbins	4,780
David C. Wajsgras	3,493

4. On February 10, 2005, the Committee also approved performance share awards to certain members of Lear's management under the terms of the LTSIP for the three-year period ending December 31, 2007. The following performance share awards to the following named executive officers of Lear were approved:

<u>Named Executive Officer</u>	<u>Performance Share Award Grants</u>
Robert E. Rossiter	9,049
James H. Vandenberghe	3,805
Douglas G. DelGrosso	2,879
Donald J. Stebbins	2,879
David C. Wajsgras	2,468

The number of performance shares actually earned will depend on the attainment of certain levels (threshold, target or superior) of the equally-weighted performance measures of improvement on return on invested capital and relative return to shareholders compared to the Peer Group during the three-year period ending December 31, 2007. Attainment of the threshold level will result in a payout at 50% of the targeted level; attainment of the target level will result in a payout at 100% of the targeted level; and attainment of the superior level will result in a payout at 150% of the targeted level. A summary of the performance objectives for the 2005-2007 performance share awards follows:

Improvement on Return on Invested Capital:

- Threshold: 3% per year average improvement
- Target: 5% per year average improvement
- Superior: 7% per year average improvement

Relative Return to Shareholders:

- Threshold: Lear is ranked above the 42nd percentile.
- Target: Lear is ranked above the 57th percentile.
- Superior: Lear is ranked above the 85th percentile.

The foregoing summary of the terms of the 2005-2007 performance share awards is qualified in its entirety by reference to the form of 2005-2007 performance share award agreement, which is attached hereto as Exhibit 10.2 and incorporated by reference herein.

5. In accordance with the terms of Lear's Outside Directors Compensation Plan (the "Directors Plan"), on February 10, 2005, the date he was elected to Lear's Board of Directors, Henry D.G. Wallace was granted a number of restricted units equal to the number of shares of Lear's common stock having a fair market value of \$90,000 on the grant date. Each restricted unit represents one unvested share of Lear's common stock and constitutes the right, subject to certain conditions, to a distribution of cash equal to the fair market value of a share if and when

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the restricted unit vests. The restricted units vest ratably over a three-year period and are subject to accelerated vesting upon a change of control, death, disability or retirement, as each such term is defined in the Directors Plan. The foregoing summary of the terms of the restricted units is qualified in its entirety by reference to the Directors Plan, which was filed as an exhibit to Lear's Current Report on Form 8-K dated December 7, 2004 (and is filed as Exhibit 10.3 hereto), and is hereby incorporated by reference herein. See also Item 5.02 below regarding Mr. Wallace's election to Lear's Board of Directors.

Section 5 — Corporate Governance and Management

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

On February 10, 2005, the Board of Directors (the "Board") of Lear elected Henry D.G. Wallace as a member of the Board, with a term expiring at the 2006 annual meeting of stockholders. There is no arrangement or understanding between Mr. Wallace and any other persons pursuant to which he was elected as a director. Mr. Wallace's election was announced by Lear on February 10, 2005, in a press release, which is attached hereto as Exhibit 99.1 and incorporated by reference herein.

Section 9 — Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

Exhibit 10.1 Lear Corporation Annual Incentive Compensation Plan

Exhibit 10.2 Form of Performance Share Award Agreement for the three-year period ending December 31, 2007

Exhibit 10.3 Lear Corporation Outside Directors Compensation Plan (incorporated by reference to Exhibit 10.1 to Form 8-K dated December 7, 2004)

Exhibit 99.1 Press release issued February 10, 2005, by Lear Corporation

SIGNATURES

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.

