FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)
/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended DECEMBER 31, 1996.

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

For the transition period from _____ to _____.

COMMISSION FILE NUMBER: 1-11311

LEAR CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	13-3386776
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
21557 TELEGRAPH ROAD, SOUTHFIELD, MI	48086-5008
(Address of principal executive offices)	(zip code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (810) 746-1500

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, par value $.01 per share	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No _____

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

As of March 3, 1997, the aggregate market value of the registrant's Common Stock, par value $.01 per share, held by non-affiliates of the registrant was $2,032,218,351. The closing price of the Common Stock on March 3, 1997 as reported on the New York Stock Exchange was $38 3/8 per share.

As of March 3, 1997, the number of shares outstanding of the registrant's Common Stock was 65,858,215 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Certain sections of the registrant's Notice of Annual Meeting of Stockholders and Proxy Statement for its Annual Meeting of Stockholders to be held on May 15, 1997, as described in the Cross-Reference Sheet and a Table of Contents included herewith, are incorporated by reference into Part III of this Report.

CROSS REFERENCE SHEET
AND
TABLE OF CONTENTS

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(1) Certain information is incorporated by reference, as indicated below, from the registrant's Notice of Annual Meeting of Stockholders and Proxy Statement for its Annual Meeting of Stockholders to be held on May 15, 1997 (the "Proxy Statement").

(2) Proxy Statement sections entitled "Election of Directors" and "Management."

(3) Proxy Statement section entitled "Executive Compensation."

(4) Proxy Statement section entitled "Management - Security Ownership of Certain Beneficial Owners and Management."

(5) Proxy Statement section entitled "Certain Transactions."

PART I

ITEM 1 - BUSINESS

As used in this Report, unless the context otherwise requires, the "Company" or "Lear" refers to Lear Corporation and its consolidated subsidiaries. A significant portion of the Company's operations are conducted through wholly-owned subsidiaries of Lear Corporation.

BUSINESS OF THE COMPANY

GENERAL

Lear is one of the largest independent suppliers of automotive interior systems in the estimated $45 billion global automotive interior systems market and one of the ten largest independent automotive suppliers in the world. The Company has experienced substantial growth in market presence and profitability over the last five years as a result of both internal growth and acquisitions. The Company's sales have grown from approximately $1.4 billion for the year ended June 30, 1992 to over $6.2 billion for the year ended December 31, 1996, a compound annual growth rate of 39%. In addition, the Company's operating income has grown from $56.8 million for the year ended June 30, 1992 to $375.8 million for the year ended December 31, 1996, a compound annual growth rate of 51%. The Company's present customers include 26 original equipment manufacturers ("OEMs"), the most significant of which are Ford, General Motors, Fiat, Chrysler, Volvo, Saab, Volkswagen and BMW. As of December 31, 1996, the Company employed over 43,000 people in 21 countries and operated 148 manufacturing, research and development, product engineering and administration facilities.

Lear is a leading supplier of automotive interiors with in-house capabilities in all five principal automotive interior segments: seat systems; floor and acoustic systems; door panels; headliners; and instrument panels. In addition, as one of the leading independent global suppliers of interior systems and components to OEMs, Lear is able to offer its customers design, engineering and project management support for the entire automotive interior. Management believes that the ability to offer automotive interior "one-stop-shopping" provides Lear with a competitive advantage as OEMs continue to reduce their supplier base and demand improved quality and enhanced technology. In addition, the Company's broad array of products and process offerings enable it to provide each customer with products tailored to its particular needs.

Lear is focused on delivering high quality automotive interior systems and components to its customers on a global basis. Due to the opportunity for significant cost savings and improved product quality and consistency, OEMs have increasingly required their suppliers to manufacture automotive interior systems and components in multiple geographic markets. In recent years, the Company has aggressively expanded its operations in Western Europe and emerging markets in Eastern Europe, South America, South Africa and the Asia/Pacific Rim region, giving it the capability to provide its products on a global basis to its OEM customers. For example, in 1996, Lear entered into a joint venture to supply seat systems in Thailand to a joint venture between Ford and Mazda. In 1996, Lear also entered the Chinese market with a joint venture to supply seat systems and interior trim components for Isuzu trucks and Ford transit vans to be manufactured in China. In addition, during 1996 Lear was awarded a contract to supply seat and interior trim systems in Argentina for Ford's Ranger program and began production of seat systems for the Palio (Fiat's world car) in Brazil. Since late 1995, the Company has also entered joint ventures in Brazil and Argentina and opened facilities in South Africa, India, Indonesia, Australia and Venezuela. The Company's sales outside the United States and Canada have grown from $0.4 billion, or 29.7% of the Company's total sales, for the year ended June 30, 1992 to $2.2 billion, or 35.1% of the Company's total sales, for the year ended December 31, 1996.

In 1996, Lear was one of the leading independent suppliers to the estimated $45 billion global automotive interior market, with a 13% market share, after giving pro forma effect to the acquisition of Masland Corporation ("Masland"). In addition, after giving pro forma effect to the acquisition of Masland, the Company in 1996 held a leading 37% share of the estimated $7.9 billion North American seat systems market and a 37% share of the estimated $1.4 billion North American floor and acoustic systems market. In 1996, the Company was also the leading independent supplier to the estimated $7.2 billion Western European seat systems market, with a 17% share. The door panel, headliner and instrument panel segments of the automotive interior market are highly fragmented, contain no dominant independent supplier and are in the early stages of the outsourcing and/or consolidation process. The Company believes that the same competitive pressures that contributed to the rapid expansion of its seat systems business in North America since 1983 will continue to encourage automakers in the North American and European markets to outsource more of their door panel, headliner and instrument panel requirements.

The Company is the successor to a seat frame manufacturing business founded in 1917 that served as a supplier to General Motors and Ford from its inception. As a result of the expansion of the Company's business from automotive seat systems to products for a vehicle's complete interior, the Company changed its name to "Lear Corporation" from "Lear Seating Corporation" effective May 9, 1996.

BUSINESS STRATEGY

Lear's business objective is to expand its position as one of the leading independent suppliers of automotive interior systems in the world. Lear intends to build on its full-service capabilities, strong customer relationships and worldwide presence to increase its share of the global automotive interior market. To achieve this objective, the Company will continue to pursue a strategy based upon the following elements:

- Enhance its Strong Relationships with OEMs. The Company's management has developed strong relationships with its 26 OEM customers which allow Lear to identify business opportunities and anticipate customer needs in the early stages of vehicle design. Management believes that working closely with OEMs in the early stages of designing and engineering vehicle interior systems gives it a competitive advantage in securing new business. For each of its major customers, Lear maintains "Customer Focused Divisions." This organizational structure consists of several dedicated groups, each of which is focused on serving the needs of a single customer and supporting that customer's programs and product development. Each division provides all the interior systems and components the customer needs, allowing that customer's purchasing agents, engineers and designers to have a single point of contact. Lear maintains an excellent reputation with OEMs for timely delivery and customer service and for providing world class quality at competitive prices. As a result of the Company's service and performance record, many of the Company's facilities have won awards from OEMs with which they do business.

- Penetrate Emerging Markets. Geographic expansion will continue to be an important element of the Company's growth strategy. In 1996, more than two-thirds of total worldwide vehicle production occurred outside of the United States and Canada. Emerging markets such as South America and the Asia/Pacific Rim region present strong growth opportunities as demand for automotive vehicles is dramatically increasing in these areas. For example, since 1991, sales of light vehicles in China have increased nearly 500%, while sales in Brazil have increased over 70%. It is anticipated that population and per capita income in China, Brazil and other emerging markets will continue to increase. Industry analysts forecast that these underlying trends will result in continued strong increases in light vehicle sales in these and other emerging markets. As a result of Lear's strong customer relationships and worldwide presence, management believes that the Company is well positioned to expand with OEMs in emerging markets.

- Capitalize on New Outsourcing Opportunities. Lear's strategy is to build on its full-service capabilities, strong customer relationships and worldwide presence to increase its share of the global automotive interior market. The door panel, headliner and instrument panel segments of the automotive interior market contain no dominant independent supplier and are in the early stages of the outsourcing and/or consolidation process. These segments constituted approximately 20% of the total estimated $45 billion global automotive interior market in 1996. The Company believes that the same competitive pressures that contributed to the rapid expansion of its seat systems business in North America since 1983 will continue to encourage customers to outsource more of their door panel, headliner and instrument panel system requirements. In addition, management believes that as the outsourcing of these systems accelerates and OEMs continue their worldwide expansion and seek ways to improve vehicle quality and reduce costs, they will increasingly look to suppliers, such as Lear, to fill the role of "Systems Integrator" to manage the design, purchasing and supply of the total automotive interior. Lear's full-service capabilities make it well-positioned to fill this role.

- Invest in Product Technology and Design Capability. Lear has made substantial investments in product technology and product design capability to support its products. The Company maintains five technology centers and twenty customer focused product engineering centers where it designs and develops new products and conducts extensive product testing. The Company also has state-of-the art acoustics testing, instrumentation and data analysis capabilities. Lear's investments in research and development are consumer driven and customer focused. The Company conducts extensive analysis and testing of consumer responses to automotive interior styling and innovations. Because OEMs increasingly view the vehicle interior as a major selling point to their customers, the focus of Lear's research and development efforts is to identify new interior features that make vehicles safer, more comfortable and attractive to consumers. For example, in 1996 Lear developed a One-Step(TM) door which consolidates all of the door's internal mechanisms including glass, window regulators and latches, providing customers with a higher quality door at a lower price as well as a lightweight, adjustable seat with lateral accelerometers built into them that automatically adjust the side bolsters to provide passengers additional support during sharp turns. In 1996, the Company also developed a "Mobile Office" unit, specially designed to fit across the vehicle's width, that contains customized containers for portable computers, fax machines, hanging files and other items. The development of these and similar products has been, and management believes will continue to be, an important element in the Company's future growth. For automotive vehicles manufactured in North America, Lear's total content per vehicle has increased from $94 per vehicle in 1992 to $292 per vehicle in 1996. For automotive vehicles manufactured in Western Europe, Lear's total content per vehicle has increased from $19 per vehicle in 1992 to $109 per vehicle in 1996.

- Utilize Worldwide JIT Facility Network. Beginning in the 1980s, Lear established facilities, most of which were, and still are, dedicated to a single customer, that allowed it to receive components from its suppliers on a just-in-time ("JIT") basis and deliver seat systems to its customers on a sequential JIT basis. This process minimizes inventories and fixed costs for both the Company and its customers and enables the Company to deliver products in as little as 90 minutes notice. In many cases, by carefully managing floor space and overall efficiency, Lear can move the final assembly and sequencing of other interior systems and components from centrally located facilities to its existing JIT facilities. For example, at a facility in Austria, Lear has been supplying seat systems to Chrysler's GS minivan on a JIT basis. In late 1996, that same facility began supplying Chrysler with sequenced door panels on a JIT basis, which should result in significant cost savings to the Company and Chrysler. Management believes that the efficient utilization of the Company's 62 JIT facilities located around the world is an important aspect of Lear's global growth strategy and, together with the Company's system integration skills, provides Lear with a significant competitive advantage in terms of delivering total interior systems to OEMs.

- Grow Through Strategic Acquisitions. Strategic acquisitions have been, and management believes will continue to be, an important element in the Company's growth worldwide and in its efforts to capitalize on the outsourcing and supplier consolidation trends. These acquisitions strengthen Lear's relationship with OEMs, complement Lear's existing capabilities and products and provide growth opportunities in new markets. The Company's recent acquisitions have expanded its OEM customer base and worldwide presence and enhanced its relationships with existing customers. The acquisitions of Borealis Industrier AB ("Borealis"), Masland and Automotive Industries Holding, Inc. ("AI") also provide the Company with a substantial presence in the non-seating segments of the automobile and light truck interior market. The Company believes that these markets hold significant growth potential. In 1996, after giving pro forma effect to the Masland acquisition, the Company's sales of non-seating systems and components would have been approximately $2.1 billion, or approximately 34% of the Company's total pro forma sales. The Company will continue to consider strategic acquisitions that enhance its market position, expand its global presence, increase its product offerings, improve its technological capabilities or enhance customer relationships.

ACQUISITIONS

To supplement its internal growth and implement its business strategy, the Company has made several strategic acquisitions since 1990. The following is a summary of recent major acquisitions:

Borealis Acquisition

In December 1996, the Company acquired all of the issued and outstanding shares of common stock of Borealis (the "Borealis Acquisition"), a leading Western European supplier of instrument panels, door panels and other automotive components. The Borealis Acquisition provided the Company with the technology to manufacture instrument panels, the only interior system capability the Company did not previously possess. Borealis also produces door panels, climate systems, exterior trim and various components for the Western European automotive, light truck and heavy truck industries. In addition, the Borealis Acquisition increased the Company's presence in the Western European market and strengthened its relationships with Volvo, Saab and Scania. The aggregate purchase price for the Borealis Acquisition was approximately $91.1 million (including the assumption of $18.8 million of Borealis' existing indebtedness, net of cash and cash equivalents, and the payment of fees and expenses of $1.5 million in connection with the acquisition).

Masland Acquisition

On July 1, 1996, the Company completed the acquisition of all of the issued and outstanding shares of common stock of Masland (the "Masland Acquisition") for an aggregate purchase price of $475.7 million (including the assumption of $80.7 million of Masland's existing indebtedness, net of cash and cash equivalents, and the payment of fees and expenses of $10 million in connection with the acquisition). The Masland Acquisition gave Lear manufacturing capabilities to produce floor and acoustic systems, which the Company did not previously have. In 1996, after giving pro forma effect to the Masland Acquisition, Lear held a 37% share of the estimated $1.4 billion North American floor and acoustics systems market. As a result of the Masland Acquisition, Lear also became a major supplier of interior and luggage trim components and other acoustical products which are designed to minimize noise, vibration and harshness for passenger cars and light trucks. The Masland Acquisition also provided Lear with access to leading-edge technology. Its 33,000 square foot Technology Center in Plymouth, Michigan provides full service acoustics testing, design, product engineering, systems integration and program management.

AI Acquisition

In August 1995, the Company acquired all of the issued and outstanding shares of common stock of AI (the "AI Acquisition"), a leading designer and manufacturer of high quality interior systems and blow molded plastic parts to automobile and light truck

manufacturers. Prior to the AI Acquisition, Lear had participated primarily in the seat system segment of the interior market, which comprises approximately 50% of the total combined worldwide interior market. By providing the Company with substantial manufacturing capabilities in door panels and headliners, the AI Acquisition made Lear the largest independent Tier I supplier of automotive interior systems in the North American and Western European light vehicle interior market. The aggregate purchase price for the AI Acquisition was $881.3 million (including the assumption of $250.5 million of AI's existing indebtedness and the payment of fees and expenses of $14.4 million in connection with the acquisition).

FSB Acquisition

On December 15, 1994, the Company, through its wholly-owned subsidiary, Lear Seating Italia Holdings, S.r.L., acquired the primary automotive seat systems supplier to Fiat and certain related businesses (the "Fiat Seat Business" or the "FSB"). Lear and Fiat also entered into a long- term supply agreement for Lear to produce all outsourced automotive seat systems for Fiat and affiliated companies worldwide. The acquisition of the Fiat Seat Business not only established Lear as the market leader in automotive seat systems in Europe, but, combined with its leading position in North America, made Lear one of the largest automotive seat systems manufacturers in the world. In addition, it gave the Company access to rapidly expanding markets in South America and has resulted in the formation of new joint ventures which are supplying automotive seat systems to Fiat or its affiliates in Brazil and Argentina.

NAB Acquisition

On November 1, 1993, Lear significantly strengthened its position in the North American automotive seating market by purchasing the North American seat cover and seat systems business (the "NAB") of Ford Motor Company. The NAB consists of an integrated United States and Mexican operation which produces seat covers for approximately 80% of Ford's North American vehicle production (as well as for several independent suppliers) and manufactures seat systems for certain Ford models. Prior to the NAB Acquisition, the Company outsourced a significant portion of its seat cover requirements. The expansion of the Company's seat cover business has provided Lear with better control over the costs and quality of one of the critical components of a seat system. In addition, by virtue of the NAB Acquisition, the Company was able to enhance its relationship with one of its largest OEM customers, entering into a five year supply agreement with Ford, which expires in November 1998, covering models for which the NAB had produced seat covers and seat systems at the time of the acquisition. The Company also assumed during the term of the supply agreement primary engineering responsibility for a substantial portion of Ford's car models, providing Lear with greater involvement in the planning and design of seat systems and related products for future light vehicle models.

Scandinavian Acquisitions

In 1991 and 1992, the Company acquired the seat systems businesses of Saab in Sweden and Finland and of Volvo in Sweden. In connection with each of these acquisitions, the Company entered into long-term relationships with the respective OEMs.

PRODUCTS

Lear's products have evolved from the Company's many years of manufacturing experience in the automotive seat frame market where it has been a supplier to General Motors and Ford since its inception in 1917. The seat frame has structural and safety requirements which make it the basis for overall seat design and was the logical first step to the Company's emergence as a dominant supplier of entire seat systems and seat components. With the acquisitions of Borealis, Masland and AI, the Company has expanded its product offerings and can now manufacture and supply its customers with floor systems, headliners, door panels and instrument panels. The Company also produces a variety of blow molded products and other automotive components such as fluid reservoirs, fuel tank shields, exterior airdams, front grille assemblies, engine covers, battery trays/covers and insulators. Lear believes that as OEMs continue to seek ways to improve vehicle quality while simultaneously reducing the costs of the various vehicle components, they will increasingly look to suppliers such as Lear with the capability to test, design, engineer and deliver products for a complete vehicle interior. In addition, with the Borealis, Masland and AI acquisitions, the Company believes that it has significant cross-selling opportunities across its customer base as well as its vehicle platforms and is well-positioned to expand its position as one of the leading independent suppliers of automotive interior systems in the world.

The following is the approximate composition by product category of the Company's net sales in the year ended December 31, 1996, after giving pro forma effect to the Masland Acquisition: seat systems, $4.4 billion; floor and acoustic systems, $0.5 billion; door panels, $0.3 billion; headliners, $0.1 billion; and other component products, $1.2 billion.

- Seat Systems. The seat systems business consists of the manufacture, assembly and supply of seating requirements for a vehicle or assembly plant. Seat systems typically represent approximately 50% of the cost of the total automotive interior. The Company produces seat systems for automobiles and light trucks that are fully finished and ready to be installed in a vehicle. Seat systems are

fully assembled seats, designed to achieve maximum passenger comfort by adding a wide range of manual and power features such as lumbar supports, cushion and back bolsters and leg and thigh supports.

As a result of its product technology and product design strengths, the Company has been a leader in producing convenience features and safety improvements into its seat designs. For example, in 1996, Lear developed automatically adjusting seats that provide passengers additional support during sharp turns. In addition, Lear has recently introduced a newly designed integrated restraint system that increased occupant comfort and convenience. Licensed exclusively to Lear, this patented seating concept uses a special ultra high-strength steel tower, a blow- molded seat back frame and a split-frame design to improve occupant comfort and convenience. Other recent product ideas include newly developed fabric seat heaters, a "Sound Seat," which has a high output bass speaker built into the back seat, and a Code-Alarm(TM) integrated seat, which includes a security device that automatically moves the driver seat back forward against the steering wheel to deter theft.

Lear's position as a market leader in seat systems is largely attributable to seating programs on new vehicle models launched in the past five years. The Company is currently working with customers in the development of a number of seat systems products to be introduced by automotive manufacturers in the next six years.

- Floor and Acoustic Systems. Floor systems consist both of carpet and vinyl products, molded to fit precisely the front and rear passenger compartments of cars and trucks, and accessory mats. While carpet floors are used predominately in passenger cars and trucks, vinyl floors, because of their better wear and washability characteristics, are used primarily in commercial and fleet vehicles. The Company is the largest independent supplier of vinyl automotive floor systems in North America, and the only supplier of both carpet and vinyl automotive floor systems. With the Masland Acquisition, the Company acquired Maslite(TM), a recently developed material that is 40% lighter than vinyl, which has replaced vinyl accessory mats on selected applications.

The automotive floor system is multi-purpose. Its performance is based on the correct selection of materials to achieve an attractive, quiet, comfortable and durable interior compartment. Automotive carpet requirements are more stringent than the requirements for carpet used in homes and offices. For example, automotive carpet must provide higher resistance to fading and improved resistance to wear despite being lighter in weight than carpet found in homes and offices. Masland's significant experience has enabled the Company to meet these specialized needs. Carpet floor systems generally consist of tufted carpet to which a specifically engineered thermoplastic backcoating has been added. This backcoating, when heated, enables the Company to mold the carpet to fit precisely the interior of the vehicle. Additional insulation materials are added to provide noise, vibration and harshness resistance. Floor systems are complex products which are based on sophisticated designs and use specialized design materials to achieve the desired visual, acoustic and heat management requirements in the automotive interior.

Lear's primary acoustic product, after floor systems, is the dash insulator. The dash insulator attaches to the vehicle's sheet metal firewall, separating the passenger compartment from the engine compartment, and is the primary component for preventing engine noise and heat from entering the passenger compartment. The Company's ability to produce both the dash insulator and the floor system enables it to accelerate the design process and supply an integrated system. The Company believes that OEMs, recognizing the cost and quality advantages of producing the dash insulator and the floor system as an integrated system, will increasingly seek suppliers to coordinate the design, development and manufacture of the entire floor and acoustic system.

In 1996, after giving pro forma effect to the Masland Acquisition, the Company held a 37% share in the estimated $1.4 billion North American floor and acoustic systems market. In addition, the Company participates in the European floor system market through its joint venture with Sommer-Allibert S.A.

- Door Panels. Door panels consist of several component parts that are attached to a base molded substrate by various methods. Specific components include vinyl or cloth-covered appliques, armrests, radio speaker grilles, map pocket compartments and carpet and sound reducing insulation. Upon assembly, each component must fit precisely, with a minimum of misalignment or gap, and must match the color of the base substrate. In 1996, Lear introduced the One-Step(TM) door, an innovative door system concept which consolidates all of the door's internal mechanisms, including glass, window regulators and latches, providing customers with a higher quality product at a lower price. Assembly of the One-Step(TM) door involves combining an injection molded plastic door panel with all major mechanical components and an interior trim cover, into a single system which can be shipped to OEMs fully assembled, tested and ready to install. Management believes that the One-Step(TM) door, while not yet in production, offers Lear significant opportunities to capture a larger share of the estimated $8 billion modular door market.

In 1996, among independent suppliers, the Company held a leading 14% share of the estimated $1.6 billion North American door panel market. Management believes that this leadership position has been achieved by offering OEMs the widest variety of manufacturing processes for door

panel production. In Western Europe, the Company held a small position in the door panel market. These markets contain no dominant supplier and are just beginning to experience the outsourcing and consolidation trends that have characterized the seat systems market since the 1980's. With its global scope, technological expertise and established customer relationships, Lear believes that it is well-positioned to benefit from these positive industry dynamics.

- Headliners. The Company designs and manufactures headliners which consist of the headliner substrate, covering material, visors, overhead consoles, grab handles, coat hooks, lighting, wiring and insulators. As with door panels, upon assembly, each component must fit precisely and must match the color of the base substrate. With its sophisticated design and engineering capabilities, the Company believes it is able to supply headliners with enhanced quality and lower costs than OEMs could achieve internally. The Company also believes that it is one of the most process-diverse suppliers of headliners in North America.

In 1996, the Company developed retractable sunscreens for shielding the front windshield and a rotating entertainment center attached to a vehicles headliner that comes complete with a 5.5 inch color television and video cassette player. In 1997, Lear introduced an advanced integrated headliner which incorporates heating, venting and air conditioning ("HVA/C") ducting, an occupant position detection system, CD changer, trim inflatable tubular structure side air bags and surround sound speakers into a single integrated overhead system. The Company believes that these products, while not yet in production, provide the Company with significant opportunity for growth.

The headliner market is highly fragmented, with no dominant independent supplier. As OEMs continue to seek ways to improve vehicle quality and simultaneously reduce costs, the Company believes that headliners will increasingly be outsourced to suppliers such as Lear, providing the Company with significant growth opportunities.

- Instrument Panels. The instrument panel is a complex system of foil coverings, foams, plastics and metals designed to house various components and act as a safety device for the vehicle occupants. Specific components of the instrument panel include the HVA/C module, air distribution ducts, air vents, cross car structure, glove box compartment assemblies, electrical components, wiring harness, radio system, and passenger airbag units. As the primary occupant focal point of the vehicle interior, the instrument panel should be aesthetically pleasing while also acting as the structural carrier of various components.

Safety issues surrounding air bag technologies are currently a significant focus of the instrument panel segment. Management believes that Lear continues to maintain a competitive edge in this area through its research and development efforts, resulting in breakthroughs such as the introduction of cost effective, integrated, seamless airbag covers, which increase occupant safety. Future trends in the instrument panel segment will continue to focus on safety with the introduction of low-mounted airbags as knee restraint components.

Cost, weight and part reduction are also key elements in instrument panel development for the next generation of vehicle programs. Lear's goals are to meet future OEM requirements by increasing the integration level of instrument panel components, and incorporating additional safety features on the primary carrier. Currently, the majority of instrument panel components are assembled at the assembly plant by the OEM. By utilizing its years of JIT assembly experience of complex automotive interior systems, management believes Lear has the ability to capitalize on the OEMs trend of outsourcing of full instrument panel systems and to increase its share of the worldwide instrument panel market.

- Component Products. In addition to the interior systems and other products described above, the Company is able to supply a variety of interior trim and other automobile components as well as blow molded plastic parts.

Lear produces seat covers for integration into its own seat systems and for delivery to external customers. The Company's major external customers for seat covers are other independent seat systems suppliers as well as the OEMs. The Company is currently producing approximately 80% of the seat covers for Ford's North American vehicles. The expansion of the Company's seat cover business has provided the Company with better control over the costs and quality of one of the critical components of a seat system. Typically, seat covers comprise approximately 30% of the aggregate cost of a seat system.

Lear produces steel and aluminum seat frames for passenger cars and light and medium trucks. Seat frames are primarily manufactured using precision stamped, tubular steel and aluminum components joined together by highly automated, state-of-the-art welding and assembly techniques. The manufacture of seat frames must meet strict customer and government specified safety standards. The Company's seat frames are either delivered to its own plants where they become part of a completed seat that is sold to the OEM customer, to customer-operated assembly plants or to other independent seating suppliers for use in the manufacture of assembled seating systems.

The Company also produces a variety of interior trim products, such as pillars, cowl panels, scuff plates, trunk liners, quarter panels and spare tire covers, as well as blow molded plastic products, such as fluid reservoirs, vapor canisters and duct systems. In contrast to interior trim products, blow molded products require little assembly. However, the manufacturing process for such parts demands considerable expertise in order to consistently produce high-quality products. Blow molded parts are produced by extruding a shaped parison or tube of plastic material and then clamping a mold around the parison. High pressure air is introduced into the tube causing the hot plastic to take the shape of the surrounding mold. The part is removed from the mold after cooling and finished by trimming, drilling and other operations.

MANUFACTURING

All of the Company's facilities use JIT manufacturing techniques. Most of the Company's seating related products and many of the Company's other interior products are delivered to the OEMs on a JIT basis. The JIT concept, first broadly utilized by Japanese automobile manufacturers, is the cornerstone of the Company's manufacturing and supply strategy. This strategy involves many of the principles of the Japanese system, but was redeveloped for compatibility with the greater volume requirements and geographic distances of the North American market. The Company first developed JIT operations in the early 1980s at its seat frame manufacturing plants in Morristown, Tennessee and Kitchener, Ontario, Canada. These plants previously operated under traditional manufacturing practices, resulting in relatively low inventory turnover rates, significant scrap and rework, a high level of indirect labor costs and long production set-up times. As a result of JIT manufacturing techniques, the Company has been able to consolidate plants, increase capacity and significantly increase inventory turnover, quality and productivity.

The JIT principles first developed at Lear's seat frame plants were next applied to the Company's growing seat systems business and have now evolved into sequential parts delivery ("SPD") principles. The Company's seating plants are typically no more than 30 minutes or 20 miles from its customers' assembly plants and manufacture seats for delivery to the customers' facilities in as little as 90 minutes. Orders for the Company's seats are received on a weekly basis, pursuant to blanket purchase orders for annual requirements. These orders detail the customers' needs for the ensuing week. In addition, constant computer and other communication is maintained between personnel at the Company's plants and personnel at the customers' plants to keep production current with the customers' demand.

As the Company expands its product line to include total automobile interiors, it is also expanding its JIT facility network. The Company's strategy is to leverage its JIT seat system facilities by moving the final assembly and sequencing of other interior components from its centrally located facilities to its JIT facilities.

A description of the Company's manufacturing processes for its product segments is set forth below.

- Seat Systems. Seat assembly techniques fall into two major categories, traditional assembly methods (in which fabric is affixed to a frame using Velcro, wire or other material) and more advanced bonding processes. The Company's principal bonding technique involves its patented SureBond(TM) and DryBond(TM) processes, techniques in which fabric is affixed to the underlying foam padding using adhesives. The SureBond(TM) and DryBond(TM) processes have several major advantages when compared to traditional methods, including design flexibility, increased quality and lower cost. The SureBond(TM) and DryBond(TM) processes, unlike alternative bonding processes, result in a more comfortable seat in which air can circulate freely. The SureBond(TM) and DryBond(TM) processes, moreover, are reversible, so that seat covers that are improperly installed can be removed and repositioned properly with minimal materials cost. In addition, the SureBond(TM) and DryBond(TM) processes are not capital intensive when compared to competing bonding technologies. Approximately one-fourth of the Company's seats are manufactured using the SureBond(TM) and DryBond(TM) processes.

The seat assembly process begins with pulling the requisite components from inventory. Inventory at each plant is kept at a minimum, with each component's requirement monitored on a daily basis. This allows the plant to devote the maximum space to production, but also requires precise forecasts of the day's output. Seats are assembled in modules, then tested and packaged for shipment. The Company operates a specially designed trailer fleet that accommodates the off-loading of vehicle seats at the customer's assembly plant.

The Company obtains steel, aluminum and foam chemicals used in its seat systems from several producers under various supply arrangements. These materials are readily available. Leather, fabric and certain purchased components are generally purchased from various suppliers under contractual arrangements usually lasting no longer than one year. Some of the purchased components are obtained through the Company's own customers.

- Floor and Acoustic Systems. The Company produces carpet at its plant in Carlisle, Pennsylvania. Smaller "focused" factories are dedicated to specific groups of customers and are strategically located near their production facilities. This proximity improves

responsiveness to its customers and speeds product delivery to customer assembly lines, which is done on a JIT basis. The Company's manufacturing operations are complemented by its research and development efforts, which have led to the development of a number of proprietary products, such as their EcoPlus(TM) recycling process as well as Maslite(TM), a lightweight proprietary material used in the production of accessory mats.

- Door Panels/Headliners. The Company uses numerous molding, bonding, trimming and finishing manufacturing processes. The wide variety of manufacturing processes helps to satisfy customers' different cost and functionality specifications. The Company's ability and experience in producing interior products for such a vast array of applications enhances the Company's ability to provide total interior solutions to OEMs globally. The Company employs many of the same JIT principles used at the Company's seat facilities.

The core technologies used in the Company's interior trim systems include injection molding, low-pressure injection molding, rotational molding and urethane foaming, compression molding of Wood-Stock(TM) (a proprietary process that combines polypropylene and wood flour), glass reinforced urethane and a proprietary headliner process. One element of Lear's strategy is to focus on more complex, value-added products such as door panels and armrests. Lear delivers these integrated systems at attractive prices to the customer because certain services such as design and engineering and sub-assembly are provided more cost efficiently by the Company. The principal purchased components for interior trim systems are polyethylene and polypropylene resins which are generally purchased under long-term agreements and are available from multiple suppliers. Lear is constantly developing recycling methods for future environmental requirements and conditions in order to maintain its competitive edge in this industry.

The combined pressures of cost reduction and fuel economy enhancement have caused automotive manufacturers to concentrate their efforts on developing and employing lower cost, lighter materials. As a result, plastic content in cars and light trucks has grown significantly. Increasingly, automotive content requires large plastic injection molded assemblies for both the interior and exterior. Plastics are now commonly used in such nonstructural components as interior and exterior trim, door panels, instrument panels, grilles, bumpers, duct systems, taillights and fluid reservoirs. For interior trim applications, substitution of plastics for other materials is largely complete, and little growth through substitution is expected. However, further advances in injection molding technologies are improving the performance and appearance of parts molded in reinforced thermoplastics.

- Instrument Panels. Lear's in-house process capabilities for producing instrument panels include injection molding, vacuum forming, and other various finishing methods. Lear's foil and foam capabilities, whereby molded vinyl is bonded to a plastic substrate using an expandable foam, are used throughout the world. Lear's current development concentration is an instrument panel concept for trucks processed by low pressure injection molding which management believes will be in production by the beginning of 1998. Lear is constantly developing recycling methods for future environmental requirements and conditions in order to maintain its competitive edge in this industry. The wide variety of available manufacturing processes helps Lear to continue to meet customer cost and functionality specifications.

CUSTOMERS

Lear serves the worldwide automobile and light truck market, which produces approximately 50 million vehicles annually. The Company's OEM customers currently include Ford, General Motors, Fiat, Chrysler, Volvo, Saab, Opel, Jaguar, Volkswagen, Audi, BMW, Rover, Honda USA, Daimler- Benz, Mitsubishi, Mazda, Toyota, Subaru, Nissan, Isuzu, Peugeot, Porsche, Renault, Suzuki, Hyundai and Daewoo. During the year ended December 31, 1996, Ford and General Motors, the two largest automobile and light truck manufacturers in the world, accounted for approximately 32% and 30%, respectively, of the Company's net sales. For additional information regarding customers, foreign and domestic operations and sales, see Note 18, "Geographic Segment Data," to the consolidated financial statements of the Company included in this Report.

In the past six years, in the course of retooling and reconfiguring plants for new models and model changeovers, certain OEMs have eliminated the production of seat systems and other interior systems and components from certain of their facilities, thereby committing themselves to purchasing these items from outside suppliers. During this period, the Company became a supplier of these products for a significant number of new models, many on a JIT basis.

The purchase of seat systems and other interior systems and components from full-service independent suppliers like Lear has allowed the Company's customers to realize a competitive advantage as a result of (i) a reduction in labor costs since suppliers like the Company generally enjoy lower direct labor and benefit rates, (ii) the elimination of working capital and personnel costs associated with the production of interior systems by the OEM, (iii) a reduction in net overhead expenses and capital investment due to the availability of significant floor space for expansion of other OEM manufacturing operations and (iv) a reduction in transaction costs by utilizing a limited number of sophisticated system suppliers instead of numerous individual component suppliers. In addition, the Company offers improved quality and on- going cost reductions to its customers through continuous, Company-initiated design

improvements. The Company believes that such cost reductions will lead OEMs to outsource an increasing portion of their automotive interior requirements in the future and provide the Company with significant growth opportunities.

The Company's sales of value-added assemblies and component systems have increased as a result of the decision by most OEMs to reduce their internal engineering and design resources. In recent years, the Company has significantly increased its capacity to provide complete engineering and design services to support its product line. Because assembled parts such as door panels, floor and acoustic systems, armrests and consoles need to be designed at an early stage in the development of new automobiles or model revisions, the Company is increasingly given the opportunity to participate earlier in the product planning process. This has resulted in opportunities to add value by furnishing engineering and design services and managing the sub-assembly process for the manufacturer, as well as providing the broader range of parts that are required for the assembly.

Lear maintains "Customer Focused Divisions" for each of the Company's major customers. This organizational structure consists of several dedicated groups, each of which is focused on serving the needs of a single customer and supporting that customer's programs and product development. Each division is capable of providing whatever interior component the customer needs, providing that customer's purchasing agents, engineers and designers with a single point of contact for their total automotive interior needs.

The Company receives blanket purchase orders from its customers that normally cover annual requirements for products to be supplied for a particular vehicle model. Such supply relationships typically extend over the life of the model, which is generally four to seven years, and do not require the purchase by the customer of any minimum number of products. Although such purchase orders may be terminated at any time, the Company does not believe that any of its customers have terminated a material purchase order prior to the end of the life of a model. The primary risk to the Company is that an OEM will produce fewer units of a model than anticipated. In order to reduce its reliance on any one model, the Company produces interior systems and components for a broad cross-section of both new and more established models.

The Company's sales for the year ended December 31, 1996 were comprised of the following vehicle categories: 42% light truck; 23% mid-size; 17% compact and other; 10% luxury/sport; and 8% full-size. The following table presents an overview of the major vehicle models for which the Company, or its affiliates, produce seat systems, interior trim products or other components by geographic region:

NORTH AMERICA

BMW:	FORD (CONT):	GENERAL MOTORS (CONT):	HONDA:
Z3	Ford Explorer	Chevrolet Lumina	Accord
Z3 Coupe	Ford F-Series	Chevrolet Malibu	Acura CL
	Ford Ghia	Chevrolet Monte Carlo	Civic
CHRYSLER:	Ford Mustang	Chevrolet S 10	Passport
Chrysler Cirrus	Ford Probe	Chevrolet Suburban	
Chrysler Concorde	Ford Ranger	Chevrolet Swing	MAZDA:
Chrysler LHS	Ford Taurus	Chevrolet Tahoe	MX-6
Chrysler Sebring	Ford Thunderbird	Chevrolet Venture	Pickup
Chrysler Sebring	Ford Windstar	Geo Prizm	626
Convertible	Lincoln Continental	GMC Jimmy	
Chrysler Town & Country	Lincoln Mark VIII	GMC Safari	
Dodge Avenger	Lincoln Town Car	GMC Savana	MITSUBISHI:
Dodge Caravan	Mercury Cougar	GMC Sierra	Eclipse
Dodge Dakota	Mercury Grand Marquis	GMC Sonoma	Galant
Dodge Intrepid	Mercury Mountaineer	GMC Suburban	
Dodge Neon	Mercury Mystique	GMC Top-Kick	NISSAN:
Dodge Ram	Mercury Sable	GMC Yukon	Altima
Dodge Ram Van	Mercury Tracer	Oldsmobile Achieva	Pick-up
Dodge Ram Wagon	Mercury Villager	Oldsmobile Aurora	Quest
Dodge Ramcharger			Sentra
Dodge Stratus		Oldsmobile Bravada	
Dodge Viper	GENERAL MOTORS:	Oldsmobile Cutlass	SUBARU/ISUZU:
Eagle Talon	Buick Century	Oldsmobile Cutlass Supreme	Isuzu Rodeo
Eagle Vision	Buick LeSabre	Oldsmobile Silhouette	Subaru Legacy
Jeep Cherokee	Buick Park Avenue	Oldsmobile 88	
Jeep Grand Cherokee	Buick Regal	Pontiac Bonneville	TOYOTA:
Jeep Wrangler	Buick Riviera	Pontiac Firebird	Avalon
Plymouth Breeze	Buick Skylark	Pontiac Grand Am	Camry
Plymouth Neon	Cadillac Catera	Pontiac Grand Prix	Corolla
Plymouth Voyager	Cadillac DeVille/Concours	Pontiac Sunfire	Tacoma
	Cadillac Eldorado/Seville	Pontiac Transport	
FORD:	Chevrolet Astro	Saturn	VOLKSWAGEN:
Ford Aerostar	Chevrolet Blazer	Saturn EV1	Cabrio
Ford Contour	Chevrolet C/K		Golf
Ford Crown Victoria	Chevrolet Camaro	GENERAL MOTORS/SUZUKI:	GPA Minivan
Ford Econoline	Chevrolet Cavalier	Geo Metro	Jetta
Ford Escort	Chevrolet Corvette	Geo Tracker	
Ford Expedition	Chevrolet Express	Suzuki Sidekick	
	Chevrolet Kodiak	Suzuki Swift	

WESTERN EUROPE

ALFA ROMEO:	FIAT (CONT):	MERCEDES:	ROVER (CONT):
Coupe	Ducato	C Class	100
Spider	Marea	E Class	200
145	Panda	S Class	400
146	Punto		600
155		OPEL:	800
164	FORD:	Astra	
	Escort	Corsa	SAAB:
AUDI:	Fiesta	Omega	900
A3	Mondeo	Sintra	9000
A4	Scorpio	Vectra	
A6			TOYOTA:
A8	HONDA:	PORSCHE:	Carina
	Honda Accord	Boxster	Corolla
BMW:	Honda Civic	911	
3 Series			VOLKSWAGEN:
5 Series	JAGUAR:	RENAULT:	Golf
	XJ Series	Cabrio	Passat
CHRYSLER:	XK8		Transit
Eurostar		ROVER:	T4-Multivan
	LANCIA:	Defender	Viento
FIAT:	Dedra	Discovery	
Barchetta	Delta	MGF	VOLVO:
Bravo/Brava	Kappa	Mini	Series 800
Coupe	Y	Range Rover	Series 900
Croma			

OTHER REGIONS

BMW (SOUTH AFRICA):	FIAT (SOUTH AMERICA-CONT):	GENERAL MOTORS (S. AMERICA):	SEAT (SOUTH AMERICA):
3 Series	Tempra	Chevrolet C/K	Cordoba
	Tipo		
DAEWOO (POLAND):	Uno	HYUNDAI (KOREA):	
Tico		Grandeur	VOLVO (THAILAND):
	FORD (SOUTH AMERICA):		800 Series
FIAT (POLAND):	Ford Ranger	OPEL (INDIA):	900 Series
500		Astra	
Uno	GENERAL MOTORS (AUSTRALIA):		VOLKSWAGEN (S. AMERICA):
	Berlina	PUEGEOT (SOUTH AMERICA):	Combi
FIAT (SOUTH AMERICA):	Calais	306	Gol
Bravo/Brava	Caprice	405	Saveiro
Duna	Executive	504	
Fiorino	Statesman		
Palio			
Spazio	GENERAL MOTORS (INDONESIA):		
	S-10 Blazer		

Because of the economic benefits inherent in outsourcing to suppliers such as Lear and the costs associated with reversing a decision to purchase seat systems and other interior systems and components from an outside supplier, the Company believes that automotive manufacturers' level of commitment to purchasing seating and other interior systems and components from outside suppliers, particularly on a JIT basis, will increase. However, under the contracts currently in effect in the United States and Canada between each of General Motors, Ford and Chrysler with the United Auto Workers ("UAW") and the Canadian Auto Workers ("CAW"), in order for any of such manufacturers to obtain components from external sources that it currently produces itself, it must first notify the UAW or the CAW of such intention. If the UAW or the CAW objects to the proposed outsourcing, some agreement will have to be reached between the UAW or the CAW and the OEM. Factors that will normally be taken into account by the UAW, the CAW and the OEM include whether the proposed new supplier is technologically more advanced than the OEM, whether the new supplier is unionized, whether cost benefits exist and whether the OEM will be able to reassign union members whose jobs are being displaced to other jobs within the same factories. As part of its long-term agreement with General Motors, the Company operates its Rochester Hills, Michigan, Wentzville, Missouri and Lordstown, Ohio facilities with General Motors employees and reimburses General Motors for the wages of such employees on the basis of the Company's employee wage structure. The Company enters into these arrangements to enhance its relationship with its customers.

General Motors experienced work stoppages during 1996, primarily relating to the outsourcing of automotive components. These work stoppages halted the production of certain vehicle models and adversely affected the Company's operations.

The Company's contracts with its major customers generally provide for an annual productivity price reduction and, in some cases, provide for the recovery of increases in material and labor costs. Cost reduction through design changes, increased productivity and similar programs with the Company's suppliers have generally offset changes in selling prices. The Company's cost structure is comprised of a high percentage of variable costs. The Company believes that this structure provides it with additional flexibility during economic cycles.

MARKETING AND SALES

Lear markets its products by maintaining strong relationships with its customers fostered during its 80-year history through extensive technical and product development capabilities, reliable delivery of high quality products, strong customer service, innovative new products and a competitive cost structure. Close personal communications with automobile manufacturers are an integral part of the Company's marketing strategy. Recognizing this, the Company is organized into seven independent divisions, each with the ability to focus on its customers and programs and each having complete responsibility for the product, from design to installation. By moving the decision-making process closer to the customer, and instilling a philosophy of "cooperative autonomy," the Company is more responsive to, and has strengthened its relationships with, its customers. Automotive manufacturers have increasingly reduced the number of their suppliers as part of a strategy of purchasing systems rather than individual components. This process favors suppliers like Lear with established ties to OEMs and the demonstrated ability to adapt to the new competitive environment in the automotive industry.

The Company's sales are originated almost entirely by its sales staff. This marketing effort is augmented by design and manufacturing engineers who work closely with automotive manufacturers from the preliminary design to the manufacture and supply of interior systems or components. Manufacturers have increasingly looked to suppliers like the Company to assume responsibility for introducing product innovation, shortening the development cycle of new models, decreasing tooling investment and labor costs, reducing the number of costly design changes in the early phases of production and improving interior comfort and functionality. Once the Company is engaged to develop the design for the interior system or component of a specific vehicle model, it is also generally engaged to supply these items when the vehicle goes into production. The Company has devoted substantial resources toward improving its engineering and technical capabilities and developing technology centers in the United States and in Europe. The Company has also developed full-scope engineering capabilities, including all aspects of safety and functional testing, acoustics testing and comfort assessment. In addition, the Company has established numerous engineering sites in close proximity to its OEM customers to enhance customer relationships and design activity. Finally, the Company has implemented a program of dedicated teams consisting of interior trim and seat system personnel who are able to meet all of a customer's interior needs. These teams provide a single interface for Lear's customers and avoid duplication of sales and engineering efforts.

TECHNOLOGY

The Company conducts advanced product design development at its technology centers in Southfield, Michigan, Plymouth, Michigan, Ebersberg, Germany, Middlemarch, England and Turin, Italy and at 20 worldwide product engineering centers. At these centers, the Company tests its products to determine compliance with applicable safety standards, the products' quality and durability, response to environmental conditions and user wear and tear. The Company also has state-of-the-art acoustics testing, instrumentation and data analysis capabilities.

The Company has and will continue to dedicate resources to research and development to maintain its position as a leading developer of technology in the automotive interior industry. Research and development costs incurred in connection with the development of new products and manufacturing methods, to the extent not recoverable from the customer, are charged to selling, general and administrative expenses as incurred. Such costs amounted to approximately $70.0 million, $53.3 million and $21.9 million for the years ended December 31, 1996, 1995 and 1994, respectively. Engineering expenses related to current production are charged to cost of sales as incurred and amounted to $21.4 million, $14.1 million, and $8.9 million for the years ended December 31, 1996, 1995 and 1994, respectively.

In the past, the Company has developed a number of designs for innovative seat features which it has patented, including ergonomic features such as adjustable lumbar supports and bolster systems and adjustable thigh supports. In addition, the Company incorporates many convenience, comfort and safety features into its seat designs, including storage armrests, rear seat fold down panels, integrated restraint systems (belt systems integrated into seats), side impact air bags and child restraint seats. The Company has

recently invested to further upgrade its CAE and CAD/CAM systems, including three-dimensional color graphics, customer telecommunications and direct interface with customer CAD systems.

Lear uses its patented SureBond(TM) process (the patent for which has approximately 7 years remaining) in bonding seat cover materials to the foam pads used in certain of its seats. The SureBond(TM) process is used to bond a pre-shaped cover to the underlying foam to minimize the need for sewing and achieve new seating shapes, such as concave shapes, which were previously difficult to manufacture. The Company has recently improved this process through the development of its patented DryBond(TM) process which allows for the bonding of vinyl and leather to seat cushions and seat backs.

The Company has virtually all technologies and manufacturing processes available for interior trim applications. The manufacturing processes include, among other things, high and low pressure injection molding, vacuum forming, blow molding, soft foam molding, heat staking, water jet cutting, vibration welding, ultrasonic welding, and robotic painting. This wide range of capabilities allows the Company to assist its customers in selecting the technologies that are the most cost effective for each application. Combined with its design and engineering capabilities and its state-of-the-art technical centers, the Company provides comprehensive support to its OEM customers from product development to production.

The Company owns one of the few proprietary-design dynamometers capable of precision acoustics testing of front, rear and four-wheel drive vehicles. Together with its custom-designed reverberation room, computer-controlled data acquisition and analysis capabilities provide precisely controlled laboratory testing conditions for sophisticated interior and exterior noise, vibration and harshness (NVH) testing of parts, materials and systems, including powertrain, exhaust and suspension components. Through its Interior Trim Division, the Company also owns a 29% interest in Precision Fabrics Group, Inc., ("PFG"), which has patented a process to sew and fold an ultralight fabric into airbags which are 60% lighter than the current airbags used in the automotive industry. As this new airbag fits into a shirt pocket when folded, it is adaptable to side restraint systems (door panels and seats) as well as headliners.

The Company holds a number of mechanical and design patents covering its products and has numerous applications for patents currently pending. In addition, the Company holds several trademarks relating to various manufacturing processes. The Company also licenses its technology to a number of seating manufacturers.

JOINT VENTURES AND MINORITY INTERESTS

The Company currently has 15 joint ventures and minority-owned affiliates located in 10 countries. The Company pursues attractive joint ventures in order to facilitate the exchange of technical information, expand its product offerings, and broaden its customer base. In 1996, the Company expanded its presence in the Asia/Pacific Rim region with a joint venture with NHK Spring Co., Ltd. to supply seat systems in Thailand to a joint venture between Ford and Mazda. In addition, Lear entered a joint venture with Jiangling Motors Co., Ltd. to supply seat systems and interior trim components in China for Isuzu trucks and Ford transit vans. In addition, several of the Company's recent acquisitions, including Masland and AI, have provided the Company with strategic joint ventures. With the Masland Acquisition, Lear acquired an interest in PFG, and Sommer Masland (U.K.) Ltd. Sommer Masland helped to expand Masland's geographical presence in Europe and strengthened its relationship with several existing customers, including Nissan, Peugeot and Saab. The AI Acquisition included a 40% interest in Industrias Automotrices Summa, S.A. de C.V.(Mexico), as well as a 33% interest in Guildford Kast Plastifol Ltd.(U.K.), both of which produce interior trim parts for automobiles.

COMPETITION

The Company is one of the leading independent suppliers with manufacturing capabilities in all five principal automotive interior segments: seat systems; floor and acoustic systems; door panels; headliners; and instrument panels. Within each segment, the Company competes with a variety of independent suppliers and OEM in-house operations. Set forth below is a summary of the Company's primary independent competitors.

- Seat Systems. Lear is one of the two primary suppliers in the outsourced North American seat systems market. The Company's main independent competitor is Johnson Controls, Inc. It also competes, to a lesser extent, with Magna International, Inc. The Company's major independent competitors in Western Europe, besides Johnson Controls, Inc., are Bertrand Faure (headquartered in France) and Keiper Recaro (headquartered in Germany).

- Floor and Acoustic Systems. Lear is the one of the three largest independent suppliers in the outsourced North American floor and acoustic systems market. The Company's primary competitors are Collins & Aikman Corp., through its Automotive Division and JPS Automotive Products Subsidiary, and the Magee Carpet Company. The Company's major competitors in Western Europe include

H.P. Chemie Pelzer, GmbH, Rieter Automotive, BTR Fatati, Ltd., a division of Collins & Aikman Corp. and Johann Borgers GmbH and Co.

- Other Interior Systems and Components. The market for outsourced headliners, door panels and instrument panels is highly fragmented, with no one dominant supplier in the North American market. The Company's major independent competitors in these segments in North America include Johnson Controls, Inc., Davidson Interior Trim, a division of Textron, Inc., UT Automotive, a subsidiary of United Technologies, Inc., The Becker Group and a large number of smaller operations. The Western Europe market for door panels and instrument panels is similarly fragmented with no dominant supplier. In the Western Europe market for outsourced headliners there are four primary competitors including Lear. The principal competitors in the Western Europe market for door panels, instrument panels and headliners include Sommer Allibert, The Becker Group, Plastic Omnium, Eurotec Systemteile a subsidiary of Kloeckner Werke, Johnson Controls, Inc., and Magna International, Inc.

SEASONALITY

Lear's principal operations are directly related to the automotive industry. Consequently, the Company may experience seasonal fluctuation to the extent automotive vehicle production slows, such as in the summer months when plants close for model year changeovers and vacation. Historically, the Company's sales and operating profit have been the strongest in the second and fourth calendar quarters. Net sales for the year ended December 31, 1996 by calendar quarter broke down as follows: first quarter, 22%; second quarter, 26%; third quarter, 24%; and fourth quarter, 28%. See Note 19, "Quarterly Financial Data," of the notes to the Company's consolidated financial statements included elsewhere in this Report.

EMPLOYEES

As of December 31, 1996, the Company employed approximately 19,100 persons in the United States and Canada, 15,200 in Mexico and other world regions and 9,600 in Europe. Of these, about 7,200 were salaried employees and the balance were paid on an hourly basis. Approximately 30,000 of the Company's employees are members of unions. The Company has collective bargaining agreements with several unions including: the UAW; the CAW; the Textile Workers of Canada; the International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America; the International Association of Machinists and Aerospace Workers; and the AFL-CIO. Each of the Company's unionized facilities in the United States and Canada has a separate contract with the union which represents the workers employed there, with each such contract having an expiration date independent of the Company's other labor contracts. The majority of the Company's European and Mexican employees are members of industrial trade union organizations and confederations within their respective countries. The majority of these organizations and confederations operate under national contracts which are not specific to any one employer. The Company has experienced some labor disputes at its plants, none of which has significantly disrupted production or had a materially adverse effect on its operations. The Company has been able to resolve all such labor disputes and believes its relations with its employees are generally good.

ENVIRONMENTAL

The Company is subject to various laws, regulations and ordinances which govern activities such as discharges to the air and water, as well as handling and disposal practices for solid and hazardous wastes, and which impose costs and damages associated with spills, disposal or other releases of hazardous substances. The Company believes that it is in substantial compliance with such requirements. Management does not believe that it will incur compliance costs pursuant to such requirements that would have a material adverse effect on the Company's consolidated financial position or future results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company -- Environmental Matters."

ITEM 2 - PROPERTIES

The Company's operations are conducted through 148 facilities, some of which are used for multiple purposes, including 129 manufacturing facilities, 20 product engineering centers and 5 technology centers, in 21 countries employing over 43,000 people worldwide. The Company's world headquarters are located in Southfield, Michigan. The facilities range in size from 5,000 square feet to 1,000,000 square feet.

Management believes substantially all of the Company's property and equipment is in good condition and that it has sufficient capacity to meet its current and expected manufacturing needs. The Company has designed many of its facilities to provide for efficient JIT manufacturing of its products. No facility is materially underutilized. Of the 148 facilities, 76 are owned and 72 are leased with expiration dates ranging from 1997 through 2005. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company -- Capital Expenditures."

The following table summarizes the locations of the Company's facilities:

ARGENTINA
Buenos Aires
Cordoba

AUSTRALIA
Adelaide
Brooklyn

AUSTRIA
Koflach

BRAZIL
Belo Horizonte
Sao Paolo

CANADA
Ajax
Kitchener
Maple
Mississauga
Oakville
St. Thomas
Whitby
Woodstock

CHINA
Wanchai

ENGLAND
Colne
Coventry
Dunton
Middlemarch
Nottingham
Tipton
Washington

FRANCE
Meaux
Paris

GERMANY
Ebersberg
Eisenach
Gustavsburg
Munich
Plattling
Quakenbruck
Rietberg
Wackersdorf

INDIA
Gujarat

INDONESIA
Jakarta

ITALY
Bruino
Caivano
Cassino
Grugliasco
Melfi
Orbassano
Pozzilli
Termini Imerese

MEXICO
Cuautitlan
Hermosillo
Juarez
Naucalpan
Puebla
Ramos Arizpe
Saltillo
Silao
Tlahuac
Toluca

POLAND
Myslowice
Tychy

SOUTH AFRICA
Brits

SPAIN
Pamplona

SWEDEN
Arendal
Bengtsfors
Fargelanda
Gnosjo
Goteborg
Ljungby
Tanumshede
Tidaholm
Trollhattan

THAILAND
Bangkok
Khorat

TURKEY
Bursa

UNITED STATES
Allen Park, MI
Arlington, TX
Atlanta, GA
Auburn Hills, MI
Bowling Green, OH
Bridgeton, MO
Carlisle, PA
Clawson, MI
Covington, VA
Dearborn, MI
Detroit, MI
Duncan, SC
El Paso, TX
Fair Haven, MI
Fenton, MI
Frankfort, IN

UNITED STATES (CONTINUED)
Fremont, OH
Greencastle, IN
Hammond, IN
Huron, OH
Janesville, WI
Kansas City, MO
Lebanon, VA
Lebanon, OH
Lewistown, PA
Lorain, OH
Lordstown, OH
Louisville, KY
Luray, VA
Madisonville, KY
Manteca, CA
Marlette, MI
Marshall, MI
Melvindale, MI
Mendon, MI
Mequon, WI
Midland, TX
Morristown, TN
Newark, DE
Novi, MI
Pontiac, MI
Plymouth, MI
Rochester Hills, MI
Romulus, MI
Sheboygan, WI
Southfield, MI
Strasburg, VA
Sidney, OH
Troy, MI
Warren, MI
Wentzville, MO
West Chicago, IL
Winchester, VA

VENEZUELA
Valencia

ITEM 3 - LEGAL PROCEEDINGS

The Company is involved in certain legal actions and claims arising in the ordinary course of business. Management of the Company does not believe that any of the litigation in which the Company is currently engaged, either individually or in the aggregate, will have a material effect on the Company's consolidated financial position or future results of operations.

The Company has been identified as a potentially responsible party ("PRP") under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA" or "Superfund"), for the cleanup of contamination from hazardous substances at two Superfund sites where liability has not been determined. The Company has also been identified as a PRP at three additional sites. Management believes that the Company is, or may be, responsible for less than one percent, if any, of total costs at the two Superfund sites. Expected liability, if any, at the three additional sites is not material. The Company has set aside reserves which management believes are adequate to cover any such liabilities. Management believes that such matters will not result in liabilities that will have a material adverse effect on the Company's consolidated financial position or future results of operations.

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

No matters were submitted to a vote of security holders during the fourth quarter of 1996.

PART II

ITEM 5 - MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is listed on the New York Stock Exchange under the symbol "LEA." The Transfer Agent and Registrar for the Company's Common Stock is The Bank of New York, located in New York, New York. On March 3, 1997, there were 284 holders of record of the Company's Common Stock.

To date, the Company has never paid a cash dividend on its Common Stock. Any payment of dividends in the future is dependent upon the financial condition, capital requirements, earnings of the Company and other factors. Also, the Company is subject to certain contractual restrictions on the payment of dividends. See Note 11, "Long-Term Debt," of the notes to the consolidated financial statements included in this Report for information concerning such restrictions.

The following table sets forth the high and low sales prices per share of Common Stock, as reported by the New York Stock Exchange, for the periods indicated:

Year Ended December 31, 1996:	Price Range of Common Stock	
	High	Low
1st Quarter	34	25 1/4
2nd Quarter	39 1/4	27 1/2
3rd Quarter	39 7/8	29 7/8
4th Quarter	38 7/8	31 3/4

Year Ended December 31, 1995	Price Range of Common Stock	
	High	Low
1st Quarter	20 7/8	16 5/8
2nd Quarter	24 1/4	17 7/8
3rd Quarter	31 1/8	23
4th Quarter	32 1/2	26 1/4

ITEM 6 - SELECTED FINANCIAL DATA

The following income statement and balance sheet data were derived from the consolidated financial statements of the Company. The consolidated financial statements of the Company for the years ended December 31, 1996, 1995, 1994 and 1993, and for the years ended June 30, 1993 and 1992 have been audited by Arthur Andersen LLP. In February 1994, the Company changed its fiscal year end from June 30 to December 31 effective December 31, 1993. The selected financial data below should be read in conjunction with the consolidated financial statements of the Company and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company" included in this Report.

	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1995	YEAR ENDED DECEMBER 31, 1994	YEAR ENDED DECEMBER 31, 1993	YEAR ENDED JUNE 30, 1993	YEAR ENDED JUNE 30, 1992
			(DOLLARS IN MILLIONS (1))			
OPERATING DATA:						
Net sales	$ 6,249.1	$ 4,714.4	$ 3,147.5	$ 1,950.3	$ 1,756.5	$ 1,422.7
Gross profit	619.7	403.1	263.6	170.2	152.5	115.6
Selling, general and administrative expenses	210.3	139.0	82.6	62.7	61.9	50.1
Incentive stock and other compensation expense (2)	--	--	--	18.0	--	--
Amortization	33.6	19.3	11.4	9.9	9.5	8.7
Operating income	375.8	244.8	169.6	79.6	81.1	56.8
Interest expense, net	102.8	75.5	46.7	45.6	47.8	55.2
Other expense, net (3)	19.6	12.0	8.1	9.2	5.4	5.8
Income (loss) before income taxes and extraordinary items	253.4	157.3	114.8	24.8	27.9	(4.2)
Income taxes	101.5	63.1	55.0	26.9	17.8	12.9
Income (loss) before extraordinary items	151.9	94.2	59.8	(2.1)	10.1	(17.1)
Extraordinary items (4)	--	2.6	--	11.7	--	5.1
Net income (loss)	$ 151.9	$ 91.6	$ 59.8	$ (13.8)	$ 10.1	$ (22.2)
Income (loss) per share before extraordinary items	$ 2.38	$ 1.79	$ 1.26	$ (.06)	$ .25	$ (.62)
Net income (loss) per share	$ 2.38	$ 1.74	$ 1.26	$ (.39)	$ .25	$ (.80)
Weighted average shares outstanding (5)	63,765,610	52,642,672	47,560,436	35,500,014	40,049,064	27,768,312
BALANCE SHEET DATA:						
Current assets	$ 1,347.4	$ 1,207.2	$ 818.3	$ 433.6	$ 325.2	$ 282.9
Total assets	3,816.8	3,061.3	1,715.1	1,114.3	820.2	799.9
Current liabilities	1,499.3	1,276.0	981.2	505.8	375.0	344.2
Long-term debt	1,054.8	1,038.0	418.7	498.3	321.1	348.3
Common stock subject to limited redemption rights, net	--	--	--	12.4	3.9	3.5
Stockholders' equity	1,018.7	580.0	213.6	43.2	75.1	49.4
OTHER DATA:						
EBITDA (6)	$ 518.1	$ 336.8	$ 225.7	$ 122.2	$ 121.8	$ 91.8
Capital expenditures	$ 153.8	$ 110.7	$ 103.1	$ 45.9	$ 31.6	$ 27.9
Number of facilities (7)	148	107	79	61	48	45
North American content per vehicle (8)	$ 292	$ 227	$ 169	112	$ 98	$ 94
North American vehicle production (9)	15.0	14.9	15.2	13.7	13.6	12.2
Western Europe content per vehicle (10)	$ 109	$ 92	$ 44	34	$ 26	$ 19
Western Europe vehicle production (11)	14.4	13.9	13.2	11.7	12.9	14.1

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(1) Except per share data, weighted average shares outstanding, number of facilities, North American content per vehicle, North American vehicle production, Western Europe content per vehicle and Western Europe vehicle production.

(2) Includes a one-time charge of $18.0 million, of which $14.5 million is non-cash, for the year ended December 31, 1993 for incentive stock and other compensation expense.

(3) Consists of foreign currency exchange gain or loss, minority interests in consolidated subsidiaries, equity in net income of affiliates, state and local taxes and other expense.

(4) The extraordinary items resulted from the prepayment of debt.

(5) Weighted average shares outstanding is calculated on a fully-diluted basis.

(6) "EBITDA" is operating income plus depreciation and amortization. EBITDA does not represent and should not be considered as an alternative to net income or cash flows from operations as determined by generally accepted accounting principles.

(7) Includes facilities operated by the Company's less than majority-owned affiliates and facilities under construction.

(8) "North American content per vehicle" is the Company's net sales in North America divided by total North American vehicle production.

(9) "North American vehicle production" includes car and light truck production in the United States, Canada and Mexico estimated from industry sources.

(10) "Western Europe content per vehicle" is the Company's net sales in Western Europe divided by total Western Europe vehicle production.

(11) "Western Europe vehicle production" includes car and light truck production in Austria, Belgium, France, Germany, Italy, Netherlands, Portugal, Spain, Sweden, and the United Kingdom estimated from industry sources.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

Lear's sales have grown rapidly, both internally and through acquisitions, from approximately $3.1 billion in the year ended December 31, 1994, to approximately $6.2 billion in the year ended December 31, 1996. Net Income over the same period increased from $59.8 million to $151.9 million. The Company's principal operations are directly affected by worldwide automotive vehicle production. Automotive production can be affected by factors such as the country's general economy, labor relation issues, regulatory requirements, trade agreements, and other factors. Labor relation issues at one of the Company's major customers had a negative impact on the results of operations of the Company for the year ended December 31, 1996.

YEAR ENDED DECEMBER 31, 1996 COMPARED WITH YEAR ENDED DECEMBER 31, 1995.

Net sales of $6,249.1 million in the year ended December 31, 1996 represented the fifteenth consecutive year of record sales and exceeded sales of $4,714.4 million in the year ended December 31, 1995 by $1,534.7 million, or 32.6%. Net sales in 1996, as compared to the prior year, benefited from the full year contribution of the acquisition of Automotive Industries Holding, Inc. ("AI") and the acquisition of Masland Corporation ("Masland") in August 1995 and June 1996, respectively, which collectively accounted for $836.3 million of the increase. Further contributing to the overall increase in sales was new business introduced globally within the past year and incremental volume and content on mature programs.

Gross profit (net sales less cost of sales) and gross margin (gross profit as a percentage of net sales) improved to $619.7 million and 9.9% in 1996 as compared to $403.1 million and 8.6% in 1995. Gross profit in 1996 reflects the contribution of the AI and Masland acquisitions coupled with the benefits derived from increased revenues from new and ongoing programs. Also contributing to the increase in gross profit was a decrease in start-up expenses from $32.1 million in 1995 to $18.0 million in 1996. Partially offsetting the increase in gross profit was the cumulative impact of the General Motors work stoppages in the first and fourth quarters of 1996 and downtime associated with a Chrysler model changeover.

Selling, general and administrative expenses, including research and development, as a percentage of net sales increased to 3.4% in the year ended December 31, 1996 as compared to 2.9% a year earlier. In comparison to the prior year, the increase in actual expenditures in 1996 was due to the inclusion of Masland and AI operating expenses as well as increased research and development and administrative support expenses associated with the expansion of domestic and international business.

Operating income and operating margin (operating income as a percentage of net sales) were $375.8 million and 6.0% in the year ended December 31, 1996 as compared to $244.8 million and 5.2% in the previous year. For 1996, operating income benefited from the incremental operating income generated from acquisitions along with increased revenue from domestic and foreign automotive manufacturers on new and mature programs. Partially offsetting the increase in operating income were design, development and administrative expenses at North American and European Technical Centers, Chrysler's downtime for model changeover and the adverse impact of the General Motors work stoppages. Non-cash depreciation and amortization charges were $142.3 million and $92.0 million for the years ended December 31, 1996 and 1995, respectively.

For the year ended December 31, 1996, interest expense increased by $27.3 million to $102.8 million as compared to the corresponding period in the prior year. The increase in interest expense was largely the result of interest incurred on additional debt utilized to finance the Masland and AI acquisitions.

Other expenses for the current year, which include state and local taxes, foreign exchange, minority interests in consolidated subsidiaries, equity in net income of affiliates and other non-operating expenses, increased to $19.6 million in 1996 as compared to $12.0 million in 1995 as the effect of higher sales volumes on state and local taxes and the provision for minority interests from the Company's joint ventures more than offset favorable foreign exchange related to the Company's North American and European operations.

Net income in 1996 was $151.9 million, or $2.38 per share, as compared to $91.6 million, or $1.74 per share in 1995. The increase in net income was due to the Masland acquisition, a full year of activity from the August 1995 AI acquisition, new business awarded, cost reduction programs and increased production levels on existing programs. The provision for income taxes in the current year was $101.5 million, or an effective tax rate of 40.1%, as compared to $63.1 million and 40.1% in the previous year. Net income in 1995 reflects an extraordinary loss of $2.6 million related to the early retirement of debt. Earnings per share increased in 1996 by 36.8% despite an increase in the weighted average number of shares outstanding of approximately 11.1 million shares.

The following chart shows net sales and operating income of the Company by principal geographic area:

GEOGRAPHIC OPERATING RESULTS (in millions)

Year ended	DEC. 31, 1996	Dec. 31, 1995	Dec.31, 1994
NET SALES:			
United States and Canada	$4,058.0	$3,108.0	$2,378.7
Europe	1,621.8	1,325.4	572.5
Mexico and other	569.3	281.0	196.3
Net Sales	$6,249.1	$4,714.4	$3,147.5
OPERATING INCOME:			
United States and Canada	$ 302.6	$ 204.8	$ 155.6
Europe	49.2	26.5	4.4
Mexico and other	24.0	13.5	9.6
Operating Income	$ 375.8	$ 244.8	$ 169.6

UNITED STATES AND CANADIAN OPERATIONS
Net sales in the United States and Canada were $4,058.0 million and $3,108.0 million in the years ended December 31, 1996 and 1995, respectively. Sales in 1996 benefited from the contribution of $708.4 million in incremental sales from the AI and Masland acquisitions, new passenger car and truck programs introduced within the past twelve months and modest vehicle production increases by domestic automotive manufacturers on carryover programs. Partially offsetting the increase in sales was the impact of the General Motors work stoppages and downtime associated with a Chrysler model changeover.

Operating income and operating margin were $302.6 million and 7.5% in 1996 as compared to $204.8 million and 6.6% in 1995. The increase in operating income was largely the result of the benefits derived from the acquisitions of AI and Masland as well as the overall growth in domestic vehicle sales, including production of new business programs. Partially offsetting the increase in operating income were reduced utilization at General Motors and Chrysler facilities and higher engineering and administrative expenses necessary to support established and new business opportunities.

EUROPEAN OPERATIONS
Net sales in Europe increased by 22.4% to $1,621.8 million in the year ended December 31, 1996 as compared to $1,325.4 million in the year ended December 31, 1995. Sales in 1996 benefited from increased market demand on existing passenger car and light truck programs in Italy, Germany and Austria and the full year contribution of the AI acquisition.

Operating income and operating margin were $49.2 million and 3.0% in 1996 as compared to $26.5 million and 2.0% in 1995. Operating income in 1996 benefited from incremental volume on carryover seat and seat component programs, the contribution of the AI acquisition and improved operating performance at certain of the Company's facilities in England and Germany.

MEXICO AND OTHER OPERATIONS
Net sales of $569.3 million in 1996 in the Company's remaining geographic regions, consisting of Mexico, South America, Asia/ Pacific Rim and South Africa increased by $288.3 million as compared to $281.0 million in the comparable period in 1995. Sales in the year ended December 31, 1996 benefited from new business operations in South America, Asia/ Pacific Rim, and South Africa which accounted for $214.7 million of the increase, higher production build schedules for General Motors and Chrysler programs in Mexico and sales of $22.3 million from a Masland operation in Mexico.

Operating income and operating margin were $24.0 million and 4.2% in 1996 as compared to $13.5 million and 4.8% in 1995. Operating income in 1996 increased primarily due to the benefits derived from the growth in sales activity, including the production of new business operations and the acquisition of Masland. Partially offsetting the increase in operating income were facility and preproduction costs for recently opened facilities in Argentina, India and Venezuela.

YEAR ENDED DECEMBER 31, 1995 COMPARED WITH YEAR ENDED DECEMBER 31, 1994.
Net sales of $4,714.4 million in the year ended December 31, 1995 increased by $1,566.9 million or 49.8% over net sales for the year ended December 31, 1994. Net sales in 1995 benefited from the acquisitions of AI on August 17, 1995 and the Fiat Seat Business ("FSB") on December 15, 1994, which together accounted for $795.3 million of the increase. Further contributing to the growth in sales were incremental volumes on new seating programs in North America and increased production in Europe.

Gross profit and gross margin were $403.1 million and 8.6% in 1995 as compared to $263.6 million and 8.4% in 1994. Gross profit in 1995 benefited from the overall increase in North American and European sales activity, including the acquisitions of AI and FSB, and production of certain new seat programs in the United States and Mexico. Partially offsetting the increase in gross profit were new program start-up expenses of $32.1 million versus $23.1 million in 1994, and costs associated with new business opportunities in Asia/Pacific Rim, South America and South Africa.

Selling, general and administrative expenses, including research and development, as a percentage of net sales increased to 2.9% in 1995 as compared to 2.6% in the previous year. Actual expenditures in 1995 increased in comparison to the prior year primarily due to the inclusion of AI and FSB engineering and administrative expenses in 1995. In addition, research and development costs increased at the United States and European customer focused technical centers in support of existing and potential business opportunities.

Operating income and operating margin were $244.8 million and 5.2% in the year ended December 31, 1995 as compared to $169.6 million and 5.4% in the year ended December 31, 1994. The increase in operating income was primarily due to increased volumes on new and existing light truck seating programs, improved performance at the Company's European operations and the incremental operating income derived from acquisitions. Partially offsetting the increase in operating income and contributing to the decline in operating margins were design and development costs associated with the expansion of business and program start-up expenses for new seat programs. Also contributing to the decline in operating margin were the increased sales in Europe caused by the FSB which had lower margins. Non-cash depreciation and amortization charges were $92.0 million and $56.1 million for the years ended December 31, 1995 and 1994, respectively.

Interest expense in the year ended December 31, 1995 increased in comparison to the prior year as a result of interest incurred on additional debt utilized to finance the AI and FSB acquisitions as well as higher interest rates in 1995 under the Company's senior credit facility.

Other expenses in 1995 increased in comparison to the prior year as foreign exchange losses incurred at the Company's North American and European operations, along with increased state and local taxes associated with the AI acquisition, more than offset income derived from joint ventures accounted for under the equity method.

Net income for the year ended December 31, 1995 was $91.6 million, or $1.74 per share, as compared to $59.8 million, or $1.26 per share in the year ended December 31, 1994. The provision for income taxes in 1995 was $63.1 million, or an effective tax rate of 40.1%, versus $55.0 million and 47.9% for the previous year. The decrease in rate is largely the result of changes in operating performance and related income levels among the various tax jurisdictions. Earnings per share increased in 1995 by 38.1% despite an increase in the number of shares outstanding and an extraordinary loss of $2.6 million ($.05 per share) for the early retirement of debt.

UNITED STATES AND CANADIAN OPERATIONS
Net sales in the United States and Canada were $3,108.0 million and $2,378.7 million in the years ended December 31, 1995 and 1994, respectively. Sales in 1995 benefited from new Ford and General Motors passenger car programs, the contribution of $248.1 million in sales from the AI acquisition and incremental volume on light truck seating for previously existing programs.

Operating income and operating margin were $204.8 million and 6.6% in 1995 as compared to $155.6 million and 6.5% in 1994. Operating income in 1995 increased primarily due to increased volumes at certain of the Company's car and light-truck seating facilities, the benefits derived from the AI acquisition and increased productivity and cost reduction programs at existing seat and seat component facilities. Partially offsetting this increase in operating margin were engineering and administrative support expenses along with preproduction costs at new business operations.

EUROPEAN OPERATIONS
Net sales in Europe were $1,325.4 million in the year ended December 31, 1995 and $572.5 million in the year ended December 31, 1994. Sales in 1995 benefited from $547.2 million in sales from the FSB and AI acquisitions, incremental volume on existing programs in Sweden and England and favorable exchange rate fluctuations in Germany and Sweden.

Operating income and operating margin were $26.5 million and 2.0% in 1995 as compared to $4.4 million and 0.8% in 1994. Operating income in 1995 benefited from incremental volume on mature Scandinavian and German seat programs and the benefits derived from the FSB and AI acquisitions. Partially offsetting the increase in operating income were engineering, preproduction and facility costs associated with the start-up of a new seat program in Germany.

MEXICO AND OTHER OPERATIONS

Net sales of $281.0 million in 1995 in the Company's remaining geographic regions, consisting of Mexico, Asia/Pacific Rim, South Africa and South America increased by $84.7 million or 43.1% as compared to $196.3 million in 1994. Sales in the year ended December 31, 1995 benefited from the overall growth in Mexican sales activity, including the production of new General Motors and Ford passenger car and truck seat programs. Further contributing to the increase in sales was the addition of new business operations in Australia, South Africa, Brazil and Argentina.

Operating income and operating margin were $13.5 million and 4.8% in the year ended December 31, 1995 and $9.6 million and 4.9% in the previous year. The increase in operating income was largely the result of the benefits derived from increased market demand for new and ongoing seat programs in Mexico. Partially offsetting the increase in operating income were engineering and preproduction costs for recently opened manufacturing facilities in Asia/Pacific Rim, South Africa and South America.

LIQUIDITY AND FINANCIAL CONDITION

The Company's financial position continued to strengthen during 1996. Strong cash flows combined with the July, 1996 equity offering offset acquisition costs and resulted in the Company's strongest ever total debt to total capitalization position, 51.3% at December 31, 1996 compared to 64.7% at December 31, 1995. In addition, during 1996 Moody's Investors Services ("Moody's") upgraded its rating of the Company's primary debt instruments. The Company's senior credit agreement was upgraded from Ba2 to Ba1, the Company's 8 1/4% Subordinated Notes due 2002 from B2 to B1 and the Company's 11 1/4% Senior Subordinated Notes due 2000 from B1 to Ba3. Standard and Poor's Corporation ("S&P") also upgraded its rating of the credit agreement to BB+ from BB- and of all three subordinated debt issues to BB- from B. The new 9 1/2% Subordinated Notes were assigned a B1 and BB- rating from Moody's and S&P, respectively.

On July 1, 1996, the Company completed the acquisition of all the issued and outstanding shares of common stock of Masland Corporation ("Masland") for an aggregate purchase price of $475.7 million (including the assumption of $80.7 million of Masland's existing net indebtedness and $10.0 million in fees and expenses). In addition, on December 10, 1996, the Company completed the acquisition of all the issued and outstanding capital stock of Borealis Industrier AB for an aggregate purchase price of $91.1 million, including the assumption of existing net indebtedness and closing costs.

Financing for the Masland acquisition was provided from borrowings under the Company's then-existing revolving credit facilities (the "Prior Credit Agreements"), which at the time of the acquisition provided for borrowings in an aggregate principal amount of up to $1.775 billion. In December 1996, the Company amended and restated the Prior Credit Agreements (as so amended and restated, the "Existing Credit Agreement") to (i) reduce rates, (ii) consolidate them into one agreement, (iii) increase total borrowing availability to $1.8 billion, (iv) release liens on the Company's real and personal property, (v) eliminate certain scheduled commitment reductions existing under the Prior Credit Agreements, (vi) modify certain covenants, and (vii) provide for additional borrowing options, including multi-currency borrowing. The Existing Credit Agreement matures on September 30, 2001 and borrowings thereunder may be used for general corporate purposes.

In July 1996, the Company issued and sold 7.5 million shares of common stock at $33.50 per share and $200 million aggregate principal amount of its 9 1/2% Subordinated Notes due 2006. The $438.3 million of net proceeds ($242.8 million and $195.5 million from the common stock offering and the subordinated notes offering, respectively) received by the Company were used to repay indebtedness incurred under the Prior Credit Agreements in connection with the acquisition of Masland.

As of the end of December, the Company had an aggregate of $1.8 billion available under the Existing Credit Agreement, of which $481.3 million was outstanding and $38.5 million was committed under outstanding letters of credit, resulting in approximately $1.28 billion unused and available. In addition to debt outstanding under the Existing Credit Agreement, the Company had an additional $592.1 million of debt outstanding as of December 31, 1996, including short-term borrowings, primarily consisting of $470.0 million of subordinated debentures due between 2000 and 2006. The Company's scheduled principal payments on long-term debt are $8.3, $49.4, $6.6, $130.8 and $483.0 million in 1997, 1998, 1999, 2000 and 2001, respectively.

Net cash provided by operating activities increased to $462.6 million during 1996 compared to $132.8 million in 1995. The contributing factors which led to the favorable variance include the net income increase, from $91.6 million in 1995 to $151.9 million in 1996, the favorable benefit of noncash depreciation and goodwill amortization charges, which increased by $50.3 million to $142.3 million, primarily as a result of the AI and Masland acquisitions and favorable working capital changes. Working capital provided a $210.7 million net source of funds in 1996 compared to a $59.2 million net use in 1995. Total working capital decreased in 1996 as a result of more aggressive asset management, resulting in fewer days sales outstanding and improved inventory turns.

Net cash used by investing activities, primarily acquisitions, was $681.7 million and $985.8 million in 1996 and 1995, respectively. The June 1996 Masland acquisition and the December 1996 Borealis acquisition resulted in a net use of funds of $459.8 and $69.2 million, respectively, while the August 1995 AI acquisition resulted in a net use of cash of $881.3 million. Capital expenditures increased from $110.7 million in 1995 to $153.8 million in 1996 as a result of the Masland and AI acquisitions as well as to support future programs.

As of December 31, 1996 the Company had $26.0 million of cash and cash equivalents. The Company believes that cash flows from operations and available credit facilities will be sufficient to meet its debt service obligations, projected capital expenditures and working capital requirements.

As a result of the continued global expansion, the amount of the Company's revenues and expenses denominated in currencies other than the U.S. Dollar continues to increase. The Company closely monitors its exposure to currency fluctuations and, where cost justified, adopts strategies to reduce this exposure.

CAPITAL EXPENDITURES

During the year ended December 31, 1996, capital expenditures aggregated approximately $153.8 million, of which approximately $49.9 million related to the addition of new facilities and other expenditures for new programs, $22.0 million related to replacement programs, and the remainder was spent for increased capacity and cost reduction at existing facilities and ongoing maintenance requirements. For the years ended December 31, 1995 and 1994, capital expenditures of the Company were $110.7 million and $103.1 million, respectively. For 1997, the Company anticipates capital expenditures of approximately $195 million.

ENVIRONMENTAL MATTERS

The Company is subject to local, state, federal and foreign laws, regulations and ordinances (i) which govern activities or operations that may have adverse environmental effects and (ii) that impose liability for the costs of cleaning up certain damages resulting from sites of past spills, disposal or other releases of hazardous substances. The Company's policy is to comply with all applicable environmental laws and maintain procedures to ensure compliance. However, the Company has been, and in the future may become, the subject of formal or informal enforcement actions or procedures. The Company currently is engaged in the cleanup of hazardous substances at certain sites owned, leased or operated by the Company, including soil and groundwater cleanup at its facility in Mendon, Michigan. Management believes that the Company will not incur compliance costs or cleanup cost at its facilities with known contamination that would have a material adverse effect on the Company's consolidated financial position or future results of operations.

The Company has been identified as a potentially responsible party ("PRP") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA" or "Superfund"), for the cleanup of contamination from hazardous substances at two Superfund sites where liability has not been completely determined. The Company has also been identified as a PRP at three additional sites. Management believes that the Company is, or may be, responsible for less than one percent, if any, of the total costs at the two Superfund sites. Expected liability, if any, at the three additional sites is not material.

INFLATION AND ACCOUNTING POLICIES

Lear's contracts with its major customers generally provide for an annual productivity price reduction and provide for the recovery of increases in material and labor costs in some contracts. Cost reduction through design changes, increased productivity and similar programs with the Company's suppliers generally have offset changes in selling prices. The Company's cost structure is comprised of a high percentage of variable costs. The Company believes that this structure provides it with additional flexibility during economic cycles.

During 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 121, "Recognition of Impairment of Long-lived Assets", which specifies when and how impairment of virtually all long-lived assets should be measured and recorded. In general, the statement requires that whenever circumstances raise doubt about the recoverability

of long-lived assets, the Company should analyze the future cash flows expected from such assets to determine if impairment exists. This statement was adopted prospectively on January 1, 1996, and no such impairment was recognized during 1996.

Also during 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation", which was adopted by the Company in 1996 and requires that stock compensation, including compensation in the form of stock options, be calculated using a measure of fair value, compared with intrinsic value required under current accounting principles. The new method may be either reflected in the financial statements or disclosed in the notes to the statements. The Company has adopted the statement by disclosing the effects of the fair value method in Note 16 to its 1996 financial statements included herein.

"SAFE HARBOR" PROVISIONS

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that any forward-looking statements, including statements regarding the intent, belief, or current expectations of the Company or its management, are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in forward-looking statements as a result of various factors including, but not limited to, (i) general economic conditions in the markets in which the Company operates, (ii) fluctuation in worldwide or regional automobile and light truck production, (iii) labor disputes involving the Company or its significant customers, (iv) changes in practices and/or policies of the Company's significant customers toward outsourcing automotive components and systems, and (v) other risks detailed from time to time in the Company's Securities and Exchange Commission filings. The Company does not intend to update these forward-looking statements.

ITEM 8 -CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Lear Corporation:

We have audited the accompanying consolidated balance sheets of LEAR CORPORATION AND SUBSIDIARIES ("the Company") as of December 31, 1996 and 1995 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1996 and 1995 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP

Detroit, Michigan,
February 4, 1997.