Lear Corporation

Date: February 15, 2005

By: /s/ Daniel A. Ninivaggi
Name: Daniel A. Ninivaggi
Title: Senior Vice President, Secretary and General Counsel

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
Exhibit 10.1	Lear Corporation Annual Incentive Compensation Plan
Exhibit 10.2	Form of Performance Share Award Agreement for the three-year period ending December 31, 2007
Exhibit 10.3	Lear Corporation Outside Directors Compensation Plan (incorporated by reference to Exhibit 10.1 to Form 8-K dated December 7, 2004)
Exhibit 99.1	Press release issued February 10, 2005, by Lear Corporation

Lear Corporation Annual Incentive Compensation Plan

(As Amended and Restated Effective January 1, 2005)

ARTICLE 1**Statement of Purpose**

Lear Corporation's compensation policies are intended to support the Company's overall objective of enhancing stockholder value. In furtherance of this philosophy, the Lear Corporation Annual Incentive Compensation Plan ("ICP") is designed to provide incentives for business performance, reward contributions towards goals consistent with the Company's business strategy and enable the Company to attract and retain highly qualified Corporate Officers, key management, and other salaried employees. The Plan is hereby amended and restated as provided herein. Any awards paid for Performance Periods ending before January 1, 2005 shall be governed by the terms of the plan document then in effect. It is intended that awards under the Plan may constitute qualified performance-based compensation under Section 162(m) of the Code.

ARTICLE 2**Definitions**

The terms used in this Plan include the feminine as well as the masculine gender and the plural as well as the singular, as the context in which they are used requires. The following terms, unless the context requires otherwise, are defined as follows:

- 2.1 **"Bonus"** means the incentive compensation determined by the Committee under Section 4.4 of the Plan payable in cash.
 - 2.2 **"Board"** means the Lear Corporation Board of Directors.
 - 2.3 **"Code"** means the Internal Revenue Code of 1986, as amended.
 - 2.4 **"Committee"** means the Compensation Committee of the Board or any successor committee with responsibility for compensation, or any subcommittee, as long as the number of Committee members and their qualifications shall at all times be sufficient to meet the applicable requirements for "outside directors" under Section 162(m) and the regulations thereunder and the independence requirements of the New York Stock Exchange, Inc. or any other applicable exchange on which Lear Corporation common equity is at the time listed, in each case as in effect from time to time.
 - 2.5 **"Company"** means Lear Corporation and, except for purposes of Section 4.7, any of its Subsidiaries that adopt this Plan or that have employees who are participants under this Plan.
 - 2.6 **"Corporate Officer"** means any Company employee who is an "executive officer" as defined in Rule 3b-7 promulgated under the Exchange Act or who is employed in the Company's E1 level of band 7 (or any comparable or higher classification).
 - 2.7 **"Disability"** means permanent and total disability as defined in the Company's Long Term Disability Plan, or if no such plan exists, as defined in Code Section 22(e)(3).
 - 2.8 **"Exchange Act"** means the Securities Exchange Act of 1934, as amended.
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- 2.9 **“Participant”** means a Corporate Officer, key management, or other salaried employee as described in Article 3 of this Plan.
- 2.10 **“Performance Period”** means the period for which a Bonus may be made. Unless otherwise specified by the Committee, the Performance Period shall be a calendar year, beginning on January 1 of any year.
- 2.11 **“Plan”** means the Lear Corporation Annual Incentive Compensation Plan (ICP), as it may be amended from time to time.
- 2.12 **“Retirement”** means a Termination of Employment, after appropriate notice to the Company, upon such terms and conditions approved by the Committee, in the case of Corporate Officers, or the Senior Vice President — Human Resources or his or her designee in the case of a Participant who is not a Corporate Officer at the time of Retirement.
- 2.13 **“SEC”** means the Securities and Exchange Commission.
- 2.14 **“Section 162(m)”** means Code Section 162(m) and regulations promulgated thereunder by the Secretary of the Treasury.
- 2.15 **“Subsidiary”** means any corporation, partnership, limited liability company, association or other entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or more than 50% of the general partnership interests are, at the time any determination is being made, directly or indirectly owned by Lear Corporation.
- 2.16 **“Termination of Employment”** means (a) the termination of the Participant’s active employment relationship with the Company, unless otherwise expressly provided by the Committee, or (b) the occurrence of a transaction by which the Participant’s employing Company ceases to be a Subsidiary.