CONSOLIDATED BALANCE SHEETS
Lear Corporation and Subsidiaries (In millions, except share data)

December 31,	1996	1995
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 26.0	$ 34.1
Accounts receivable, net of reserves of $9.0 in 1996 and $4.0 in 1995	909.6	831.9
Inventories	200.0	196.2
Recoverable customer engineering and tooling	113.9	91.9
Other	97.9	53.1
Total current assets	1,347.4	1,207.2
Long-Term Assets:		
Property, plant and equipment, net	866.3	642.8
Goodwill, net	1,448.2	1,098.4
Other	154.9	112.9
Total long-term assets	2,469.4	1,854.1
	$3,816.8	$3,061.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term borrowings	$ 10.3	$ 16.9
Accounts payable and drafts	960.5	857.0
Accrued liabilities	520.2	392.2
Current portion of long-term debt	8.3	9.9
Total current liabilities	1,499.3	1,276.0
Long-Term Liabilities:		
Deferred national income taxes	49.6	37.3
Long-term debt	1,054.8	1,038.0
Other	194.4	130.0
Total long-term liabilities	1,298.8	1,205.3
Stockholders' Equity:		
Common Stock, par value $.01 per share, 150,000,000 shares authorized, 65,586,129 and 56,253,541 shares issued in 1996 and 1995, respectively	.7	.6
Additional paid-in capital	834.5	559.1
Notes receivable from sale of common stock	(.6)	(.9)
Common stock held in treasury, 10,230 shares at cost	(.1)	(.1)
Retained earnings	194.1	42.2
Minimum pension liability	(1.0)	(3.5)
Cumulative translation adjustment	(8.9)	(17.4)
Total stockholders' equity	1,018.7	580.0
	$3,816.8	$3,061.3

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME
Lear Corporation and Subsidiaries (In millions, except per share data)

For the year ended December 31,	1996	1995	1994
Net sales	$6,249.1	$4,714.4	$3,147.5
Cost of sales	5,629.4	4,311.3	2,883.9
Selling, general and administrative expenses	210.3	139.0	82.6
Amortization of goodwill	33.6	19.3	11.4
Operating income	375.8	244.8	169.6
Interest expense	102.8	75.5	46.7
Foreign currency exchange (gain) loss	.5	8.6	(.3)
Other expense, net	19.1	7.8	8.6
Income before provision for national income taxes, minority interests in consolidated subsidiaries, equity in net income of affiliates and extraordinary item	253.4	152.9	114.6
Provision for national income taxes	101.5	63.1	55.0
Minority interests in consolidated subsidiaries	4.0	(1.7)	.5
Equity in net income of affiliates	(4.0)	(2.7)	(.7)
Income before extraordinary item	151.9	94.2	59.8
Extraordinary loss on early extinguishment of debt	-	2.6	-
Net income	$ 151.9	$ 91.6	$ 59.8
Net income per share, as adjusted (Note 1);			
Income before extraordinary item	$ 2.38	$ 1.79	$ 1.26
Extraordinary loss	-	(.05)	-
Net income per share	$ 2.38	$ 1.74	$ 1.26

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Lear Corporation and Subsidiaries (In millions, except share data)

For the year ended December 31,	1996	1995	1994
COMMON STOCK			
Balance at beginning of period	$ .6	$ .5	$ .4
Sale of common stock (Note 3)	.1	.1	.1
Balance at end of period	$ .7	$ .6	$ .5
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of period	$ 559.1	$ 274.3	$ 156.5
Elimination of common stock subject to redemption	-	-	13.5
Sale of common stock (Note 3)	242.7	281.4	103.5
Sale of treasury stock (11,220 shares)	-	-	.1
Stock options exercised	6.7	.2	.2
Tax benefit of stock options exercised	17.0	1.3	.5
Conversion of Masland stock options	9.0	-	-
Conversion of AI stock options	-	1.9	-
Balance at end of period	$ 834.5	$ 559.1	$ 274.3
COMMON STOCK WARRANTS			
Balance at beginning of period	$ -	$ -	$ 10.0
Exercise of warrants	-	-	(10.0)
Balance at end of period	$ -	$ -	$ -
TREASURY STOCK			
Balance at beginning of period	$ (.1)	$ (.1)	$ (10.0)
Purchase of treasury stock (21,450 shares)	-	-	(.1)
Exercise of warrants	-	-	10.0
Balance at end of period	$ (.1)	$ (.1)	$ (.1)
NOTE RECEIVABLE FROM SALE OF STOCK			
Balance at beginning of period	$ (.9)	$ (1.0)	$ -
Elimination of common stock subject to redemption	-	-	(1.1)
Repayment of stockholders' note receivable	.3	.1	.1
Balance at end of period	$ (.6)	$ (.9)	$ (1.0)
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of period	$ 42.2	$ (49.4)	$(109.2)
Net income	151.9	91.6	59.8
Balance at end of period	$ 194.1	$ 42.2	$ (49.4)
MINIMUM PENSION LIABILITY			
Balance at beginning of period	$ (3.5)	$ (5.8)	$ (4.2)
Minimum pension liability adjustment	2.5	2.3	(1.6)
Balance at end of period	$ (1.0)	$ (3.5)	$ (5.8)
CUMULATIVE TRANSLATION ADJUSTMENT			
Balance at beginning of period	$ (17.4)	$ (4.9)	$ (.3)
Cumulative translation adjustment	8.5	(12.5)	(4.6)
Balance at end of period	$ (8.9)	$ (17.4)	$ (4.9)
TOTAL STOCKHOLDERS' EQUITY	$ 1,018.7	$ 580.0	$ 213.6

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Lear Corporation and Subsidiaries (In millions)

For the year ended December 31,	1996	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 151.9	$ 91.6	$ 59.8
Adjustments to reconcile net income to net cash provided by operating activities-			
Depreciation and amortization of goodwill	142.3	92.0	56.1
Amortization of deferred financing fees	3.4	2.7	2.4
Deferred national income taxes	(1.2)	(1.7)	(.3)
Post-retirement benefits accrued, net	6.9	6.4	7.3
Extraordinary loss	-	2.6	-
Recoverable customer engineering and tooling	(30.1)	-	-
Other, net	(21.3)	(1.6)	-
Net change in working capital items	210.7	(59.2)	30.4
Net cash provided by operating activities	462.6	132.8	155.7
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(153.8)	(110.7)	(103.1)
Acquisitions	(529.0)	(881.3)	(88.0)
Proceeds from sale of property, plant and equipment	2.0	.3	.5
Other, net	(.9)	5.9	(5.0)
Net cash used in investing activities	(681.7)	(985.8)	(195.6)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Long-term revolving credit borrowings, net (Note 11)	(211.3)	595.2	(108.8)
Additions to other long-term debt	317.3	8.0	164.0
Reductions in other long-term debt	(113.7)	(3.5)	(137.4)
Short-term borrowings, net	(7.5)	(72.2)	(10.7)
Proceeds from sale of common stock, net	249.5	281.7	103.9
Deferred financing fees	(3.1)	(9.6)	(.7)
Increase (decrease) in drafts	(29.5)	42.2	7.5
Other, net	(.1)	.1	(.2)
Net cash provided by financing activities	201.6	841.9	17.6
Effect of foreign currency translation	9.4	13.2	(.7)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(8.1)	2.1	(23.0)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	34.1	32.0	55.0
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 26.0	$ 34.1	$ 32.0
CHANGES IN WORKING CAPITAL, NET OF EFFECTS OF ACQUISITIONS:			
Accounts receivable, net	$ 42.5	$ (156.4)	$ (120.4)
Inventories	30.9	(27.4)	(31.5)
Accounts payable	52.7	42.6	183.3
Accrued liabilities and other	84.6	82.0	(1.0)
	$ 210.7	$ (59.2)	$ 30.4
SUPPLEMENTARY DISCLOSURE:			
Cash paid for interest	$ 97.0	$ 72.9	$ 35.5
Cash paid for income taxes	$ 74.3	$ 57.3	$ 44.1

The accompanying notes are an integral part of these statements.

Lear Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION
The consolidated financial statements include the accounts of Lear Corporation, a Delaware corporation ("Lear"), and its wholly-owned and majority-owned subsidiaries (collectively "the Company"). Investments in less than majority-owned businesses are generally accounted for under the equity method (Note 9).

The Company and its affiliates are involved in the design and manufacture of interior systems and components for automobiles and light trucks. The Company's main customers are automotive original equipment manufacturers. The Company operates facilities worldwide (Note 18). Certain foreign subsidiaries are consolidated as of November 30.

A 33-for-1 split of the Company's common stock was effective as of the Company's initial public offering ("IPO") date (Note 3). All references to the numbers of shares of common stock, stock options, warrants and income per share in the accompanying consolidated financial statements and notes thereto have been adjusted to give effect to the split.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
INVENTORIES
Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs. Inventories are comprised of the following (in millions):

December 31,	1996	1995
Raw materials	$124.7	$139.4
Work-in-process	25.0	18.0
Finished goods	50.3	38.8
	$200.0	$196.2

RECOVERABLE CUSTOMER ENGINEERING AND TOOLING
Costs incurred by the Company for certain engineering and tooling projects for which customer reimbursement is anticipated are capitalized and classified as either recoverable customer engineering and tooling or other long-term assets dependent upon when reimbursement is anticipated. Provisions for losses are provided at the time the Company anticipates engineering and tooling costs to exceed anticipated customer reimbursement.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are stated at cost. Depreciable property is depreciated over the estimated useful lives of the assets, using principally the straight-line method as follows:

Buildings and improvements	20 to 25 years
Machinery and equipment	5 to 15 years

A summary of property, plant and equipment is shown below (in millions):

December 31,	1996	1995
Land	$ 52.3	$ 45.5
Buildings and improvements	287.6	254.3
Machinery and equipment	805.0	532.2
Construction in progress	31.8	28.4
Total property, plant and equipment	1,176.7	860.4
Less accumulated depreciation	(310.4)	(217.6)
Net property, plant and equipment	$ 866.3	$ 642.8

GOODWILL
Goodwill consists of the excess of the purchase price and related acquisition costs over the fair value of identifiable net assets acquired. Goodwill is amortized on a straight-line basis over 40 years. Accumulated amortization of goodwill amounted to $115.1 million and $81.3 million at December 31, 1996 and 1995, respectively.

LONG TERM ASSETS
The Company adopted Statement of Financial Accounting Standards No.121, "Recognition of Impairment of Long-Lived Assets," as of January 1, 1996. In accordance with this statement, the Company re-evaluates the carrying values of its long-term assets whenever circumstances arise which call into question the recoverability of such carrying values. The evaluation takes into account all future estimated cash flows from the use of assets, with an impairment being recognized if the evaluation indicates that the future cash flows will not be greater than the carrying value. No such impairment was recognized in 1996.

RESEARCH AND DEVELOPMENT
Costs incurred in connection with the development of new products and manufacturing methods to the extent not recoverable from the Company's customers are charged to selling, general and administrative expenses as incurred. These costs amounted to $70.0 million, $53.3 million and $21.9 million for the years ended December 31, 1996, 1995 and 1994, respectively. Engineering expenses related to current production are charged to cost of sales as incurred and amounted to $21.4 million, $14.1 million and $8.9 million for the years ended December 31, 1996, 1995 and 1994, respectively.

FOREIGN CURRENCY TRANSLATION
Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at the exchange rates in effect at the end of the period. Revenue and expense accounts are translated using an average of exchange rates in effect during the period. Translation adjustments that arise from translating a foreign subsidiary's financial statements from the functional currency to U.S. dollars are reflected as cumulative translation adjustment in the consolidated balance sheets.

Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, except those transactions which operate as a hedge of a foreign currency investment position, are included in the results of operations as incurred.

INCOME TAXES
The consolidated financial statements reflect the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", for all periods presented.

Deferred national income taxes represent the effect of cumulative temporary differences between income and expense items reported for financial statement and tax purposes, and between the bases of various assets and liabilities for financial statement and tax purposes. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence, it is deemed more likely than not that the asset will not be realized.

WEIGHTED AVERAGE SHARES OUTSTANDING
The weighted average number of common shares outstanding for the years ended December 31, 1996, 1995 and 1994, were as follows:

	1996	1995	1994
Primary shares	63,761,634	52,488,938	47,438,477
Fully-diluted shares	63,765,610	52,642,672	47,560,436

USE OF ESTIMATES
The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although no single asset or liability subject to estimation is material to the Company's consolidated financial position, in aggregate such items are material. Generally, assets and liabilities subject to estimation and judgment include amounts related to unsettled pricing discussions with customers and suppliers, pension and post-retirement costs (Notes 13 and 14), plant consolidation and reorganization reserves, self-insurance accruals, asset valuation reserves, and accruals related to litigation and environmental remediation costs. Management does not believe that the ultimate settlement of any such assets or liabilities will materially affect the Company's financial position or future results of operations.

As of December 31, 1996, the Company had established specific reserves relating to planned productivity improvement actions. Of these reserves, $15.0 million represent severance costs and $8.4 million represent business rearrangement costs which are designed to enhance the Company's efficiency. Also, reserves of $10.5 million have been established against the book value of certain fixed assets. These reserves have primarily been established as a result of the acquisitions discussed in Notes 5, 6, 7 and 8.

RECLASSIFICATIONS
Certain items in prior years' financial statements have been reclassified to conform with the presentation used in the year ended December 31, 1996.

(3) PUBLIC STOCK OFFERINGS
In July 1996, the Company issued and sold 7,500,000 shares of common stock in a public offering ("the 1996 offering"). Concurrent with this issuance, 7,500,000 shares were sold by certain stockholders of the Company, including certain merchant banking partnerships affiliated with Lehman Brothers Holdings, Inc., (the "Lehman Funds"). The Company received no proceeds from the sale of these shares. The Lehman Funds, taken together, are the largest shareholders of the Company. The Lehman Funds held approximately 16% of the outstanding common stock of the Company as of December 31, 1996. The total proceeds to the Company from the stock issuance were $251.3 million. Fees and expenses related to the 1996 offering totaled $8.5 million, including approximately $1.1 million paid to Lehman Brothers Inc., an affiliate of the Lehman Funds. Net of issuance costs, the Company received $242.8 million, which was used to repay debt incurred in connection with the acquisition of Masland (Note 5). See Note 20 for pro forma information.

In September 1995, the Company issued and sold 10,000,000 shares of common stock in a public offering (the "1995 offering"). The total proceeds to the Company from the stock issuance were $292.5 million. Concurrent with this issuance, 11,500,000 shares were sold by certain stockholders of the Company. The Company received no proceeds from the sale of these shares. Fees and expenses related to the 1995 offering totaled $11.0 million, including approximately $1.8 million paid to Lehman Brothers Inc. Net of issuance costs, the Company received $281.5 million, which was used to repay debt incurred in connection with the acquisition of AI (Note 7). See Note 20 for pro forma information.

In April 1994, the Company completed an initial public offering of its common stock (the "IPO"), pursuant to which the Company sold 7,187,500 shares of its common stock for total proceeds of approximately $111.4 million. Fees and expenses related to the IPO totaled $7.8 million, including approximately $.9 million paid to Lehman Brothers Inc. The net proceeds of the offering were used to reduce outstanding borrowings under the Company's existing senior credit facility. In the same offering, FIMA Finance Management Inc., ("FIMA") a wholly-owned subsidiary of EXOR Group S.A. (formerly IFINT S.A.), sold 3,125,000 shares of the Company's common stock in the public market. The Company received no proceeds from the sale of these shares. See Note 20 for pro forma information.

(4) SUBORDINATED NOTES OFFERINGS
In July 1996, the Company completed a public offering of $200.0 million principal amount of its 9 1/2% Subordinated Notes due 2006 (the "9 1/2% Notes"). Interest is payable on the 9 1/2% Notes semi-annually on January 15 and July 15. Fees and expenses related to the issuance of the 9 1/2% Notes were approximately $4.5 million. Net of issuance costs, the Company received $195.5 million, which was used to repay debt incurred in connection with the acquisition of Masland (Note 5). See Note 20 for pro forma information.

In February 1994, the Company completed a public offering of $145.0 million principal amount of its 8 1/4% Subordinated Notes due 2002 (the "8 1/4% Notes"). Interest is payable on the 8 1/4% Notes semi-annually on February 1 and August 1. Fees and expenses related to the issuance of the 8 1/4% Notes were approximately $5.0 million, including underwriting fees of $2.4 million paid to Lehman Brothers Inc. The net proceeds from the sale of the 8 1/4% Notes were used to finance the redemption of the Company's 14% Subordinated Debentures due 2000, on March 14, 1994. See Note 20 for pro forma information.

(5) MASLAND ACQUISITION

On June 27, 1996, the Company, through a wholly owned subsidiary ("PA Acquisition Corp."), acquired 97% of the issued and outstanding shares of common stock of Masland Corporation ("Masland") pursuant to an offer to purchase which was commenced on May 30, 1996. On July 1, 1996, the remaining issued and outstanding shares of common stock of Masland were acquired and PA Acquisition Corp. merged with and into Masland, such that Masland became a wholly-owned subsidiary of the Company. The aggregate purchase price for the acquisition of Masland (the "Masland Acquisition") was $475.7 million (including the assumption of $80.7 million of Masland's existing net indebtedness and $10.0 million in fees and expenses). Funds for the Masland Acquisition were provided by borrowings under the Credit Agreement and New Credit Agreement, as described in Note 11.

Masland is a leading supplier of floor and acoustic systems to the North American automotive market. Masland also is a major supplier of interior luggage compartment trim components and other acoustical products which are designed to minimize noise, vibration and harshness for passenger cars and light trucks.

The Masland Acquisition was accounted for as a purchase, and accordingly, the assets purchased and liabilities assumed in the acquisition have been reflected in the accompanying balance sheet as of December 31, 1996. The operating results of Masland have been included in the consolidated financial statements of the Company since the date of acquisition. The purchase price, and related allocation, were as follows (in millions):

Consideration paid to stockholders, net of cash acquired of $16.1 million	$ 337.8
Consideration paid to former Masland stock option holders	22.1
Debt assumed	96.8
Stock options issued to former Masland option holders	9.0
Estimated fees and expenses	10.0
Cost of acquisition	$ 475.7
Property, plant and equipment	$ 125.8
Net working capital	33.8
Other assets purchased and liabilities assumed, net	(15.7)
Goodwill	331.8
Total cost allocation	$ 475.7

The purchase price and related allocation may be revised in the next year based on revisions of preliminary estimates of fair values made at the date of purchase. Such changes are not expected to be significant. See Note 20 for pro forma information.

(6) BOREALIS ACQUISITION

On December 10, 1996, the Company acquired all of the issued and outstanding capital stock of Borealis Industrier, AB ("Borealis") for an aggregate purchase price of $91.1 million (including the assumption of $18.8 million of Borealis existing net indebtedness and $1.5 million of fees and expenses). Borealis is a supplier of instrument panels and other interior components to the European automotive market. The Borealis acquisition was accounted for as a purchase, and accordingly, the assets purchased and liabilities assumed have been reflected at their estimated fair market value in the accompanying balance sheet as of December 31, 1996. The operations of Borealis from the acquisition date to December 31, 1996 were not material to the consolidated statement of income of the Company.

(7) AI ACQUISITION

On August 17, 1995, the Company purchased all of the issued and outstanding shares of common stock of Automotive Industries Holding, Inc. ("AI") for an aggregate purchase price of approximately $881.3 million, including the retirement of $250.5 million of AI's existing indebtedness and $14.4 million in fees and expenses, including $4.8 million paid to Lehman Brothers Inc. ("the AI Acquisition"). AI is a leading designer and manufacturer of high quality

interior trim systems and blow molded products principally for North American and European car and light truck manufacturers.

The AI Acquisition was accounted for as a purchase, and accordingly the assets purchased and liabilities assumed in the acquisition have been reflected in the accompanying balance sheets. The operating results of AI have been included in the consolidated financial statements of the Company since the date of acquisition. The purchase price, and the related allocation, were as follows (in millions):

Cash consideration paid to stockholders, net of cash acquired of $9.1 million	$614.5
Stock options issued to former AI option holders	1.9
Retirement of debt assumed	250.5
Fees and expenses	14.4
Cost of acquisition	$881.3
Property, plant and equipment	$264.7
Net non-cash working capital	43.8
Other assets purchased and liabilities assumed, net	(1.7)
Debt assumed	(33.9)
Goodwill	608.4
Total cost allocation	$881.3

See Note 20 for pro forma information.

(8) FSB ACQUISITION

On December 15, 1994, the Company purchased from Gilardini S.p.A., an Italian corporation, all of the issued and outstanding common stock of Sepi S.p.A., an Italian corporation, all of the issued and outstanding common stock of Sepi Poland S.p. Z o.o. and a 35% interest in a Turkish joint venture (collectively, the "Fiat Seat Business", or "FSB"). The FSB is engaged in the design and manufacture of automotive seating, with its principal customers being Fiat S.p.A. and its affiliates ("Fiat"). In connection with this transaction, the Company and Fiat entered into a long-term supply agreement for certain products produced by the FSB.

The acquisition was accounted for as a purchase, and accordingly, the results of operations of the FSB have been included in the consolidated financial statements of the Company in 1995 and 1996. The operations of FSB from the acquisition date to December 31, 1994 were not material to the consolidated statement of income of the Company for the year ended December 31, 1994. The purchase price, and the related allocation, were as follows (in millions):

Cash consideration paid to seller, net of cash acquired of $6.9 million	$ 85.3
Deferred purchase price, paid in 1996	12.3
Short-term borrowings from Fiat assumed	66.7
Fees and expenses	4.2
Receivable from seller	(1.2)
Cost of acquisition	$167.3
Property, plant and equipment	$ 72.2
Investment in Industrias Cousin Freres, S.L. (Note 9)	4.9
Employee termination indemnities assumed	(17.8)
Net non-cash working capital	9.3
Other assets purchased and liabilities assumed, net	(12.5)
Goodwill	111.2
Total cost allocation	$167.3

See Note 20 for pro forma information.

(9) INVESTMENTS IN AFFILIATES
The investments in affiliates are as follows:

Percent Beneficial Ownership as of December 31,	1996	1995	1994
Sommer Masland UK Limited	50%	-%	-%
Jiangling - Lear, Interior Systems Co., Ltd. (China)	50	-	-
Industrias Cousin Freres, S.L. (Spain)	50	50	50
Euro Autotech, A.B.	50	-	-
SALBI, A.B.	50	-	-
Lear Corporation Thailand	49	49	49
Detroit Automotive Interiors, L.L.C.	49	-	-
Interiores Automotrices Summa, S.A. de C.V. (Mexico)	40	40	-
Markol Otomotiv Yan Sanayi Ve Ticart (Turkey)	35	35	35
General Seating of America, Inc.	35	35	35
General Seating of Canada, Ltd.	35	35	35
Guildford Kast Plastifol Ltd. (U.K.)	33	33	-
Probel, S.A. (Brazil)	31	31	31
Precision Fabrics Group	29	-	-
Pacific Trim Corporation Ltd. (Thailand)	20	20	20

All of the above investments in affiliates are accounted for using the equity method, except Probel, S.A. which is accounted for using the cost method. The investments in Industrias Cousin Freres, S.L. and Markol Otomotiv Yan

Sanayi Ve Ticart were acquired as part of the FSB acquisition (Note 8). The investments in Guildford Kast Plastifol Ltd. and Interiores Automotrices Summa, S.A. de C.V. were acquired as part of the AI Acquisition (Note 7). The investments in Sommer Masland UK Limited and Precision Fabrics Group were acquired as part of the Masland Acquisition (Note 5). The investments in Euro Autotech, A.B. and SALBI, A.B. were acquired as part of the Borealis acquisition (Note 6).

Summarized group financial information for affiliates accounted for under the equity method is as follows (Unaudited; in millions):

December 31,	1996	1995
Balance sheet data:		
Current assets	$134.1	$57.6
Non-current assets	79.3	42.0
Current liabilities	67.7	35.6
Non-current liabilities	60.9	16.9

Year Ended December 31,	1996	1995	1994
Income statement data:			
Net sales	$471.0	$201.6	$140.4
Gross profit	68.1	37.9	14.1
Income before provision for income taxes	21.6	14.2	6.0
Net income	17.9	10.0	3.9

The aggregate investment in affiliates was $53.2 million and $20.6 million as of December 31, 1996 and 1995, respectively. The Company had sales to affiliates of approximately $22.2 million, $17.6 million and $14.0 million for the years ended December 31, 1996, 1995 and 1994, respectively. Dividends of approximately $3.0 million, $1.3 million and $.9 million were received by the Company for the years ended December 31, 1996, 1995 and 1994, respectively. The Company has guaranteed certain obligations of its affiliates. The Company's share of amounts outstanding under guaranteed obligations as of December 31, 1996 amounted to $4.0 million. Management does not believe that the Company will be required to pay any amounts related to these guarantees.

(10) SHORT-TERM BORROWINGS
Short-term borrowings are comprised of the following (in millions):

December 31,	1996	1995
Lines of credit, various	$10.3	$ -
Note payable to bank, LIBOR + 3/4%	-	11.5
Revolving credit facility, Base + 1 3/4%	-	2.8
Note payable to bank, LIBOR + 3%	-	2.6
	$10.3	$16.9

At December 31, 1996, the Company had lines of credit available with foreign banks of approximately $66.2 million, subject to certain restrictions imposed by the Existing Credit Agreement (Note 11). Weighted average interest rates on the outstanding borrowings at December 31, 1996 and 1995 were 9.4% and 7.4%, respectively.

(11) LONG-TERM DEBT
Long-term debt is comprised of the following (in millions):

December 31,	1996	1995
Credit agreements	$ 481.3	$ 717.1
Industrial revenue bonds	22.6	20.9
Other	89.2	39.9
	593.1	777.9
Less - Current portion	(8.3)	(9.9)
	584.8	768.0
9 1/2% Subordinated Notes	200.0	-
8 1/4% Subordinated Notes	145.0	145.0
11 1/4% Senior Subordinated Notes	125.0	125.0
	470.0	270.0
	$1,054.8	$1,038.0

In August 1995, the Company entered into a $1.5 billion secured revolving credit agreement with a syndicate of financial institutions (the "Credit Agreement"), the purpose of which was to finance the AI Acquisition (Note 7), to refinance a portion of the existing indebtedness of AI, to refinance the Company's prior $500 million credit agreement (the "Prior Credit Facility"), and for general corporate purposes, including acquisitions. See Note 20 for pro forma information. The accelerated amortization of deferred financing fees related to the Prior Credit Facility totaled approximately $4.0 million. This amount, net of the related tax benefit of $1.4 million, has been reflected as an extraordinary loss in the consolidated statement of income for the year ended December 31, 1995. Lehman Commercial Paper, Inc., an affiliate of the Lehman Funds, was a managing agent of the Credit Agreement and received fees of $.5 million in connection with this transaction.

In June 1996, the Company entered into a second revolving credit agreement with a syndicate of financial institutions (the "New Credit Agreement") providing for aggregate borrowings of up to $300 million. The New Credit Agreement contained substantially identical terms as the Credit Agreement. Following the Masland Acquisition, the Company borrowed the full amount permitted under the New Credit Agreement and used the proceeds to repay debt outstanding under the Credit Agreement.

In December 1996, the Company amended and restated the Credit Agreement and the New Credit Agreement (as so amended and restated, the "Existing Credit Agreement") to (i) reduce rates, (ii) consolidate them into one agreement, (iii) increase total borrowing availability to $1.8 billion, (iv) release liens on the Company's real and personal property, (v) eliminate certain scheduled commitment reductions existing under the prior credit agreements, (vi) modify certain covenants and (vii) provide for additional borrowing options, including multi-currency borrowing. The Existing Credit Agreement matures on September 30, 2001 and borrowings thereunder may be used for general corporate purposes. The Existing Credit Agreement is secured by a pledge of the capital stock of certain of the Company's domestic and foreign subsidiaries, and the Company's obligations thereunder are guaranteed by certain of its significant domestic

subsidiaries. Loans under the Existing Credit Agreement bear interest, at the election of the Company, at a floating rate equal to (i) the higher of a specified bank's prime rate and the federal funds rate plus 0.5% or (ii) the Eurodollar rate plus .275% to .625%, depending on the level of a certain financial ratio. The Company pays a facility fee on the total $1.8 billion commitment. Upon closing the Existing Credit Agreement, funds were drawn to refinance the New Credit Agreement and the Credit Agreement. Lehman Commercial Paper, Inc., an affiliate of the Lehman Funds, is a participant of the Existing Credit Agreement.

The Company had available under the Existing Credit Agreement unused long-term revolving credit commitments of $1.28 billion at December 31, 1996, net of $38.5 million of outstanding letters of credit. Borrowings on revolving credit loans were $2,790.8 million, $4,979.5 million and $495.2 million for the years ended December 31, 1996, 1995, and 1994, respectively. Repayments on revolving credit loans were $3,027.8 million, $4,384.3 million and $604.0 million for the years ended December 31, 1996, 1995 and 1994, respectively. At December 31, 1996, interest was being charged at the Eurodollar rate plus .30%, approximately 5.97% at December 31, 1996, for loans under the Existing Credit Agreement and the facility fee was .175%.

On July 11, 1996, the Company entered into a $50 million Canadian Dollar Revolving Term Credit Facility, replacing an existing $25 million Canadian dollar facility. Borrowings and repayments in 1996 under this facility were $288.5 million and $262.8 million, respectively. Borrowing under this facility can be in U.S. and or Canadian dollars, bearing interest, at the election of the Company, at a floating rate equal to (i) the applicable prime rate or (ii) the Eurodollar (U.S.) or Bankers Acceptance (Canadian) rate plus .5% to 1.0% based on specific financial ratios of the Corporation, approximately 3.9% at December 31, 1996.

The Company has several Industrial Revenue Bonds (IRBs). Two of the IRBs are outstanding at $9.5 million each, are payable in 2024, and bear interest at variable rates which are reset periodically. As of December 31, 1996, these IRB's bore interest rates of 3.95% and 3.90%, respectively. The remaining IRBs amortize annually, mature between 1998 and 2004, and as of December 31, 1996 bore interest of between 2.0% and 2.5%.

Other senior debt at December 31, 1996, is principally made up of amounts outstanding under the Canadian Dollar Revolving Term Facility, certain capital leases, and a term loan with a German bank. Other senior debt matures principally in years 1997 to 2000 and bears interest at rates consistent with the Company's other debt instruments.

The 8 1/4% Subordinated Notes, due in 2002, require interest payments semi-annually on February 1 and August 1 and are callable beginning February 1, 1998. The 11 1/4% Senior Subordinated Notes, due in 2000, require interest payments semi-annually on January 15 and July 15 and are callable beginning July 15, 1997. The 9 1/2% Subordinated Notes, due 2006, require interest payments semi-annually on January 15 and July 15 and are callable beginning July 15, 2001.

The Existing Credit Agreement and indentures relating to the Company's subordinated debt contain restrictive covenants. The most restrictive of these covenants are the Existing Credit Agreement's financial covenants related to maintenance of certain levels of net worth, leverage, and interest coverage. These agreements also, among other things, restrict the Company's ability to incur additional indebtedness, declare dividends, create liens, make investments and advances, sell assets and limit capital expenditures to specified amounts. The German Term Loan agreement also contains certain restrictive covenants.

The scheduled maturities of long-term debt at December 31, 1996 for the five succeeding years are as follows (in millions):

1997	$ 8.3
1998	49.4
1999	6.6
2000	130.8
2001	483.0

Lear Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(12) NATIONAL INCOME TAXES

A summary of income before provision for national income taxes and components of the provision for national income taxes is as follows (in millions):

Year Ended December 31,	1996	1995	1994
Income before provision for national income taxes, minority interests in consolidated subsidiaries, equity in net income of affiliates and extraordinary item:			
Domestic	$135.7	$ 51.0	$ 56.4
Foreign	117.7	101.9	58.2
	$253.4	$152.9	$114.6
Domestic provision for national income taxes:			
Current provision	$ 48.4	$ 31.6	$ 31.2
Deferred -			
Deferred provision	2.8	(12.2)	-
Benefit of previously unbenefitted net operating loss carryforwards	-	(.4)	(2.2)
	2.8	(12.6)	(2.2)
Total domestic provision	51.2	19.0	29.0
Foreign provision for national income taxes:			
Current provision	51.0	41.2	25.1
Deferred -			
Deferred provision	6.6	5.3	.9
Benefit of previously unbenefitted net operating loss carryforwards	(7.3)	(2.4)	-
	(.7)	2.9	.9
Total foreign provision	50.3	44.1	26.0
Provision for national income taxes	$101.5	$ 63.1	$ 55.0

The differences between tax provisions calculated at the United States Federal statutory income tax rate of 35% for the years ended December 31, 1996, 1995 and 1994, and the consolidated national income tax provision are summarized as follows (in millions):

Year Ended December 31,	1996	1995	1994
Income before provision for national income taxes, minority interests in consolidated subsidiaries, equity in net income of affiliates and extraordinary item multiplied by the United States Federal statutory rate	$ 88.7	$ 53.5	$ 40.1
Utilization of domestic net operating loss carryforwards	-	(.4)	(2.2)
Utilization of foreign net operating loss carryforwards	(7.3)	(2.4)	-
Differences between domestic and effective foreign tax rates	1.3	(3.3)	1.3
Operating losses not tax benefited	15.8	11.4	3.0
Increase (decrease) in valuation allowance	(8.3)	(4.2)	3.3
Domestic income taxes provided on foreign earnings	-	2.6	6.4
Amortization of goodwill	10.4	5.8	3.0
Other, net	.9	.1	.1

$101.5	$ 63.1	$ 55.0

Deferred national income taxes represent temporary differences in the recognition of certain items for income tax and financial reporting purposes. The components of the net deferred national income tax liability are summarized as follows (in millions):

December 31,	1996	1995
Deferred national income tax liabilities:		
Long-term asset basis differences	$ 54.5	$ 23.9
Taxes provided on unremitted foreign earnings	15.6	15.6
Retirement benefit plans	3.1	3.1
Capitalized engineering and design	12.0	-
Other	10.3	7.5
	$ 95.5	$ 50.1
Deferred national income tax assets:		
Tax credit carryforwards	$ -	$ (3.5)
Tax loss carryforwards	(66.4)	(53.3)
Retirement benefit plans	(24.1)	(14.1)
Accruals	(32.1)	(4.4)
Self -insurance reserves	(10.4)	(5.3)
Minimum pension liability	(2.1)	(1.7)
Deferred compensation	(3.9)	(6.2)
Deferred finance fees	(1.2)	-
Other	(8.7)	(5.4)
	(148.9)	(93.9)
Valuation allowance	61.2	57.4
	$(87.7)	$ (36.5)
Net deferred national income tax liability	$ 7.8	$ 13.6

Deferred national income tax assets have been fully offset by a valuation allowance in certain foreign tax jurisdictions due to a history of operating losses. The classification of the net deferred national income tax liability is summarized as follows (in millions):

December 31,	1996	1995
Deferred national income tax assets:		
Current	$(41.5)	$ (13.2)
Long-term	(2.9)	(15.8)
Deferred national income tax liability:		
Current	2.6	5.3
Long-term	49.6	37.3
Net deferred national income tax liability	$ 7.8	$ 13.6

Deferred national income taxes and withholding taxes have been provided on earnings of the Company's Canadian subsidiary to the extent it is anticipated that the earnings will be remitted in the form of future dividends. Deferred national income taxes and withholding taxes have not been provided on the undistributed earnings of the Company's other foreign subsidiaries as such amounts are considered to be permanently reinvested. The cumulative undistributed earnings at December 31, 1996 on which the Company had not provided additional national income taxes and withholding taxes were approximately $84.7 million.

As of December 31, 1996, the Company had tax loss carryforwards of $178.0 million which relate to certain foreign subsidiaries. Of the total loss carryforwards, $58.3 million have no expiration and $119.7 million expire in 1997 through 2004.

(13) RETIREMENT PLANS

The Company has noncontributory defined benefit pension plans covering certain domestic employees and certain employees in foreign countries. The Company's salaried plans provide benefits based on a career average earnings formula. Hourly pension plans provide benefits under flat benefit formulas. The Company also has contractual arrangements with certain employees which provide for supplemental retirement benefits. In general, the Company's policy is to fund these plans based on legal requirements, tax considerations and local practices.

Components of the Company's pension expense are as follows (in millions):

Year Ended December 31,	1996	1995	1994
Service cost	$ 10.6	$ 6.2	$4.3
Interest cost on projected benefit obligation	10.6	7.4	6.3
Actual return on assets	(13.1)	(12.1)	(.1)
Net amortization and deferral	8.4	6.9	(4.6)
Net pension expense	$ 16.5	$ 8.4	$ 5.9

The following table sets forth a reconciliation of the funded status of the Company's defined benefit pension plans to the related amounts recorded in the consolidated balance sheets (in millions):

	DECEMBER 31, 1996		December 31, 1995	
	PLANS WHOSE ASSETS EXCEED ABO	PLANS WHOSE ABO EXCEEDS Assets	Plans Whose Assets Exceed ABO	Plans Whose ABO Exceeds Assets
Actuarial present value of:				
Vested benefit obligation	$26.8	$ 93.2	$ 14.4	$ 82.6
Non-vested benefit obligation	3.8	5.1	1.0	5.2
Accumulated benefit obligation (ABO)	30.6	98.3	15.4	87.8
Effects of anticipated future compensation increases	19.4	5.8	2.5	13.7
Projected benefit obligation	50.0	104.1	17.9	101.5
Plan assets at fair value	39.2	68.8	23.1	59.2
Projected benefit obligation in excess of (less than) plan assets	10.8	35.3	(5.2)	42.3
Unamortized net loss	(2.1)	(3.2)	(.8)	(10.6)
Unrecognized prior service cost	(.5)	(21.6)	(.4)	(4.3)
Unamortized net asset (obligation) at transition	2.4	(.9)	3.0	(1.2)
Unamortized plan amendment obligation	-	-	-	(11.2)
Adjustment required to recognize minimum liability	.1	18.2	-	21.4
Accrued pension (asset) liability recorded in the consolidated balance sheets	$10.7	$ 27.8	$ (3.4)	$ 36.4

The projected benefit obligation for plans whose ABO exceeds assets includes both foreign and domestic plans. For domestic plans this excess was $18.9 million and $19.7 million as of December 31, 1996 and 1995, respectively. The actuarial assumptions used in determining pension expense and the funded status information shown above were as follows:

Year Ended December 31,	1996	1995	1994
Discount rate:			
Domestic plans	7.25-7.5%	7.25-8%	7.5-8%
Foreign plans	7-8%	7-8%	7-8%
Rate of salary progression:			
Domestic plans	5-5.8%	5.6%	5%
Foreign plans	3-5%	3-5%	3-5%
Long-term rate of return on assets:			
Domestic plans	7.75-9%	7.75-9%	9%
Foreign plans	8%	8%	8%

Plan assets include cash equivalents, common and preferred stock, and government and corporate debt securities.

Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," required the Company to record a minimum liability as of December 31, 1996 and 1995. As of December 31, 1996, the Company recorded a long-term liability of $18.3 million, an intangible asset of $16.7 million, which is included with other assets, and a reduction in stockholders' equity of $1.0 million, net of income taxes of $.6 million.

In 1996, one of the Company's defined benefit pension plans increased the benefit rate and increased the supplemental early retirement benefit. In addition, the domestic plans decreased the assumed discount rate from 8.0% in 1995 to 7.5% in 1996. The impact of these plan changes was to increase pension cost and ABO by $1.4 million and $5.0 million, respectively.

The Company also sponsors defined contribution plans and participates in government sponsored programs in certain foreign countries. Contributions are determined as a percentage of each covered employee's salary. The Company also participates in multi-employer pension plans for certain of its hourly employees and contributes to those plans based on collective bargaining agreements. The aggregate cost of the defined contribution and multi-employer pension plans charged to income was $4.7 million, $2.6 million, and $2.1 million for the years ended December 31, 1996, 1995 and 1994, respectively.

(14) POST-RETIREMENT BENEFITS

The Company's post-retirement plans cover a portion of the Company's domestic employees and Canadian employees. The plans generally provide for the continuation of medical benefits for all employees who complete 10 years of service after age 45 and retire from the Company at age 55 or older. The Company does not fund its post-retirement benefit obligation. Rather, payments are made as costs are incurred by covered retirees.

On January 1, 1995, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Post-retirement Benefits Other Than Pensions" ("SFAS No. 106") for its foreign plans. This standard requires that the expected cost of post-retirement benefits be charged to expense during the years in which the employees render service to the Company. As of January 1, 1995, the Company's Accumulated Post-retirement Benefit Obligation ("APBO") for its foreign plans was approximately $9.7 million which is being amortized over approximately 11 years, representing the average remaining service life of the eligible employees.

The Company adopted SFAS 106 for its domestic plans as of July 1, 1993. At that date, the Company's APBO was approximately $32.0 million. Because the Company had previously recorded a liability of $6.3 million related to these benefits, the net transition obligation was $25.7 million and is being amortized over 20 years. The following table sets forth a reconciliation of the funded status of the accrued post-retirement benefit obligation to the related amounts recorded in the consolidated financial statements as of December 31, 1996 and 1995 (in millions):

December 31,	1996	1995
Accumulated Post-retirement Benefit Obligation:		
Retirees	$27.2	$ 18.0
Fully eligible active plan participants	8.3	4.8
Other active participants	30.8	29.8
Unrecognized net gain	4.8	4.1
Unrecognized prior service cost	(1.4)	-
Unamortized transition obligation	(28.5)	(31.6)
Liability recorded in the consolidated balance sheet	$ 41.2	$ 25.1

Components of the Company's post-retirement benefit expense under SFAS No. 106 were as follows (in millions):

Year Ended December 31,	1996	1995	1994
Service cost	$ 4.2	$3.6	$3.5
Interest cost on APBO	4.0	3.5	2.8
Amortization of unrecognized net gain (loss)	(.5)	.4	-
Amortization of unrecognized prior service cost	.2	-	-
Amortization of transition obligation	1.8	1.8	1.3
Net post-retirement benefit expense	$ 9.7	$9.3	$7.6

For the domestic plans, the APBO was calculated using an assumed discount rate of 7.5% in the years ended December 31, 1996 and 1995. Domestic post-retirement benefit expense was calculated using an assumed discount rate of 7.5% in 1996, 8.0% in 1995 and 7.5% in 1994. Domestic health care costs were assumed to increase 9.6% in 1996, grading down over time to 5.5% in 10 years. For the foreign plans, 1996 expense and the APBO as of December 31, 1996, were calculated using an assumed discount rate of 8.0%. Foreign health care costs were assumed to increase 8.5% per year, grading down over time to 5.5% in 10 years. To illustrate the significance of these assumptions, a rise in the assumed rate of health care cost increases of 1% each year would increase the APBO as of December 31, 1996 by $7.9 million and increase the net post-retirement benefit expense by $1.5 million for the year ended December 31, 1996.

(15) COMMITMENTS AND CONTINGENCIES

The Company is the subject of various lawsuits, claims and environmental contingencies. In addition, the Company has been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA" or "Superfund"), for the cleanup of contamination from hazardous substances at two Superfund sites, and may incur indemnification obligations for cleanup at three additional sites. In the opinion of management, the expected liability resulting from these matters is adequately covered by amounts accrued, and will not have a material adverse effect on the Company's consolidated financial position or future results of operations.

Approximately 30,000 of the Company's workforce worldwide are subject to collective bargaining agreements. 26% of the Company's workforce are subject to collective bargaining agreements which expire within one year. Relationships with all unions are good and management does not anticipate any difficulties with respect to the agreements.

Lease commitments at December 31, 1996 under noncancelable operating leases with terms exceeding one year are as follows (in millions):

1997	$ 26.6
1998	22.2
1999	19.1
2000	17.0
2001	16.0
2002 and thereafter	19.4
Total	$120.3

The Company's operating leases cover principally buildings and transportation equipment. Rent expense incurred under all operating leases and charged to operations was $29.8 million, $21.2 million, and $16.5 million for the years ended December 31, 1996, 1995 and 1994, respectively.

(16) STOCK OPTIONS AND WARRANTS

1988 STOCK OPTION PLAN
At December 31, 1996, 681,351 options granted under stock option agreements dated September 29, 1988 were issued and outstanding. The options vested over a three-year period and are currently exercisable at $1.29 per share.

1992 STOCK OPTION PLAN
At December 31, 1996 there were 1,359,681 options issued and outstanding under the 1992 Stock Option Plan. Pursuant to a plan amendment effective December 31, 1993, all of the options became immediately vested and became exercisable at $5 per share on September 28, 1996.

1994 STOCK OPTION PLAN
Concurrent with the IPO (Note 3), the Company granted 498,750 options which are exercisable at $15.50 per share beginning three years after the date of grant. In addition, the Company granted an additional 36,000 options in 1995. The options vest over a three year period and expire seven years after they become exercisable. No stock compensation expense was recognized related to these options as the exercise price was equal to the market price as of the grant date. As of December 31, 1996, 505,750 options were outstanding.

OPTIONS ISSUED TO FORMER AI OPTION HOLDERS
In connection with the AI Acquisition (Note 7), the Company converted, at the option holder's discretion, certain AI stock options into options exercisable for Lear common stock. All of the options converted were fully vested and exercisable as of the date of acquisition of AI. At December 31, 1996, there were 11,520 options exercisable at $14.06 per share which expire July 24, 2002, 36,441 options exercisable at $20.41 per share which expire August 5, 2003, and 47,790 options exercisable at $23.12 per share which expire August 7, 2004. The value of these options as of the date of the AI Acquisition was $1.9 million and was included in the purchase price of AI.

OPTIONS ISSUED TO FORMER MASLAND OPTION HOLDERS
In connection with the Masland Acquisition (Note 5), the Company converted, at the option holder's discretion, certain Masland stock options into 517,920 options exercisable for Lear common stock. Of this amount, 110,588 Masland options were fully vested and exercisable. The remaining 407,332 Masland options vest and become exercisable in 20% increments on each anniversary from the date of grant. The average exercise price of these options was $20.51 per share. At December 31, 1996, there were 512,209 options exercisable at prices ranging from $11.63 per share to $30.17 per share. These options expire at various times from March 15, 2002 until April 10, 2006. The value of these options as of the date of the Masland Acquisition was $9.0 million and was included in the purchase price of Masland.

1996 STOCK OPTION PLAN
Under the 1996 stock option plan, the Company granted 559,000 stock options in May, 1996, which are exercisable at $33 per share. The options vest three years after the grant date and expire seven years after they become exercisable. No compensation expense was recognized related to these options as the exercise price was equal to the market price as of the grant date. As of December 31, 1996, there were 530,500 options outstanding.

The changes in the number of options outstanding are as follows:

Year Ended December 31,	1996	1995	1994
Options outstanding at beginning of period	4,476,910	4,425,768	4,045,272
Options granted	1,076,920	265,405	498,750
Options exercised	(1,832,588)	(165,263)	(100,797)
Options revoked	(36,000)	(49,000)	(17,457)
Options outstanding at end of period	3,685,242	4,476,910	4,425,768

WARRANTS
In 1988, the Company sold warrants exercisable into 3,300,000 shares of common stock. The warrants, which entitled the holder to receive one share of common stock for no additional consideration, became exercisable on December 1, 1993. All warrants were exercised or expired in 1994.

PRO FORMA
At December 31, 1996, the Company had several stock-based compensation plans, which are described above. The Company applies APB Opinion 25 and related Interpretations in accounting for its plans. Accordingly, compensation cost was calculated as the difference between the exercise price of the option and the market value of the stock at the date the option was granted. If compensation cost for the Company's stock option plans was determined based on the fair value at the grant dates consistent with the method prescribed in FASB statement 123 "Accounting for Stock-Based Compensation", the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (in millions, except per share information).

Year Ended December 31,	1996	1995
Net income - as reported	$151.9	$91.6
Net income - pro forma	$150.4	$91.6
Net income per share - as reported	$ 2.38	$1.74
Net income per share - pro forma	$ 2.36	$1.74

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1996 and 1995: risk-free interest rates of 7.5%; expected dividend yields of 0.0%; expected lives of 10 years; and expected volatility of 31.5%.

(17) FINANCIAL INSTRUMENTS
The Company hedges certain foreign currency risks through the use of forward foreign exchange contracts and options. Such contracts are generally deemed as, and are effective as, hedges of the related transactions. As such, gains and losses from these contracts are deferred and are recognized on the settlement date, consistent with the related transactions. The Company and its subsidiaries had contracted to exchange notional United States Dollar equivalent principal amounts of $113.1 million as of December 31, 1996 and $61.4 million as of December 31, 1995. All contracts outstanding as of December 31, 1996 mature in 1997. The unrealized net losses on such contracts as of December 31, 1996 was less than $.1 million compared to a deferred gain of $1.9 million as of December 31, 1995.

The carrying values of the Company's subordinated notes vary from the fair values of these instruments. The fair values were determined by reference to market prices of the securities in recent public transactions. As of December 31, 1996, the carrying value of the Company's subordinated notes was $470.0 million compared to an estimated fair value of $485.9 million. As of December 31, 1995, the carrying value of the Company's subordinated notes was $270.0 million

compared to an estimated fair value of $275.4 million. The carrying values of cash, accounts receivable, accounts payable and notes payable approximate the fair values of these instruments due to the short-term, highly liquid nature of these instruments. The carrying value of the Company's senior indebtedness approximates its fair value which was determined based on rates currently available to the Company for similar borrowings with like maturities.

The Company uses interest rate swap contracts to hedge against interest rate risks in future periods. As of December 31, 1996, the Company had entered into five one-year swap contracts with an aggregate notional value of $215.0 million which became effective and/or go into effect between August 1996 and August 1997. Pursuant to each of the contracts, the Company will make payments calculated at a fixed rate of between 5.9% and 6.3% of the notional value and will receive payments calculated at the Eurodollar rate. This effectively fixes the Company's interest rate on the portion of the indebtedness under the Existing Credit Agreement covered by the contracts at the fixed rates in the contracts plus a margin of .275% to .625% during the time the contracts are effective. The fair value of these contracts as of December 31, 1996, and 1995 was a negative $0.6 million and negative $1.9 million, respectively.

Several of the Company's European subsidiaries factor their accounts receivable with financial institutions subject to limited recourse provisions and are charged a discount fee ranging from the current LIBOR rate plus 0.4% to a fixed rate per annum of 9.6%. The amount of such factored receivables, which is not included in accounts receivable in the consolidated balance sheet at December 31, 1996 and 1995, was approximately $152.6 million and $64.4 million, respectively.

(18) GEOGRAPHIC SEGMENT DATA

Worldwide operations are divided into four geographic segments -- United States, Canada, Europe and Mexico and other. The Mexico and other segment includes operations in Mexico, South America, South Africa and the Asia/Pacific Rim. Geographic segment information is as follows (in millions):

Year Ended December 31,	1996	1995	1994
Net Sales:			
United States	$ 3,386.6	$ 2,431.8	$ 1,916.5
Canada	893.3	874.5	603.8
Europe	1,627.6	1,328.5	575.5
Mexico and other	610.5	307.4	222.7
Intersegment sales	(268.9)	(227.8)	(171.0)
	$ 6,249.1	$ 4,714.4	$ 3,147.5
Operating Income:			
United States	$ 225.2	$ 152.4	$ 139.8
Canada	77.4	52.4	15.8
Europe	49.2	26.5	4.4
Mexico and other	24.0	13.5	9.6
	$ 375.8	$ 244.8	$ 169.6
Identifiable Assets:			
United States	$ 2,288.3	$ 1,859.6	$ 784.7
Canada	283.9	254.2	249.6
Europe	1,021.2	815.3	595.4
Mexico and other	208.0	116.5	72.5
Unallocated (a)	15.4	15.7	12.9
	$ 3,816.8	$ 3,061.3	$ 1,715.1

(a) Unallocated Identifiable Assets consist of deferred financing fees.

The net assets of foreign subsidiaries were $341.2 million and $326.8 million at December 31, 1996 and 1995, respectively. The Company's share of foreign net income was $67.5 million, $58.6 million and $32.2 million for the years ended December 31, 1996, 1995 and 1994, respectively.

A majority of the Company's sales are to automobile manufacturing companies. The following is a summary of the percentage of net sales to major customers:

Year Ended December 31,	1996	1995	1994
Ford Motor Company	32%	33%	39%
General Motors Corporation	30	34	36
Fiat S.p.A.	10	10	-

In addition, a significant portion of remaining sales are to the above automobile manufacturing companies through various other automotive suppliers or to affiliates of these automobile manufacturing companies.

(19) QUARTERLY FINANCIAL DATA
(Unaudited; in millions, except per share data)

	THIRTEEN WEEKS ENDED			
	MARCH 30, 1996	JUNE 29, 1996	SEPT. 28, 1996	DEC. 31, 1996
Net sales	$1,405.8	$1,618.7	$1,505.6	$1,719.0
Gross profit	120.6	166.9	143.7	188.5
Net income	25.8	50.1	24.8	51.2
Net income per share	.43	.83	.37	.75

	Thirteen Weeks Ended			
	April 1, 1995	July 1, 1995	Sept. 30, 1995	Dec. 31, 1995
Net sales	$1,043.5	$1,142.6	$1,080.6	$1,447.7
Gross profit	76.6	94.8	83.3	148.4
Net income before extraordinary item	17.0	28.9	11.1	37.2
Net income	17.0	28.9	8.5	37.2
Net income before extraordinary item per share	.34	.58	.22	.62
Net income per share	.34	.58	.17	.62

Lear Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(20) PRO FORMA FINANCIAL DATA

The following pro forma unaudited financial data is presented to illustrate the estimated effects of (i) the 1996 offering (Note 3), (ii) the Masland Acquisition (Note 5), (iii) the refinancing of the Company's Prior Credit Facility (Note 11), (iv) the AI Acquisition (Note 7) and certain acquisitions completed by AI prior to the acquisition of AI by Lear, (v) the 1995 offering (Note 3), (vi) the completion of the New Credit Agreement (Note 11), and (vii) the issuance of the 9 1/2% Notes (Note 4) as if these transactions had occurred as of the beginning of each year presented (in millions, except per share data).

	YEAR ENDED DECEMBER 31, 1996			
	COMPANY HISTORICAL	MASLAND ACQUISITION	OPERATING AND FINANCING ADJUSTMENTS	PRO FORMA
Net sales	$6,249.1	$263.7	$ (2.0)	$6,510.8
Income before extraordinary item	151.9	10.4	(8.4)	153.9
Net income	151.9	10.4	(8.4)	153.9
Income per share before extraordinary item	2.38			2.27
Net income per share	2.38			2.27

	Year Ended December 31, 1995				
	Company Historical	AI Acquisition	Masland Acquisition	Operating and Financing Adjustments	Pro Forma
Net sales	$4,714.4	$523.7	$473.2	$(3.3)	$5,708.0
Income before extraordinary item	94.2	18.0	17.4	(25.9)	103.7
Net income	91.6	18.0	17.4	(23.3)	103.7
Income per share before extraordinary item	1.79				1.53
Net income per share	1.74				1.53

The following pro forma unaudited financial data is presented to illustrate the estimated effects of (i) the 1995 offering (Note 3), (ii) the AI acquisition (Note 7), (iii) the refinancing of the Company's Prior Credit Facility (Note 11), (iv) certain acquisitions completed by AI prior to the acquisition of AI by Lear, (v) the FSB Acquisition (Note 8), (vi) the IPO (Note 3) and (vii) the refinancing of the 14% Subordinated Debentures with the net proceeds from the issuance of the 81/4% Subordinated Notes (Note 4) as if these transactions had occurred as of the beginning of each year presented. These pro forma results give effect to certain adjustments, including certain operations adjustments consisting principally of management's estimates of the effects of product pricing adjustments negotiated in connection with the acquisitions, estimated engineering savings, the estimated effects on interest, depreciation and goodwill amortization expense and the related income tax effect of these adjustments (in millions, except per share data).

	Year Ended December 31, 1994				
	Company Historical	FSB Acquisition	AI Acquisition	Operating and Financing Adjustments	Pro Forma
Net sales	$ 3,147.5	$ 455.9	$ 752.2	$ -	$ 4,355.6
Net income	59.8	(24.2)	39.9	(15.9)	59.6
Net income per share	1.26				1.00

The pro forma information above does not purport to be indicative of the results that actually would have been achieved if these transactions had occurred prior to the years presented, and is not intended to be a projection of future results or trends.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Lear Corporation:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of LEAR CORPORATION AND SUBSIDIARIES ("the Company") included in this Form 10-K, and have issued our report thereon dated February 4, 1997. Our audits were made for the purpose of forming an opinion on those financial statements taken as a whole. The schedule on page 49 is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

Detroit, Michigan
February 4, 1997.

LEAR CORPORATION AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(IN MILLIONS)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	RETIREMENTS	OTHER CHANGES	BALANCE END OF PERIOD
FOR THE YEAR ENDED DECEMBER 31, 1994:					
Valuation of accounts deducted from related assets:					
Allowance for doubtful accounts	$ .6	$ .6	$ (.1)	$ 2.0	$ 3.1
Reserve for unmerchantable inventories	1.9	4.0	(1.7)	(.1)	4.1
	$ 2.5	$ 4.6	$(1.8)	$ 1.9	$ 7.2
FOR THE YEAR ENDED DECEMBER 31, 1995:					
Valuation of accounts deducted from related assets:					
Allowance for doubtful accounts	$ 3.1	$ .5	$ (.5)	$ .9	$ 4.0
Reserve for unmerchantable inventories	4.1	3.2	(2.1)	1.1	6.3
	$ 7.2	$ 3.7	$(2.6)	$ 2.0	$ 10.3
FOR THE YEAR ENDED DECEMBER 31, 1996:					
Valuation of accounts deducted from related assets:					
Allowance for doubtful accounts	$ 4.0	$ 3.3	$ (.6)	$ 2.3	$ 9.0
Reserve for unmerchantable inventories	6.3	4.6	(1.0)	(.6)	9.3
	$ 10.3	$ 7.9	$(1.6)	$ 1.7	$ 18.3

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

There has been no disagreement between the management of the Company and the Company's accountants on any matter of accounting principles or practices or financial statement disclosures.

PART III

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Incorporated by reference from the Proxy Statement sections entitled "Election of Directors," and "Management."

ITEM 11 - EXECUTIVE COMPENSATION

Incorporated by reference from the Proxy Statement sections entitled "Executive Compensation."

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated by reference from the Proxy Statement section entitled "Management - Security Ownership of Certain Beneficial Owners and Management."

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference from the Proxy Statement section entitled "Certain Transactions."

PART IV

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

(a) The following documents are filed as part of this Form 10-K.

1. Consolidated Financial Statements:

Report of Independent Public Accountants

Consolidated Balance Sheets as of December 31, 1996 and 1995.

Consolidated Statements of Income for the years ended December 31, 1996, 1995 and 1994.

Consolidated Statements of Stockholders' Equity for the years ended December 31, 1996, 1995 and 1994.

Consolidated Statements of Cash Flows for the years ended December 31, 1996, 1995 and 1994.

Notes to Consolidated Financial Statements

2. Financial Statements Schedules:

Report of Independent Public Accountants

Schedule II - Valuation and Qualifying Accounts

All other financial statement schedules are omitted because such schedules are not required or the information required has been presented in the aforementioned financial statements.

3. The exhibits listed on the "Index to Exhibits" on pages 53 through 54 are filed with this Form 10-K or incorporated by reference as set forth below.

(b) The following reports on Form 8-K were filed during the quarter ended December 31, 1996.

None.

(c) The exhibits listed on the "Index to Exhibits" on pages 53 through 54 are filed with this Form 10-K or incorporated by reference as set forth below.

(d) Additional Financial Statement Schedules.

None.

INDEX TO EXHIBITS

EXHIBIT NUMBER	EXHIBIT
3.1	Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 1996).
3.2	Amended and Restated By-laws of the Company (incorporated by reference to Exhibit 3.4 to Lear's Registration Statement on Form S-1 (No. 33-52565)).
4.1	Indenture dated as of July 1, 1996 by and between the Company and the Bank of New York, as trustee, relating to the 9 1/2% Subordinated Notes due 2006 (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 28, 1996).
4.2	Indenture dated as of February 1, 1994 by and between Lear and The First National Bank of Boston, as Trustee, relating to the 8 1/4% Subordinated Notes (incorporated by reference to Exhibit 4.1 to the Company's Transition Report on Form 10-K filed on March 31, 1994).
4.3	Indenture dated as of July 15, 1992 by and between Lear and The Bank of New York, as Trustee, relating to the 11 1/4% Senior Subordinated Notes (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (No. 33-47867)).
10.1	$1,800,000 Amended and Restated Credit and Guarantee Agreement dated as of December 20, 1996 (the "Credit Agreement") among the Company, Lear Corporation Canada Ltd., the foreign subsidiary borrowers named therein, the several financial institutions party thereto (collectively, the "Lenders"), The Chase Manhattan Bank, as general administrative agent for the Lenders and The Bank of Nova Scotia, as Canadian administrative agent for the Lenders, filed herewith.
10.2	The Amended and Restated Revolving Term Credit Facility among Lear Corporation Canada Ltd., AII Automotive Industries Canada, Inc. and The Bank of Nova Scotia dated as of July 11, 1996, filed herewith.
10.3	Employment Agreement dated March 20, 1995 between the Company and Kenneth L. Way (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994).
10.4	Employment Agreement dated March 20, 1995 between the Company and Robert E. Rossiter (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994).
10.5	Employment Agreement dated March 20, 1995 between the Company and James H. Vandenberghe (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994).
10.6	Employment Agreement dated March 20, 1995 between the Company and Terrence E. O'Rourke, filed herewith.
10.7	Employment Agreement dated March 20, 1995 between the Company and Gerald G. Harris, filed herewith.
10.8	Stock Option Agreement dated as of September 29, 1988 between the Company and certain management investors (the "Management Investors") (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 (No. 33-25256)).
10.9	Amendment to Stock Option Agreement dated as of March 2, 1995 between the Company and Kenneth L. Way (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 1995).
10.10	Amendment to Stock Option Agreement dated as of March 2, 1995 between the Company and Robert E. Rossiter (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 1995).
10.11	Amendment to Stock Option Agreement dated as of March 2, 1995 between the Company and James H. Vandenberghe (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 1995).
10.12	Amendment to Stock Option Agreement dated as of March 2, 1995 between the Company and James A. Hollars (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 1995).
10.13	Amendment to Stock Option Agreement dated as of March 2, 1995 between the Company and Randal T. Murphy (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 1995).
10.14	Lear's 1992 Stock Option Plan (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended June 30, 1993).

EXHIBIT NUMBER	EXHIBIT
10.15	Amendment to Lear's 1992 Stock Option Plan (incorporated by reference to Exhibit 10.26 to the Company's Transition Report on Form 10-K filed on March 31, 1994).
10.16	Lear's 1994 Stock Option Plan (incorporated by reference to Exhibit 10.27 to the Company's Transition Report on Form 10-K filed on March 31, 1994).
10.17	Lear's 1996 Stock Option Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (No. 333-03383)).
10.18	Lear's Long-Term Stock Incentive Plan, filed herewith.
10.19	Masland Holdings, Inc. 1991 Stock Purchase and Option Plan (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K dated June 27, 1996).
10.20	Masland Corporation 1993 Stock Option Incentive Plan (incorporated by reference to Exhibit 99.5 to the Company's Current Report on Form 8-K dated June 27, 1995).
10.21	Lear Corporation Outside Directors Compensation Plan, filed herewith.
10.22	Lear's Supplemental Executive Retirement Plan, dated as of January 1, 1995 (incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994).
10.23	Share Purchase Agreement dated as of December 10, 1996, between the Company and Borealis Holding AB, filed herewith.
10.24	Agreement and Plan of Merger dated as of May 23, 1996, by and among the Company, PA Acquisition Corp. and Masland Corporation (incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-3 (No. 333-05809)).
10.25	Agreement and Plan of Merger dated as of July 16, 1995, among the Company, AIHI Acquisition Corp. and Automotive Industries Holding, Inc. (incorporated by reference to the Exhibit 2.1 to the Company's Current Report on Form 8-K dated August 17, 1995).
11.1	Computation of income (loss) per share, filed herewith.
21.1	List of subsidiaries of the Company, filed herewith.
23.1	Consent of independent public accountants, filed herewith.
27.1	Financial Data Schedule, filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 27, 1997.

Lear Corporation

By: /s/ Kenneth L. Way

Kenneth L. Way
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Lear Corporation and in the capacities indicated on March 27, 1997.

/s/ Kenneth L. Way	/s/ Roy E. Parrott
Kenneth L. Way Chairman of the Board and Chief Executive Officer	Roy E. Parrott a Director
/s/ James H. Vandenberghe	/s/ Robert W. Shower
James H. Vandenberghe Executive Vice President, Chief Financial Officer and a Director	Robert W. Shower a Director
/s/ Robert E. Rossiter	/s/ David P. Spalding
Robert E. Rossiter President, Chief Operating Officer and a Director	David P. Spalding a Director
	/s/ James A. Stern
Gian Andrea Botta a Director	James A. Stern a Director
/s/ Irma B. Elder	/s/ Alan H. Washkowitz
Irma B. Elder a Director	Alan H. Washkowitz a Director
/s/ Larry W. McCurdy	
Larry W. McCurdy a Director	

EXHIBIT 10.1
EXECUTION COPY

$1,800,000,000
AMENDED AND RESTATED
CREDIT AND GUARANTEE AGREEMENT

Dated as of December 20, 1996

among

LEAR CORPORATION,
LEAR CORPORATION CANADA LTD.,
THE FOREIGN SUBSIDIARY BORROWERS,

The Lenders Party Hereto,

THE CHASE MANHATTAN BANK,
as General Administrative Agent

and

THE BANK OF NOVA SCOTIA,
as Canadian Administrative Agent

CHASE SECURITIES INC.,
as Arranger

TABLE OF CONTENTS

AMENDED AND RESTATED CREDIT AND GUARANTEE AGREEMENT, dated as of December 20, 1996, among LEAR CORPORATION, a Delaware corporation (the "U.S. Borrower"), LEAR CORPORATION CANADA LTD., a company organized under the laws of the province of Ontario, Canada (the "Canadian Borrower"), each FOREIGN SUBSIDIARY BORROWER (as hereinafter defined) (together with the U.S. Borrower and the Canadian Borrower, the "Borrowers"), the Managing Agents named on the signature pages hereof (the "Managing Agents"), the Co-Agents named on the signature pages hereof (the "Co-Agents"), the Lead Managers named on the signature pages hereof (the "Lead Managers"), the several banks and other financial institutions from time to time parties hereto (the "Lenders") and THE BANK OF NOVA SCOTIA, a Canadian chartered bank (as hereinafter defined, the "Canadian Administrative Agent"), and THE CHASE MANHATTAN BANK, a New York banking corporation (as hereinafter defined, the "General Administrative Agent"), as administrative agents for the Lenders hereunder.

W I T N E S S E T H :

WHEREAS, the U.S. Borrower is party to (a) the Credit Agreement, dated as of August 17, 1995, as amended (the "1995 Agreement") with the several lenders party thereto (the "1995 Lenders"), the Managing Agents, Co-Agents and Lead Managers identified therein and The Chase Manhattan Bank (f/k/a Chemical Bank), as the administrative agent for the 1995 Lenders, and (b) the Credit Agreement, dated as of June 27, 1996 (the "1996 Credit Agreement"; and together with the 1995 Credit Agreement, the "Existing Credit Agreements") with the several lenders party thereto (the "1996 Lenders"; and together with the 1995 Lenders, the "Existing Lenders") and The Chase Manhattan Bank (f/k/a Chemical Bank), as the administrative agent for the 1996 Lenders; and

WHEREAS, the U.S. Borrower has requested that the Existing Credit Agreements be combined and amended and restated;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein, the parties hereto agree that on the Closing Date, as provided in subsection 18.21, the Existing Credit Agreements shall be combined and amended and restated in their entirety as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"ABR Loans": U.S. Revolving Credit Loans or Swing Line Loans, the rate of interest applicable to which is based upon the Alternate Base Rate.

"Acceptance": a Draft drawn by the Canadian Borrower and accepted by a Canadian Lender which is (a) denominated in Canadian Dollars, (b) for a term of not less

than 30 days nor more than 180 days and which matures prior to the Revolving Credit Termination Date and (c) issuable and payable only in Canada; provided that to the extent the context shall require, each Acceptance Note shall be deemed to be an Acceptance.

"Acceptance Note": as defined in subsection 6.8(b).

"Acceptance Purchase Price": in respect of an Acceptance of a specified maturity, the result (rounded to the nearest whole cent, and with one-half cent being rounded up) obtained by dividing (a) the face amount of such Acceptance by (b) the sum of (i) one and (ii) the product of (A) the Reference Discount Rate for Acceptances of the same maturity expressed as a decimal and (B) a fraction, the numerator of which is the term to maturity of such Acceptance and the denominator of which is equal to 365, where (b) above is rounded to the fifth decimal place and 0.000005 is rounded up to 0.00001.

"Acceptance Reimbursement Obligations": the obligation of the Canadian Borrower to the Canadian Lenders (a) to reimburse the Canadian Lenders for maturing Acceptances pursuant to subsection 6.5 and (b) to make payments in respect of the Acceptance Notes in accordance with the terms thereof.

"Acceptance Tranche": the collective reference to Acceptances all of which were created on the same date and have the same maturity date.

"Acceptances to be Converted": as defined in subsection 18.8(a).

"Acquired Indebtedness": Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Subsidiary of the U.S. Borrower or assumed in connection with the acquisition of assets from such Person and not incurred by such Person in contemplation of such Person becoming a Subsidiary of the U.S. Borrower or such acquisition, and any refinancings thereof.

"Additional Subsidiary Guarantee": the Second Amended and Restated Additional Subsidiary Guarantee made by Lear Operations Corporation and NAB Corporation in favor of the General Administrative Agent, substantially in the form of Exhibit P, as the same may be amended, supplemented or otherwise modified from time to time.

"Adjusted Aggregate Committed Outstandings": with respect to each Lender, the Aggregate Committed Outstandings of such Lender, plus the amount of any participating interests purchased by such Lender pursuant to subsection 18.8, minus the amount of any participating interests sold by such Lender pursuant to subsection 18.8.

"Adjustment Date": with respect to any fiscal quarter, (a) the second Business Day following receipt by the General Administrative Agent of both (i) the financial statements required to be delivered pursuant to subsection 13.1(a) or (b), as the case may be, for the most recently completed fiscal period and (ii) the compliance certificate

required pursuant to subsection 13.2(b) with respect to such financial statements or (b) if such compliance certificate and financial statements have not been delivered in a timely manner, the date upon which such compliance certificate and financial statements were due; provided, however, that in the event that the Adjustment Date is determined in accordance with the provisions of clause (b) of this definition, then the date which is two Business Days following the date of receipt of the financial statements and compliance certificate referenced in clause (a) of this definition also shall be deemed to constitute an Adjustment Date.

"Administrative Agents": the collective reference to the General Administrative Agent and the Canadian Administrative Agent.

"Administrative Schedule": Schedule III, which contains interest rate definitions and administrative information in respect of each Available Foreign Currency.

"Affiliate": of any Person, (a) any other Person (other than a Wholly Owned Subsidiary of such Person) which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person or (b) any other Person who is a director or executive officer of (i) such Person, (ii) any Subsidiary of such Person (other than a Wholly Owned Subsidiary) or (iii) any Person described in clause (a) above. For purposes of this definition, a Person shall be deemed to be "controlled by" such other Person if such other Person possesses, directly or indirectly, power either to (A) vote 10% or more of the securities having ordinary voting power for the election of directors of such first Person or (B) direct or cause the direction of the management and policies of such first Person whether by contract or otherwise.

"Aggregate Alternate Currency Outstandings": as at any date of determination with respect to any Lender, an amount in the applicable Alternate Currencies equal to the aggregate unpaid principal amount of such Lender's Alternate Currency Loans.

"Aggregate Available Canadian Revolving Credit Commitments": as at any date of determination with respect to all Canadian Lenders, an amount in Canadian Dollars equal to the Available Canadian Revolving Credit Commitments of all Canadian Lenders on such date.

"Aggregate Available Multicurrency Commitments": as at any date of determination with respect to all Multicurrency Lenders, an amount in U.S. Dollars equal to the Available Multicurrency Commitments of all Multicurrency Lenders on such date.

"Aggregate Available U.S. Revolving Credit Commitments": as at any date of determination with respect to all U.S. Lenders, an amount in U.S. Dollars equal to the Available U.S. Revolving Credit Commitments of all U.S. Lenders on such date.

"Aggregate Canadian Revolving Credit Outstandings": as at any date of determination with respect to any Canadian Lender, an amount in Canadian Dollars equal to the sum of the following, without duplication: (a) the aggregate unpaid principal

amount of such Canadian Lender's Canadian Revolving Credit Loans on such date, (b) the aggregate undiscounted face amount of all outstanding Acceptances of such Canadian Lender on such date and (c) the aggregate unpaid principal amount of such Canadian Lender's Acceptance Notes on such date.

"Aggregate Committed Outstandings": as at any date of determination with respect to any Lender, an amount in U.S. Dollars equal to the sum of (a) the Aggregate U.S. Revolving Credit Outstandings of such Lender, (b) the U.S. Dollar Equivalent of the Aggregate Canadian Revolving Credit Outstandings of such Lender and such Lender's Counterpart Lender, (c) the U.S. Dollar Equivalent of the Aggregate Multicurrency Outstandings of such Lender and (d) the U.S. Dollar Equivalent of the Aggregate Alternate Currency Outstandings of such Lender.

"Aggregate Multicurrency Outstandings": as at any date of determination with respect to any Lender, an amount in the applicable Available Foreign Currencies equal to the aggregate unpaid principal amount of such Lender's Multicurrency Loans.

"Aggregate Total Outstandings": as at any date of determination with respect to any Lender, an amount in U.S. Dollars equal to the sum of (a) the Aggregate U.S. Outstandings of such Lender, (b) the U.S. Dollar Equivalent of the Aggregate Canadian Revolving Credit Outstandings of such Lender and such Lender's Counterpart Lender, (c) the U.S. Dollar Equivalent of the Aggregate Multicurrency Outstandings of such Lender and (d) the U.S. Dollar Equivalent of the Aggregate Alternate Currency Outstandings of such Lender.

"Aggregate U.S. Outstandings": as at any date of determination with respect to any U.S. Lender, an amount in U.S. Dollars equal to the sum of (a) the Aggregate U.S. Revolving Credit Outstandings of such Lender on such date and (b) the aggregate unpaid principal amount of such U.S. Lender's CAF Advances on such date.

"Aggregate U.S. Revolving Credit Commitments": the aggregate amount of the U.S. Revolving Credit Commitments of all the Lenders.

"Aggregate U.S. Revolving Credit Outstandings": as at any date of determination with respect to any U.S. Lender, an amount in U.S. Dollars equal to the sum of (a) the aggregate unpaid principal amount of such U.S. Lender's U.S. Revolving Credit Loans on such date, (b) such U.S. Lender's U.S. Revolving Credit Commitment Percentage of the aggregate unpaid principal amount of all Swing Line Loans on such date and (c) such U.S. Lender's U.S. Revolving Credit Commitment Percentage of the aggregate Letters of Credit Obligations.

"Agreement": this Amended and Restated Credit and Guarantee Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Agreement Currency": as defined in subsection 18.19(b).

"Alternate Base Rate": for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of:

(a) the U.S. Prime Rate in effect on such day; and

(b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%.

If for any reason the General Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability or failure of the General Administrative Agent to obtain sufficient quotations in accordance with the terms thereof, the Alternate Base Rate shall be determined without regard to clause (b) above, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the U.S. Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the U.S. Prime Rate or the Federal Funds Effective Rate, respectively.

"Alternate Currency": any currency other than U.S. Dollars which is freely transferrable and convertible into U.S. Dollars and approved by the General Administrative Agent.

"Alternate Currency Borrower": each Subsidiary of the U.S. Borrower organized under the laws of a jurisdiction outside the United States that the U.S. Borrower designates as an "Alternate Currency Borrower" in an Alternate Currency Facility Addendum.

"Alternate Currency Facility": any Qualified Credit Facility that the U.S. Borrower designates as an "Alternate Currency Facility" pursuant to an Alternate Currency Facility Addendum.

"Alternate Currency Facility Addendum": an Alternate Currency Facility Addendum received by the General Administrative Agent, substantially in the form of Exhibit J, and conforming to the requirements of Section 8.

"Alternate Currency Facility Agent": with respect to each Alternate Currency Facility, the Alternate Currency Lender acting as agent or representative for the Alternate Currency Lenders parties thereto (and, in the case of any Alternate Currency Facility to which only one Lender is a party, such Lender).

"Alternate Currency Facility Maximum Borrowing Amount": as defined in subsection 8.1(b).

"Alternate Currency Lender": any Lender (or, if applicable, any affiliate, branch or agency thereof) party to an Alternate Currency Facility.

"Alternate Currency Lender Maximum Borrowing Amount": as defined in subsection 8.1(b).

"Alternate Currency Loan": any loan made pursuant to an Alternate Currency Facility.

"Applicable Margin": at any time, the rate per annum set forth below opposite the Level of Coverage Ratio most recently determined:

Level of Coverage Ratio	Applicable Margin
Level I: Coverage Ratio is less than 4.0 to 1	.625%
Level II: Coverage Ratio is equal to or greater than 4.0 to 1 but less than 5.0 to 1	.400%
Level III: Coverage Ratio is equal to or greater than 5.0 to 1 but less than 6.0 to 1	.300%
Level IV Coverage Ratio is greater than or equal to 6.0 to 1	.275%;

provided that (a) the Applicable Margin shall be that set forth above opposite Level III from the Closing Date until the first Adjustment Date occurring after the Closing Date, (b) the Applicable Margin determined for any Adjustment Date shall remain in effect until a subsequent Adjustment Date for which the Coverage Ratio falls within a different Level, and (c) if the financial statements and related compliance certificate for any fiscal period are not delivered by the date due pursuant to subsections 13.1 and 13.2(b), the Applicable Margin shall be (i) for the first 5 days subsequent to such due date, that in effect on the day prior to such due date, and (ii) thereafter, that set forth above opposite Level I, in either case, until the subsequent Adjustment Date; and provided, further, if Investment Grade Status is attained, the Applicable Margin will be .250% per annum so long as Investment Grade Status is maintained.

"Assignee": as defined in subsection 18.6(c).

"Available Canadian Revolving Credit Commitment": as at any date of determination with respect to any Canadian Lender (after giving effect to the making and payment of any U.S. Revolving Credit Loans required to be made on such date pursuant to subsection 2.5), an amount in U.S. Dollars equal to the lesser of (a) the excess, if any, of (i) the amount of such Canadian Lender's Canadian Revolving Credit Commitment in effect on such date over (ii) the U.S. Dollar Equivalent of the Aggregate Canadian Revolving Credit Outstandings of such Canadian Lender on such date and (b) the excess, if any, of (i) the amount of the U.S. Revolving Credit Commitment of such Canadian Lender's Counterpart Lender on such date over (ii) the Aggregate Committed Outstandings of such Canadian Lender's Counterpart Lender on such date.

"Available Foreign Currencies": Deutsche Marks, Pounds Sterling, French Francs, Swedish Kroner, Austrian Schillings, Italian Lire and any other available and freely-convertible non-U.S. Dollar currency selected by the U.S. Borrower and approved by the General Administrative Agent and the Majority Multicurrency Lenders in the manner described in subsection 18.1(b).

"Available Multicurrency Commitment": as at any date of determination with respect to any Multicurrency Lender (after giving effect to the making and payment of any U.S. Revolving Credit Loans required to be made on such date pursuant to subsection 2.5), an amount in U.S. Dollars equal to the lesser of (a) the excess, if any, of (i) the amount of such Multicurrency Lender's Multicurrency Commitment in effect on such date over (ii) the U.S. Dollar Equivalent of the Aggregate Multicurrency Outstandings of such Multicurrency Lender on such date and (b) the excess, if any, of (i) the amount of such Multicurrency Lender's U.S. Revolving Credit Commitment in effect on such date over (ii) the Aggregate Committed Outstandings of such Multicurrency Lender on such date.

"Available U.S. Revolving Credit Commitment": as at any date of determination with respect to any U.S. Lender (after giving effect to the making and payment of any U.S. Revolving Credit Loans required to be made on such date pursuant to subsection 2.5), an amount in U.S. Dollars equal to the excess, if any, of (a) the amount of such U.S. Lender's U.S. Revolving Credit Commitment in effect on such date over (b) the Aggregate Committed Outstandings of such U.S. Lender on such date.

"Bank Act (Canada)": the Bank Act (Canada), as amended from time to time.

"Benefitted Lender": as defined in subsection 18.7.

"Board": the Board of Governors of the Federal Reserve System (or any successor thereto).

"Borrowers": as defined in the preamble hereto.

"Borrowing Date": any Business Day specified in a notice pursuant to subsection 2.3, 3.2, 4.2, 5.3 or 7.3 as a date on which a Borrower requests the Lenders to make

Loans hereunder or, with respect to a Request for Acceptances, the date with respect to which the Canadian Borrower has requested the Canadian Lenders to accept Drafts or, with respect to Alternate Currency Loans, the date on which an Alternate Currency Borrower requests Alternate Currency Lenders to make Alternate Currency Loans to such Alternate Currency Borrower pursuant to the Alternate Currency Facility to which such Alternate Currency Borrower and Alternate Currency Lenders are parties.

"Business Day": (a) when such term is used in respect of a day on which a Loan in an Available Foreign Currency or Alternate Currency is to be made, a payment is to be made in respect of such Loan, an Exchange Rate is to be set in respect of such Available Foreign Currency or Alternate Currency or any other dealing in such Available Foreign Currency or Alternate Currency is to be carried out pursuant to this Agreement, such term shall mean a London Banking Day which is also a day on which banks are open for general banking business in the city which is the principal financial center of the country of issuance of such Available Foreign Currency or Alternate Currency, (b) when such term is used in respect of a day on which a Loan is to be made to the Canadian Borrower or an Acceptance is to be created, a payment is to be made in respect of such Loan or Acceptance, an Exchange Rate is to be set in respect of Canadian Dollars or any other dealing in Canadian Dollars is to be carried out pursuant to this Agreement, such term shall mean a day other than a Saturday, Sunday or other day on which commercial banks in Toronto, Ontario are authorized or required by law to close, (c) when such term is used to describe a day on which a borrowing, payment or interest rate determination is to be made in respect of a LIBO Rate CAF Advance, such day shall be a London Banking Day and (d) when such term is used in any context in this Agreement (including as described in the foregoing clauses (a), (b) and (c)), such term shall mean a day which, in addition to complying with any applicable requirements set forth in the foregoing clauses (a), (b) and (c), is a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"CAF Advance": each CAF Advance made pursuant to subsection 4.1.

"CAF Advance Availability Period": the period from and including the Closing Date to and including the date which is 7 days prior to the Revolving Credit Termination Date.

"CAF Advance Confirmation": each confirmation by the U.S. Borrower of its acceptance of CAF Advance Offers, which confirmation shall be substantially in the form of Exhibit H and shall be delivered to the General Administrative Agent by facsimile transmission.

"CAF Advance Interest Payment Date": as to each CAF Advance, each interest payment date specified by the U.S. Borrower for such CAF Advance in the related CAF Advance Request.

"CAF Advance Maturity Date": as to any CAF Advance, the date specified by the U.S. Borrower pursuant to paragraph 4.2(d)(ii) in its acceptance of the related CAF Advance Offer.

"CAF Advance Offer": each offer by a Lender to make CAF Advances pursuant to a CAF Advance Request, which offer shall contain the information specified in Exhibit G and shall be delivered to the General Administrative Agent by telephone, immediately confirmed by facsimile transmission.

"CAF Advance Request": each request by the U.S. Borrower for Lenders to submit bids to make CAF Advances, which request shall contain the information in respect of such requested CAF Advances specified in Exhibit F and shall be delivered to the General Administrative Agent in writing, by facsimile transmission, or by telephone, immediately confirmed by facsimile transmission.

"Canadian Administrative Agent": The Bank of Nova Scotia, together with its affiliates, as administrative agent for the Canadian Lenders under this Agreement and the other Loan Documents, and any successor thereto appointed pursuant to subsection 17.9.

"Canadian Base Rate": at any day, the higher of (a) the rate of interest per annum publicly announced from time to time by the Canadian Administrative Agent (and in effect on such day) as its reference rate for U.S. Dollar commercial loans made in Canada, as adjusted automatically from time to time and without notice to any of the Borrowers upon change by the Canadian Administrative Agent and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%.

"Canadian Base Rate Loans": all Canadian Revolving Credit Loans denominated in U.S. Dollars, which shall bear interest at a rate based upon the Canadian Base Rate.

"Canadian Borrower": as defined in the preamble hereto.

"Canadian Dollars" and "C$": dollars in the lawful currency of Canada.

"Canadian Dollar Equivalent": with respect to an amount denominated in any currency other than Canadian Dollars, the equivalent in Canadian Dollars of such amount determined at the Exchange Rate on the date of determination of such equivalent.

"Canadian Lenders": the Lenders listed in Part B of Schedule I hereto.

"Canadian Reference Lenders": the collective reference to the Schedule I Canadian Reference Lenders and the Schedule II Canadian Reference Lenders.

"Canadian Revolving Credit Commitment": as to any Canadian Lender at any time, its obligation to make Canadian Revolving Credit Loans to, and/or create Acceptances and discount on behalf of (or, in lieu thereof, to make loans pursuant to the Acceptance Notes to), the Canadian Borrower, in an aggregate amount not to exceed at

any one time outstanding the Canadian Dollar Equivalent of the lesser of (a) the U.S. Dollar amount set forth opposite such Canadian Lender's name in Schedule I under the heading "Canadian Revolving Credit Commitment", and (b) the U.S. Revolving Credit Commitment of such Canadian Lender's Counterpart Lender, in each case as such amount may be reduced from time to time as provided in subsection 5.4 and the other applicable provisions hereof.

"Canadian Revolving Credit Commitment Percentage": as to any Canadian Lender at any time, the percentage which such Canadian Lender's Canadian Revolving Credit Commitment then constitutes of the aggregate Canadian Revolving Credit Commitments (or, if the Canadian Revolving Credit Commitments have terminated or expired, the percentage which (a) the Aggregate Canadian Revolving Credit Outstandings of such Canadian Lender at such time constitutes of (b) the Aggregate Canadian Revolving Credit Outstandings of all Canadian Lenders at such time).

"Canadian Revolving Credit Loan": as defined in subsection 5.1.

"Canadian Revolving Credit Note": as defined in subsection 5.2(e).

"Capital Expenditures": direct or indirect (by way of the acquisition of securities of a Person or the expenditure of cash or the incurrence of Indebtedness) expenditures in respect of the purchase or other acquisition of fixed or capital assets (excluding any such asset (a) acquired in connection with normal replacement and maintenance programs and properly charged to current operations, (b) acquired pursuant to a Financing Lease or (c) acquired in connection with the acquisition of Special Entities).

"Cash Equivalents": (a) securities issued or unconditionally guaranteed or insured by the United States Government or the Canadian Government or any agency or instrumentality thereof having maturities of not more than twelve months from the date of acquisition, (b) securities issued or unconditionally guaranteed or insured by any state of the United States of America or province of Canada or any agency or instrumentality thereof having maturities of not more than twelve months from the date of acquisition and having one of the two highest ratings obtainable from either S&P or Moody's, (c) time deposits, certificates of deposit and bankers' acceptances having maturities of not more than twelve months from the date of acquisition, in each case with any U.S. Lender or Canadian Lender or with any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia, Japan, Canada or any member of the European Economic Community or any U.S. branch of a foreign bank having at the date of acquisition capital and surplus of not less than $100,000,000, (d) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (a), (b) and (c) entered into with any bank meeting the qualifications specified in clause (c) above, (e) commercial paper issued by the parent corporation of any U.S. Lender and commercial paper rated, at the time of acquisition, at least A-1 or the equivalent thereof by S&P or P-1 or the equivalent thereof by Moody's and in either case maturing within twelve months after the date of acquisition, (e) deposits maintained with money market funds having total assets in excess of

$300,000,000, (f) demand deposit accounts maintained in the ordinary course of business with banks or trust companies, in an aggregate amount not to exceed $2,000,000 at any one time at any one such bank or trust company, (g) temporary deposits, of amounts received in the ordinary course of business pending disbursement of such amounts, in demand deposit accounts in banks outside the United States and (h) deposits in mutual funds which invest substantially all of their assets in preferred equities issued by U.S. corporations rated at least AA (or the equivalent thereof) by S&P.

"CDOR Rate": the rate per annum determined by the Canadian Administrative Agent by reference to the average rate quoted on the Reuters Monitor Screen, Page "CDOR" (or such other Page as may replace such Page on such screen for the purpose of displaying Canadian interbank bid rates for Canadian Dollar bankers' acceptances with a 90 day term as of 10:00 a.m. (Toronto time) one Business Day prior to the first day of such 90 day term. If for any reason the Reuters Monitor Screen rates are unavailable, CDOR Rate means the rate of interest determined by the Canadian Administrative Agent which is equal to the arithmetic mean of the rates quoted by such reference banks as may be specified from time to time by the Canadian Administrative Agent, after consultation with the Canadian Borrower, in respect of Canadian Dollar bankers' acceptances with a 90 day term as of 10:00 a.m. one Business Day prior to the first day of such 90 day term.

"Chase": The Chase Manhattan Bank, a New York banking corporation.

"Chase Delaware": Chase Manhattan Bank Delaware.

"Closing Date": the date on which all of the conditions precedent set forth in subsection 12.1 shall have been met or waived and the initial Loans are made.

"Co-Agents": as defined in the preamble hereto.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Commercial Letters of Credit": as defined in subsection 9.1(a).

"Commitments": the collective reference to the U.S. Revolving Credit Commitments, the Canadian Revolving Credit Commitments and the Multicurrency Commitments.

"Committed Outstandings Percentage": on any date with respect to any Lender, the percentage which the Adjusted Aggregate Committed Outstandings of such Lender constitutes of the Adjusted Aggregate Committed Outstandings of all Lenders.

"Commonly Controlled Entity": an entity, whether or not incorporated, which is under common control with the U.S. Borrower within the meaning of Section 4001 of ERISA or is part of a group which includes the U.S. Borrower and which is treated as a single employer under Section 414 of the Code.

"Consolidated Assets": at a particular date, all amounts which would be included under total assets on a consolidated balance sheet of the U.S. Borrower and its Subsidiaries as at such date, determined in accordance with GAAP.

"Consolidated Indebtedness": at a particular date, all Indebtedness of the U.S. Borrower and its Subsidiaries which would be included under indebtedness on a consolidated balance sheet of the U.S. Borrower and its Subsidiaries as at such date, determined in accordance with GAAP, less any cash of the U.S. Borrower and its Subsidiaries as at such date.

"Consolidated Interest Expense": for any fiscal period, the amount which would, in conformity with GAAP, be set forth opposite the caption "interest expense" (or any like caption) on a consolidated income statement of the U.S. Borrower and its Subsidiaries for such period, (a) excluding therefrom, however, fees payable under subsection 10.5 and any amortization or write-off of deferred financing fees during such period and (b) including any interest income during such period.

"Consolidated Net Income": for any fiscal period, the consolidated net income (or deficit) of the U.S. Borrower and its Subsidiaries for such period (taken as a cumulative whole), determined in accordance with GAAP; provided that (a) any provision for post-retirement medical benefits, to the extent such provision calculated under FAS 106 exceeds actual cash outlays calculated on the "pay as you go" basis, shall not to be taken into account, and (b) there shall be excluded (i) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary or is merged into or consolidated with the U.S. Borrower or any Subsidiary, (ii) the income (or deficit) of any Person (other than a Subsidiary) in which the U.S. Borrower or any Subsidiary has an ownership interest, except to the extent that any such income has been actually received by the U.S. Borrower or such Subsidiary in the form of dividends or similar distributions, (iii) the undistributed earnings of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any Contractual Obligation or Requirement of Law (other than any Requirement of Law of Germany) applicable to such Subsidiary, and (iv) in the case of a successor to the U.S. Borrower or any Subsidiary by consolidation or merger or as a transferee of its assets, any earnings of the successor corporation prior to such consolidation, merger or transfer of assets; provided, further that the exclusions in clauses (i) and (iv) of this definition shall not apply to the mergers or consolidations of the U.S. Borrower or its Subsidiaries with their respective Subsidiaries.