ARTICLE 3

Participation

A Corporate Officer designated by the Committee or a key management or other salaried employee of the Company designated by the Senior Vice President — Human Resources or his or her designee, shall be a Participant in this Plan and shall continue to be a Participant until advised or determined otherwise.

ARTICLE 4

Incentive Bonuses

- 4.1 **Objective Performance Goals.** The Committee shall establish written, objective performance goals for a Performance Period not later than 90 days after the beginning of the Performance Period (but not after more than 25% of the Performance Period has elapsed). The objective performance goals shall be stated as specific amounts of, or specific changes in, one or more of the financial measures described in Section 4.2. Objective performance goals may also include operational goals such as: productivity, safety, other strategic objectives and individual performance goals. The objective performance goals need not be the same for different Performance Periods and for any Performance Period may be stated: (a) as goals for Lear Corporation, for one or more of its Subsidiaries, divisions, businesses or

organizational units, or for any combination of the foregoing; (b) on an absolute basis or relative to the performance of other companies or of a specified index or indices, or be based on any combination of the foregoing; and (c) separately for one or more of the Participants, collectively for the entire group of Participants, or in any combination of the two.

- 4.2 **Financial Measures.** The Committee shall use any one or more of the following financial measures to establish objective performance goals under Section 4.1: earnings; operating earnings; earnings per share; operating earnings per share; earnings before interest taxes depreciation and amortization (EBITDA); return on assets; return on net assets; asset turnover; revenues; stockholders' equity; return on equity; return on invested capital; economic value added; market price appreciation of the Company's common stock; net income; pre-tax income; operating margins; net income margins; sales margins; cash flow; total stockholder return; expenses; debt-to-capital ratio; market share; sales growth; capacity utilization; increase in customer base; environmental health and safety; diversity; or quality. The Committee may specify any reasonable definition of the financial measures it uses. Such definitions may provide for reasonable adjustments and may include or exclude items, including but not limited to: investment gains and losses; extraordinary, unusual or non-recurring items; gains or losses on the sale of assets; effects of changes in accounting principles or the application thereof; asset impairment charges; effects of currency fluctuations; acquisitions, divestitures, or financing activities; recapitalizations, including stock splits and dividends; expenses for restructuring or productivity initiatives; discontinued operations; and other non-operating items.
- 4.3 **Performance Evaluation.** Within a reasonable time after the close of a Performance Period, the Committee shall determine whether the objective performance goals established for that Performance Period have been met by the respective Corporate Officers. If the objective performance goals and any other material terms established by the Committee have been met by a Corporate Officer, the Committee shall so certify in writing with respect to such Corporate Officer before the applicable Bonus is paid pursuant to Section 4.5. For all Participants who are not Corporate Officers, the Senior Vice President — Human Resources or his or her designee shall determine whether objective performance goals established for the Performance Period have been met by the respective Participants and document such determination in accordance with the Company's policies and procedures, as may be established from time to time.
- 4.4 **Bonus.** If the Committee has made the written certification under Section 4.3 for a Performance Period, each Participant to whom the certification applies shall be eligible for a Bonus for the Performance Period. The Bonus for each such Participant shall not exceed 250% of the Participant's annualized base salary in effect on the December 1st (or such other date as may be established by the Committee) that occurs during the Performance Period. For any Performance Period, however, the Committee shall have sole and absolute discretion to (i) reduce the amount of, or eliminate entirely, the Bonus to one or more of the Participants based upon the Committee's review of the objective performance goals for each Participant pursuant to Section 4.3 and the individual performance of such Participant, or (ii) increase the amount of any Bonus payable to a Participant whose compensation, at no time during the Performance Period, is subject to Code Section 162(m) based upon the Committee's review of the objective performance goals for each Participant pursuant to Section 4.3 and the individual performance of such Participant. In no event shall a Bonus be paid to any Participant under the Plan which exceeds \$4,000,000 for any Performance Period.