"Consolidated Net Worth": at a particular date, all amounts which would be included under shareholders' equity on a consolidated balance sheet of the U.S. Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP as at such date plus the amount of any redeemable common stock; provided, however, that any cumulative adjustments made pursuant to FAS 106 shall not be taken into account; and provided, further, that any stock option expense and any amortization of goodwill, deferred financing fees and license fees (including any write-offs of deferred financing

fees, license fees and up to an aggregate of $10,000,000 of goodwill from October 25, 1993) shall not be taken into account in determining Consolidated Net Worth.

"Consolidated Operating Profit": for any fiscal period, Consolidated Net Income for such period excluding (a) extraordinary gains and losses arising from the sale of material assets and other extraordinary and/or non-recurring gains and losses, (b) charges, premiums and expenses associated with the discharge of Indebtedness, (c) charges relating to FAS 106, (d) license fees (and any write-offs thereof), (e) stock compensation expense, (f) deferred financing fees (and any write-offs thereof), (g) write-offs of goodwill, (h) foreign exchange gains and losses, (i) miscellaneous income and expenses and (j) miscellaneous gains and losses arising from the sale of assets plus, to the extent deducted in determining Consolidated Net Income, the excess of (i) the sum of (A) Consolidated Interest Expense, (B) any expenses for taxes, (C) depreciation and amortization expense and (D) minority interests in income of Subsidiaries over (ii) net equity earnings in Affiliates (excluding Subsidiaries). Consolidated Operating Profit for any fiscal period shall in any event include the Consolidated Operating Profit for such fiscal period of any entity acquired by the U.S. Borrower or any of its Subsidiaries during such period.

"Consolidated Revenues": for any fiscal period, the consolidated revenues of the U.S. Borrower and its Subsidiaries for such period, determined in accordance with GAAP.

"Continuing Directors": the directors of the U.S. Borrower on the Closing Date and each other director, if such other director's nomination for election to the Board of Directors of the U.S. Borrower is recommended by a majority of the then Continuing Directors.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

"Conversion Date": any date on which either (a) an Event of Default under Section 16(i) has occurred or (b) the Commitments shall have been terminated prior to the Revolving Credit Termination Date and/or the Loans shall have been declared immediately due and payable, in either case pursuant to Section 16.

"Conversion Sharing Percentage": on any date with respect to any Lender and any Loans or Acceptances, as the case may be, of such Lender outstanding in any currency other than U.S. Dollars, the percentage of such Loans or Acceptances, as the case may be, such that, after giving effect to the conversion of such Loans or Acceptances, as the case may be, to U.S. Dollars and the purchase and sale by such Lender of participating interests as contemplated by subsection 18.8, the Committed Outstandings Percentage of such Lender will equal such Lender's U.S. Revolving Credit Commitment Percentage on such date (calculated immediately prior to giving effect to

any termination or expiration of the U.S. Revolving Credit Commitments on the Conversion Date).

"Converted Acceptances": as defined in subsection 18.8(a).

"Converted Loans": as defined in subsection 18.8(a).

"Counterpart Lender": (a) as to any U.S. Lender, the Canadian Lender (if any) set forth opposite such U.S. Lender's name in Schedule I under the heading "Counterpart Lender" and (b) as to any Canadian Lender, the U.S. Lender set forth opposite such Canadian Lender's name in Schedule I under the heading "Counterpart Lender".

"Coverage Ratio": for any Adjustment Date the ratio of (a) Consolidated Operating Profit for the four fiscal quarters most recently ended to (b) Consolidated Interest Expense for the four fiscal quarters most recently ended.

"CSI": Chase Securities Inc.

"Currency Agreement": any foreign exchange contract, currency swap agreement, futures contract, option contract, synthetic cap or other similar agreement or arrangement designed to protect the U.S. Borrower or any Subsidiary against fluctuations in currency values.

"Currency Agreement Obligations": all obligations of the U.S. Borrower or any Subsidiary to any financial institution under any one or more Currency Agreements.

"Default": any of the events specified in Section 16, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Dollars", "U.S. Dollars" and "$": dollars in lawful currency of the United States of America.

"Domestic Loan Party": each Loan Party that is organized under the laws of any jurisdiction of the United States.

"Domestic Subsidiary": any Subsidiary other than a Foreign Subsidiary.

"Draft": a draft substantially in the form of Exhibit C or in such other form as the Canadian Administrative Agent may from time to time reasonably request (or to the extent the context shall require, an Acceptance Note, delivered in lieu of a draft), as the same may be amended, supplemented or otherwise modified from time to time.

"Environmental Complaint": any complaint, order, citation, notice or other written communication from any Person with respect to the existence or alleged existence of a violation of any Environmental Laws or legal liability resulting from air emissions,

water discharges, noise emissions, Hazardous Material or any other environmental, health or safety matter.

"Environmental Laws": any and all applicable Federal, foreign, state, provincial, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority and any and all common law requirements, rules and bases of liability regulating, relating to or imposing liability or standards of conduct concerning pollution or protection of the environment or the Release or threatened Release of Hazardous Materials, as now or hereafter in effect.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurocurrency Liabilities": at any time, the aggregate of the rates (expressed as a decimal fraction) of any reserve requirements in effect at such time (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto) dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board) maintained by a member bank of the Federal Reserve System.

"Eurocurrency Rate": with respect to each Interest Period pertaining to a Multicurrency Loan, the Eurocurrency Rate determined for such Interest Period and the Available Foreign Currency in which such Multicurrency Loan is denominated in the manner set forth in the Administrative Schedule.

"Eurodollar Loans": U.S. Revolving Credit Loans the rate of interest applicable to which is based upon the Eurodollar Rate.

"Eurodollar Rate": with respect to each Interest Period pertaining to a Eurodollar Loan, the rate per annum equal to the average (rounded upward to the nearest 1/16th of 1%) of the respective rates notified to the General Administrative Agent by each of the U.S. Reference Lenders as the rate at which such U.S. Reference Lender is offered Dollar deposits at or about 10:00 a.m., New York City time, two Business Days prior to the beginning of such Interest Period,

(a) in the interbank eurodollar market where the eurodollar and foreign currency exchange operations in respect of its Eurodollar Loans then are being conducted,

(b) for delivery on the first day of such Interest Period,

(c) for the number of days contained therein, and

(d) in an amount comparable to the amount of its Eurodollar Loan to be outstanding during such Interest Period.

"Event of Default": any of the events specified in Section 16, provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Exchange Act": the Securities Exchange Act of 1934, as amended.

"Exchange Rate": with respect to Canadian Dollars on any date, the Bank of Canada noon spot rate on such date, and with respect to any other non-U.S. Dollar currency on any date, the rate at which such currency may be exchanged into U.S. Dollars, as set forth on such date on the relevant Reuters currency page at or about 11:00 A.M., London time, on such date. In the event that such rate does not appear on any Reuters currency page, the "Exchange Rate" with respect to such non-U.S. Dollar currency shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the General Administrative Agent and the U.S. Borrower or, in the absence of such agreement, such "Exchange Rate" shall instead be the General Administrative Agent's spot rate of exchange in the interbank market where its foreign currency exchange operations in respect of such non-U.S. Dollar currency are then being conducted, at or about 10:00 A.M., local time, on such date for the purchase of U.S. Dollars with such non-U.S. Dollar currency, for delivery two Business Days later; provided, that if at the time of any such determination, no such spot rate can reasonably be quoted, the General Administrative Agent may use any reasonable method as it deems applicable to determine such rate, and such determination shall be conclusive absent manifest error.

"Existing Credit Agreements": as defined in the recitals hereto.

"Existing Lenders": as defined in the recitals hereto.

"Existing Letters of Credit": as defined in subsection 9.1(b).

"Extension of Credit": as to any Lender, the making of a Loan by such Lender, the acceptance of a Draft or an Acceptance Note by such Lender or the issuance of any Letter of Credit. It is expressly understood and agreed that the following do not constitute Extensions of Credit for purposes of this Agreement: (a) the conversions and continuations of U.S. Revolving Credit Loans as or to Eurodollar Loans or ABR Loans pursuant to subsection 10.2, (b) the substitution of maturing Acceptances with new Acceptances, (c) the conversion of Acceptances to Canadian Revolving Credit Loans, (d) the conversion of Canadian Revolving Credit Loans to Acceptances, (e) the continuation of Multicurrency Loans for additional Interest Periods and (f) the continuation of Alternate Currency Loans for additional interest periods.

"Facility Fee Rate": at any time, the rate per annum set forth below opposite the Level of Coverage Ratio most recently determined:

Level of Coverage Ratio	Facility Fee Rate
Level I:	
Coverage Ratio is less than 4.0 to 1	0.250%
Level II:	
Coverage Ratio is equal to or greater than 4.0 to 1 but less than 5.0 to 1	0.225%
Level III:	
Coverage Ratio is equal to or greater than 5.0 to 1 but less than 6.0 to 1	0.175%
Level IV:	
Coverage Ratio is greater than or equal to 6.0 to 1	0.150%;

provided that (a) the Facility Fee Rate shall be that set forth above opposite Level III from the Closing Date until the first Adjustment Date occurring after the Closing Date, (b) the Facility Fee Rate determined for any Adjustment Date shall remain in effect until a subsequent Adjustment Date for which the Coverage Ratio falls within a different Level, and (c) if the financial statements and related compliance certificate for any fiscal period are not delivered by the date due pursuant to subsections 13.1 and 13.2(b), the Facility Fee Rate shall be (i) for the first 5 days subsequent to such due date, that in effect on the day prior to such due date, and (ii) thereafter, that set forth above opposite Level I, in either case, until the subsequent Adjustment Date; and provided, further, if Investment Grade Status is attained, the Facility Fee Rate will be .125% per annum so long as Investment Grade Status is maintained.

"Federal Funds Effective Rate": for any day, the weighted average of the rates per annum on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the General Administrative Agent from three federal funds brokers of recognized standing selected by it.

"Financing Lease": (a) any lease of property, real or personal, the obligations under which are capitalized on a consolidated balance sheet of the U.S. Borrower and its Subsidiaries and (b) any other such lease to the extent that the then present value of the

minimum rental commitment thereunder should, in accordance with GAAP, be capitalized on a balance sheet of the lessee.

"First Lender": as defined in subsection 18.8(c).

"Fixed Rate CAF Advance": any CAF Advance made pursuant to a Fixed Rate CAF Advance Request.

"Fixed Rate CAF Advance Request": any CAF Advance Request requesting the Lenders to offer to make CAF Advances at a fixed rate (as opposed to a rate composed of the LIBO Rate plus (or minus) a margin).

"Foreign Letter of Credit": a Letter of Credit whose beneficiary is a Person which is directly or indirectly extending credit to a Foreign Subsidiary.

"Foreign Subsidiaries": each of the Subsidiaries so designated on Schedule VI and any Subsidiaries organized outside the United States which are created after the effectiveness hereof.

"Foreign Subsidiary Borrower": each Foreign Subsidiary listed as a Foreign Subsidiary Borrower in Schedule II as amended from time to time in accordance with subsection 18.1(b)(i).

"Foreign Subsidiary Opinion": with respect to any Foreign Subsidiary Borrower, a legal opinion of counsel to such Foreign Subsidiary Borrower addressed to the Administrative Agents and the Lenders covering the matters set forth on Exhibit N, with such assumptions, qualifications and deviations therefrom as the General Administrative Agent shall approve (such approval not to be unreasonably withheld).

"Funding Commitment Percentage": as at any date of determination (after giving effect to the making and payment of any Loans made on such date pursuant to subsection 2.5), with respect to any U.S. Lender, that percentage which the Available U.S. Revolving Credit Commitment of such U.S. Lender then constitutes of the Aggregate Available U.S. Revolving Credit Commitments.

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

"General Administrative Agent": Chase, together with its affiliates, as arranger of the Commitments and as general administrative agent for the Lenders under this Agreement and the other Loan Documents, and any successor thereto appointed pursuant to subsection 17.9.

"Governmental Authority": any nation or government, any state, province or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantee Obligation": as to any Person, any obligation of such Person guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation shall be deemed to be an amount equal to the value as of any date of determination of the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made (unless such Guarantee Obligation shall be expressly limited to a lesser amount, in which case such lesser amount shall apply) or, if not stated or determinable, the value as of any date of determination of the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith.

"Guarantor Supplement": a supplement to the Subsidiary Guarantee, substantially in the form of Annex A to the Subsidiary Guarantee, whereby a Subsidiary of the U.S. Borrower becomes a "Guarantor" under the Subsidiary Guarantee.

"Hazardous Materials": any solid wastes, toxic or hazardous substances, materials or wastes, defined, listed, classified or regulated as such in or under any Environmental Laws, including, without limitation, asbestos, petroleum or petroleum products (including gasoline, crude oil or any fraction thereof), polychlorinated biphenyls, and urea-formaldehyde insulation, and any other substance the presence of which may give rise to liability under any Environmental Law.

"Indebtedness": of a Person, at a particular date, the sum (without duplication) at such date of (a) indebtedness for borrowed money or for the deferred purchase price of property or services in respect of which such Person is liable as obligor, (b) indebtedness secured by any Lien on any property or asset owned or held by such Person regardless of whether the indebtedness secured thereby shall have been assumed by or is a primary liability of such Person, (c) obligations of such Person under Financing Leases, (d) the face amount of all letters of credit issued for the account of such person and, without duplication, the unreimbursed amount of all drafts drawn thereunder and (e) obligations (in the nature of principal or interest) of such Person in respect of acceptances or similar obligations issued or created for the account of such Person; but excluding (i) trade and other accounts payable in the ordinary course of business in accordance with customary trade terms and which are not overdue for more than 120 days or, if overdue for more

than 120 days, as to which a dispute exists and adequate reserves in conformity with GAAP have been established on the books of such Person, (ii) deferred compensation obligations to employees and (iii) any obligations otherwise constituting Indebtedness the payment of which such Person has provided for pursuant to the terms of such Indebtedness or any agreement or instrument pursuant to which such Indebtedness was incurred, by the irrevocable deposit in trust of an amount of funds or a principal amount of securities, which deposit is sufficient, either by itself or taking into account the accrual of interest thereon, to pay the principal of and interest on such obligations when due.

"Industrial Revenue Bonds": industrial revenue bonds issued for the benefit of the U.S. Borrower or its Subsidiaries and in respect of which the U.S. Borrower or its Subsidiaries will be the source of repayment, provided that such financings (including, without limitation, the indenture related thereto) shall be in form and substance reasonably satisfactory to the Issuing Lender that issues a Letter of Credit backing such Industrial Revenue Bonds.

"Insolvency": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent": pertaining to a condition of Insolvency.

"Interest Payment Date": (a) as to any ABR Loan and any Prime Rate Loan, the last day of each March, June, September and December to occur while such Loan is outstanding, (b) as to any Eurodollar Loan or Multicurrency Loan having an Interest Period of three months or less, the last day of such Interest Period and (c) as to any Eurodollar Loan or Multicurrency Loan having an Interest Period longer than three months, (i) each day which is three months, or a whole multiple thereof, after the first day of such Interest Period and (ii) the last day of such Interest Period.

"Interest Period": with respect to any Eurodollar Loan or Multicurrency Loan:

(a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan or Multicurrency Loan and ending one, two, three or six months thereafter, and if deposits in the relevant currency for such longer Interest Periods are available to all relevant Lenders (as determined by such Lenders), nine or twelve months thereafter, as selected by the relevant Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and

(b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan or Multicurrency Loan and ending one, two, three or six months thereafter, and if deposits in the relevant currency for such longer Interest Periods are available to all relevant Lenders (as determined by such Lenders), nine or twelve months thereafter, as selected by the relevant Borrower by irrevocable notice to the General Administrative Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto;

provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period pertaining to a Eurodollar Loan or Multicurrency Loan would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period applicable to a Eurodollar Loan or Multicurrency Loan that would otherwise extend beyond the Revolving Credit Termination Date shall end on the Revolving Credit Termination Date; and

(iii) any Interest Period pertaining to a Eurodollar Loan or Multicurrency Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

"Interest Rate Agreement": any interest rate protection agreement, interest rate swap or other interest rate hedge arrangement (other than any interest rate cap or other similar agreement or arrangement pursuant to which the U.S. Borrower has no credit exposure), to or under which the U.S. Borrower or any of its Subsidiaries is a party or a beneficiary.

"Interest Rate Agreement Obligations": all obligations of the U.S. Borrower or any Subsidiary to any financial institution under any one or more Interest Rate Agreements.

"Investment Grade Status": shall exist at any time when the actual or implied rating of the U.S. Borrower's senior long-term unsecured debt is at or above BBB- from S&P and Baa3 from Moody's; if either of S&P or Moody's shall change its system of classifications after the date of this Agreement, Investment Grade Status shall exist at any time when the actual or implied rating of the U.S. Borrower's senior long-term unsecured debt is at or above the new rating which most closely corresponds to the above-specified level under the previous rating system.

"Issuing Lender": Chase (or Chase Delaware), in its capacity as issuer of the Letters of Credit and any other U.S. Lender which the U.S. Borrower, the General Administrative Agent and the Majority U.S. Lenders shall have approved, in its capacity as issuer of the Letters of Credit.

"Judgment Currency": as defined in subsection 18.19(b).

"Lead Managers": as defined in the preamble hereto.

"Lear Italia": the collective reference to each direct Foreign Subsidiary, organized under the laws of Italy, of the U.S. Borrower or any Subsidiary party to the Subsidiary Guarantee.

"Lenders": as defined in the preamble hereto, provided that no Person shall become a "Lender" hereunder after the Closing Date without compliance with subsection 18.6(c).

"Letter of Credit Applications": (a) in the case of Standby Letters of Credit, a letter of credit application for a Standby Letter of Credit on the standard form of the applicable Issuing Lender for standby letters of credit, and (b) in the case of Commercial Letters of Credit, a letter of credit application for a Commercial Letter of Credit on the standard form of the applicable Issuing Lender for commercial letters of credit.

"Letter of Credit Obligations": at any particular time, all liabilities of the U.S. Borrower and any Subsidiary with respect to Letters of Credit, whether or not any such liability is contingent, including (without duplication) the sum of (a) the aggregate undrawn face amount of all Letters of Credit then outstanding plus (b) the aggregate amount of all unpaid Reimbursement Obligations and Subsidiary Reimbursement Obligations.

"Letter of Credit Participation Certificate": a participation certificate in the form customarily used by the Issuing Lender for such purpose at the time such certificate is issued.

"Letters of Credit": as defined in subsection 9.1(a).

"LIBO Rate": in respect of any LIBO Rate CAF Advance, the London interbank offered rate for deposits in Dollars for the period commencing on the date of such CAF Advance and ending on the CAF Advance Maturity Date with respect thereto which appears on Telerate Page 3750 as of 11:00 A.M., London time, two Business Days prior to the beginning of such period.

"LIBO Rate CAF Advance": any CAF Advance made pursuant to a LIBO Rate CAF Advance Request.

"LIBO Rate CAF Advance Request": any CAF Advance Request requesting the Lenders to offer to make CAF Advances at an interest rate equal to the LIBO Rate plus (or minus) a margin.

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement or any Financing Lease having substantially the same economic effect as any of the foregoing).

"Loan Documents": the collective reference to this Agreement, any Notes, the Drafts, the Acceptances, the Acceptance Notes, any documents or instruments evidencing or governing any Alternate Currency Facility and the Security Documents.

"Loan Parties": the collective reference to the Borrowers, each guarantor or grantor party to any Security Document and each issuer of pledged stock under each Pledge Agreement.

"Loans": the collective reference to the Revolving Credit Loans, the Swing Line Loans, the CAF Advances, the Multicurrency Loans and the Alternate Currency Loans.

"Loans to be Converted": as defined in subsection 18.8(a).

"London Banking Day": any day on which banks in London are open for general banking business, including dealings in foreign currency and exchange.

"Majority Canadian Lenders": at any time, Canadian Lenders whose Canadian Revolving Credit Commitment Percentages aggregate more than 50%.

"Majority Lenders": (a) at any time prior to the termination of the Revolving Credit Commitments, the Majority U.S. Lenders; and (b) at any time after the termination of the Revolving Credit Commitments, Lenders whose Aggregate Total Outstandings aggregate more than 50% of the Aggregate Total Outstandings of all Lenders; provided that for purposes of this definition the Aggregate Total Outstandings of each Lender shall be adjusted up or down so as to give effect to any participations purchased or sold pursuant to subsection 18.8.

"Majority Multicurrency Lenders": at any time, Multicurrency Lenders whose Multicurrency Commitment Percentages aggregate more than 50%.

"Majority U.S. Lenders": at any time, U.S. Lenders whose U.S. Revolving Credit Commitment Percentages aggregate more than 50%.

"Managing Agents": as defined in the preamble hereto.

"Material Subsidiary": each Loan Party and any other Subsidiary which (a) for the most recent fiscal year of the U.S. Borrower accounted for more than 10% of Consolidated Revenues or (b) as of the end of such fiscal year, was the owner of more than 10% of Consolidated Assets, all as shown on the consolidated financial statements of the U.S. Borrower for such fiscal year.

"Moody's": Moody's Investors Service, Inc. or any successor thereto.

"Multicurrency Commitment": as to any Multicurrency Lender at any time, its obligation to make Multicurrency Loans to the U.S. Borrower or Foreign Subsidiary Borrowers in an aggregate amount in Available Foreign Currencies of which the U.S.

Dollar Equivalent does not exceed at any time outstanding the lesser of (a) the amount set forth opposite such Multicurrency Lender's name in Schedule I under the heading "Multicurrency Commitment", and (b) the U.S. Revolving Credit Commitment of such Multicurrency Lender, in each case as such amount may be reduced from time to time as provided in subsection 7.4 and the other applicable provisions hereof.

"Multicurrency Commitment Percentage": as to any Multicurrency Lender at any time, the percentage which such Multicurrency Lender's Multicurrency Commitment then constitutes of the aggregate Multicurrency Commitments (or, if the Multicurrency Commitments have terminated or expired, the percentage which (a) the U.S. Dollar Equivalent of the Aggregate Multicurrency Outstandings of such Multicurrency Lender at such time constitutes of (b) the U.S. Dollar Equivalent of the Aggregate Multicurrency Outstandings of all Multicurrency Lenders at such time).

"Multicurrency Lender": each Lender having an amount greater than zero set forth opposite such Lender's name in Schedule I under the heading "Multicurrency Commitment."

"Multicurrency Loans": as defined in subsection 7.1.

"Multiemployer Plan": a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Proceeds": shall mean the gross proceeds received by the U.S. Borrower or any Subsidiary from a sale or other disposition of any asset of the U.S. Borrower or such Subsidiary less (a) all reasonable fees, commissions and other out-of-pocket expenses incurred by the U.S. Borrower or such Subsidiary in connection therewith, (b) Federal, state, local and foreign taxes assessed in connection therewith and (c) the principal amount, accrued interest and any related prepayment fees of any Indebtedness (other than the Loans) which is secured by any such asset and which is required to be repaid in connection with the sale thereof.

"9 1/2% Subordinated Note Indenture": the Indenture dated as of July 1, 1996, between the U.S. Borrower and The Bank of New York, as trustee, as the same may be amended, supplemented or otherwise modified from time to time in accordance with subsection 14.10.

"9 1/2% Subordinated Notes": the 9 1/2% Subordinated Notes of the U.S. Borrower due 2006, issued pursuant to the 9 1/2% Subordinated Note Indenture.

"1995 Agreement": as defined in the recitals hereto.

"1995 Lenders": as defined in the recitals hereto.

"1996 Agreement": as defined in the recitals hereto.

"1996 Lenders": as defined in the recitals hereto.

"Non-Canadian Lender": each U.S. Lender which is not a U.S. Common Lender.

"Non-Multicurrency Lender": each U.S. Lender which is not a Multicurrency Lender.

"Notes": the collective reference to the U.S. Revolving Credit Notes and the Canadian Revolving Credit Notes.

"Notice of Alternate Currency Outstandings": with respect to each Alternate Currency Facility Agent, a notice from such Alternate Currency Facility Agent containing the information, delivered to the Person, in the manner and by the time, specified for a Notice of Alternate Currency Outstandings in the Administrative Schedule.

"Notice of Multicurrency Loan Borrowing": with respect to a Multicurrency Loan, a notice from the Borrower (or the U.S. Borrower on its behalf) in respect of such Loan, containing the information in respect of such Loan and delivered to the Person, in the manner and by the time, specified for a Notice of Multicurrency Loan Borrowing in respect of the currency of such Loan in the Administrative Schedule.

"Notice of Multicurrency Loan Continuation": with respect to a Multicurrency Loan, a notice from the Borrower (or the U.S. Borrower on its behalf) in respect of such Loan, containing the information in respect of such Loan and delivered to the Person, in the manner and by the time, specified for a Notice of Multicurrency Loan Continuation in respect of the currency of such Loan in the Administrative Schedule.

"Obligations": collectively, the unpaid principal of and interest on the Loans, the Reimbursement Obligations, the Subsidiary Reimbursement Obligations, Interest Rate Agreement Obligations to any Lender, Currency Agreement Obligations to any Lender and all other obligations and liabilities (including, with respect to the Canadian Borrower, Acceptance Reimbursement Obligations) of (a) the U.S. Borrower under or in connection with this Agreement (including, without limitation, the obligations under Section 15 hereof) and the other Loan Documents, (b) the Canadian Borrower under this Agreement and the other Loan Documents, (c) each Foreign Subsidiary Borrower under this Agreement and the other Loan Documents and (d) each Alternate Currency Borrower under any Alternate Currency Facility to which it is a party and under this Loan Agreement and the other Loan Documents (including, without limitation, interest accruing at the then applicable rate provided in this Agreement or any other applicable Loan Document after the maturity of the Loans and interest accruing at the then applicable rate provided in this Agreement or any other applicable Loan Document after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the U.S. Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter

incurred, which may arise under, out of, or in connection with, this Agreement, the Notes, the Acceptances, the Acceptance Notes, the Letters of Credit, the Letter of Credit Applications, the other Loan Documents or any other document made, delivered or given in connection therewith, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agents or to the Lenders that are required to be paid by any Borrower pursuant to the terms of this Agreement or any other Loan Document).

"Other Lender": as defined in subsection 18.8(c).

"Participants": as defined in subsection 18.6(b).

"Participating Interest": with respect to any Letter of Credit (A) in the case of the Issuing Lender with respect thereto, its interest in such Letter of Credit and any Letter of Credit Application relating thereto after giving effect to the granting of any participating interests therein pursuant hereto and (b) in the case of each Participating Lender, its undivided participating interest in such Letter of Credit and any Letter of Credit Application relating thereto.

"Participating Lender": any U.S. Lender (other than the Issuing Lender) with respect to its Participating Interest in a Letter of Credit.

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA.

"Person": an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": at a particular time, any employee benefit plan which is covered by ERISA and in respect of which the U.S. Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Pledge Agreements": the collective reference to the Pledge Agreements listed in Schedule IV and each other pledge agreement or similar agreement that may be delivered to the General Administrative Agent as collateral security for any or all of the Obligations of the U.S. Borrower, in each case as such Pledge Agreements or similar agreements may be amended, supplemented or otherwise modified from time to time.

"Pledged Stock": as defined in each of the Pledge Agreements.

"Powers of Attorney": as defined in subsection 6.2(b).

"Prime Rate": at any day, the greater on such day of (a) the rate per annum announced by the Canadian Administrative Agent from time to time (and in effect on such day) as its prime rate for Canadian Dollar commercial loans made in Canada, as adjusted automatically from time to time and without notice to any of the Borrowers upon change by the Canadian Administrative Agent, and (b) 1% above the CDOR Rate from time to time (and in effect on such day), as advised by the Canadian Administrative Agent to the Canadian Borrower from time to time pursuant hereto. The Prime Rate is not intended to be the lowest rate of interest charged by the Canadian Administrative Agent in connection with extensions of credit in Canadian Dollars to debtors.

"Prime Rate Loans": all Canadian Revolving Credit Loans denominated in Canadian Dollars, which shall bear interest at a rate based upon the Prime Rate.

"Property": each parcel of real property owned or operated by the U.S. Borrower and its Subsidiaries.

"Proprietary Rights": as defined in subsection 11.16.

"Qualified Credit Facility": a credit facility (a) providing for one or more Alternate Currency Lenders to make loans denominated in an Alternate Currency to one or more Alternate Currency Borrowers, (b) providing for such loans to bear interest at a rate or rates determined by the U.S. Borrower and such Alternate Currency Lender or Alternate Currency Lenders and (c) otherwise conforming to the requirements of Section 8.

"Quotation Day": in respect of the determination of the Eurocurrency Rate for any Interest Period for Multicurrency Loans in any Available Foreign Currency, the day on which quotations would ordinarily be given by prime banks in the London interbank market (or, if such Available Foreign Currency is Sterling, in the Paris interbank market) for deposits in such Available Foreign Currency for delivery on the first day of such Interest Period; provided, that if quotations would ordinarily be given on more than one date, the Quotation Day for such Interest Period shall be the last of such dates. On the date hereof, the Quotation Day in respect of any Interest Period for any Available Foreign Currency is customarily the last London Banking Day prior to the beginning of such Interest Period which is (a) at least two London Banking Days prior to the beginning of such Interest Period and (b) a day on which banks are open for general banking business in the city which is the principal financial center of the country of issue of such Available Foreign Currency (and, in the case of Sterling, in Paris).

"Receivable Financing Transaction": any transaction or series of transactions involving a sale for cash of accounts receivable, without recourse based upon the collectibility of the receivables sold, by the U.S. Borrower or any of its Subsidiaries to a Special Purpose Subsidiary and a subsequent sale or pledge of such accounts receivable (or an interest therein) by such Special Purpose Subsidiary, in each case without any guarantee by the U.S. Borrower or any of its Subsidiaries (other than the Special Purpose Subsidiary).

"Reference Discount Rate": on any date with respect to each Draft requested to be accepted by a Canadian Lender, (a) if such Canadian Lender is a Schedule I Canadian Lender, the arithmetic average of the discount rates (expressed as a percentage calculated on the basis of a year of 365 days) quoted by the Toronto offices of each of the Schedule I Canadian Reference Lenders, at 10:00 A.M. (Toronto time) on the Borrowing Date as the discount rate at which each such Schedule I Canadian Reference Lender would, in the normal course of its business, purchase on such date Acceptances having an aggregate face amount and term to maturity as designated by the Canadian Borrower pursuant to Section 6.2 and (b) if such Canadian Lender is a Schedule II Canadian Lender, the arithmetic average of the discount rates (expressed as a percentage calculated on the basis of a year of 365 days) quoted by the Toronto offices of each of the Schedule II Canadian Reference Lenders, at 10:00 A.M. (Toronto time) on the Borrowing Date as the discount rate at which each such Schedule II Canadian Reference Lender would, in the normal course of its business, purchase on such date Acceptances having an aggregate face amount and term to maturity as designated by the Canadian Borrower pursuant to subsection 6.2. The Canadian Administrative Agent shall advise the Canadian Borrower and the Canadian Lenders, either in writing or verbally, by 11:00 A.M. (Toronto time) on the Borrowing Date as to the applicable Reference Discount Rate and corresponding Acceptance Purchase Price in respect of Acceptances having the maturities selected by the Canadian Borrower for such Borrowing Date. Notwithstanding the foregoing, the Canadian Borrower, the Canadian Administrative Agent and the Canadian Lenders, may agree upon alternative methods of determining the Reference Discount Rate from time to time.

"Register": as defined in subsection 18.6(d).

"Reimbursement Obligation": the obligation of the U.S. Borrower to reimburse the Issuing Lender in accordance with the terms of this Agreement and the related Letter of Credit Application for any payment made by the Issuing Lender under any Letter of Credit.

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, escaping, leaking, dumping, disposing, spreading, depositing or dispersing of any Hazardous Materials in, unto or onto the environment.

"Reorganization": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"Reportable Event": any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived under any of subsections .13, .14, .16, .18, .19 or .20 of PBGC Reg. Section 4043 or any successor regulation thereto.

"Requested Acceptances": as defined in subsection 2.5(a).

"Requested Alternate Currency Loans": as defined in subsection 2.5(c).

"Requested Canadian Revolving Credit Loans": as defined in subsection 2.5(a).

"Requested Multicurrency Loans": as defined in subsection 2.5(b).

"Request for Acceptances": as defined in subsection 6.2(a).

"Requirement of Law": as to (a) any Person, the certificate of incorporation and by-laws or the partnership or limited partnership agreement or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject, and (b) any property, any law, treaty, rule, regulation, requirement, judgment, decree or determination of any Governmental Authority applicable to or binding upon such property or to which such property is subject, including, without limitation, any Environmental Laws.

"Responsible Officer": with respect to any Loan Party, the chief executive officer, the president, the chief financial officer, any vice president, the treasurer or the assistant treasurer of such Loan Party.

"Revolving Credit Commitment Period": the period from and including the Closing Date to but not including the Revolving Credit Termination Date, or such earlier date on which the Revolving Credit Commitments shall terminate as provided herein.

"Revolving Credit Commitments": the collective reference to the U.S. Revolving Credit Commitments and the Canadian Revolving Credit Commitments.

"Revolving Credit Loans": the collective reference to the U.S. Revolving Credit Loans and the Canadian Revolving Credit Loans; each, individually, a "Revolving Credit Loan".

"Revolving Credit Termination Date": September 30, 2001.

"Schedule I Canadian Lender": each Canadian Lender listed on Schedule I to the Bank Act (Canada).

"Schedule I Canadian Reference Lenders": The Bank of Nova Scotia, Bank of Montreal, Canadian Imperial Bank of Commerce and Royal Bank of Canada.

"Schedule II Canadian Lender": each Canadian Lender which is not a Schedule I Canadian Lender.

"Schedule II Canadian Reference Lenders": one or more Schedule II Canadian Lenders selected by the U.S. Borrower with the consent of all the Schedule II Canadian Lenders.

"Securities Act": the Securities Act of 1933, as amended.

"Security Documents": the collective reference to the Pledge Agreements, the Subsidiary Guarantee, the Additional Subsidiary Guarantee and each other guarantee, security document or similar agreement that may be delivered to the General Administrative Agent as collateral security for any or all of the Obligations, in each case as amended, supplemented or otherwise modified from time to time.

"Senior Subordinated Note Indenture": the Indenture, dated as of July 15, 1992, between the U.S. Borrower and The Bank of New York, as trustee, as the same may be amended, supplemented or otherwise modified from time to time in accordance with subsection 14.10.

"Senior Subordinated Notes": the 11 1/4% Senior Subordinated Notes of the U.S. Borrower due 2000, issued pursuant to the Senior Subordinated Note Indenture.

"Single Employer Plan": any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"S&P": Standard & Poor's Ratings Group or any successor thereto.

"Special Affiliate": any Affiliate of the U.S. Borrower (a) as to which the U.S. Borrower holds, directly or indirectly, (i) power to vote 20% or more of the securities having ordinary voting power for the election of directors of such Affiliate or (ii) a 20% ownership interest in such Affiliate and (b) which is engaged in business of the same or related general type as now being conducted by the U.S. Borrower and its Subsidiaries.

"Special Entity": any Person which is engaged in business of the same or related general type as now being conducted by the U.S. Borrower and its Subsidiaries.

"Special Purpose Subsidiary": any Wholly Owned Subsidiary of the U.S. Borrower created by the U.S. Borrower for the sole purpose of facilitating a Receivable Financing Transaction.

"Standby Letters of Credit": as defined in subsection 9.1(a).

"Subordinated Debt": any obligations (for principal, interest or otherwise) evidenced by or arising under or in respect of the Subordinated Notes, the Subordinated Note Indenture, the 9 1/2% Subordinated Notes, the 9 1/2% Note Indenture, the Senior Subordinated Notes and the Senior Subordinated Note Indenture and any other covenant, instrument or agreement of subordinated Indebtedness issued or entered into pursuant to subsection 14.10.

"Subordinated Note Indenture": the Indenture, dated as of February 1, 1994, between the U.S. Borrower and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as trustee, as the same may be amended,

supplemented or otherwise modified from time to time in accordance with subsection 14.10.

"Subordinated Notes": the 8-1/4% Subordinated Notes of the U.S. Borrower due 2002, issued pursuant to the Subordinated Note Indenture.

"Subsidiary": as to any Person, a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly, through one or more intermediaries, or both, by such Person (exclusive of any Affiliate in which such Person has a minority ownership interest). Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the U.S. Borrower.

"Subsidiary Guarantee": the Second Amended and Restated Subsidiary Guarantee, dated as of the date hereof, made by certain Subsidiaries of the U.S. Borrower in favor of the General Administrative Agent, substantially in the form of Exhibit O, as the same may be amended, supplemented or otherwise modified from time to time.

"Subsidiary Reimbursement Obligation": the obligation of any Subsidiary to reimburse the Issuing Lender in accordance with the terms of this Agreement and the related Letter of Credit Application for any payment made by the Issuing Lender under any Letter of Credit.

"Swing Line Commitment": as to the Swing Line Lender, in its capacity as a Swing Line Lender, its obligation to make Swing Line Loans to the U.S. Borrower in an aggregate principal amount not to exceed, at any one time outstanding $100,000,000.

"Swing Line Lender": Chase, in its capacity as provider of the Swing Line Loans.

"Swing Line Loans" and "Swing Line Loan": as defined in subsection 3.1.

"Tax Act": the Income Tax Act (Canada), as amended from time to time.

"Taxes": as defined in subsection 10.12(a).

"Tranche": the collective reference to Eurodollar Loans or Multicurrency Loans the then current Interest Periods with respect to all of which begin on the same date and end on the same later date (whether or not such Loans shall originally have been made on the same day).

"Transferee": as defined in subsection 18.6(f).

"Type": as to any U.S. Revolving Credit Loan, its nature as an ABR Loan or a Eurodollar Loan, and as to any Canadian Revolving Credit Loan, its nature as a Canadian Base Rate Loan or a Prime Rate Loan.

"U.S. Borrower": as defined in the preamble hereto.

"U.S. Common Lender": each U.S. Lender which has a Counterpart Lender.

"U.S. Dollar Equivalent": with respect to an amount denominated in any currency other than U.S. Dollars, the equivalent in U.S. Dollars of such amount determined at the Exchange Rate on the date of determination of such equivalent. In making any determination of the U.S. Dollar Equivalent for purposes of calculating the amount of Loans to be borrowed from, or the face amount of Acceptances to be created by, the respective Lenders on any Borrowing Date, the General Administrative Agent or the Canadian Administrative Agent, as the case may be, shall use the relevant Exchange Rate in effect on the date on which the interest rate for such Loans or the Acceptance Purchase Price for such Acceptances, as the case may be, is determined pursuant to the provisions of this Agreement and the other Loan Documents.

"U.S. Lenders": the Lenders listed in Part A of Schedule I hereto.

"U.S. Prime Rate": the rate of interest per annum publicly announced from time to time by the General Administrative Agent as its prime rate in effect at its principal office in New York City. The U.S. Prime Rate is not intended to be the lowest rate of interest charged by the General Administrative Agent in connection with extensions of credit to borrowers.

"U.S. Reference Lenders": Chase and The Bank of Nova Scotia.

"U.S. Revolving Credit Commitment": as to any U.S. Lender at any time, its obligation to make U.S. Revolving Credit Loans to, and/or participate in Swing Line Loans made to and Letters of Credit issued for the account of, the U.S. Borrower and its Subsidiaries in an aggregate amount not to exceed at any time outstanding the U.S. Dollar amount set forth opposite such U.S. Lender's name in Schedule I under the heading "U.S. Revolving Credit Commitment", as such amount may be reduced from time to time pursuant to subsection 2.4 and the other applicable provisions hereof.

"U.S. Revolving Credit Commitment Percentage": as to any U.S. Lender at any time, the percentage which such U.S. Lender's U.S. Revolving Credit Commitment then constitutes of the aggregate U.S. Revolving Credit Commitments of all U.S. Lenders (or, if the U.S. Revolving Credit Commitments have terminated or expired, the percentage which (a) the Aggregate U.S. Revolving Credit Outstandings of such U.S. Lender at such time then constitutes of (b) the Aggregate U.S. Revolving Credit Outstandings of all U.S. Lenders at such time).

"U.S. Revolving Credit Lender": each U.S. Lender having an amount greater than zero set forth under the heading "U.S. Revolving Credit Commitment" opposite its name on Schedule I.

"U.S. Revolving Credit Loan": as defined in subsection 2.1.

"U.S. Revolving Credit Note": as defined in subsection 2.2(e).

"Wholly Owned Subsidiary": as to any Person, a corporation, partnership or other entity of which (a) 100% of the common capital stock or other ownership interests of such corporation, partnership or other entity or (b) more than 95% of the common capital stock or other ownership interests of such corporation, partnership or other entity where the portion of the common capital stock or other ownership interests not held by such Person is held by other Persons to satisfy applicable legal requirements, is owned, directly or indirectly, by such Person; provided, however, that so long as the U.S. Borrower owns, directly or indirectly, more than 95% of the capital stock of Lear Italia, Lear Italia shall be deemed a Wholly Owned Subsidiary of the U.S. Borrower.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the Notes, the other Loan Documents or any certificate or other document made or delivered pursuant hereto.

(b) As used herein and in the Notes and any other Loan Document, and any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to the U.S. Borrower and its Subsidiaries not defined in subsection 1.1 and accounting terms partly defined in subsection 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2. AMOUNT AND TERMS OF U.S. REVOLVING CREDIT COMMITMENTS

2.1 U.S. Revolving Credit Commitments. (a) Subject to the terms and conditions hereof, each U.S. Lender severally agrees to make revolving credit loans (each, a "U.S. Revolving Credit Loan") in U.S. Dollars to the U.S. Borrower from time to time during the Revolving Credit Commitment Period so long as after giving effect thereto (i) the Available U.S. Revolving Credit Commitment of each U.S. Lender is greater than or equal to zero and (ii) the Aggregate Total Outstandings of all Lenders do not exceed the Aggregate U.S. Revolving Credit

Commitments. During the Revolving Credit Commitment Period the U.S. Borrower may use the U.S. Revolving Credit Commitments by borrowing, prepaying the U.S. Revolving Credit Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof.

(b) The U.S. Revolving Credit Loans may from time to time be (i) Eurodollar Loans, (ii) ABR Loans or (iii) a combination thereof, as determined by the U.S. Borrower and notified to the General Administrative Agent in accordance with subsections 2.3 and 10.2, provided that no U.S. Revolving Credit Loan shall be made as a Eurodollar Loan after the day that is one month prior to the Revolving Credit Termination Date.

2.2 Repayment of U.S. Revolving Credit Loans; Evidence of Debt. (a) The U.S. Borrower hereby unconditionally promises to pay to the General Administrative Agent for the account of each U.S. Lender the then unpaid principal amount of each U.S. Revolving Credit Loan of such U.S. Lender (whether made before or after the termination or expiration of the U.S. Revolving Credit Commitments) on the Revolving Credit Termination Date and on such other date(s) and in such other amounts as may be required from time to time pursuant to this Agreement. The U.S. Borrower hereby further agrees to pay interest on the unpaid principal amount of the U.S. Revolving Credit Loans from time to time outstanding until payment thereof in full at the rates per annum, and on the dates, set forth in subsection 10.1.

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

(c) The General Administrative Agent (together with the Canadian Administrative Agent) shall maintain the Register pursuant to subsection 18.6(d), and a subaccount therein for each U.S. Lender, in which shall be recorded (i) the date and amount of each U.S. Revolving Credit Loan made hereunder, the Type thereof and each Interest Period applicable thereto, (ii) the date of each continuation thereof pursuant to subsection 10.2, (iii) the date of each conversion of all or a portion thereof to another Type pursuant to subsection 10.2, (iv) the date and amount of any principal or interest due and payable or to become due and payable from the U.S. Borrower to each U.S. Lender hereunder in respect of the U.S. Revolving Credit Loans and (v) both the date and amount of any sum received by the General Administrative Agent hereunder from the U.S. Borrower in respect of the U.S. Revolving Credit Loans and each U.S. Lender's share thereof.

(d) The entries made in the Register and the accounts of each U.S. Lender maintained pursuant to subsection 2.2(b) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the U.S. Borrower therein recorded; provided, however, that the failure of any U.S. Lender or the Administrative Agents to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligations of the U.S. Borrower to repay (with applicable interest) the U.S. Revolving Credit Loans made to the U.S. Borrower by such U.S. Lender in accordance with the terms of this Agreement.