4.5 **Payment or Deferral of the Bonus.**

(a) As soon as practicable after the Committee's determination under Section 4.4, but subject to Section 4.5(b), the Company shall pay the Bonus to the Participant. The target timing for the payments under the Plan shall be on or before the date that is 2 1/2 months after the end of the Performance Period, but except as provided in Section 4.5(b), no payment shall occur later than one year after the end of the Performance Period. The Company shall have the right to deduct from any Bonus, any applicable income and employment taxes, and any other amounts that the Company is otherwise required or permitted to deduct.

(b) Subject to the Committee's approval and applicable law, Participants may request that payments of a Bonus be deferred under a deferred compensation arrangement maintained by the Company by making a deferral election prior to or, as permitted, during the Performance Period pursuant to such rules and procedures as the Committee may establish from time to time with respect to such arrangement.

4.6 **Eligibility for Payments.**

(a) Except as otherwise provided in this Section 4.6, a Participant shall be eligible to receive a Bonus for a Performance Period only if such Participant is employed by the Company continuously from the beginning of the Performance Period through the last day of the Performance Period.

(b) Under Section 4.6(a), a leave of absence that lasts less than three months and that is approved in accordance with applicable Company policies is not a break in continuous employment. In the case of a leave of absence of three months or longer, the Senior Vice President — Human Resources (or in the case of a Corporate Officer, the Committee) shall determine whether the leave of absence constitutes a break in continuous employment.

(c) The Senior Vice President — Human Resources (or in the case of a Corporate Officer, the Committee) may determine, in his sole discretion, that (1) a Bonus will be payable pro-rata for a Participant who either becomes eligible to participate during the Performance Period or terminates his employment with the Company during the Performance Period due to his death, Retirement or Disability, and (2) a Bonus will be adjusted to reflect a Participant's increase or decrease in annualized salary during the Performance Period in both cases, with respect to a Participant whose compensation is subject to Code Section 162(m), only to the extent permissible under Code Section 162(m).

4.7 **Change in Control.** Upon the effective date of any Change in Control of the Company, all potential Bonuses payable hereunder attributable to a Performance Period in which the Change in Control occurs will vest and be paid on a pro-rata basis based on the target level of such potential Bonus. Such payment will be made as soon as practicable following the Change in Control, without regard to whether such payments would be deductible under Code Section 162(m). A "Change in Control" will mean the occurrence of one or more of the following events:

(a) any person (other than the Company or a trustee or other fiduciary holding securities under an employee benefit plan of the Company, or a corporation owned directly

or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company) becomes the Beneficial Owner, as that term is defined in Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, directly or indirectly, of securities of the Company, representing more than twenty percent of the combined voting power of the Company's then outstanding securities;

(b) during any period of twenty-six consecutive months beginning on or after January 1, 2005, individuals who at the beginning of the period constituted the Board cease for any reason (other than death, disability or voluntary retirement) to constitute a majority of the Board. For this purpose, any new director whose election by the Board, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then still in office, and who either were directors at the beginning of the period or whose election or nomination for election was so approved, will be deemed to have been a director at the beginning of any twenty-six month period under consideration; or

(c) the shareholders of the Company approve: (i) a plan of complete liquidation or dissolution of the Company; or (ii) an agreement for the sale or disposition of all or substantially all the Company's assets; or (iii) a merger, consolidation or reorganization of the Company with or involving any other corporation, other than a merger, consolidation or reorganization that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least eighty percent of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation, or reorganization.

ARTICLE 5

Administration

5.1 **General Administration.** This Plan shall be administered by the Committee, subject to such requirements for review and approval by the Board as the Board may establish. Subject to the terms and conditions of this Plan and Section 162(m), the Committee is authorized and empowered in its sole discretion to select or approve Participants and to award potential Bonuses in such amounts and upon such terms and conditions as it shall determine.

Except to the extent provided in the following sentence, the Committee may delegate to the Senior Vice President — Human Resources (or his or her designee) any of the Committee's duties and authority under the Plan with respect to Bonuses that may be payable to Participants who are not Corporate Officers, including but not limited to such duties and authority as are set forth in Section 2.12 and Articles 3 and 4. With respect to Bonuses that may be payable to Participants who are Corporate Officers during the Performance Period, the Committee may delegate any of the Committee's duties and authority to the extent the Committee determines that such delegation would not cause a Bonus intended to be performance-based compensation under Section 162(m) to fail to qualify as such.