(e) The U.S. Borrower agrees that, upon the request to the General Administrative Agent by any U.S. Lender, the U.S. Borrower will execute and deliver to such U.S. Lender a promissory note of the U.S. Borrower evidencing the Revolving Credit Loans of such U.S. Lender, substantially in the form of Exhibit A with appropriate insertions as to date and principal amount (each, a "U.S. Revolving Credit Note"); provided, that the delivery of such U.S. Revolving Credit Notes shall not be a condition precedent to the Closing Date.

2.3 Procedure for U.S. Revolving Credit Borrowing. The U.S. Borrower may borrow under the U.S. Revolving Credit Commitments during the Revolving Credit Commitment Period on any Business Day, provided that the U.S. Borrower shall give the General Administrative Agent irrevocable notice (which notice must be received by the General Administrative Agent prior to 12:00 Noon, New York City time, at least (a) three Business Days prior to the requested Borrowing Date, if all or any part of the requested U.S. Revolving Credit Loans are to be initially Eurodollar Loans, or (b) one Business Day prior to the requested Borrowing Date, otherwise), specifying in each case (i) the amount to be borrowed, (ii) the requested Borrowing Date, (iii) whether the borrowing is to be of Eurodollar Loans, ABR Loans or a combination thereof and (iv) if the borrowing is to be entirely or partly of Eurodollar Loans, the amount of such Type of Loan and the length of the initial Interest Period therefor. Each borrowing under the U.S. Revolving Credit Commitments (other than a borrowing under subsection 2.5, subsection 3.4 or to pay a like amount of Reimbursement Obligations or Subsidiary Reimbursement Obligations) shall be in an amount equal to (A) in the case of ABR Loans, except any ABR Loan made pursuant to subsection 3.4, $10,000,000 or a whole multiple of $1,000,000 in excess thereof (or, if the then Aggregate Available U.S. Revolving Credit Commitments are less than $10,000,000, such lesser amount) and (B) in the case of Eurodollar Loans, $10,000,000 or a whole multiple of $1,000,000 in excess thereof. Upon receipt of any such notice from the U.S. Borrower, the General Administrative Agent shall promptly notify each U.S. Lender and the Canadian Administrative Agent thereof. Not later than 12:00 Noon, New York City time, on each requested Borrowing Date each U.S. Lender shall make an amount equal to its Funding Commitment Percentage of the principal amount of the U.S. Revolving Credit Loans requested to be made on such Borrowing Date available to the General Administrative Agent at its office specified in subsection 18.2 in U.S. Dollars and in immediately available funds. Except as otherwise provided in subsection 2.5 or 3.4, the General Administrative Agent shall on such date credit the account of the U.S. Borrower on the books of such office with the aggregate of the amounts made available to the General Administrative Agent by the U.S. Lenders and in like funds as received by the General Administrative Agent.

2.4 Termination or Reduction of U.S. Revolving Credit Commitments. The U.S. Borrower shall have the right, upon not less than five Business Days' notice to the General Administrative Agent, to terminate the U.S. Revolving Credit Commitments or, from time to time, to reduce the amount of the U.S. Revolving Credit Commitments; provided that no such termination or reduction shall be permitted if, after giving effect thereto and to any prepayments of the Loans made on the effective date thereof, the Available U.S. Revolving Credit Commitment or Available Multicurrency Commitment of any U.S. Lender, or the Available Canadian Revolving Credit Commitment of any Canadian Lender, would not be greater than or equal to zero. Any such reduction shall be in an amount equal to $2,500,000 or a whole multiple

of $500,000 in excess thereof and shall reduce permanently the U.S. Revolving Credit Commitments then in effect.

2.5 Borrowings of U.S. Revolving Credit Loans and Refunding of Loans. (a) If on any Borrowing Date on which the Canadian Borrower has requested the Canadian Lenders to make Canadian Revolving Credit Loans (the "Requested Canadian Revolving Credit Loans") or to create Acceptances (the "Requested Acceptances"), (i) the sum of (A) the principal amount of the Requested Canadian Revolving Credit Loans to be made by any Canadian Lender and (B) the aggregate undiscounted face amount of the Requested Acceptances to be created by such Canadian Lender exceeds the Available Canadian Revolving Credit Commitment of such Canadian Lender on such Borrowing Date (before giving effect to the making and payment of any Loans required to be made pursuant to this subsection 2.5 on such Borrowing Date) and (ii) the U.S. Dollar Equivalent of the amount of such excess is less than or equal to the aggregate Available U.S. Revolving Credit Commitments of all Non-Canadian Lenders (before giving effect to the making and payment of any Loans pursuant to this subsection 2.5 on such Borrowing Date), each Non-Canadian Lender shall make a U.S. Revolving Credit Loan to the U.S. Borrower on such Borrowing Date, and the proceeds of such U.S. Revolving Credit Loans shall be simultaneously applied to repay outstanding U.S. Revolving Credit Loans, Multicurrency Loans and/or Alternate Currency Loans of the U.S. Common Lenders (as directed by the U.S. Borrower) in each case in amounts such that, after giving effect to (1) such borrowings and repayments and (2) the borrowing from the Canadian Lenders of the Requested Canadian Revolving Credit Loans or the creation by the Canadian Lenders of the Requested Acceptances, the Committed Outstandings Percentage of each U.S. Lender will equal (as nearly as possible) its U.S. Revolving Credit Commitment Percentage. To effect such borrowings and repayments, (x) not later than 12:00 Noon, New York City time, on such Borrowing Date, the proceeds of such U.S. Revolving Credit Loans shall be made available by each Non-Canadian Lender to the General Administrative Agent at its office specified in subsection 18.2 in U.S. Dollars and in immediately available funds and the General Administrative Agent shall apply the proceeds of such U.S. Revolving Credit Loans toward repayment of outstanding U.S. Revolving Credit Loans, Multicurrency Loans and/or Alternate Currency Loans of the U.S. Common Lenders (as directed by the U.S. Borrower) and (y) concurrently with the repayment of such Loans on such Borrowing Date, (I) the Canadian Lenders shall, in accordance with the applicable provisions hereof, make the Requested Canadian Revolving Credit Loans (or create the Requested Acceptances) in an aggregate amount equal to the amount so requested by the Canadian Borrower (but not in any event greater than the Aggregate Available Canadian Revolving Credit Commitments after giving effect to the making of such repayment of any Loans on such Borrowing Date) and (II) the relevant Borrower shall pay to the General Administrative Agent for the account of the Lenders whose Loans to such Borrower are repaid on such Borrowing Date pursuant to this subsection 2.5 all interest accrued on the amounts repaid to the date of repayment, together with any amounts payable pursuant to subsection 10.11 in connection with such repayment.

(b) If on any Borrowing Date on which a Borrower has requested the Multicurrency Lenders to make Multicurrency Loans (the "Requested Multicurrency Loans"), (i) the principal amount of the Requested Multicurrency Loans to be made by any Multicurrency Lender exceeds the Available Multicurrency Commitment of such Multicurrency Lender on such

Borrowing Date (before giving effect to the making and payment of any Loans required to be made pursuant to this subsection 2.5 on such Borrowing Date) and (ii) the U.S. Dollar Equivalent of the amount of such excess is less than or equal to the aggregate Available U.S. Revolving Credit Commitments of all Non-Multicurrency Lenders (before giving effect to the making and payment of any Loans pursuant to this subsection 2.5 on such Borrowing Date), each Non-Multicurrency Lender shall make a U.S. Revolving Credit Loan to the U.S. Borrower on such Borrowing Date, and the proceeds of such U.S. Revolving Credit Loans shall be simultaneously applied to repay outstanding U.S. Revolving Credit Loans, Canadian Revolving Credit Loans, Multicurrency Loans and/or Alternate Currency Loans of the Multicurrency Lenders or their Counterpart Lenders (as directed by the U.S. Borrower) in each case in amounts such that, after giving effect to (1) such borrowings and repayments and (2) the borrowing from the Multicurrency Lenders of the Requested Multicurrency Loans, the Committed Outstandings Percentage of each U.S. Lender will equal (as nearly as possible) its U.S. Revolving Credit Commitment Percentage. To effect such borrowings and repayments, (x) not later than 12:00 Noon, New York City time, on such Borrowing Date, the proceeds of such U.S. Revolving Credit Loans shall be made available by each Non-Multicurrency Lender to the General Administrative Agent at its office specified in subsection 18.2 in U.S. Dollars and in immediately available funds and the General Administrative Agent shall apply the proceeds of such U.S. Revolving Credit Loans toward repayment of outstanding U.S. Revolving Credit Loans, Canadian Revolving Credit Loans, Multicurrency Loans and/or Alternate Currency Loans of the Multicurrency Lenders or their Counterpart Lenders (as directed by the U.S. Borrower) and (y) concurrently with the repayment of such Loans on such Borrowing Date, (I) the Multicurrency Lenders shall, in accordance with the applicable provisions hereof, make the Requested Multicurrency Loans in an aggregate amount equal to the amount so requested by such Borrower (but not in any event greater than the Aggregate Available Multicurrency Commitments after giving effect to the making of such repayment of any Loans on such Borrowing Date) and (II) the relevant Borrower shall pay to the General Administrative Agent for the account of the Lenders whose Loans to such Borrower are repaid on such Borrowing Date pursuant to this subsection 2.5 all interest accrued on the amounts repaid to the date of repayment, together with any amounts payable pursuant to subsection 10.11 in connection with such repayment.

(c) If on any Borrowing Date on which an Alternate Currency Borrower has requested Alternate Currency Lenders to make Alternate Currency Loans (the "Requested Alternate Currency Loans") under an Alternate Currency Facility to which such Alternate Currency Borrower and Alternate Currency Lenders are parties (i) the aggregate principal amount of the Requested Alternate Currency Loans exceeds the aggregate unused portions of the commitments of such Alternate Currency Lenders under such Alternate Currency Facility on such Borrowing Date (before giving effect to the making and payment of any U.S. Revolving Credit Loans required to be made pursuant to this subsection 2.5 on such Borrowing Date), (ii) after giving effect to the Requested Alternate Currency Loans, the U.S. Dollar Equivalent of the aggregate outstanding principal amount of Alternate Currency Loans of such Alternate Currency Borrower will be less than or equal to the aggregate commitments of such Alternate Currency Lenders under such Alternate Currency Facility and (iii) the U.S. Dollar Equivalent of the amount of the excess described in clause (i) above is less than or equal to the Aggregate Available U.S. Revolving Credit Commitments of all U.S. Lenders other than such Alternate

Currency Lenders (before giving effect to the making and payment of any U.S. Revolving Credit Loans pursuant to this subsection 2.5 on such Borrowing Date), each such other U.S. Lender shall make a U.S. Revolving Credit Loan to the U.S. Borrower on such Borrowing Date, and the proceeds of such U.S. Revolving Credit Loans shall be simultaneously applied to repay outstanding U.S. Revolving Credit Loans, Canadian Revolving Credit Loans, Multicurrency Loans and/or Alternate Currency Loans of such Alternate Currency Lenders or their Counterpart Lenders (as directed by the U.S. Borrower) in each case in amounts such that, after giving effect to (1) such borrowings and repayments and (2) the borrowing from such Alternate Currency Lenders of the Requested Alternate Currency Loans, the Committed Outstandings Percentage of each U.S. Lender will equal (as nearly as possible) its U.S. Revolving Credit Commitment Percentage. To effect such borrowings and repayments, (x) not later than 12:00 Noon, New York City time, on such Borrowing Date, the proceeds of such U.S. Revolving Credit Loans shall be made available by each such other Lender to the General Administrative Agent at its office specified in subsection 18.2 in U.S. Dollars and in immediately available funds and the General Administrative Agent shall apply the proceeds of such U.S. Revolving Credit Loans toward repayment of outstanding U.S. Revolving Credit Loans, Canadian Revolving Credit Loans, Multicurrency Loans and/or Alternate Currency Loans of such Alternate Currency Lenders or their Counterpart Lenders (as directed by the U.S. Borrower) and (y) concurrently with the repayment of such Loans on such Borrowing Date, (I) such Alternate Currency Lenders shall, in accordance with the applicable provisions hereof, make the Requested Alternate Currency Loans in an aggregate amount equal to the amount so requested by such Alternate Currency Borrower and (II) the relevant Borrower shall pay to the General Administrative Agent for the account of the Lenders whose Loans to such Borrower are repaid on such Borrowing Date pursuant to this subsection 2.5 all interest accrued on the amounts repaid to the date of repayment, together with any amounts payable pursuant to subsection 10.11 in connection with such repayment.

(d) If any borrowing of U.S. Revolving Credit Loans is required pursuant to this subsection 2.5, the U.S. Borrower shall notify the General Administrative Agent in the manner provided for U.S. Revolving Credit Loans in subsection 2.3, except that the minimum borrowing amounts and threshold multiples in excess thereof applicable to ABR Loans set forth in subsection 2.3 shall not be applicable to the extent that such minimum borrowing amounts exceed the amounts of U.S. Revolving Credit Loans required to be made pursuant to this subsection 2.5.

SECTION 3. AMOUNT AND TERMS OF SWING LINE COMMITMENTS

3.1 Swing Line Commitments. Subject to the terms and conditions hereof, the Swing Line Lender agrees to make swing line loans (individually, a "Swing Line Loan"; collectively, the "Swing Line Loans") in U.S. Dollars to the U.S. Borrower from time to time during the Revolving Credit Commitment Period in an aggregate principal amount at any one time outstanding not to exceed $100,000,000, so long as after giving effect thereto (i) the Available U.S. Revolving Credit Commitment of each U.S. Lender is greater than or equal to zero and (ii) the Aggregate Total Outstandings of all Lenders do not exceed the Aggregate U.S.

Revolving Credit Commitments. Amounts borrowed by the U.S. Borrower under this Section 3 may be repaid and, during the Revolving Credit Commitment Period, reborrowed.

3.2 Procedure for Swing Line Borrowings; Interest Rate. (a) The U.S. Borrower shall give the Swing Line Lender irrevocable notice (which notice must be received by such Swing Line Lender prior to 12:00 P.M., New York City time on the requested Borrowing Date) specifying the amount of the requested Swing Line Loan, which shall be in an aggregate principal amount of not less than $100,000 or a whole multiple of $100,000 in excess thereof. The proceeds of the Swing Line Loan will be made available by the Swing Line Lender to the U.S. Borrower at the office of the Swing Line Lender by crediting the account of the U.S. Borrower at such office with such proceeds in U.S. Dollars.

(b) All Swing Line Loans shall be ABR Loans. Any such ABR Loan may not be converted into a Eurodollar Loan.

3.3 Repayment of Swing Line Loans; Evidence of Debt. (a) The U.S. Borrower hereby unconditionally promises to pay to the Swing Line Lender the then unpaid principal amount of the Swing Line Loans on the Revolving Credit Termination Date and on such other dates and in such other amounts as may be required from time to time pursuant to this Agreement. The U.S. Borrower hereby further agrees to pay interest on the unpaid principal amount of the Swing Line Loans from time to time outstanding until payment thereof in full at the rates per annum, and on the dates, set forth in subsection 10.1.

(b) The Swing Line Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the U.S. Borrower resulting from each Swing Line Loan made by it from time to time, including the amounts of principal and interest payable thereon and paid from time to time under this Agreement.

(c) The General Administrative Agent (together with the Canadian Administrative Agent) shall maintain the Register pursuant to subsection 18.6(d), and a subaccount therein for the Swing Line Lender, in which shall be recorded (i) the date and amount of each Swing Line Loan made hereunder, (ii) the amount of each U.S. Lender's participating interest in such Swing Line Loans, (iii) the date and amount of any principal or interest due and payable or to become due and payable from the U.S. Borrower hereunder in respect of the Swing Line Loans and (iv) both the date and amount of any sum received by the General Administrative Agent hereunder from the U.S. Borrower in respect of the Swing Line Loans, each U.S. Lender's participating interest therein (if any) and the amount thereof payable to the Swing Line Lender.

(d) The entries made in the Register and the accounts of the Swing Line Lender maintained pursuant to this subsection 3.3 shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the U.S. Borrower therein recorded; provided, however, that the failure of the Swing Line Lender or the Administrative Agents to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the U.S. Borrower to repay (with applicable interest)

the Swing Line Loans made to the U.S. Borrower by the Swing Line Lender in accordance with the terms of this Agreement.

3.4 Refunding of Swing Line Borrowings. (a) The Swing Line Lender, at any time in its sole and absolute discretion may, on behalf of the U.S. Borrower (which hereby irrevocably directs and authorizes the Swing Line Lender to act on its behalf), request each U.S. Lender, including Chase, to make a U.S. Revolving Credit Loan (which shall be an ABR Loan) in an amount equal to such U.S. Lender's Funding Commitment Percentage of the principal amount of the Swing Line Loans (the "Refunded Swing Line Loans") outstanding on the date such notice is given; provided that the provisions of this subsection shall not affect the U.S. Borrower's obligations to repay Swing Line Loans in accordance with the provisions of subsections 3.3 and 10.4(d) and (g). Unless the U.S. Revolving Credit Commitments shall have expired or terminated (in which event the procedures of subsection 3.5 shall apply), each U.S. Lender will make the proceeds of the U.S. Revolving Credit Loan made by it pursuant to the immediately preceding sentence available to the General Administrative Agent at the office of the General Administrative Agent specified in subsection 18.2 prior to 12:00 Noon, New York City time, in funds immediately available on the Business Day next succeeding the date such notice is given. The proceeds of such U.S. Revolving Credit Loans shall be immediately made available by the General Administrative Agent to the Swing Line Lender for application to the payment in full of the Refunded Swing Line Loans. Upon any request by the Swing Line Lender to the U.S. Lenders pursuant to this subsection 3.4, the General Administrative Agent shall promptly give notice to the U.S. Borrower of such request.

3.5 Participating Interests. (a) If the U.S. Revolving Credit Commitments shall expire or terminate at any time while Swing Line Loans are outstanding, at the request of the Swing Line Lender in its sole discretion, either (i) each U.S. Lender (including Chase) shall, notwithstanding the expiration or termination of the U.S. Revolving Credit Commitments, make a U.S. Revolving Credit Loan (which shall be an ABR Loan) or (ii) each U.S. Lender (other than Chase) shall purchase an undivided participating interest in the Swing Line Loans of the Swing Line Lender, in either case in an amount equal to such U.S. Lender's Funding Commitment Percentage (determined on the date of, and immediately prior to, expiration or termination of the U.S. Revolving Credit Commitments) of the aggregate principal amount of such Swing Line Loans. Each U.S. Lender will make the proceeds of any U.S. Revolving Credit Loan made by it pursuant to the immediately preceding sentence available to the General Administrative Agent for the account of the Swing Line Lender at the office of the General Administrative Agent specified in subsection 18.2 prior to 12:00 Noon, New York City time, in funds immediately available on the Business Day next succeeding the date of the request by the Swing Line Lender. The proceeds of such U.S. Revolving Credit Loans shall be immediately applied to repay the Swing Line Loans outstanding on the date of termination or expiration of the U.S. Revolving Credit Commitments. In the event that any of the U.S. Lenders purchase undivided participating interests pursuant to the first sentence of this subsection 3.5(a), each U.S. Lender shall immediately transfer to the Swing Line Lender, in immediately available funds, the amount of its participation in the Swing Line Loans of the Swing Line Lender and upon receipt thereof the Swing Line Lender will deliver to any such U.S. Lender that so requests a confirmation of such U.S. Lender's undivided participating interest in the Swing Line Loans of the Swing Line Lender dated the date of receipt of such funds and in such amount.

(b) Whenever, at any time after the Swing Line Lender has received payment from any U.S. Lender in respect of such U.S. Lender's participating interest in a Swing Line Loan of the Swing Line Lender, the Swing Line Lender receives any payment on account thereof, the Swing Line Lender will distribute to such U.S. Lender its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such U.S. Lender's participating interest was outstanding and funded); provided, however, that in the event that any such payment received by the Swing Line Lender is required to be returned, such U.S. Lender will return to the Swing Line Lender any portion thereof previously distributed by the Swing Line Lender to it.

SECTION 4. AMOUNT AND TERMS OF CAF ADVANCES

4.1 CAF Advances. Subject to the terms and conditions of this Agreement, the U.S. Borrower may borrow CAF Advances in U.S. Dollars from time to time on any Business Day during the CAF Advance Availability Period. CAF Advances may be borrowed in amounts such that the Aggregate Total Outstandings of all Lenders at any time shall not exceed the Aggregate U.S. Revolving Credit Commitments at such time. Within the limits and on the conditions hereinafter set forth with respect to CAF Advances, the U.S. Borrower from time to time may borrow, repay and reborrow CAF Advances.

4.2 Procedure for CAF Advance Borrowing. (a) The U.S. Borrower shall request CAF Advances by delivering a CAF Advance Request to the General Administrative Agent, not later than 12:00 Noon, New York City time, four Business Days prior to the proposed Borrowing Date (in the case of a LIBO Rate CAF Advance Request), and not later than 10:00 A.M., New York City time one Business Day prior to the proposed Borrowing Date (in the case of a Fixed Rate CAF Advance Request). Each CAF Advance Request in respect of any Borrowing Date may solicit bids for CAF Advances on such Borrowing Date in an aggregate principal amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof and having not more than five alternative CAF Advance Maturity Dates. The CAF Advance Maturity Date for each CAF Advance shall be the date set forth therefor in the relevant CAF Advance Request, which date shall be (i) not less than 7 days nor more than 360 days after the Borrowing Date therefor, in the case of a Fixed Rate CAF Advance, (ii) one, two, three, six, nine or twelve months after the Borrowing Date therefor, in the case of a LIBO CAF Advance and (iii) not later than the Revolving Credit Termination Date, in the case of any CAF Advance. The General Administrative Agent shall notify each Lender promptly by facsimile transmission of the contents of each CAF Advance Request received by the General Administrative Agent.

(b) In the case of a LIBO Rate CAF Advance Request, upon receipt of notice from the General Administrative Agent of the contents of such CAF Advance Request, each Lender may elect, in its sole discretion, to offer irrevocably to make one or more CAF Advances at the applicable LIBO Rate plus (or minus) a margin determined by such Lender in its sole discretion for each such CAF Advance. Any such irrevocable offer shall be made by delivering a CAF Advance Offer to the General Administrative Agent, before 10:30 A.M., New York City time, on the day that is three Business Days before the proposed Borrowing Date, setting forth:

(i) the maximum amount of CAF Advances for each CAF Advance Maturity Date and the aggregate maximum amount of CAF Advances for all CAF Advance Maturity Dates which such Lender would be willing to make (which amounts may, subject to subsection 4.1, exceed such Lender's U.S. Revolving Credit Commitment); and

(ii) the margin above or below the applicable LIBO Rate at which such Lender is willing to make each such CAF Advance.

The General Administrative Agent shall advise the U.S. Borrower before 11:00 A.M., New York City time, on the date which is three Business Days before the proposed Borrowing Date of the contents of each such CAF Advance Offer received by it. If the General Administrative Agent, in its capacity as a Lender, shall elect, in its sole discretion, to make any such CAF Advance Offer, it shall advise the U.S. Borrower of the contents of its CAF Advance Offer before 10:15 A.M., New York City time, on the date which is three Business Days before the proposed Borrowing Date.

(c) In the case of a Fixed Rate CAF Advance Request, upon receipt of notice from the General Administrative Agent of the contents of such CAF Advance Request, each Lender may elect, in its sole discretion, to offer irrevocably to make one or more CAF Advances at a rate of interest determined by such Lender in its sole discretion for each such CAF Advance. Any such irrevocable offer shall be made by delivering a CAF Advance Offer to the General Administrative Agent before 9:30 A.M., New York City time, on the proposed Borrowing Date, setting forth:

(i) the maximum amount of CAF Advances for each CAF Advance Maturity Date, and the aggregate maximum amount of CAF Advances for all CAF Advance Maturity Dates, which such Lender would be willing to make (which amounts may, subject to subsection 4.1, exceed such Lender's U.S. Revolving Credit Commitment); and

(ii) the rate of interest at which such Lender is willing to make each such CAF Advance.

The General Administrative Agent shall advise the U.S. Borrower before 10:00 A.M., New York City time, on the proposed Borrowing Date of the contents of each such CAF Advance Offer received by it. If the General Administrative Agent, in its capacity as a Lender, shall elect, in its sole discretion, to make any such CAF Advance Offer, it shall advise the U.S. Borrower of the contents of its CAF Advance Offer before 9:15 A.M., New York City time, on the proposed Borrowing Date.

(d) Before 11:30 A.M., New York City time, three Business Days before the proposed Borrowing Date (in the case of CAF Advances requested by a LIBO Rate CAF Advance Request) and before 10:30 A.M., New York City time, on the proposed Borrowing Date (in the case of CAF Advances requested by a Fixed Rate CAF Advance Request), the U.S. Borrower, in its absolute discretion, shall:

(i) cancel such CAF Advance Request by giving the General Administrative Agent telephone notice to that effect, or

(ii) by giving telephone notice to the General Administrative Agent (immediately confirmed by delivery to the General Administrative Agent of a CAF Advance Confirmation by facsimile transmission) (A) subject to the provisions of subsection 4.2(e), accept one or more of the offers made by any Lender or Lenders pursuant to subsection 4.2(b) or subsection 4.2(c), as the case may be, and (B) reject any remaining offers made by Lenders pursuant to subsection 4.2(b) or subsection 4.2(c), as the case may be.

(e) The U.S. Borrower's acceptance of CAF Advances in response to any CAF Advance Offers shall be subject to the following limitations:

(i) the amount of CAF Advances accepted for each CAF Advance Maturity Date specified by any Lender in its CAF Advance Offer shall not exceed the maximum amount for such CAF Advance Maturity Date specified in such CAF Advance Offer;

(ii) the aggregate amount of CAF Advances accepted for all CAF Advance Maturity Dates specified by any Lender in its CAF Advance Offer shall not exceed the aggregate maximum amount specified in such CAF Advance Offer for all such CAF Advance Maturity Dates;

(iii) the U.S. Borrower may not accept offers for CAF Advances for any CAF Advance Maturity Date in an aggregate principal amount in excess of the maximum principal amount requested in the related CAF Advance Request; and

(iv) if the U.S. Borrower accepts any of such offers, it must accept offers based solely upon pricing for each relevant CAF Advance Maturity Date and upon no other criteria whatsoever, and if two or more Lenders submit offers for any CAF Advance Maturity Date at identical pricing and the U.S. Borrower accepts any of such offers but does not wish to (or, by reason of the limitations set forth in subsection 4.1, cannot) borrow the total amount offered by such Lenders with such identical pricing, the U.S. Borrower shall accept offers from all of such Lenders in amounts allocated among them pro rata according to the amounts offered by such Lenders (with appropriate rounding, in the sole discretion of the U.S. Borrower, to assure that each accepted CAF Advance is an integral multiple of $1,000,000); provided that if the number of Lenders that submit offers for any CAF Advance Maturity Date at identical pricing is such that, after the U.S. Borrower accepts such offers pro rata in accordance with the foregoing provisions of this paragraph, the CAF Advance to be made by any such Lender would be less than $5,000,000 principal amount, the number of such Lenders shall be reduced by the General Administrative Agent by lot until the CAF Advances to be made by each such remaining Lender would be in a principal amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof.

(f) If the U.S. Borrower notifies the General Administrative Agent that a CAF Advance Request is cancelled pursuant to subsection 4.2(d)(i), the General Administrative Agent shall give prompt telephone notice thereof to the Lenders. If the U.S. Borrower fails to notify the General Administrative Agent of its cancellation or acceptance of CAF Advance Offers by the times specified in subsection 4.2(d), the corresponding CAF Advance Request shall be deemed cancelled.

(g) If the U.S. Borrower accepts pursuant to subsection 4.2(d)(ii) one or more of the offers made by any Lender or Lenders, the General Administrative Agent promptly shall notify each Lender which has made such an offer of (i) the aggregate amount of such CAF Advances to be made on the applicable Borrowing Date for each CAF Advance Maturity Date and (ii) the acceptance or rejection of any offers to make such CAF Advances made by such Lender. Before 12:00 Noon, New York City time, on the Borrowing Date specified in the applicable CAF Advance Request, each Lender whose CAF Advance Offer has been accepted shall make available to the General Administrative Agent at its office set forth in subsection 18.2 the amount of CAF Advances to be made by such Lender, in immediately available funds. The General Administrative Agent will make such funds available to the U.S. Borrower as soon as practicable on such date at such office of the General Administrative Agent. As soon as practicable after each Borrowing Date, the General Administrative Agent shall notify each Lender of the aggregate amount of CAF Advances advanced on such Borrowing Date and the respective CAF Advance Maturity Dates thereof.

4.3 CAF Advance Payments. (a) The U.S. Borrower shall pay to the General Administrative Agent, for the account of each Lender which has made a CAF Advance, on the applicable CAF Advance Maturity Date the then unpaid principal amount of such CAF Advance. The U.S. Borrower shall not have the right to prepay any principal amount of any CAF Advance without the consent of the Lender to which such CAF Advance is owed.

(b) The U.S. Borrower shall pay interest on the unpaid principal amount of each CAF Advance from the Borrowing Date to the applicable CAF Advance Maturity Date at the rate of interest specified in the CAF Advance Offer accepted by the U.S. Borrower in connection with such CAF Advance (calculated on the basis of a 360-day year for actual days elapsed), payable on each applicable CAF Advance Interest Payment Date.

(c) If any principal of, or interest on, any CAF Advance shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such CAF Advance shall, without limiting any rights of any Lender under this Agreement, bear interest from the date on which such payment was due at a rate per annum which is 2% above the rate which would otherwise be applicable to such CAF Advance until the stated CAF Advance Maturity Date of such CAF Advance, and for each day thereafter at a rate per annum which is 2% above the ABR, in each case until paid in full (as well after as before judgment). Interest accruing pursuant to this paragraph (c) shall be payable from time to time on demand.

4.4 Evidence of Debt. (a) The U.S. Borrower unconditionally promises to pay to the General Administrative Agent, for the account of each Lender that makes a CAF Advance, on the CAF Advance Maturity Date with respect thereto, the principal amount of such CAF

Advance. The U.S. Borrower further unconditionally promises to pay interest on each such CAF Advance for the period from and including the Borrowing Date of such CAF Advance on the unpaid principal amount thereof from time to time outstanding at the applicable rate per annum determined as provided in, and payable as specified in, subsection 4.3(b).

(b) Each Lender shall maintain in accordance with its usual practice appropriate records evidencing indebtedness of the U.S. Borrower to such Lender resulting from each CAF Advance of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time in respect of such CAF Advance.

(c) The General Administrative Agent shall maintain the Register pursuant to subsection 18.6(d), and a subaccount therein for each Lender, in which shall be recorded (i) the date and amount of each CAF Advance made by such Lender, the CAF Advance Maturity Date thereof, the interest rate applicable thereto and each CAF Advance Interest Payment Date applicable thereto, and (ii) the date and amount of any sum received by the General Administrative Agent hereunder from the U.S. Borrower on account of such CAF Advance.

(d) The entries made in the Register and the records of each Lender maintained pursuant to this subsection 4.4 shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the U.S. Borrower therein recorded; provided, however, that the failure of any Lender or the General Administrative Agent to maintain the Register or any such record, or any error therein, shall not in any manner affect the obligation of the U.S. Borrower to repay (with applicable interest) the CAF Advances made by such Lender in accordance with the terms of this Agreement.

4.5 Certain Restrictions. A CAF Advance Request may request offers for CAF Advances to be made on not more than one Borrowing Date and to mature on not more than five CAF Advance Maturity Dates. No CAF Advance Request may be submitted earlier than five Business Days after submission of any other CAF Advance Request.

SECTION 5. AMOUNT AND TERMS OF THE CANADIAN COMMITMENTS

5.1 Canadian Revolving Credit Commitments. Subject to the terms and conditions hereof, each Canadian Lender severally agrees to make revolving credit loans (each, a "Canadian Revolving Credit Loan") to the Canadian Borrower in Canadian Dollars or in U.S. Dollars from time to time during the Revolving Credit Commitment Period so long as after giving effect thereto (i) the Available Canadian Revolving Credit Commitment of each Canadian Lender is greater than or equal to zero and (ii) the Aggregate Total Outstandings of all Lenders do not exceed the Aggregate U.S. Revolving Credit Commitments. During the Revolving Credit Commitment Period, the Canadian Borrower may use the Canadian Revolving Credit Commitments by borrowing, repaying the Canadian Revolving Credit Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Canadian Revolving Credit Loans denominated in Canadian Dollars shall be Prime Rate Loans, and the

Canadian Revolving Credit Loans denominated in U.S. Dollars shall be Canadian Base Rate Loans.

5.2 Repayment of Canadian Revolving Credit Loans; Evidence of Debt. (a) The Canadian Borrower hereby unconditionally promises to pay to the Canadian Administrative Agent for the account of each Canadian Lender the then unpaid principal amount of each Canadian Revolving Credit Loan of such Canadian Lender (whether made before or after the termination or expiration of the Canadian Revolving Credit Commitments) on the Revolving Credit Termination Date and on such other date(s) and in such other amounts as may be required from time to time pursuant to this Agreement. The Canadian Borrower hereby further agrees to pay interest on the unpaid principal amount of the Canadian Revolving Credit Loans from time to time outstanding until payment thereof in full at the rates per annum, and on the dates, set forth in subsection 10.1.

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

(c) The Canadian Administrative Agent (together with the General Administrative Agent) shall maintain the Register pursuant to subsection 18.6(d), and a subaccount therein for each Canadian Lender, in which shall be recorded (i) the date and amount of each Canadian Revolving Credit Loan made hereunder, (ii) the date and amount of any principal or interest due and payable or to become due and payable from the Canadian Borrower to each Canadian Lender hereunder in respect of the Canadian Revolving Credit Loans and (iii) both the date and amount of any sum received by the Canadian Administrative Agent hereunder from the Canadian Borrower in respect of the Canadian Revolving Credit Loans and each Canadian Lender's share thereof.

(d) The entries made in the Register and the accounts of each Canadian Lender maintained pursuant to subsection 5.2(b) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Canadian Borrower therein recorded; provided, however, that the failure of any Canadian Lender or the General Administrative Agents to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Canadian Borrower to repay (with applicable interest) the Canadian Revolving Credit Loans made to the Canadian Borrower by such Canadian Lender in accordance with the terms of this Agreement.

(e) The Canadian Borrower agrees that, upon the request to the Canadian Administrative Agent by any Canadian Lender, it will execute and deliver to such Canadian Lender a promissory note of the Canadian Borrower evidencing the Canadian Revolving Credit Loans of such Canadian Lender, substantially in the form of Exhibit B with appropriate insertions as to date and principal amount (each, a "Canadian Revolving Credit Note"); provided, that the delivery of such Canadian Revolving Credit Notes shall not be a condition precedent to the Closing Date.

5.3 Procedure for Canadian Revolving Credit Borrowing. The Canadian Borrower may borrow under the Canadian Revolving Credit Commitments during the Revolving Credit Commitment Period on any Business Day, provided that the Canadian Borrower shall give the Canadian Administrative Agent irrevocable notice (which notice must be received by the Canadian Administrative Agent prior to 12:00 Noon, Toronto time, at least one Business Day prior to the requested Borrowing Date), specifying (i) the amount to be borrowed and (ii) the requested Borrowing Date. Each borrowing in Canadian Dollars under the Canadian Revolving Credit Commitments shall be in an amount equal to C$5,000,000 or a whole multiple of C$1,000,000 in excess thereof, and each borrowing in U.S. Dollars under the Canadian Revolving Credit Commitments shall be in an amount equal to $5,000,000 or a whole multiple of $1,000,000 in excess thereof (or, in each case, if the then Aggregate Available Canadian Revolving Credit Commitments are less than C$5,000,000 or $5,000,000, as the case may be, such lesser amount). Upon receipt of any such notice from the Canadian Borrower, the Canadian Administrative Agent shall promptly notify the General Administrative Agent and each Canadian Lender thereof. Not later than 12:00 Noon, Toronto time, on each requested Borrowing Date each Canadian Lender shall make an amount equal to its Canadian Revolving Credit Commitment Percentage of the principal amount of Canadian Revolving Credit Loans requested to be made on such Borrowing Date available to the Canadian Administrative Agent at its office specified in subsection 18.2 in Canadian Dollars or U.S. Dollars, as the case may be, and in immediately available funds. The Canadian Administrative Agent shall on such date credit the account of the Canadian Borrower on the books of such office with the aggregate of the amounts made available to the Canadian Administrative Agent by the Canadian Lenders and in like funds as received by the Canadian Administrative Agent.

5.4 Termination or Reduction of Canadian Revolving Credit Commitments. The U.S. Borrower shall have the right, upon not less than three Business Days' notice to the Canadian Administrative Agent, to terminate the Canadian Revolving Credit Commitments or, from time to time, to reduce the amount of the Canadian Revolving Credit Commitments; provided that no such termination or reduction shall be permitted (i) unless the U.S. Borrower elects to terminate or reduce the U.S. Revolving Credit Commitments of the U.S. Common Lenders by an amount equal to the U.S. Dollar Equivalent of the aggregate Canadian Revolving Credit Commitments of all Canadian Lenders being reduced or terminated or (ii) if, after giving effect thereto and to any prepayments of the Loans made on the effective date thereof, the Available Canadian Revolving Credit Commitment of any Canadian Lender would be less than zero. Any such reduction shall be in an amount equal to C$5,000,000 or a whole multiple of C$1,000,000 in excess thereof and shall reduce permanently the Canadian Revolving Credit Commitments then in effect.

SECTION 6. AMOUNT AND TERMS OF CANADIAN ACCEPTANCE FACILITY

6.1 Acceptance Commitments. (a) Subject to the terms and conditions hereof, each Canadian Lender severally agrees to create Acceptances for the Canadian Borrower on any Business Day during the Revolving Credit Commitment Period by accepting Drafts drawn by the Canadian Borrower so long as after giving effect to such acceptance, (i) the Available Canadian

Revolving Credit Commitment of such Canadian Lender would be greater than or equal to zero and (ii) the Aggregate Total Outstandings of all Lenders do not exceed the Aggregate U.S. Revolving Credit Commitments.

(b) The Canadian Borrower may utilize the Canadian Revolving Credit Commitments in the manner contemplated by this Section 6 by authorizing each Canadian Lender in the manner provided for in subsection 6.2(b) to draw Drafts on such Canadian Lender and having such Drafts accepted pursuant to subsection 6.2, paying its obligations with respect thereto pursuant to subsection 6.5, and again, from time to time, authorizing Drafts to be drawn on the Canadian Lenders and having them presented for acceptance, all in accordance with the terms and conditions of this Section 6.

(c) For the purposes of this Agreement, all Acceptances shall be considered a utilization of the Canadian Revolving Credit Commitments in an amount equal to the undiscounted face amount of such Acceptance.

6.2 Creation of Acceptances. (a) The Canadian Borrower may request the creation of Acceptances hereunder by submitting to the Canadian Administrative Agent at its office specified in subsection 18.2 prior to 11:00 A.M., Toronto time, two Business Days prior to the requested Borrowing Date, (i) a request for acceptances (each, a "Request for Acceptances") completed in a manner and in form and substance reasonably satisfactory to the Canadian Administrative Agent and specifying, among other things, the Borrowing Date, maturity and face amount of the Drafts to be accepted and discounted, (ii) to the extent not theretofore supplied to each Canadian Lender, a sufficient number of Drafts to be drawn on the Canadian Lenders, to be appropriately completed in accordance with subsection 6.2(d) and (iii) such other certificates, documents and other papers and information as the Canadian Administrative Agent may reasonably request. Upon receipt of any such Request for Acceptances, the Canadian Administrative Agent shall promptly notify each Canadian Lender and the General Administrative Agent of its receipt thereof.

(b) The Canadian Borrower hereby agrees that it shall deliver to the Canadian Administrative Agent on or prior to the Closing Date, Powers of Attorney substantially in the form annexed hereto as Exhibit D (the "Powers of Attorney") authorizing each Canadian Lender to draw Drafts on such Canadian Lender on behalf of the Canadian Borrower and to complete such Drafts in accordance with the Requests for Acceptances submitted from time to time pursuant to subsection 6.2(a).

(c) Each Request for Acceptances made by or on behalf of the Canadian Borrower hereunder shall contain a request for Acceptances denominated in Canadian Dollars and having an aggregate undiscounted face amount equal to C$5,000,000 or a whole multiple of C$1,000,000 in excess thereof. Each Acceptance shall be dated the Borrowing Date specified in the Request for Acceptances with respect thereto and shall be stated to mature on a Business Day which is not less than 30 days and not more than 180 days after the date thereof (and, in any event, prior to the Revolving Credit Termination Date).

(d) Not later than 12:00 Noon, Toronto time, on the Borrowing Date specified in the relevant Request for Acceptances, and upon fulfillment of the applicable conditions set forth in subsection 12.2, each Canadian Lender will, in accordance with such Request for Acceptances, (i) sign each Draft on behalf of the Canadian Borrower pursuant to the Power of Attorney, (ii) complete the date, amount and maturity of each Draft to be accepted, (iii) accept such Drafts and give notice to the Canadian Administrative Agent of such acceptance and (iv) upon such acceptance, purchase such Acceptances to the extent contemplated by subsection 6.3.

6.3 Discount of Acceptances. (a) Each Canadian Lender hereby severally agrees, on the terms and subject to the conditions set forth in this Agreement, to purchase Acceptances created by it on the Borrowing Date with respect thereto at the applicable Reference Discount Rate by making available to the Canadian Borrower an amount in immediately available funds equal to the Acceptance Purchase Price in respect thereof, and to notify the Canadian Administrative Agent that such Draft has been accepted, discounted and purchased by such accepting Canadian Lender.

(b) In the event that the Canadian Borrower has made a Request for Acceptances, then (i) prior to 11:00 A.M., Toronto time, on the Borrowing Date with respect thereto, the Canadian Administrative Agent will notify the General Administrative Agent, the Canadian Borrower and the Canadian Lenders of the applicable Reference Discount Rate for such Acceptances and the corresponding Acceptance Purchase Price and (ii) each Canadian Lender shall make the Acceptance Purchase Price for such Acceptances discounted by it available to the Canadian Administrative Agent, for the account of the Canadian Borrower, at the office of the Canadian Administrative Agent specified in subsection 18.2 prior to 12:00 Noon, Toronto time, on the Borrowing Date, in Canadian Dollars and in funds immediately available to the Canadian Administrative Agent. Such borrowing will then be made available to the Canadian Borrower by the Canadian Administrative Agent crediting the account of the Canadian Borrower on the books of such office with the aggregate of the amounts made available to the Canadian Administrative Agent by the Canadian Lenders and in like funds as received by the Canadian Administrative Agent.

(c) Acceptances purchased by any Canadian Lender may be held by it for its own account until maturity or sold by it at any time prior thereto in the relevant market therefor in Canada in such Canadian Lender's sole discretion. The doctrine of merger shall not apply with respect to any Acceptance held by a Lender at maturity.

6.4 Stamping Fees. On the Borrowing Date with respect to each Acceptance, the Canadian Borrower shall pay to the Canadian Administrative Agent, for the account of the Canadian Lenders, a stamping fee at a rate per annum equal to the Applicable Margin in effect on such Borrowing Date for Eurodollar Loans, computed for the period from and including the Borrowing Date with respect to such Acceptance to but not including the maturity of such Acceptance, on the basis of a 365-day year, of the undiscounted face amount of such Acceptance.

6.5 Acceptance Reimbursement Obligations. (a) The Canadian Borrower hereby unconditionally agrees to pay to the Canadian Administrative Agent for the account of each

Canadian Lender, on the maturity date (whether at stated maturity, by acceleration or otherwise) for each Acceptance created by such Canadian Lender for the account of the Canadian Borrower, the aggregate undiscounted face amount of each such then-maturing Acceptance.