5.2 **Administrative Rules.** The Committee shall have full power and authority to adopt, amend and rescind administrative guidelines, rules and regulations pertaining to this Plan and to interpret this Plan and rule on any questions respecting any of its provisions, terms and conditions.

- 5.3 **Committee Members Not Eligible.** No member of the Committee shall be eligible to participate in this Plan.
- 5.4 **Committee Members Not Liable.** The Committee and each of its members shall be entitled to rely upon certificates of appropriate officers of the Company with respect to financial and statistical data in order to determine if the objective performance goals for a Performance Period have been met. Neither the Committee nor any member shall be liable for any action or determination made in good faith with respect to this Plan or any Bonus made hereunder.
- 5.5 **Decisions Binding.** All decisions, actions and interpretations of the Committee concerning this Plan shall be final and binding on Lear Corporation and its Subsidiaries and their respective boards of directors, and on all Participants and other persons claiming rights under this Plan.
- 5.6 **Application of Section 162(m); Shareholder Approval.** Bonuses payable under this Plan are intended to satisfy the applicable requirements for the performance-based compensation exception for any Participant's whose compensation is subject to Section 162(m). It is intended that the Plan be administered, interpreted and construed so that Bonus payments remain tax deductible to the Company. Any Bonus under this Plan shall be contingent upon shareholder approval of the Plan in accordance with Section 162(m), the regulations thereunder and other applicable U.S. Treasury regulations. Unless and until applicable shareholder approval is obtained, no Bonus shall be paid under this Plan.

ARTICLE 6

Amendments; Termination

This Plan may be amended or terminated by the Board or the Committee. All amendments to this Plan, including an amendment to terminate this Plan, shall be in writing. An amendment to this Plan shall not be effective without the prior approval of the stockholders of Lear Corporation if such approval is necessary: (i) to continue to qualify Bonuses as performance-based compensation under Section 162(m) and applicable regulations; or (ii) to comply with Treasury or SEC regulations, the rules of the New York Stock Exchange, Inc. or any other applicable exchange or any other applicable law or regulations. Unless otherwise expressly provided by the Board or the Committee, no amendment to this Plan shall apply to potential Bonuses with respect to a Performance Period that began before the effective date of such amendment.

ARTICLE 7

Other Provisions

- 7.1 **Duration of the Plan.** This Plan is effective as of January 1, 2005 (the "Effective Date"). This Plan shall remain in effect until all Bonuses made under this Plan have been paid or forfeited under the terms of this Plan, and all Performance Periods related to Bonuses made under this Plan have expired. No Bonuses may be paid under this Plan for any Performance Period that would end after the first shareholder meeting that occurs in the fifth year following the year in which shareholders previously approved the performance goals provided herein, unless the Board (subject to any shareholder approval that may then be required to continue to qualify this Plan as a performance-based plan under Section 162(m)) extends this Plan.