(b) The obligation of the Canadian Borrower to reimburse the Canadian Lenders for then-maturing Acceptances may be satisfied by the Canadian Borrower by:

(i) paying to the Canadian Administrative Agent, for the account of the Canadian Lenders, an amount in Canadian Dollars and in immediately available funds equal to the aggregate undiscounted face amount of all Acceptances created for the account of the Canadian Borrower hereunder which are then maturing by 12:00 Noon, Toronto time, on such maturity date; provided that the Canadian Borrower shall have given not less than one Business Day's prior notice to the Canadian Administrative Agent (which shall promptly notify each Canadian Lender thereof) of its intent to reimburse the Canadian Lenders in the manner contemplated by this clause (i);

(ii) having new Drafts accepted and discounted by the Canadian Lenders in the manner contemplated by subsections 6.2 and 6.3 in substitution for the then-maturing Acceptances; provided that (A) the Canadian Borrower shall have delivered to the Canadian Administrative Agent (which shall promptly provide a copy thereof to each Canadian Lender) a duly completed Request for Acceptances not later than 2:00 P.M., Toronto time, one Business Day prior to such maturity date, together with the documents, instruments, certificates and other papers and information contemplated by subsections 6.2(a)(ii) and 6.2(a)(iii), (B) if any Default or Event of Default has occurred and is then continuing, the Request for Acceptances shall be deemed to be a request for a Canadian Revolving Credit Loan in an amount equal to the undiscounted face amount of the Acceptances requested, (C) each Canadian Lender shall retain the Acceptance Purchase Price for the Acceptance created by it and apply such Acceptance Purchase Price to the Acceptance Reimbursement Obligations of the Canadian Borrower in respect of the maturing Acceptance created by such Canadian Lender, (D) if the Acceptance Purchase Price so retained by such Canadian Lender is less than the undiscounted face amount of the then-maturing Acceptance, the Canadian Borrower shall have made arrangements reasonably satisfactory to such Canadian Lender for payment of such deficiency and (E) if the Acceptance Purchase Price so retained by the Canadian Lender is greater than the undiscounted face amount of the then-maturing Acceptance, the Canadian Lender shall make such excess available to the Canadian Administrative Agent, which in turn shall make such excess available to the Canadian Borrower, all in accordance with subsection 6.3(b); or

(iii) to the extent that the Canadian Borrower has not given to the Canadian Administrative Agent a notice contemplated by clause (i) or (ii) above, then the Canadian Borrower shall be deemed to have requested a borrowing pursuant to subsection 5.1 of Canadian Revolving Credit Loans in an aggregate principal amount equal to the undiscounted face amount of such then-maturing Acceptance. The Borrowing Date with respect to such borrowing shall be the maturity date for such Acceptance. Except to the extent that any of the events contemplated by paragraph (i) of Section 16 with respect to

the Canadian Borrower has occurred and is then continuing, each Canadian Lender shall be obligated to make the Canadian Revolving Credit Loan contemplated by this subsection 6.5(b)(iii) regardless of whether the conditions precedent to borrowing set forth in this Agreement are then satisfied. The proceeds of any Canadian Revolving Credit Loans made pursuant to this subsection 6.5(b)(iii) shall be retained by the Canadian Lenders and applied by them to the Acceptance Reimbursement Obligations of the Canadian Borrower in respect of the then-maturing Acceptance.

(c) The unpaid amount of any such Acceptance Reimbursement Obligations shall be treated as a Canadian Revolving Credit Loan for the purposes hereof and interest shall accrue on the amount of any such unpaid Acceptance Reimbursement Obligation from the date such amount becomes due until paid in full at a fluctuating rate per annum equal to the rate which would then be payable on Canadian Revolving Credit Loans. Such interest shall be payable by the Canadian Borrower on demand by the Canadian Administrative Agent.

(d) In no event shall the Canadian Borrower claim from any Canadian Lender any grace period with respect to the payment at maturity of any Acceptances created by such Canadian Lender pursuant to this Agreement.

6.6 Converting Canadian Revolving Credit Loans to Acceptances and Acceptances to Canadian Revolving Credit Loans. (a) Subject to subsection 6.6(b), the Canadian Borrower may at any time and from time to time request that any then outstanding Canadian Revolving Credit Loan denominated in Canadian Dollars be converted into an Acceptance by delivering to the Canadian Administrative Agent (which shall promptly notify the General Administrative Agent and each Canadian Lender of its receipt thereof) a Request for Acceptances, together with a statement that the Acceptances so requested are to be created pursuant to this subsection 6.6(a), such notice to be given not later than one Business Day prior to the requested conversion date.

(b) In the event that the Canadian Administrative Agent receives such a Request for Acceptances and the accompanying statement described in subsection 6.6(a), then the Canadian Borrower shall pay on the requested Borrowing Date to the Canadian Administrative Agent, for the account of the Canadian Lenders, the principal amount of the then outstanding Canadian Revolving Credit Loans being so converted, and each Canadian Lender shall accept and discount the Canadian Borrower's Draft having an aggregate face amount at least equal to the principal amount of the Canadian Revolving Credit Loans of such Canadian Lender which are then being repaid; it being understood and agreed that for the purposes of this subsection 6.6(b), such payment by the Canadian Borrower of such outstanding Canadian Revolving Credit Loans may be from the proceeds of such discounted Drafts, provided that, (i) following the occurrence and during the continuance of a Default or an Event of Default, no Acceptances may be created and (ii) no Acceptance which is permitted to be created hereunder shall have a maturity that extends beyond the Revolving Credit Termination Date.

(c) The creation of Acceptances pursuant to this subsection 6.6 shall not be subject to the satisfaction of the conditions precedent to borrowing set forth in this Agreement.

(d) The Canadian Borrower may elect from time to time to convert outstanding Acceptances to Canadian Revolving Credit Loans denominated in Canadian Dollars by giving the Canadian Administrative Agent at least one Business Day's irrevocable notice of such election prior to the maturity of such Acceptances; provided that any such conversion of Acceptances may only be made on the maturity thereof.

6.7 Allocation of Acceptances. The Canadian Borrower hereby agrees that each Request for Acceptances, reimbursement of Acceptances and conversion of Canadian Revolving Credit Loans to Acceptances shall be made in a manner so that any such Request for Acceptances, reimbursement or conversion shall apply ratably to all Canadian Lenders in accordance with their respective Canadian Revolving Credit Commitment Percentages. In the event that the aggregate undiscounted face amount of Acceptances requested by the Canadian Borrower to be created by all Canadian Lenders hereunder pursuant to any Request for Acceptances is an amount which, if divided ratably among the Canadian Lenders in accordance with their respective Canadian Revolving Credit Commitment Percentages, would not result in each Canadian Lender accepting a Draft which has an undiscounted face amount equal to C$100,000 or a whole multiple of C$100,000 in excess thereof, then, notwithstanding any provision in this subsection 6.7 to the contrary, the Canadian Administrative Agent is authorized by the Canadian Borrower and the Canadian Lenders to allocate among the Canadian Lenders the Acceptances to be issued in such manner and amounts as the Canadian Administrative Agent may, in its sole discretion, acting reasonably, consider necessary, rounding up or down, so as to ensure that no Canadian Lender is required to accept a Draft for a fraction of $100,000 and, in such event, the Canadian Lenders' ratable share with respect to such Acceptances shall be adjusted accordingly.

6.8 Special Provisions Relating to Acceptance Notes. (a) The Canadian Borrower and each Canadian Lender hereby acknowledge and agree that from time to time certain Canadian Lenders which are not Canadian chartered banks or which are Schedule II Canadian Lenders may not be authorized to or may, as a matter of general corporate policy, elect not to accept Drafts, and the Canadian Borrower and each Canadian Lender agree that any such Canadian Lender may purchase Acceptance Notes of the Canadian Borrower in accordance with the provisions of subsection 6.8(b) in lieu of creating Acceptances for its account.

(b) In the event that any Canadian Lender described in subsection 6.8(a) above is unable to, or elects as a matter of general corporate policy not to, create Acceptances hereunder, such Canadian Lender shall not create Acceptances hereunder, but rather, if the Canadian Borrower requests the creation of such Acceptances, the Canadian Borrower shall deliver to such Canadian Lender non-interest bearing promissory notes (each, an "Acceptance Note") of the Canadian Borrower, substantially in the form of Exhibit E, having the same maturity as the Acceptances to be created and in an aggregate principal amount equal to the undiscounted face amount of such Acceptances. Each such Canadian Lender hereby agrees to purchase Acceptance Notes from the Canadian Borrower at a purchase price equal to the Acceptance Purchase Price which would have been applicable if a Draft in the same aggregate face amount as the principal amount of its Acceptance Notes and of the same maturity had been accepted by it (less any stamping fee which would have been paid pursuant to subsection 5.4 if such Lender had created

an Acceptance) and such Acceptance Notes shall be governed by the provisions of this Section 6 as if they were Acceptances.

SECTION 7. AMOUNT AND TERMS OF MULTICURRENCY COMMITMENT

7.1 Multicurrency Commitments. Subject to the terms and conditions hereof, each Multicurrency Lender severally agrees to make revolving credit loans (each, a "Multicurrency Loan") in any Available Foreign Currency to the U.S. Borrower or any Foreign Subsidiary Borrower from time to time during the Revolving Credit Commitment Period so long as after giving effect thereto (a) the Available Multicurrency Commitment of such Multicurrency Lender is greater than or equal to zero, (b) the aggregate outstanding principal amount of Multicurrency Loans does not exceed an amount of which the U.S. Dollar Equivalent is $500,000,000 and (c) the Aggregate Total Outstandings of all Lenders do not exceed the Aggregate U.S. Revolving Credit Commitments. During the Revolving Credit Commitment Period, the U.S. Borrower and Foreign Subsidiary Borrowers may use the Multicurrency Commitments by borrowing, repaying the Multicurrency Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof.

7.2 Repayment of Multicurrency Loans; Evidence of Debt. (a) Each of the U.S. Borrower and each Foreign Subsidiary Borrower hereby unconditionally promises to pay to the General Administrative Agent for the account of each Multicurrency Lender the then unpaid principal amount of each Multicurrency Loan of such Multicurrency Lender to such Borrower on the Revolving Credit Termination Date and on such other date(s) and in such other amounts as may be required from time to time pursuant to this Agreement. Each of the U.S. Borrower and each Foreign Subsidiary Borrower hereby further agrees to pay interest on the unpaid principal amount of the Multicurrency Loans advanced to it and from time to time outstanding until payment thereof in full at the rates per annum, and on the dates, set forth in subsection 10.1.

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

(c) The General Administrative Agent shall maintain the Register pursuant to subsection 18.6(d), and a subaccount therein for each Multicurrency Lender, in which shall be recorded (i) the date and amount of each Multicurrency Loan made hereunder, (ii) the date and amount of any principal or interest due and payable or to become due and payable from each Borrower to each Multicurrency Lender hereunder in respect of the Multicurrency Loans and (iii) both the date and amount of any sum received by the General Administrative Agent hereunder from each Borrower in respect of the Multicurrency Loans and each Multicurrency Lender's share thereof.

(d) The entries made in the Register and the accounts of each Multicurrency Lender maintained pursuant to subsection 7.2(b) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of each Borrower therein recorded; provided, however, that the failure of any Multicurrency Lender or the General Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of such Borrower to repay (with applicable interest) the Multicurrency Loans made to such Borrower by such Multicurrency Lender in accordance with the terms of this Agreement.

7.3 Procedure for Multicurrency Borrowing. The U.S. Borrower or any Foreign Subsidiary Borrower may request the Multicurrency Lenders to make Multicurrency Loans during the Revolving Credit Commitment Period on any Business Day by delivering a Notice of Multicurrency Loan Borrowing. Each borrowing under the Multicurrency Commitments shall be in an amount in an Available Foreign Currency of which the U.S. Dollar Equivalent is equal to at least $10,000,000 (or, if the then Aggregate Available Multicurrency Commitments are less than $10,000,000, such lesser amount). Upon receipt of any such Notice of Multicurrency Borrowing from any Borrower, the General Administrative Agent shall promptly notify each Multicurrency Lender thereof. Not later than the funding time for the relevant Available Foreign Currency set forth in the Administrative Schedule each Multicurrency Lender shall make an amount equal to its Multicurrency Commitment Percentage of the principal amount of Multicurrency Loans requested to be made on such Borrowing Date available to the General Administrative Agent at the funding office for the relevant Available Foreign Currency set forth in the Administrative Schedule in the relevant Available Foreign Currency and in immediately available funds. The amounts made available by each Multicurrency Lender will then be made available on such Borrowing Date to the relevant Borrower at the funding office for the relevant Available Foreign Currency set forth in the Administrative Schedule and in like funds as received by the General Administrative Agent.

7.4 Termination or Reduction of Multicurrency Commitments. The U.S. Borrower shall have the right, upon not less than three Business Days' notice to the General Administrative Agent, to terminate the Multicurrency Commitments or, from time to time, to reduce the amount of the Multicurrency Commitments; provided that no such termination or reduction shall be permitted if, after giving effect thereto and to any prepayments of the Loans made on the effective date thereof, the Available Multicurrency Commitment of any Multicurrency Lender would be less than zero. Any such reduction shall be in an amount equal to $10,000,000 or a whole multiple of $1,000,000 in excess thereof and shall reduce permanently the Multicurrency Commitments then in effect.

SECTION 8. ALTERNATE CURRENCY FACILITIES

8.1 Terms of Alternate Currency Facilities. (a) Subject to the provisions of this Section 8, the U.S. Borrower may in its discretion from time to time designate any Subsidiary of the U.S. Borrower organized under the laws of any jurisdiction outside the United States as an "Alternate Currency Borrower" and any Qualified Credit Facility to which such Alternate Currency Borrower and any one or more Alternate Currency Lenders is a party as an "Alternate

Currency Facility", with the consent of each such Alternate Currency Lender in its sole discretion, by delivering an Alternate Currency Facility Addendum to the General Administrative Agent and the Lenders (through the General Administrative Agent) executed by the U.S. Borrower, each such Alternate Currency Borrower (or the U.S. Borrower on its behalf) and each such Alternate Currency Lender, provided, that on the effective date of such designation no Event of Default shall have occurred and be continuing. Concurrently with the delivery of an Alternate Currency Facility Addendum, the U.S. Borrower or the relevant Alternate Currency Borrower shall furnish to the General Administrative Agent copies of all documentation executed and delivered by any Alternate Currency Borrower in connection therewith, together with, if applicable, an English translation thereof. Except as otherwise provided in this Section 8 or in the definition of "Qualified Credit Facility" in subsection 1.1, the terms and conditions of each Alternate Currency Facility shall be determined by mutual agreement of the relevant Alternate Currency Borrower(s) and Alternate Currency Lender(s). The documentation governing each Alternate Currency Facility shall (i) contain an express acknowledgement that such Alternate Currency Facility shall be subject to the provisions of this Section 8 and (ii) if more than one Alternate Currency Lender is a party thereto, designate an Alternate Currency Facility Agent for such Alternate Currency Facility. Each of the U.S. Borrower and, by agreeing to any Alternate Currency Facility designation as contemplated hereby, each relevant Alternate Currency Lender (if any) party thereto which is an affiliate, branch or agency of a Lender, acknowledges and agrees that each reference in this Agreement to any "Lender" shall, to the extent applicable, be deemed to be a reference to such Alternate Currency Lender. In the event of any inconsistency between the terms of this Agreement and the terms of any Alternate Currency Facility, the terms of this Agreement shall prevail.

(b) The documentation governing each Alternate Currency Facility shall set forth (i) the maximum amount (expressed in U.S. Dollars) available to be borrowed from all Alternate Currency Lenders under such Alternate Currency Facility (as the same may be modified from time to time, an "Alternate Currency Facility Maximum Borrowing Amount") and (ii) with respect to each Alternate Currency Lender party to such Alternate Currency Facility, the maximum amount (expressed in U.S. Dollars) available to be borrowed from such Alternate Currency Lender thereunder (as the same may be modified from time to time, an "Alternate Currency Lender Maximum Borrowing Amount").

(c) Except as otherwise required by applicable law, in no event shall the Alternate Currency Lenders party to an Alternate Currency Facility have the right to accelerate the Alternate Currency Loans outstanding thereunder, or to terminate their commitments (if any) to make such Alternate Currency Loans prior to the earlier of the stated termination date in respect thereof or the Revolving Credit Termination Date, except, in each case, in connection with an acceleration of the Loans or a termination of the Commitments pursuant to Section 16, provided, that nothing in this paragraph (c) shall be deemed to require any Alternate Currency Lender to make an Alternate Currency Loan if the applicable conditions precedent to the making of such Alternate Currency Loan set forth in the documentation governing the relevant Alternate Currency Facility have not been satisfied. No Alternate Currency Loan may be made under an Alternate Currency Facility if (i) the conditions precedent in subsection 12.2 are not satisfied on the date such Alternate Currency Loan is requested to be made or (ii) after giving effect to the making of such Alternate Currency Loan and the simultaneous application of the proceeds

thereof, the Aggregate Total Outstandings of all Lenders at any time exceeds the Aggregate U.S. Revolving Credit Commitments.

(d) The relevant Alternate Currency Borrower(s) shall furnish to the General Administrative Agent copies of any amendment, supplement or other modification (including any change in commitment amounts or in the Alternate Currency Lenders participating in any Alternate Currency Facility) to the terms of any Alternate Currency Facility promptly after the effectiveness thereof (together with, if applicable, an English translation thereof). If any such amendment, supplement or other modification to an Alternate Currency Facility shall (i) add an Alternate Currency Lender thereunder or (ii) change the Alternate Currency Facility Maximum Borrowing Amount or any Alternate Currency Lender Maximum Borrowing Amount with respect thereto, the U.S. Borrower shall promptly furnish an appropriately revised Alternate Currency Facility Addendum, executed by the U.S. Borrower, the relevant Alternate Currency Borrower(s) (or the U.S. Borrower on its behalf) and the affected Alternate Currency Lenders (or any agent acting on their behalf), to the General Administrative Agent and the Lenders (through the General Administrative Agent).

(e) The U.S. Borrower may terminate its designation of a facility as an Alternate Currency Facility, with the consent of each Alternate Currency Lender party thereto at the time of such redesignation in its sole discretion, by written notice to the General Administrative Agent, which notice shall be executed by the U.S. Borrower, the relevant Alternate Currency Borrower(s) (or the U.S. Borrower on its behalf) and each Alternate Currency Lender party to such Alternate Currency Facility (or any agent acting on their behalf). Once notice of such termination is received by the General Administrative Agent, such Alternate Currency Facility and the loans and other obligations outstanding thereunder shall immediately cease to be subject to the terms of this Agreement.

(f) At no time shall the aggregate Alternate Currency Facility Maximum Borrowing Amount of all Alternative Currency Facilities exceed $250,000,000.

8.2 Reporting of Alternate Currency Outstandings. (a) On the date of the making of any Alternate Currency Loan having a fixed maturity of 30 or more days to an Alternate Currency Borrower and on the last Business Day of each month on which an Alternate Currency Borrower has any outstanding Alternate Currency Loans, the Alternate Currency Facility Agent for such Alternate Currency Facility shall deliver to the General Administrative Agent a Notice of Alternate Currency Outstandings. The General Administrative Agent will, at the request of any Alternate Currency Facility Agent, advise such Alternate Currency Facility Agent of the Exchange Rate used by the General Administrative Agent in calculating the U.S. Dollar Equivalent of Alternate Currency Loans under the related Alternate Currency Facility on any date.

(b) For purposes of any calculation under this Agreement in which the amount of the Aggregate Alternate Currency Outstandings of any Lender is a component, the General Administrative Agent shall make such calculation on the basis of the Notices of Alternate Currency Outstandings received by it at least two Business Days prior to the date of such calculation.

SECTION 9. LETTERS OF CREDIT

9.1 Letters of Credit. (a) Subject to the terms and conditions of this Agreement, Chase Delaware, as Issuing Lender, agrees, and any other Issuing Lender may, as agreed between the U.S. Borrower and such Issuing Lender, agree, on behalf of the U.S. Lenders, and in reliance on the agreement of the Lenders set forth in subsection 9.3, to issue for the account of the U.S. Borrower (or in connection with any Foreign Letter of Credit, for the joint and several accounts of the U.S. Borrower and such applicable Foreign Subsidiary) letters of credit in an aggregate face amount not to exceed at any time outstanding an amount of which the U.S. Dollar Equivalent is $250,000,000, as follows:

(i) standby letters of credit (collectively, the "Standby Letters of Credit") in the form of either (A) in the case of standby letters of credit to be used for the purposes described in subsection 9.8(a) or (c), the Issuing Lender's standard standby letter of credit or (B) in the case of standby letters of credit to be used for the purposes described in subsection 9.8(b), a letter of credit reasonably satisfactory to the Issuing Lender, and in either case, in favor of such beneficiaries as the U.S. Borrower shall specify from time to time (which shall be reasonably satisfactory to the Issuing Lender); and

(ii) commercial letters of credit in the form of the Issuing Lender's standard commercial letters of credit ("Commercial Letters of Credit") in favor of sellers of goods or services to the U.S. Borrower, its Subsidiaries or joint ventures that are Special Entities (the Standby Letters of Credit and Commercial Letters of Credit being referred to collectively as the "Letters of Credit");

provided that on the date of the issuance of any Letter of Credit, and after giving effect to such issuance, (i) the Available U.S. Revolving Credit Commitment of each U.S. Lender is greater than or equal to zero and (ii) the Aggregate Total Outstandings of all Lenders do not exceed the Aggregate U.S. Revolving Credit Commitments at such time. Each Standby Letter of Credit shall (i) have an expiry date no later than (A) with respect to any Standby Letter of Credit to be used for the purposes described in subsection 9.8(a) or (c), one year from the date of issuance thereof or, if earlier, the Revolving Credit Termination Date or (B) with respect to any Standby Letter of Credit to be used for the purposes described in subsection 9.8(b), the Revolving Credit Termination Date, (ii) be denominated in Dollars or another freely-convertible currency acceptable to the Issuing Lender and (iii) be in a minimum face amount of which the U.S. Dollar Equivalent is a minimum of $500,000 determined at the time of issuance. Each Commercial Letter of Credit shall (i) provide for the payment of sight drafts when presented for honor thereunder, or of time drafts, in each case in accordance with the terms thereof and when accompanied by the documents described or when such documents are presented, as the case may be, (ii) be denominated in Dollars or another freely-convertible currency acceptable to the Issuing Lender and (iii) have an expiry date no later than six months from the date of issuance thereof or, if earlier, five Business Days prior to the Revolving Credit Termination Date.

(b) Pursuant to the 1995 Agreement, Chase, as Issuing Lender, has issued the Letters of Credit described in Schedule V (the "Existing Letters of Credit"). From and after the

Closing Date, the Existing Letters of Credit shall for all purposes be deemed to be Letters of Credit outstanding under this Agreement.

9.2 Procedure for Issuance of Letters of Credit. The U.S. Borrower may from time to time request, upon at least three Business Days' notice, Chase Delaware, as Issuing Lender, to issue a Letter of Credit by delivering to such Issuing Lender at its address specified in subsection 18.2 a Letter of Credit Application, completed to the satisfaction of such Issuing Lender, together with such other certificates, documents and other papers and information as such Issuing Lender may reasonably request. Upon receipt of any Letter of Credit Application from the U.S. Borrower, or, in the case of a Foreign Letter of Credit, from the U.S. Borrower and the Foreign Subsidiary that is an account party on such Letter of Credit, such Issuing Lender will promptly, but in no event later than five Business Days following receipt of such Letter of Credit Application, notify each U.S. Lender thereof. Upon receipt of any Letter of Credit Application, Chase Delaware, as Issuing Lender, will process such Letter of Credit Application, and the other certificates, documents and other papers delivered in connection therewith, in accordance with its customary procedures and shall promptly issue such Letter of Credit (but in no event earlier than three Business Days after receipt by such Issuing Lender of the Letter of Credit Application relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof and by furnishing a copy thereof to the U.S. Borrower and the Participating Lenders. In addition, the U.S. Borrower may from time to time agree with Issuing Lenders other than Chase Delaware upon procedures for issuance by such Issuing Lenders of Letters of Credit and cause Letters of Credit to be issued by following such procedures. Such procedures shall be reasonably satisfactory to the General Administrative Agent. Prior to the issuance of any Letter of Credit, the Issuing Lender will confirm with the General Administrative Agent that the issuance of such Letter of Credit is permitted pursuant to Section 9 and subsection 12.2. Additionally, each Issuing Lender and the U.S. Borrower shall inform the General Administrative Agent of any modifications made to outstanding Letters of Credit, of any payments made with respect to such Letters of Credit, and of any other information regarding such Letters of Credit as may be reasonably requested by the General Administrative Agent, in each case pursuant to procedures established by the General Administrative Agent.

9.3 Participating Interests. In the case of each Existing Letter of Credit, effective on the Closing Date, and in the case of each Letter of Credit issued in accordance with the terms hereof on or after the Closing Date, effective as of the date of the issuance thereof, the Issuing Lender in respect of such Letter of Credit agrees to allot, and does allot, to each other U.S. Lender, and each such U.S. Lender severally and irrevocably agrees to take and does take, a Participating Interest in such Letter of Credit and the related Letter of Credit Application in a percentage equal to such U.S. Lender's U.S. Revolving Credit Commitment Percentage. On the date that any Purchasing Lender becomes a party to this Agreement in accordance with subsection 18.6, Participating Interests in any outstanding Letter of Credit held by the U.S. Lender from which such Purchasing Lender acquired its interest hereunder shall be proportionately reallotted between such Purchasing Lender and such transferor U.S. Lender. Each Participating Lender hereby agrees that its obligation to participate in each Letter of Credit issued in accordance with the terms hereof and to pay or to reimburse the Issuing Lender in respect of such Letter of Credit for its participating share of the drafts drawn thereunder shall be irrevocable and unconditional; provided that no Participating Lender shall be liable for the

payment of any amount under subsection 9.4(b) resulting solely from such Issuing Lender's gross negligence or willful misconduct.

9.4 Payments. (a) The U.S. Borrower agrees (and in the case of a Foreign Letter of Credit, the Foreign Subsidiary for whose account such Letter of Credit was issued shall also agree, jointly and severally) (i) to reimburse the General Administrative Agent for the account of the relevant Issuing Lender, forthwith upon its demand and otherwise in accordance with the terms of the Letter of Credit Application, if any, relating thereto, for any payment made by such Issuing Lender under any Letter of Credit issued by such Issuing Lender for its account and (ii) to pay to the General Administrative Agent for the account of such Issuing Lender, interest on any unreimbursed portion of any such payment from the date of such payment until reimbursement in full thereof at a fluctuating rate per annum equal to the rate then borne by ABR Loans pursuant to subsection 10.1(b) plus 2%.

(b) In the event that an Issuing Lender makes a payment under any Letter of Credit and is not reimbursed in full therefor, forthwith upon demand of such Issuing Lender, and otherwise in accordance with the terms hereof or of the Letter of Credit Application, if any, relating to such Letter of Credit, such Issuing Lender will promptly through the General Administrative Agent notify each Participating Lender that acquired its Participating Interest in such Letter of Credit from such Issuing Lender. No later than the close of business on the date such notice is given (if such notice is received by such Participating Lender by 12:00 Noon, otherwise no later than 12:00 Noon of the immediately following Business Day), each such Participating Lender will transfer to the General Administrative Agent, for the account of such Issuing Lender, in immediately available funds, an amount equal to such Participating Lender's pro rata share of the unreimbursed portion of such payment. Upon its receipt from such Participating Lender of such amount, such Issuing Lender will, if so requested by such Participating Lender, complete, execute and deliver to such Participating Lender a Letter of Credit Participation Certificate dated the date of such receipt and in such amount.

(c) Whenever, at any time, after an Issuing Lender has made payment under a Letter of Credit and has received from any Participating Lender such Participating Lender's pro rata share of the unreimbursed portion of such payment, such Issuing Lender receives any reimbursement on account of such unreimbursed portion or any payment of interest on account thereof, such Issuing Lender will distribute to the General Administrative Agent, for the account of such Participating Lender, its pro rata share thereof; provided, however, that in the event that the receipt by such Issuing Lender of such reimbursement or such payment of interest (as the case may be) is required to be returned, such Participating Lender will promptly return to the General Administrative Agent, for the account of such Issuing Lender, any portion thereof previously distributed by such Issuing Lender to it.

9.5 Further Assurances. (a) The U.S. Borrower hereby agrees, from time to time, to do and perform any and all acts and to execute any and all further instruments reasonably requested by an Issuing Lender more fully to effect the purposes of this Agreement and the issuance of the Letters of Credit hereunder.

(b) It is understood that in connection with Letters of Credit issued for the purposes described in subsection 9.8(b) it may be customary for the Issuing Lender in respect of such Letter of Credit to obtain an opinion of its counsel relating to such Letter of Credit, and each Issuing Lender that issues such a Letter of Credit agrees to cooperate with the U.S. Borrower in obtaining such customary opinion, which opinion shall be at the U.S. Borrower's expense unless otherwise agreed to by such Issuing Lender.

9.6 Obligations Absolute. The payment obligations of the U.S. Borrower under subsection 9.4 shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, under the following circumstances:

(a) the existence of any claim, set-off, defense or other right which the U.S. Borrower may have at any time against any beneficiary, or any transferee, of any Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), any Issuing Lender or any Participating Lender, or any other Person, whether in connection with this Agreement, the transactions contemplated herein, or any unrelated transaction;

(b) any statement or any other document presented under any Letter of Credit opened for its account proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect, except under circumstances involving the gross negligence or willful misconduct of the Issuing Lender; or

(c) payment by an Issuing Lender under any Letter of Credit against presentation of a draft or certificate which does not comply with the terms of such Letter of Credit, except payment resulting solely from the gross negligence or willful misconduct of such Issuing Lender; or

(d) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing, except circumstances or happenings resulting from the gross negligence or willful misconduct of such Issuing Lender.

9.7 Letter of Credit Application. To the extent not inconsistent with the terms of this Agreement (in which case the provisions of this Agreement shall prevail), provisions of any Letter of Credit Application related to any Letter of Credit are supplemental to, and not in derogation of, any rights and remedies of the Issuing Lenders and the Participating Lenders under this Section 9 and applicable law. The U.S. Borrower acknowledges and agrees that all rights of the Issuing Lender under any Letter of Credit Application shall inure to the benefit of each Participating Lender to the extent of its Participating Interest as fully as if such Participating Lender was a party to such Letter of Credit Application.

9.8 Purpose of Letters of Credit. Each Standby Letter of Credit shall be used by the U.S. Borrower solely (a) to provide credit support for borrowings by the U.S. Borrower, its Subsidiaries or joint ventures which are Special Entities, (b) to pay or secure the payment of the

principal amount of, and accrued interest on, and other obligations with respect to, Industrial Revenue Bonds in accordance with the provisions of the indenture related thereto, or (c) for other working capital purposes of the U.S. Borrower and Subsidiaries in the ordinary course of business. Each Commercial Letter of Credit will be used by the U.S. Borrower and Subsidiaries solely to provide the primary means of payment in connection with the purchase of goods or services by the U.S. Borrower and Subsidiaries in the ordinary course of business.

9.9 Currency Adjustments. (a) Notwithstanding anything to the contrary contained in this Agreement, for purposes of calculating any fee in respect of any Letter of Credit in respect of any Business Day, the General Administrative Agent shall convert the amount available to be drawn under any Letter of Credit denominated in a currency other than U.S. Dollars into an amount of U.S. Dollars based upon the Exchange Rate.

(b) Notwithstanding anything to the contrary contained in this Section 9, prior to demanding any reimbursement from the Participating Lenders pursuant to subsection 9.4(b) in respect of any Letter of Credit denominated in a currency other than U.S. Dollars, the Issuing Lender shall convert the relevant Borrower's obligation under subsection 9.4 to reimburse the Issuing Lender in such currency into an obligation to reimburse the Issuing Lender in U.S. Dollars. The U.S. Dollar amount of the reimbursement obligation of the relevant Borrower and the Participating Lenders shall be computed by the Issuing Lender based upon the Exchange Rate in effect for the day on which such conversion occurs.

SECTION 10. GENERAL PROVISIONS APPLICABLE TO LOANS

10.1 Interest Rates and Payment Dates. (a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such Interest Period plus the Applicable Margin in effect for such day.

(b) Each ABR Loan shall bear interest for each day on which it is outstanding at a rate per annum equal to the Alternate Base Rate for such day.

(c) Each Prime Rate Loan shall bear interest for each day on which it is outstanding at a rate per annum equal to the Prime Rate for such day.

(d) Each Canadian Base Rate Loan shall bear interest for each day on which it is outstanding at a rate per annum equal to the Canadian Base Rate for such day.

(e) Each Multicurrency Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurocurrency Rate determined for such Interest Period plus the Applicable Margin in effect for such day.

(f) If all or a portion of (i) the principal amount of any Loan, (ii) any interest payable thereon or (iii) any fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear

interest at a rate per annum equal to the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this subsection plus 2%.

(g) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (f) of this subsection shall be payable from time to time on demand.

10.2 Conversion and Continuation Options. (a) The U.S. Borrower may elect from time to time to convert outstanding Eurodollar Loans (in whole or in part) to ABR Loans by giving the General Administrative Agent at least one Business Day's prior irrevocable notice of such election, provided that any such conversion of Eurodollar Loans may only be made on the last day of an Interest Period with respect thereto unless the U.S. Borrower shall agree to pay the costs associated therewith as set forth in subsection 10.11(d). The U.S. Borrower may elect from time to time to convert outstanding ABR Loans made to it (other than Swing Line Loans) (in whole or in part) to Eurodollar Loans by giving the General Administrative Agent at least three Business Days' prior irrevocable notice of such election. Any such notice of conversion to Eurodollar Loans shall specify the length of the initial Interest Period or Interest Periods therefor. Upon receipt of any such notice the General Administrative Agent shall promptly notify each U.S. Lender thereof. All or any part of outstanding Eurodollar Loans and ABR Loans may be converted as provided herein, provided that (i) no ABR Loan may be converted into a Eurodollar Loan when any Default or Event of Default has occurred and is continuing and the General Administrative Agent or the Majority U.S. Lenders have determined that such conversion is not appropriate, (ii) any such conversion may only be made if, after giving effect thereto, subsection 10.3 shall not have been violated, (iii) no ABR Loan may be converted into a Eurodollar Loan after the date that is one month prior to the Revolving Credit Termination Date and (iv) Swing Line Loans may not be converted to Eurodollar Loans.

(b) Any Eurodollar Loans may be continued as such upon the expiration of the then current Interest Period with respect thereto by the U.S. Borrower giving notice to the General Administrative Agent of the length of the next Interest Period to be applicable to such Loans determined in accordance with the applicable provisions of the term "Interest Period" set forth in subsection 1.1, provided that no Eurodollar Loan may be continued as such (i) when any Default or Event of Default has occurred and is continuing and the General Administrative Agent or the Majority U.S. Lenders have determined that such continuation is not appropriate, (ii) if, after giving effect thereto, subsection 10.3 would be contravened or (iii) after the date that is one month prior to the Revolving Credit Termination Date, and provided, further, that if the U.S. Borrower shall fail to give such notice or if such continuation is not permitted pursuant to the preceding proviso such Eurodollar Loans shall be automatically converted to ABR Loans on the last day of such then expiring Interest Period.

(c) Any Multicurrency Loans may be continued as such upon the expiration of the then current Interest Period with respect thereto by the U.S. Borrower or the relevant Foreign Subsidiary Borrower giving a Notice of Multicurrency Loan Continuation, provided, that if the relevant Foreign Subsidiary Borrower shall fail to give such Notice of Multicurrency Loan Continuation, such Multicurrency Loans shall automatically be continued for an Interest Period of one month.

10.3 Minimum Amounts of Tranches. (a) All borrowings, conversions and continuations of U.S. Revolving Credit Loans and Multicurrency Loans hereunder and all selections of Interest Periods hereunder shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, (i) the aggregate principal amount of the Eurodollar Loans comprising each Tranche shall be equal to $10,000,000 or a whole multiple of $1,000,000 in excess thereof, (ii) the aggregate principal amount of the Multicurrency Loans comprising each Tranche shall be in an amount of which the U.S. Dollar Equivalent is at least $2,500,000 (determined at the time of borrowing or continuation) and (iii) there shall not be more than 25 Tranches at any one time outstanding.

(b) All Acceptances created hereunder, all conversions and continuations thereof and all selections of maturity dates with respect thereto shall be made pursuant to such elections so that, after giving effect thereto, there shall be no more than 10 Acceptance Tranches at any one time outstanding.

10.4 Optional and Mandatory Prepayments. (a) The U.S. Borrower may at any time and from time to time prepay U.S. Revolving Credit Loans and/or Swing Line Loans, in whole or in part without premium or penalty upon at least three Business Days' irrevocable notice to the General Administrative Agent (in the case of Eurodollar Loans) and at least one Business Day's irrevocable notice to the General Administrative Agent (in the case of U.S. Revolving Credit Loans that are ABR Loans) specifying the date and amount of prepayment and whether the prepayment of U.S. Revolving Credit Loans is of Eurodollar Loans, ABR Loans or a combination thereof, and, if a combination thereof, the amount allocable to each. Upon the receipt of any such notice the General Administrative Agent shall promptly notify each U.S. Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein. Partial prepayments of the U.S. Revolving Credit Loans shall be in an aggregate principal amount of $10,000,000 or a whole multiple of $1,000,000 in excess thereof. Partial prepayments of the Swing Line Loans shall be in aggregate principal amount of $100,000 or a whole multiple of $100,000 in excess thereof.

(b) The Canadian Borrower may at any time and from time to time prepay, without premium or penalty, the Canadian Revolving Credit Loans, in whole or in part, upon at least one Business Day's irrevocable notice to the Canadian Administrative Agent specifying the date and amount of prepayment. Upon the receipt of any such notice, the Canadian Administrative Agent shall promptly notify each Canadian Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein. Partial prepayments of Canadian Revolving Credit Loans shall be in an aggregate principal amount of C$5,000,000 or a whole multiple of C$1,000,000 in excess thereof (in the case of Canadian Revolving Credit Loans denominated in Canadian Dollars) or U.S.$5,000,000 or a whole multiple of US$1,000,000 in excess thereof (in the case of Canadian Revolving Credit Loans denominated in U.S. Dollars.

(c) The U.S. Borrower and Foreign Subsidiary Borrowers may at any time and from time to time prepay, without premium or penalty, the Multicurrency Loans, in whole or in part, upon at least three Business Days' irrevocable notice to the General Administrative Agent specifying the date and amount of prepayment. Upon the receipt of any such notice, the General

Administrative Agent shall promptly notify each Multicurrency Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein. Partial prepayments of Multicurrency Loans shall be in an aggregate principal amount of which the U.S. Dollar Equivalent is at least $10,000,000 or a whole multiple of $1,000,000 in excess thereof.

(d) If, at any time during the Revolving Credit Commitment Period, for any reason the Aggregate Total Outstandings of all Lenders exceed the Aggregate U.S. Revolving Credit Commitments then in effect by more than 5%, or the Aggregate Committed Outstandings of any Lender exceeds the Revolving Credit Commitment of such Lender then in effect by more than 5%, (i) the U.S. Borrower shall, upon learning thereof or upon the request of the General Administrative Agent, immediately prepay the Swing Line Loans and the U.S. Revolving Credit Loans and/or (ii) the Canadian Borrower shall, upon learning thereof or upon the request of the General Administrative Agent, immediately prepay the Canadian Revolving Credit Loans and/or (iii) the Foreign Subsidiary Borrowers shall, upon learning thereof or upon the request of the General Administrative Agent, immediately prepay the Multicurrency Loans and/or (iv) the Alternate Currency Borrower shall, upon learning thereof or upon the request of the General Administrative Agent, immediately prepay Alternate Currency Loans, in an aggregate principal amount at least sufficient to reduce any such excess to 0%; provided, however, that nothing in this subsection shall be construed as requiring the Canadian Borrower to so prepay in amounts (i) that would be in violation of, and its obligations to so prepay are subject to, the restrictions on financial assistance set out in the Business Corporations Act (Ontario) or (ii) outstanding by way of Acceptances; and, provided, further, that the preceding proviso shall not be construed in any way as limiting or derogating from the obligations of the Borrowers (other than the Canadian Borrower) set out in this subsection.

(e) Each prepayment of Loans pursuant to this subsection 10.4 shall be accompanied by accrued and unpaid interest on the amount prepaid to the date of prepayment and any amounts payable under subsection 10.11 in connection with such prepayment.

(f) Notwithstanding the foregoing, mandatory prepayments of Revolving Credit Loans, Multicurrency Loans or Alternate Currency Loans that would otherwise be required pursuant to this subsection 10.4 solely as a result of fluctuations in Exchange Rates from time to time shall only be required to be made pursuant to this subsection 10.4 on the last Business Day of each month on the basis of the Exchange Rate in effect on such Business Day.

(g) The U.S. Borrower shall prepay all Swing Line Loans then outstanding simultaneously with each borrowing of U.S. Revolving Credit Loans.

10.5 Facility Fees; Other Fees. (a) The U.S. Borrower agrees to pay to the General Administrative Agent for the account of each U.S. Lender, a facility fee for the period from and including the Closing Date to but excluding the Revolving Credit Termination Date (or such earlier date on which the Revolving Credit Commitments shall terminate as provided herein); each such facility fee shall be computed at the Facility Fee Rate on the amount of the U.S. Revolving Credit Commitment of such U.S. Lender during the period for which payment is made, payable quarterly in arrears on the last day of each March, June, September and December

and on the Revolving Credit Termination Date or such earlier date on which the U.S. Revolving Credit Commitments shall terminate as provided herein, commencing on the first such date to occur after the date hereof. Each U.S. Common Lender and its Counterpart Lender may elect, upon notice to the U.S. Borrowers and the Administrative Agents, to have all or a portion of the facility fees owed to such U.S. Common Lender by the U.S. Borrower paid by the Canadian Borrower in Canadian Dollars directly to the Canadian Administrative Agent for the account of such U.S. Common Lender's Counterpart Lender. Each U.S. Common Lender and its Counterpart Lender may make such election no more often than once in any year. If any such election is made, amounts otherwise due in U.S. Dollars in respect of facility fees shall be converted to Canadian Dollars at the then Exchange Rate on the date which is one Business Day prior to the date such amount is due.

(b) The U.S. Borrower shall pay (without duplication of any other fee payable under this subsection 10.5) to Chase and CSI, for their respective accounts, all fees separately agreed to by the U.S. Borrower and Chase or CSI, as the case may be.

(c) The Canadian Borrower shall (without duplication of any other fee payable under this subsection 10.5) pay to the Canadian Administrative Agent all fees separately agreed to by the Canadian Borrower and the Canadian Administrative Agent.

(d) The U.S. Borrower shall (without duplication of any other fee payable under this subsection 10.5) pay to the General Administrative Agent all fees separately agreed to by the U.S. Borrower and the General Administrative Agent.

(e) In lieu of any letter of credit commissions and fees provided for in any Letter of Credit Application (other than any standard issuance, amendment and negotiation fees), the U.S. Borrower will pay the General Administrative Agent, (i) for the account of the Issuing Lender, a non-refundable fronting fee equal to 0.125% per annum and (ii) for the account of the U.S. Lenders, a non-refundable Letter of Credit fee equal to the Applicable Margin less 0.125%, in each case on the amount available to be drawn under such Letter of Credit. Such fee shall be payable quarterly in arrears on the last Business Day of each calendar quarter, and shall be calculated on the average daily amount available to be drawn under the Letters of Credit.

(f) The U.S. Borrower agrees to pay the Issuing Lender for its own account its customary administration, amendment, transfer and negotiation fees charged by the Issuing Lender in connection with its issuance and administration of Letters of Credit.

10.6 Computation of Interest and Fees. (a) Interest based on the Eurodollar Rate or the Eurocurrency Rate shall be calculated on the basis of a 360-day year for the actual days elapsed; and facility fees and interest (other than interest based upon the Eurodollar Rate or the Eurocurrency Rate) shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed. The General Administrative Agent shall as soon as practicable notify the U.S. Borrower and the U.S. Lenders of each determination of a Eurodollar Rate or a Eurocurrency Rate. Any change in the interest rate on a Loan resulting from a change in the Alternate Base Rate or a change in the Prime Rate shall become effective as of the opening of business on the day on which such change becomes effective. The General Administrative

Agent shall as soon as practicable notify the U.S. Borrower and the Lenders of the effective date and the amount of each such change in the Alternate Base Rate, and the Canadian Administrative Agent shall as soon as practicable notify the U.S. Borrower and Canadian Borrower and the Canadian Lenders of each such change in the Prime Rate and the Canadian Base Rate. For purposes of the Interest Act (Canada), whenever any interest under this Agreement is calculated based on a period which is less than a year (the "Lesser Period"), the interest rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (i) the applicable rate based on such Lesser Period, (ii) multiplied by the actual number of days in the calendar year in which the period for which such interest is payable ends, and (iii) divided by the number of days in such Lesser Period. The rates of interest specified in this Agreement are nominal rates and all interest payments and computations are to be made without allowance or deduction for deemed reinvestment of interest.