- 7.2 **Bonuses Not Assignable.** No Bonus or any right thereto shall be assignable or transferable by a Participant except by will or by the laws of descent and distribution. Any other attempted assignment or alienation shall be void and of no force or effect.
- 7.3 **Participant's Rights.** The right of any Participant to receive any payments under a Bonus granted to such Participant and approved by the Committee pursuant to the provisions of this Plan shall be an unsecured claim against the general assets of the Company. This Plan shall not create, nor be construed in any manner as having created, any right by a Participant to any Bonus for a Performance Period because of a Participant's participation in this Plan for any prior Performance Period, or because the Committee has made a written certification under Section 4.3 for the Performance Period. The application of the Plan to one Participant shall not create, nor be construed in any manner as having created, any right by another Participant to similar or uniform treatment under the Plan.
- 7.4 **Termination of Employment.** The Company retains the right to terminate the employment of any Participant or other employee at any time for any reason or no reason, and a Bonus is not, and shall not be construed in any manner to be, a waiver of such right.
- 7.5 **Exclusion from Benefits.** Bonuses under this Plan shall not constitute compensation for the purpose of determining participation or benefits under any other plan of the Company unless specifically included as compensation in such plan.
- 7.6 **Successors.** Any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of Lear Corporation' business or assets, shall assume Lear Corporation' liabilities under this Plan and perform any duties and responsibilities in the same manner and to the same extent that Lear Corporation would be required to perform if no such succession had taken place.
- 7.7 **Law Governing Construction.** The construction and administration of this Plan and all questions pertaining thereto shall be governed by the laws of the State of Michigan, except to the extent that such law is preempted by Federal law.
- 7.8 **Headings Not a Part Hereto.** Any headings preceding the text of the several Articles, Sections, subsections, or paragraphs hereof are inserted solely for convenience of reference and shall not constitute a part of this Plan, nor shall they affect its meaning, construction or effect.
- 7.9 **Severability of Provisions.** If any provision of this Plan is determined to be void by any court of competent jurisdiction, this Plan shall continue to operate and, for the purposes of the jurisdiction of the court only, shall be deemed not to include the provision determined to be void.
- 7.10 **Offsets.** To the extent permitted by law, the Company shall have the right to offset from any Bonus payable hereunder any amount that the Participant owes to the Company or any Subsidiary without the consent of the Participant (or his Beneficiary, in the event of the Participant's death).

LEAR CORPORATION
LONG-TERM STOCK INCENTIVE PLAN

FORM OF PERFORMANCE SHARE AWARD AGREEMENT

PERFORMANCE SHARE AWARD AGREEMENT (the "Agreement") dated as of _____, 2005, between Lear Corporation (the "Company") and the individual whose name appears on the signature page hereof (the "Participant"), who is a key employee of the Company or an Affiliate. Any term capitalized herein, but not defined, shall have the meaning set forth in the Lear Corporation Long-Term Stock Incentive Plan (the "Plan").

1. GRANT. In accordance with the terms of the Plan, the Company hereby grants to the Participant a Performance Share Award subject to the terms and conditions set forth herein.

2. PERFORMANCE PERIOD. The Performance Period for this Award shall be the three-year period commencing on January 1, 2005 and ending on December 31, 2007.

3. PERFORMANCE MEASURES. There shall be two performance measures, Relative Return to Shareholders and Return on Invested Capital, as both are defined below.

a. Relative Return to Shareholders: This performance measure ranks the "Return to Shareholders" (as defined below) for the Company over the Performance Period in relation to the Return to Shareholders for the "Peer Group" (as defined below).

i. "Return to Shareholders" for each respective company shall mean the quotient of (I) the sum of (a) the average closing price, as reported on the exchange where the stock of the relevant company is traded, for the five consecutive trading days preceding January 1, 2008 and (b) the dividends declared during the period commencing on January 1, 2005 and ending on December 31, 2007, divided by (II) the average closing price, as reported on the exchange where the stock of the relevant company is traded, for the five consecutive trading days preceding January 1, 2005.

ii. "Peer Group" shall mean ArvinMeritor, Dana Corp., Delphi, Eaton Corp., Johnson Controls, Inc., Magna International, Inc., and Visteon.

b. Return on Invested Capital: This performance measure is the compounded improvement on the Company's return on Invested Capital as reported to its shareholders for 2005, 2006, 2007 fiscal years or as otherwise approved by the Compensation Committee.

4. PERFORMANCE GOALS.

a. Relative Return to Shareholders:

i. Threshold: The Company is ranked above the 42nd percentile.

ii. Target: The Company is ranked above the 57th percentile.

iii. Superior: The Company is ranked above the 85th percentile.

b. Return on Invested Capital:

i. Threshold: 3%* per year average improvement

ii. Target: 5% per year average improvement

iii. Superior: 7% per year average improvement

* If threshold payout is not achieved by meeting the 3% compounded annual growth, an opportunity exists to earn threshold payout if the percentage change in ROIC when compared to the Peer Group is above the 57th percentile.

5. PERFORMANCE SHARES.

a. The number of Performance Shares earned by a Participant with respect to each performance measure during the Performance Period shall be determined under the following chart:

Performance At	Performance Shares	
	Relative Return to Shareholders	Return on Invested Capital
Threshold	_____	_____
Target	_____	_____
Superior	_____	_____

b. In the event that the Company's actual performance does not meet threshold for that performance measure, Performance Shares shall not be earned with respect to that performance measure.

c. If the Company's actual performance for a performance measure is between "threshold" and "target," the Performance Shares earned shall equal the Performance Shares for threshold plus the number of Performance Shares determined under the following formula:

$$(TAS - TS) \times \frac{AP - TP}{TAP - TP}$$

TAS = The Performance Shares for target.

TS = The Performance Shares for threshold.

AP = The Company's actual performance.

TP = The threshold performance goal.

TAP = The target performance goal.

d. If the Company's actual performance for a performance measure is between "target" and "superior," the Performance Shares earned shall equal the Performance Shares for target plus the number of Performance Shares determined under the following formula:

$$(SS - TAS) \quad \times \quad \frac{AP - TAP}{SP - TAP}$$

SS = The Performance Shares for superior.

TAS = The Performance Shares for target.

AP = The Company's actual performance.

TAP = The target performance goal.

SP = The superior performance goal.

e. If the Company's actual performance for performance measure exceeds "superior," the Performance Shares earned shall equal the Performance Shares for superior.

6. TIMING AND FORM OF PAYOUT. Except as hereinafter provided, after the end of the Performance Period, the Participant shall be entitled to receive a number of shares of the Company's common stock, par value \$.01 per share ("Common Stock"), equal to his total number of Performance Shares determined under Section 5. Delivery of such shares of Common Stock shall be made as soon as administratively feasible after the Committee certifies the actual performance of the Company during the Performance Period. Notwithstanding the foregoing, any delivery of shares of Common Stock under this Section may be irrevocably deferred by the Participant with the Committee's consent; provided, that the Participant's election to defer occurs prior to the expiration of the second year of the Performance Period. Notwithstanding anything herein to the contrary, the Committee may defer delivery of any shares of Common Stock to the Participant under this Section if the delivery of such shares of Common Stock would constitute compensation to the Participant that is not deductible by the Company or an Affiliate due to the application of Code Section 162(m); provided, that such shares of Common Stock deferred pursuant to this sentence shall be delivered to the Participant on or

before the January 15 of the first year in which the Participant is no longer a "covered employee" of the Company (within the meaning of Code Section 162(m)) following the end of the Performance Period or, if later, the deferred delivery date elected by the Participant in accordance with the preceding sentence.

7. **TERMINATION OF EMPLOYMENT DUE TO DEATH, RETIREMENT, OR DISABILITY.** If a Participant ceases to be an employee prior to the end of the Performance Period by reason of death, retirement or disability, the Participant (or in the case of the Participant's death, the Participant's beneficiary) shall be entitled to receive shares of Common Stock equal to the number of shares of Common Stock the Participant would have been entitled to under Section 6 if he or she had remained employed until the last day of the Performance Period multiplied by a fraction, the numerator of which shall be the number of full calendar months during the period of January 1, 2005 through the date of the Participant's employment terminated and the denominator of which shall be thirty-six. The delivery of such shares of Common Stock shall be made as soon as administratively feasible after the end of the Performance Period, whether or not the Participant had elected under Section 6 above to defer receipt of Common Stock deliverable under this Award.

Any distribution made with respect to a Participant who has died shall be paid to the beneficiary designated by the Participant pursuant to Article 11 of the Plan to receive the Participant's shares of Common Stock under this Award. If the Participant's beneficiary predeceases the Participant or no beneficiary has been properly designated, distribution of the Participant's shares of Common Stock under this Award shall be made to the Participant's surviving spouse and if none, to the Participant's estate.

8. **TERMINATION OF EMPLOYMENT FOR ANY OTHER REASON.** Except as provided in Section 7, the Participant must be an employee of the Company and/or an Affiliate continuously from the date of this Award until the last day of the Performance Period to be entitled to receive any shares of Common Stock with respect to any Performance Shares he may have earned hereunder.

9. **ASSIGNMENT AND TRANSFERS.** The rights and interests of the Participant under this Award may not be assigned, encumbered or transferred except, in the event of the death of the Participant, by will or the laws of descent and distribution.

10. **WITHHOLDING TAX.** The Company and any Affiliate shall have the right to retain shares of Common Stock that are distributable to the Participant hereunder to the extent necessary to satisfy the minimum required withholding taxes, whether federal, state or local, triggered by the distribution of shares of Common Stock under this Award.

11. **NO LIMITATION ON RIGHTS OF THE COMPANY.** The grant of this Award shall not in any way affect the right or power of the Company to make adjustments, reclassification, or changes in its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

12. **PLAN AND AGREEMENT NOT A CONTRACT OF EMPLOYMENT.**

Neither the Plan nor this Agreement is a contract of employment, and no terms of employment of the Participant shall be affected in any way by the Plan, this Agreement or related instruments except as specifically provided therein. Neither the establishment of the Plan nor this Agreement shall be construed as conferring any legal rights upon the Participant for a continuation of employment, nor shall it interfere with the right of the Company or any Affiliate to discharge the Participant and to treat him or her without regard to the effect that such treatment might have upon him or her as a Participant.

13. **PARTICIPANT TO HAVE NO RIGHTS AS A STOCKHOLDER.** The Participant shall not have any rights as a stockholder with respect to any shares of Common Stock subject to this Award prior to the date on which he or she is recorded as the holder of such shares of Common Stock on the records of the Company.

14. **NOTICE.** Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally or, if mailed, three days after the date of deposit in the United States mail, in the case of the Company to 21557 Telegraph Road, Southfield, Michigan, 48034, Attention: General Counsel and, in the case of the Participant, to its address set forth on the signature page hereto or, in each case, to such other address as may be designated in a notice given in accordance with this Section.

15. **GOVERNING LAW.** This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Michigan, determined without regard to its conflict of law rules.

16. **PLAN DOCUMENT CONTROLS.** The rights herein granted are in all respects subject to the provisions set forth in the Plan to the same extent and with the same effect as if set forth fully herein. In the event that the terms of this Agreement conflict with the terms of the Plan document, the Plan document shall control.

IN WITNESS WHEREOF, the Company and the Participant have duly executed this Agreement as of the date first written above.

LEAR CORPORATION

By:

Roger A. Jackson

Its: Senior Vice President, Human Resources

[Participant's Signature]

Participant's Name and Address for notices hereunder

FOR IMMEDIATE RELEASE

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**Lear Corporation Appoints Henry Wallace
to Board of Directors**

Southfield, Mich., February 10, 2005 — Lear Corporation [NYSE: LEA] today announced that Henry D. G. Wallace has been appointed to Lear's Board of Directors, effective immediately.

Wallace retired as a senior executive from Ford Motor Company in 2001, following a 30-year career with the automaker. He recently served as group vice president and chief financial officer, and he held numerous other senior level positions, including group vice president, Asia Pacific Operations, president of Mazda Motor Corporation, vice president European Strategic Planning, president, Ford Venezuela and controller, Ford Mexico.

"Henry's extensive international automotive experience and financial background nicely complement the experience and skills of the other members of our board," said Bob Rossiter, chairman and chief executive officer of Lear Corporation. "We are very fortunate to gain a leader with his considerable financial expertise, business acumen and operating experience in the strategically important Asia Pacific region. He will be an excellent addition to our board of directors."

Wallace earned a bachelor's degree in Economics from the University of Leicester in the United Kingdom.

Lear Corporation, a Fortune 500 company headquartered in Southfield, Mich., USA, focuses on integrating complete automotive interiors, including seat systems, interior trim and electrical systems. With annual net sales of \$17 billion in 2004, Lear is one of the world's largest automotive interior systems suppliers. The company's world-class products are designed, engineered and manufactured by more than 110,000 employees in 34 countries. Further information about Lear and its products is available on the internet at www.lear.com.