(b) Each determination of an interest rate by the General Administrative Agent or the Canadian Administrative Agent, as the case may be, pursuant to any provision of this Agreement shall be conclusive and binding on the Borrowers and the Lenders in the absence of manifest error. Each Administrative Agent shall, at the request of a Borrower, deliver to such Borrower a statement showing in reasonable detail the calculations used by such Administrative Agent in determining any interest rate pursuant to subsection 10.1(a).

(c)(i) If any U.S. Reference Lender shall for any reason no longer have a U.S. Revolving Credit Commitment or any U.S. Revolving Credit Loans, such U.S. Reference Lender shall thereupon cease to be a U.S. Reference Lender, and if, as a result, there shall only be one U.S. Reference Lender remaining, the General Administrative Agent, with the consent of the U.S. Borrower (after consultation with U.S. Lenders) shall, by notice to the U.S. Borrower and the U.S. Lenders, designate another U.S. Lender as a U.S. Reference Lender so that there shall at all times be at least two U.S. Reference Lenders.

(ii) If any Canadian Reference Lender shall for any reason no longer have a Canadian Revolving Credit Commitment or any Canadian Revolving Credit Loans, such Canadian Reference Lender shall thereupon cease to be a Canadian Reference Lender, and if, as a result, there shall only be one Schedule I Canadian Reference Lender or Schedule II Canadian Reference Lender (as the case may be) remaining, the Canadian Administrative Agent, with the consent of the Canadian Borrower (after consultation with the Schedule I Canadian Lenders or the Schedule II Canadian Lenders, as applicable) shall, by notice to the Canadian Borrower and the Canadian Lenders, designate another Schedule I Canadian Lender or Schedule II Canadian Lender, as applicable, as a Schedule I Canadian Reference Lender or a Schedule II Canadian Reference Lender, as applicable, so that there shall at all times be at least two Schedule I Canadian Reference Lenders and two Schedule II Canadian Reference Lenders.

(d) Each U.S. and Canadian Reference Lender shall use its best efforts to furnish quotations of rates to the applicable Administrative Agent as contemplated hereby. If any of the U.S. or Canadian Reference Lenders shall be unable or shall otherwise fail to supply such rates to the applicable Administrative Agent upon its request, the rate of interest shall, subject to the provisions of subsection 10.7, be determined on the basis of the quotations of the remaining U.S. or Canadian Reference Lenders or Reference Lender, as applicable.

10.7 Inability to Determine Interest Rate. If prior to the first day of any Interest Period:

(a) the General Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrowers) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate or the Eurocurrency Rate, as the case may be, for such Interest Period, or

(b) the General Administrative Agent has received notice from the Majority U.S. Lenders that the Eurodollar Rate or Eurocurrency Rate, as the case may be, determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such U.S. Lenders of making or maintaining their Eurodollar Loans or Multicurrency Loans, as the case may be, during such Interest Period,

the General Administrative Agent shall give telecopy or telephonic notice thereof to the U.S. Borrower and the U.S. Lenders as soon as practicable thereafter. Until such time as the Eurodollar Rate or the Eurocurrency Rate, as the case may be, can be determined by the General Administrative Agent in the manner specified in the definitions of such terms in subsection 1.1, no further Eurodollar Loans or Multicurrency Loans (with respect to the Available Currency for which the Eurocurrency Rate cannot be determined only) shall be continued as such at the end of the then current Interest Periods or (other than any Eurodollar Loans or Multicurrency Loans previously requested and with respect to which the Eurodollar Rate or Eurocurrency Rate, as the case may be, was determined) shall be made, nor shall the U.S. Borrower have the right to convert ABR Loans into Eurodollar Loans.

10.8 Pro Rata Treatment and Payments. (a) (i) Except as provided in subsections 2.5 and 18.21, each borrowing of U.S. Revolving Credit Loans by the U.S. Borrower from the U.S. Lenders hereunder shall be made pro rata according to the Funding Commitment Percentages of the U.S. Lenders in effect on the date of such borrowing. Each payment by the U.S. Borrower on account of any facility fee hereunder shall be allocated by the General Administrative Agent among the U.S. Lenders in accordance with the respective amounts which such U.S. Lenders are entitled to receive pursuant to subsection 10.5(a). Any reduction of the U.S. Revolving Credit Commitments of the U.S. Lenders shall be allocated by the General Administrative Agent among the U.S. Lenders pro rata according to the U.S. Revolving Credit Commitment Percentages of the U.S. Lenders. Except as provided in subsection 2.5 or subsection 10.4(d), each payment (other than any optional prepayment) by the U.S. Borrower on account of principal of or interest on the U.S. Revolving Credit Loans or the CAF Advances shall be allocated by the General Administrative Agent pro rata according to the respective principal amounts thereof then due and owing to each U.S. Lender. Each optional prepayment by the U.S. Borrower on account of principal of or interest on the U.S. Revolving Credit Loans shall be allocated by the General Administrative Agent pro rata according to the respective outstanding principal amounts thereof. All payments (including prepayments) to be made by the U.S. Borrower hereunder (other than with respect to Multicurrency Loans), whether on account of principal, interest, fees or otherwise, shall be made without set-off or counterclaim and shall be made prior to 12:00 Noon, New York City time, on the due date thereof to the General

Administrative Agent, for the account of the U.S. Lenders, at the General Administrative Agent's office specified in subsection 18.2, in Dollars and in immediately available funds. The General Administrative Agent shall distribute such payments to the U.S. Lenders entitled to receive the same promptly upon receipt in like funds as received.

(ii) Each borrowing of Canadian Revolving Credit Loans by the Canadian Borrower from the Canadian Lenders hereunder shall be made, and any reduction of the Canadian Revolving Credit Commitments of the Canadian Lenders shall be allocated by the Canadian Administrative Agent, pro rata according to the Canadian Revolving Credit Commitment Percentages of the Canadian Lenders. Except as provided in subsection 10.4(d), each payment (other than any optional prepayment) by the Canadian Borrower on account of principal of or interest on the Canadian Revolving Credit Loans shall be allocated by the Canadian Administrative Agent pro rata according to the respective principal amounts of the Canadian Revolving Credit Loans then due and owing to each Canadian Lender. Each optional prepayment by the Canadian Borrower on account of principal of or interest on the Canadian Revolving Credit Loans shall be allocated by the Canadian Administrative Agent pro rata according to the respective outstanding principal amounts thereof. All payments (including prepayments) to be made by the Canadian Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without set-off or counterclaim and shall be made prior to 12:00 Noon, Toronto time, on the due date thereof to the Canadian Administrative Agent, for the account of the Canadian Lenders, at the Canadian Administrative Agent's office specified in subsection 18.2, in Canadian Dollars and in immediately available funds. The Canadian Administrative Agent shall distribute such payments to the Canadian Lenders entitled to receive the same promptly upon receipt in like funds as received.

(iii) Each borrowing of Multicurrency Loans by the U.S. Borrower or any Foreign Subsidiary Borrower shall be made, and any reduction of the Multicurrency Commitments shall be allocated by the General Administrative Agent, pro rata according to the Multicurrency Commitment Percentages of the Multicurrency Lenders. Except as provided in subsection 10.4(d), each payment (including each prepayment) by the U.S. Borrower or a Foreign Subsidiary Borrower on account of principal of and interest on Multicurrency Loans shall be allocated by the General Administrative Agent pro rata according to the respective principal amounts of the Multicurrency Loans then due and owing by such Foreign Subsidiary Borrower to each Multicurrency Lender. All payments (including prepayments) to be made by a Borrower hereunder in respect of Multicurrency Loans, whether on account of principal, interest, fees or otherwise, shall be made without set-off or counterclaim and shall be made at or before the payment time for the currency of such Multicurrency Loan set forth in the Administrative Schedule, on the due date thereof to the General Administrative Agent, for the account of the Multicurrency Lenders, at the payment office for the currency of such Multicurrency Loan set forth in the Administrative Schedule, in the currency of such Multicurrency Loan and in immediately available funds. The General Administrative Agent shall distribute such payments to the Multicurrency Lenders entitled to receive the same promptly upon receipt in like funds as received.

(iv) If any payment hereunder (other than payments on the Eurodollar Loans, the Multicurrency Loans and the Acceptances) becomes due and payable on a day other than a

Business Day, the maturity of such payment shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension. If any payment on a Eurodollar Loan or a Multicurrency Loan becomes due and payable on a day other than a Business Day, the maturity of such payment shall be extended to the next succeeding Business Day (and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension) unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. Acceptances may only mature on a Business Day.

(b) Unless the applicable Administrative Agent shall have been notified in writing by any Lender prior to a Borrowing Date that such Lender will not make the amount that would constitute its share of such borrowing available to such Administrative Agent, such Administrative Agent may assume that such Lender is making such amount available to such Administrative Agent, and such Administrative Agent may, in reliance upon such assumption, make available to the applicable Borrower a corresponding amount. If such amount is not made available to such Administrative Agent by the required time on the Borrowing Date therefor, such Lender shall pay to such Administrative Agent, on demand, such amount with interest thereon at a rate per annum equal to (i) the daily average Federal Funds Effective Rate (in the case of a borrowing of U.S. Revolving Credit Loans or CAF Advances), (ii) the Canadian Administrative Agent's reasonable estimate of its average daily cost of funds (in the case of a borrowing of Canadian Revolving Credit Loans or Acceptances) and (iii) the General Administrative Agent's reasonable estimate of its average daily cost of funds (in the case of a borrowing of Multicurrency Loans), in each case for the period until such Lender makes such amount immediately available to such Administrative Agent. A certificate of such Administrative Agent submitted to any Lender with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error. If such Lender's share of such borrowing is not made available to such Administrative Agent by such Lender within three Business Days of such Borrowing Date, the applicable Borrower shall repay such Lender's share of such borrowing (together with interest thereon from the date such amount was made available to such Borrower (i) at the rate per annum applicable to ABR Loans hereunder (in the case of amounts made available to the U.S. Borrower and amounts made available in U.S. Dollars to the Canadian Borrower), (ii) at the rate per annum applicable to Prime Rate Loans hereunder (in the case of amounts made available in Canadian Dollars to the Canadian Borrower) and (iii) the General Administrative Agent's reasonable estimate of its average daily cost of funds plus the Applicable Margin applicable to Multicurrency Loans (in the case of a borrowing of Multicurrency Loans)) to such Administrative Agent not later than three Business Days after receipt of written notice from such Administrative Agent specifying such Lender's share of such borrowing that was not made available to such Administrative Agent. Nothing contained in this subsection 10.8(b) shall prejudice any claims otherwise available to any Borrower against any Lender as a result of such Lender's failure to make its share of any borrowing available to an Administrative Agent for the account of a Borrower.

10.9 Illegality. (i) Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Eurodollar Loans or Multicurrency Loans

as contemplated by this Agreement, (a) the commitment of such Lender hereunder to make Eurodollar Loans or Multicurrency Loans, continue Eurodollar Loans or Multicurrency Loans as such and convert ABR Loans to Eurodollar Loans shall forthwith be cancelled until such time as it shall no longer be unlawful for such Lender to make or maintain the affected Loans, (b) such Lender's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to ABR Loans on the respective last days of the then current Interest Periods with respect to such Eurodollar Loans or within such earlier period as may be required by law and (c) such Lender's Multicurrency Loans shall be prepaid on the last day of the then current Interest Period with respect thereto. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period Interest Period with respect thereto, the U.S. Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to subsection 10.11.

(ii) Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Canadian Lender to create or maintain Acceptances as contemplated by this Agreement, (a) the commitment of such Canadian Lender hereunder to accept Drafts, purchase Acceptances, continue Acceptances as such and convert Canadian Revolving Credit Loans to Acceptances shall forthwith be cancelled until such time as it shall no longer be unlawful for such Canadian Lender to create or maintain Acceptances and (b) such Canadian Lender's then outstanding Acceptances, if any, shall be converted automatically to Prime Rate Loans on the respective maturities thereof or within such earlier period as may be permitted and required by law.

(iii) Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Canadian Lender to make or maintain Canadian Base Rate Loans, (a) the commitment of such Canadian Lender hereunder to make Canadian Base Rate Loans shall forthwith be cancelled until such time as it shall no longer be unlawful for such Canadian Lender to make or maintain Canadian Base Rate Loans and (b) such Canadian Lender's then outstanding Canadian Base Rate Loans, if any, shall be converted automatically to Canadian Dollars and Prime Rate Loans on the respective maturities thereof or within such earlier period as may be permitted and required by law.

10.10 Requirements of Law. (a) In the event that any Requirement of Law (or any change therein or in the interpretation or application thereof) or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority:

(i) does or shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Note, any Acceptance created by it, any Letter of Credit issued or participated in by it or any Loans made by it, or change the basis of taxation of payments to such Lender of principal, fees, interest or any other amount payable hereunder (except for taxes covered by subsection 10.12 and changes in the rate of tax on the overall net income of such Lender);

(ii) does or shall impose, modify or hold applicable any

reserve, special deposit, compulsory loan or similar requirement against assets held by, or deposits or

other liabilities in or for the account of, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Lender which are not otherwise included in the determination of the Eurodollar Rate or Eurocurrency Rate, including, without limitation, the imposition of any reserves with respect to Eurocurrency Liabilities under Regulation D of the Board; or

(iii) does or shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by any amount which such Lender deems to be material, of making, renewing or maintaining advances or extensions of credit or to reduce any amount receivable hereunder, in each case in respect of its Loans, its Acceptances or its Participating Interests, then, in any such case, the applicable Borrower shall promptly pay such Lender, upon receipt of its demand setting forth in reasonable detail, any additional amounts necessary to compensate such Lender for such additional cost or reduced amount receivable, such additional amounts together with interest on each such amount from the date two Business Days after the date demanded until payment in full thereof at the ABR. A certificate as to any additional amounts payable pursuant to the foregoing sentence submitted by such Lender, through the General Administrative Agent, to the applicable Borrower shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and payment of all amounts outstanding hereunder.

(b) In the event that any Lender shall have determined that the adoption of any law, rule, regulation or guideline regarding capital adequacy (or any change therein or in the interpretation or application thereof) or compliance by any Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any central bank or Governmental Authority, including, without limitation, the issuance of any final rule, regulation or guideline, does or shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the U.S. Borrower (with a copy to the Administrative Agent) of a written request therefor, the U.S. Borrower shall promptly pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction.

(c) If the obligation of any Lender to make Eurodollar Loans or Multicurrency Loans has been suspended pursuant to subsection 10.7 or 10.9 for more than three consecutive months or any Lender has demanded compensation under subsection 10.10(a) or 10.10(b), the U.S. Borrower shall have the right to substitute a financial institution or financial institutions (which may be one or more of the Lenders) reasonably satisfactory to the General Administrative Agent by causing such financial institution or financial institutions to purchase the rights (by paying to such Lender the principal amount of its outstanding Loans together with accrued interest thereon and all other amounts accrued for its account or owed to it hereunder and executing an Assignment and Acceptance) and to assume the obligations of such Lender under the Loan Documents. Upon such purchase and assumption by such substituted financial

institution or financial institutions, the obligations of such Lender hereunder shall be discharged; provided such Lender shall retain its rights hereunder with respect to periods prior to such substitution including, without limitation, its rights to compensation under this subsection 10.10.

10.11 Indemnity. Each Borrower agrees to indemnify each Lender and to hold each Lender harmless from any loss or expense which such Lender may sustain or incur as a consequence of (a) default by such Borrower in payment when due of the principal amount of or interest on any Loans of such Lender, (b) default by such Borrower in making a borrowing or conversion after the Borrower has given a notice of borrowing or a notice of conversion in accordance with this Agreement, (c) default by such Borrower in making any prepayment after such Borrower has given a notice in accordance with this Agreement, (d) the making of a prepayment of a Eurodollar Loan or Multicurrency Loan on a day which is not the last day of an Interest Period with respect thereto, or (e) the prepayment of an Acceptance or an Acceptance Note on a day which is not the maturity date thereof, including, without limitation, in each case, any such loss or expense arising from the reemployment of funds obtained by it to maintain its Eurodollar Loans or Multicurrency Loans hereunder or from fees payable to terminate the deposits from which such funds were obtained. A certificate as to any such loss or expense submitted by such Lender shall be conclusive, absent manifest error. This covenant shall survive termination of this Agreement and payment of all amounts outstanding hereunder.

10.12 Taxes. (a) All payments made by any Borrower under this Agreement shall be made free and clear of, and without reduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority excluding, in the case of each Administrative Agent and each Lender, income or franchise taxes imposed on such Administrative Agent or such Lender by the jurisdiction under the laws of which such Administrative Agent or such Lender is organized or any political subdivision or taxing authority thereof or therein or by any jurisdiction in which such Lender's lending office is located or any political subdivision or taxing authority thereof or therein or as a result of a connection between such Lender and any jurisdiction other than a connection resulting solely from entering into this Agreement (all such non-excluded taxes, levies, imposts, deductions, charges or withholdings being thereinafter called "Taxes"). Subject to the provisions of subsection 10.12(d), if any Taxes are required to be withheld from any amounts payable by such Borrower to any Administrative Agent or any Lender hereunder or under the Notes, the amounts so payable to such Administrative Agent or such Lender shall be increased to the extent necessary to yield to such Administrative Agent or such Lender (after payment of all Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement and the Notes. Whenever any Taxes are paid by any Borrower with respect to payments made in connection with this Agreement, as promptly as possible thereafter, such Borrower shall send to the applicable Administrative Agent for its own account or for the account of such Lender, as the case may be, a certified copy of an original official receipt received by such Borrower showing payment thereof. Subject to the provisions of subsection 10.12(d), if any Borrower fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the applicable Administrative Agent the required receipts or other required documentary evidence, such Borrower shall indemnify such Administrative Agent

and the Lenders for any incremental taxes, interest or penalties that may become payable by such Administrative Agent or any Lenders as a result of any such failure.

(b) Each U.S. Lender that is not incorporated or organized under the laws of the United States of America or a state thereof agrees that, prior to the first date any payment is due to be made to it hereunder or under any Note, it will deliver to the U.S. Borrower and the General Administrative Agent (i) two valid, duly completed copies of United States Internal Revenue Service Form 1001 or 4224 or successor applicable form, as the case may be, certifying in each case that such Lender is entitled to receive payments by the U.S. Borrower under this Agreement and the Notes payable to it, without deduction or withholding of any United States federal income taxes, and (ii) a valid, duly completed Internal Revenue Service Form W-8 or W-9 or successor applicable form, as the case may be, to establish an exemption from United States backup withholding tax. Each Lender which delivers to the U.S. Borrower and the General Administrative Agent a Form 1001 or 4224 and Form W-8 or W-9 pursuant to the next preceding sentence further undertakes to deliver to the U.S. Borrower and the General Administrative Agent two further copies of the said Form 1001 or 4224 and Form W-8 or W-9, or successor applicable forms, or other manner or certification, as the case may be, on or before the date that any such form expires or becomes obsolete or otherwise is required to be resubmitted as a condition to obtaining an exemption from withholding tax, or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the U.S. Borrower, and such extensions or renewals thereof as may reasonably be requested by the U.S. Borrower, certifying in the case of a Form 1001 or 4224 that such Lender is entitled to receive payments by the U.S. Borrower under this Agreement without deduction or withholding of any United States federal income taxes, unless any change in treaty, law or regulation or official interpretation thereof has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such letter or form with respect to it and such Lender advises the U.S. Borrower that it is not capable of receiving payments without any deduction or withholding of United States federal income tax, and in the case of a Form W-8 or W-9, establishing an exemption from United States backup withholding tax.

(c) Each Lender shall, upon request by a Foreign Subsidiary Borrower (or the U.S. Borrower on its behalf), within a reasonable period of time after such request, deliver to the Foreign Subsidiary Borrower or the applicable governmental or taxing authority, as the case may be, any form or certificate required in order that any payment by the Foreign Subsidiary Borrower under this Agreement or any Notes to such Lender may be made free and clear of, and without deduction or withholding for or on account of any Taxes (or to allow any such deduction or withholding to be at a reduced rate) imposed on such payment under the laws of the jurisdiction under which such Foreign Subsidiary Borrower is incorporated or organized, provided that such Lender is legally entitled to complete, execute and deliver such form or certificate and in such Lender's reasonable judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

(d) Neither the U.S. Borrower nor any other Borrower shall be required to pay any additional amounts to the General Administrative Agent or any Lender (or Transferee except to the extent such Transferee's transferor was entitled, at the time of transfer, to receive

additional amounts from the U.S. Borrower) in respect of Taxes pursuant to subsection 10.12(a) if (i) the obligation to pay such additional amounts would not have arisen but for a failure by the General Administrative Agent or such Lender (or Transferee) to comply with the requirements of subsection 10.12(b) or (c) (or in the case of a Transferee, the requirements of subsection 18.6(h)).

(e) Each Multicurrency Lender that is not incorporated or organized under the laws of the jurisdiction under which a Foreign Subsidiary Borrower is incorporated or organized shall, upon request by such Foreign Subsidiary Borrower, within a reasonable period of time after such request, deliver to such Foreign Subsidiary Borrower or the applicable governmental or taxing authority, as the case may be, any form or certificate required in order that any payment by such Foreign Subsidiary Borrower under this Agreement to such Lender may be made free and clear of, and without deduction or withholding for or on account of any Taxes (or to allow any such deduction or withholding to be at a reduced rate) imposed on such payment under the laws of the jurisdiction under which such Foreign Subsidiary Borrower is incorporated or organized, provided that such Multicurrency Lender is legally entitled to complete, execute and deliver such form or certificate and in such Lender's reasonable judgment such completion, execution or submission would not materially prejudice the legal position of such Multicurrency Lender.

(f) The Canadian Borrower shall not be requested to pay any additional amounts pursuant to this subsection 10.12 to any Canadian Lender in respect of any time after which such Canadian Lender has ceased to maintain its status as a resident of Canada for the purposes of the Tax Act.

(g) Each Lender agrees to use reasonable efforts (including reasonable efforts to change its lending office) to avoid or to minimize any amounts which might otherwise be payable pursuant to this subsection 10.12; provided, however, that such efforts shall not impose on such Lender any additional costs or legal or regulatory burdens deemed by such Lender in its reasonable judgment to be material.

(h) The agreements in subsection 10.12(a) shall survive the termination of this Agreement and the payment of the Notes and all other amounts payable hereunder until the expiration of the applicable statute of limitations for such taxes.

10.13 Assignment of Commitments Under Certain Circumstances. (a) In the event that any Lender shall have delivered a notice or certificate pursuant to subsection 10.10 or any Borrower has been required to pay any Taxes in respect of any Lender pursuant to subsection 10.12, the U.S. Borrower shall have the right, at its own expense, upon notice to such Lender and the General Administrative Agent, to require such Lender to transfer and assign without recourse (in accordance with and subject to the restrictions contained in subsection 18.6) all its interests, rights and obligations under this Agreement to another bank or financial institution identified by the U.S. Borrower and reasonably acceptable to the General Administrative Agent (subject to the restrictions contained in subsection 18.6) which shall assume such obligations; provided that (i) no such assignment shall conflict with any law, rule or regulation or order of any Governmental Authority and (ii) the Borrower or the assignee, as the

case may be, shall pay to the transferor Lender in immediately available funds on the date of such assignment the principal of and interest accrued to the date of payment on the Loans made by it hereunder and all other amounts accrued for its account or owed to it hereunder, including, without limitation, amounts payable pursuant to subsection 10.10 and any amounts that would be payable under Subsection 10.11 if such amount were a prepayment made in the amount and on the date of such assignment.

(b) In the event that any Multicurrency Lender (including a Transferee) does not, for any reason, deliver all forms and certificates required to permit all payments by all Foreign Subsidiary Borrowers hereunder to be made free and clear of, and without deduction or withholding for or on account of, any Taxes, the U.S. Borrower may, so long as no Event of Default has occurred and is continuing, require such Multicurrency Lender, upon five Business Days' prior written notice from the U.S. Borrower, to assign the entire then outstanding principal amount of the Multicurrency Loans owing to such Multicurrency Lender and the entire Multicurrency Commitment of such Multicurrency Lender to one or more Lenders selected by the U.S. Borrower which, after giving effect to such assignment, will have a U.S. Revolving Credit Commitment in excess of its Multicurrency Commitment. In the case of any such assignment to another Lender, such assignee Lender shall assign to such assignor Multicurrency Lender a principal amount of outstanding U.S. Revolving Credit Loans owing to such assignee Lender equal to the lesser of (i) the U.S. Dollar Equivalent of the amount of Multicurrency Loans assigned to such assignee Lender and (ii) the aggregate outstanding principal amount of U.S. Revolving Credit Loans owing to such assignee Lender. Any such assignments pursuant to the two precedent sentences shall be effected in accordance with subsection 18.6(c) and, as a condition to such assignment, simultaneously with such assignment, the U.S. Borrower shall pay or cause to be paid all amounts due to the assignor Multicurrency Lender and the assignee Lender hereunder on the effective date of such assignments.

10.14 Use of Proceeds. The proceeds of the Loans shall be used for general corporate purposes of the U.S. Borrower and its Subsidiaries, including acquisitions permitted hereunder.

SECTION 11. REPRESENTATIONS AND WARRANTIES

To induce the Lenders to enter into this Agreement and to make the Loans, and to induce the Issuing Lender to issue Letters of Credit, each Borrower hereby represents and warrants to each Administrative Agent and to each Lender that:

11.1 Financial Statements. The audited consolidated balance sheets of the U.S. Borrower as of December 31, 1995 and the related statements of income and cash flow for the fiscal year ending on such date, heretofore furnished to the General Administrative Agent and the Lenders and certified by a Responsible Officer of the U.S. Borrower are complete and correct in all material respects and fairly present the financial condition of the U.S. Borrower on such date in conformity with GAAP applied on a consistent basis (subject to normal year-end adjustments). All liabilities, direct and contingent, of the U.S. Borrower on such date required to be disclosed pursuant to GAAP are disclosed in such financial statements.

11.2 No Change. There has been no material adverse change in the business, operations, assets or financial or other condition of the U.S. Borrower and its Subsidiaries taken as a whole from that reflected on the financial statements dated December 31, 1995 referred to in subsection 11.1.

11.3 Corporate Existence; Compliance with Law. The U.S. Borrower and each of its Material Subsidiaries (a) is duly organized, validly existing and in good standing (or the functional equivalent thereof in the case of Foreign Subsidiaries) under the laws of the jurisdiction of its organization, (b) has the corporate power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation and in good standing (or the functional equivalent thereof in the case of Foreign Subsidiaries) under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification except where the failure to be so qualified and in good standing would not, individually or in the aggregate, have a material adverse effect on the business, operations, property or financial or other condition of the U.S. Borrower and its Subsidiaries taken as a whole and would not adversely affect the ability of any Loan Party to perform its respective obligations under the Loan Documents to which it is a party and (d) is in compliance with all Requirements of Law, except to the extent that the failure to comply therewith would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the business, operations, assets or financial or other condition of the U.S. Borrower and its Subsidiaries taken as a whole and would not reasonably be expected to adversely affect the ability of any Loan Party to perform its obligations under the Loan Documents to which it is a party.

11.4 Corporate Power; Authorization; Enforceable Obligations. (a) Each Loan Party has the corporate power and authority, and the legal right, to execute, deliver and perform each of the Loan Documents to which it is a party or to which this Agreement requires it to become a party. The U.S. Borrower has the corporate power and authority to borrow hereunder and has taken all necessary corporate action to authorize the borrowings on the terms and conditions of this Agreement and the U.S. Revolving Credit Notes. The Canadian Borrower has the corporate power and authority to borrow hereunder and has taken all necessary corporate action to authorize the borrowings on the terms and conditions of this Agreement and the Canadian Revolving Credit Notes. Each Loan Party has taken all necessary corporate action to authorize the execution, delivery and performance of each of the Loan Documents to which it is a party or to which this Agreement requires it to become a party.

(b) No consent or authorization of, filing with or other act by or in respect of any Person (including, without limitation, any Governmental Authority) is required in connection with the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of the Loan Documents or the consummation of any of the transactions contemplated hereby or thereby, except for consents, authorizations, or filings which have been obtained and are in full force and effect.

(c) This Agreement and each other Loan Document to which any Loan Party is a party has been, and each other Loan Document to be executed by a Loan Party hereunder will be,

duly executed and delivered on behalf of such Loan Party. This Agreement and each other Loan Document to which any Loan Party is a party constitutes, and each other Loan Document to be executed by a Loan Party hereunder will constitute, a legal, valid and binding obligation of such Loan Party enforceable against such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

11.5 No Legal Bar; Senior Debt. The execution, delivery and performance by each Loan Party of the Loan Documents to which it is a party, the borrowings hereunder and the use of the proceeds thereof, (a) will not violate any Requirement of Law or any Contractual Obligation of the U.S. Borrower or any other Loan Party (including, without limitation, the Senior Subordinated Note Indenture, the 9 1/2% Note Indenture and the Subordinated Note Indenture) except for violations of Requirements of Law and Contractual Obligations (other than such Indentures) which, individually or in the aggregate will not have a material adverse effect on the business, operations, property or financial or other condition of the U.S. Borrower and its Subsidiaries taken as a whole and will not adversely affect the ability of any Loan Party to perform its obligations under any of the Loan Documents to which it is a party and (b) will not result in, or require, the creation or imposition of any Lien (other than the Liens created by the Security Documents) on any of its or their respective properties or revenues pursuant to any Requirement of Law or Contractual Obligation. The Obligations of the U.S. Borrower constitute "Senior Indebtedness" benefitting from the subordination provisions contained in the Subordinated Debt, except to the extent that such Obligations are owed to an Affiliate of the U.S. Borrower.

11.6 No Material Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the U.S. Borrower, overtly threatened by or against the U.S. Borrower or any of its Subsidiaries or against any of its or their respective properties or revenues (a) with respect to any Loan Document or any of the transactions contemplated hereby or thereby, (b) which would reasonably be expected to have a material adverse effect on the business, operations, property or financial or other condition of the U.S. Borrower and its Subsidiaries taken as a whole or (c) which would be reasonably expected to adversely affect the ability of any Loan Party to perform its obligations under any of the Loan Documents to which it is a party.

11.7 No Default. Neither the U.S. Borrower nor any of its Subsidiaries is in default under or with respect to any Contractual Obligation or any order, award or decree of any Governmental Authority or arbitrator binding upon it or any of its properties in any respect which would have a material adverse effect on the business, operations, property or financial or other condition of the U.S. Borrower and its Subsidiaries taken as a whole or which would adversely affect the ability of any Loan Party to perform its obligations under any of the Loan Documents to which it is a party. No Default or Event of Default has occurred and is continuing.

11.8 Ownership of Property; Liens. The U.S. Borrower and each of its Material Subsidiaries has good record and marketable title in fee simple to, or a valid and subsisting

leasehold interest in all its material real property, and good title to all its other property, and none of such property is subject to any Lien, except as permitted in subsection 14.3.

11.9 Taxes. (a) The U.S. Borrower and each of its Material Subsidiaries has filed or caused to be filed all tax returns which to the knowledge of the U.S. Borrower are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than those which, in the aggregate, are not substantial in amount or those the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the U.S. Borrower or its Subsidiaries, as the case may be and except insofar as the failure to make such filings or payments would not reasonably be expected to have a material adverse effect on the business, operations, property or financial condition of the U.S. Borrower and its Subsidiaries taken as a whole); and (b) no tax lien (other than a Lien permitted in subsection 14.3) has been filed and, to the knowledge of the U.S. Borrower, no claim is being asserted with respect to any such tax, fee or other charge.

11.10 Securities Law, etc. Compliance. All transactions contemplated by this Agreement and the other Loan Documents comply in all material respects with all applicable laws and any rules and regulations thereunder, including takeover, disclosure and other federal, state and foreign securities law and Regulations G, T, U and X of the Federal Reserve Board.

11.11 ERISA. As to each Plan other than a Multiemployer Plan, neither a Reportable Event nor an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred and no Lien under the Code or ERISA in favor of PBGC or a Single Employer Plan has arisen during the five-year period prior to the date as of which this representation is deemed made. The present value of all accrued benefits under each Single Employer Plan maintained by the U.S. Borrower or any Commonly Controlled Entity (based on those assumptions used to fund the Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits, either individually or in the aggregate with all other Single Employer Plans under which such accrued benefits exceed such assets, by more than $25,000,000. Neither the U.S. Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan during the five year period prior to the date as of which this representation is made or deemed made, and neither the U.S. Borrower nor any Commonly Controlled Entity would become subject to liability under ERISA in the aggregate which exceeds $25,000,000 if the U.S. Borrower or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date hereof, and no such withdrawal is likely to occur. No such Multiemployer Plan is in Reorganization or Insolvent. The present value (determined using actuarial and other assumptions which are reasonable in respect of the benefits provided and the employees participating) of the liability of the U.S. Borrower and each Commonly Controlled Entity for post retirement benefits to be provided to their current and former employees under

Plans which are welfare benefit plans (as defined in Section 3(1) of ERISA) does not, in the aggregate, exceed the assets under all such Plans allocable to such benefits by an amount in excess of $145,000,000.

11.12 Investment Company Act; Other Regulations. The U.S. Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The U.S. Borrower is not subject to regulation under any federal or state statute or regulation which limits its ability to incur Indebtedness.

11.13 Subsidiaries, etc. The only Subsidiaries of the U.S. Borrower as of the Closing Date are those listed on Schedule VI. The U.S. Borrower owns, as of the Closing Date, the percentage of the issued and outstanding capital stock or other evidences of the ownership of each Subsidiary, listed on Schedule VI as set forth on such Schedule. Except as disclosed on Schedule VI, no such Subsidiary has issued any securities convertible into shares of its capital stock (or other evidence of ownership) or any options, warrants or other rights, to acquire such shares or securities convertible into such shares (or other evidence of ownership), and the outstanding stock and securities (or other evidence of ownership) of such Subsidiaries are owned by the U.S. Borrower and its Subsidiaries free and clear of all Liens, warrants, options or rights of others of any kind whatsoever except for Liens permitted by subsection 14.3.

11.14 Accuracy and Completeness of Information. All information, reports and other papers and data with respect to the U.S. Borrower or this Agreement or any transaction contemplated hereby furnished to the Lenders by the U.S. Borrower or on behalf of the U.S. Borrower, were, at the time the same were so furnished, complete and correct in all material respects, or have been subsequently supplemented by other information, reports or other papers or data, to the extent necessary to give the Lenders a true and accurate knowledge of the subject matter in all material respects. All projections with respect to the U.S. Borrower and its Subsidiaries, so furnished by the U.S. Borrower, as supplemented, were prepared and presented in good faith by the U.S. Borrower, it being recognized by the Lenders that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ materially from the projected results. No document furnished or statement made in writing to the Lenders by the U.S. Borrower in connection with the negotiation, preparation or execution of this Agreement contains any untrue statement of a material fact, or, to the knowledge of the U.S. Borrower after due inquiry, omits to state any such material fact necessary in order to make the statements contained therein not misleading, in either case which has not been corrected, supplemented or remedied by subsequent documents furnished or statements made in writing to the Lenders.

11.15 Security Documents. Each Pledge Agreement is effective to create in favor of the General Administrative Agent, for the ratable benefit of the Lenders, a legal, valid and enforceable security interest in the pledged assets described therein. Such Pledge Agreement constitutes a fully perfected first Lien on, and security interest in, all right, title and interest of the Loan Party thereto in the pledged assets described therein.

11.16 Patents, Copyrights, Permits and Trademarks. Each of the U.S. Borrower and its Subsidiaries owns, or has a valid license or sub-license in, all domestic and foreign letters

patent, patents, patent applications, patent and know-how licenses, inventions, technology, permits, trademark registrations and applications, trademarks, trade names, trade secrets, service marks, copyrights, product designs, applications, formulae, processes and the industrial property rights ("Proprietary Rights") used in the operation of its businesses in the manner in which they are currently being conducted and which are material to the business, operations, assets or financial or other condition of the U.S. Borrower and its Subsidiaries taken as a whole. Neither the U.S. Borrower nor any of its Subsidiaries is aware of any existing or threatened infringement or misappropriation of any Proprietary Rights of others by the U.S. Borrower or any of its Subsidiaries or of any Proprietary Rights of the U.S. Borrower or any of its Subsidiaries by others which is material to the business operations, assets or financial or other condition of the U.S. Borrower and its Subsidiaries taken as a whole.

11.17 Environmental Matters. Except as disclosed in Schedule VII, and other than such exceptions to any of the following that would not reasonably be expected to give rise to a material adverse effect on the business, operations, property or financial condition of the U.S. Borrower and its Subsidiaries taken as a whole:

(a) To the best knowledge of the U.S. Borrower and its Subsidiaries, after reasonable investigation, the Properties do not contain, and have not previously contained, any Hazardous Materials in amounts or concentrations or under such conditions which (A) constitute a violation of, or (B) could reasonably give rise to any liability under any applicable Environmental Laws.

(b) To the best knowledge of the U.S. Borrower and its Subsidiaries, after reasonable investigation, the Properties and all operations at the Properties are in compliance, and have been in compliance for the time period that each of the Properties has been owned by the U.S. Borrower or its Subsidiaries, with all Environmental Laws, and there is no contamination at, on or under the Properties, or violation of any Environmental Laws with respect to the Properties which could interfere with the continued operation of the Properties or impair the fair saleable value thereof. Neither the U.S. Borrower nor any Subsidiary has knowingly assumed any liability, by contract or otherwise, of any person under any Environmental Laws.

(c) Neither the U.S. Borrower nor any of its Subsidiaries has received any Environmental Complaint with regard to any of the Properties or the operations of the U.S. Borrower or any of its Subsidiaries, nor does the U.S. Borrower or any of its Subsidiaries have knowledge or reason to believe that any such notice will be received or is being threatened.

(d) To the best knowledge of the U.S. Borrower and its Subsidiaries, based on the U.S. Borrower's and the Subsidiaries' customary practice of contracting only with licensed haulers for removal of Hazardous Materials from the Properties only to facilities authorized to receive such Hazardous Materials, Hazardous Materials have not been transported or disposed of from the Properties in violation of, or in a manner or to a location which could reasonably give rise to liability under, Environmental Laws, nor have any Hazardous Materials been generated, treated, stored or disposed of at, on or

under any of the Properties in violation of, or in a manner that could reasonably give rise to liability under any Environmental Laws.

(e) No judicial proceedings or governmental or administrative action is pending, or, to the knowledge of the U.S. Borrower and its Subsidiaries, threatened, under any Environmental Law to which the U.S. Borrower and its Subsidiaries are or will be named as a party with respect to the Properties, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Properties.

(f) To the best knowledge of the U.S. Borrower and its Subsidiaries after reasonable investigation, there has been no release or threat of release of Hazardous Materials at or from the Properties, or arising from or related to the operations of the U.S. Borrower or its Subsidiaries in connection with the Properties in violation of or in amounts or in a manner that could reasonably give rise to liability under any Environmental Laws.

11.18 RDM Finance. On the Closing Date, RDM Finance will have no material assets (and in any event will no longer hold a participating interest in loans made to Lear Italia).

SECTION 12. CONDITIONS PRECEDENT

12.1 Conditions to Closing Date. The Closing Date shall occur on the date of satisfaction of the following conditions precedent:

(a) Agreement. The General Administrative Agent shall have received a counterpart of this Agreement for each Lender, duly executed by a Responsible Officer of each Borrower.

(b) Guarantees. The General Administrative Agent shall have received the Subsidiary Guarantee and the Additional Subsidiary Guarantee duly executed by each guarantor party thereto.

(c) Pledge Agreements. The General Administrative Agent shall have received each of the Pledge Agreements duly executed by each pledgor party thereto.

(d) Pledged Stock; Stock Powers. The General Administrative Agent shall have received the certificates representing the shares pledged pursuant to each of the Pledge Agreements, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof.

(e) Perfection Actions. The General Administrative Agent shall have received evidence in form and substance satisfactory to it that all filings, recordings, registrations and other actions necessary or, in the opinion of the General Administrative Agent,

desirable to perfect the Liens created by the Security Documents shall have been completed.

(f) Consents. The General Administrative Agent shall have received, and made available to each Lender, true and correct copies (in each case certified as to authenticity on such date by a duly authorized officer of the U.S. Borrower) of all documents and instruments, including all consents, authorizations and filings, required under any Requirement of Law or by Contractual Obligation of the U.S. Borrower or any of its Subsidiaries, in connection with the execution, delivery, performance, validity and enforceability of this Agreement and the other Loan Documents, and such consents, authorizations and filings shall be satisfactory in form and substance to the Lenders and be in full force and effect.

(g) Incumbency Certificates. The General Administrative Agent shall have received, with a copy for each Lender, a certificate of the Secretary or Assistant Secretary of each Domestic Loan Party and the Canadian Borrower, dated the Closing Date, as to the incumbency and signature of their respective officers executing each Loan Document to be entered into on the Closing Date to which it is a party, together with satisfactory evidence of the incumbency of such Secretary or Assistant Secretary.

(h) Corporate Proceedings. The General Administrative Agent shall have received, with a copy for each Lender, a copy of the resolutions in form and substance satisfactory to the General Administrative Agent, of the Board of Directors (or the executive committee thereof) of each Domestic Loan Party and the Canadian Borrower authorizing (i) the execution, delivery and performance of each Loan Document to be entered into on the Closing Date to which it is a party, and (ii) the granting by it of the pledge and security interests, if any, granted by it pursuant to such Loan Document, certified by their respective Secretary or an Assistant Secretary as of the Closing Date, which certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate.

(i) Fees. The General Administrative Agent shall have received all fees required to be paid to the General Administrative Agent and/or the Lenders pursuant to Section 10.5 and/or any other written agreement on or prior to the Closing Date.

(j) Legal Opinion of Counsel to U.S. Borrower. The General Administrative Agent shall have received, with a copy for each Lender, an opinion, dated the Closing Date, of Winston & Strawn, special counsel to the U.S. Borrower and its Subsidiaries and in substantially the form of Exhibit L and covering such other matters incident to the transactions contemplated hereby as the Lenders may reasonably require.

(k) Legal Opinions of Foreign Counsel. The General Administrative Agent shall have received or waived as a condition precedent, with a copy for each Lender, an opinion of Tory, Tory, Deslauriers & Binnington, Canadian counsel to the U.S. Borrower and the Canadian Borrower, in substantially the form of Exhibit M and covering such

other matters incident to the transactions contemplated hereby as the General Administrative Agent may reasonably require.

(l) Subordinated Debt Documents. The General Administrative Agent shall have received, with a copy for each Lender, a certified true copy of the outstanding Subordinated Debt indentures of the U.S. Borrower.

(m) Existing Credit Agreements. The General Administrative Agent shall have received evidence that all amounts payable to Lenders under the Existing Credit Agreements shall have been paid (other than the principal amount of, and accrued interest on, loans outstanding thereunder owing to Lenders thereunder that are also Lenders hereunder, which loans shall become Loans hereunder on the Closing Date).

12.2 Conditions to Each Extension of Credit. The agreement of each Lender to make any Extension of Credit requested to be made by it on any date (including, without limitation, the Closing Date), is subject to the satisfaction of the following conditions precedent as of the date such Extension of Credit is requested to be made:

(a) Representations and Warranties. Each of the representations and warranties made by each of the Loan Parties in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date (except that any representation or warranty which by its terms is made as of a specified date shall be true and correct in all material respects as of such specified date).

(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the Extension of Credit requested to be made on such date.

(c) Foreign Subsidiary Opinion. If such requested Extension of Credit is the initial Multicurrency Loan to be made to any Foreign Subsidiary Borrower, the General Administrative Agent shall have received (with a copy for each Lender) a Foreign Subsidiary Opinion in respect of such Foreign Subsidiary Borrower.

Each Extension of Credit made to a Borrower hereunder shall constitute a representation and warranty by such Borrower as of the date of such Extension of Credit that the conditions contained in this subsection 12.2 have been satisfied.

SECTION 13. AFFIRMATIVE COVENANTS

The U.S. Borrower hereby agrees that, so long as the Commitments (or any of them) remain in effect, any Loan, Acceptance Reimbursement Obligation, Acceptance Note, Reimbursement Obligation or Subsidiary Reimbursement Obligation remains outstanding and unpaid or any other amount is owing to any Lender or either Administrative Agent hereunder or under any other Loan Document, the U.S. Borrower shall and shall cause each of its Subsidiaries to:

13.1 Financial Statements. Furnish to each Lender:

(a) as soon as available, but in any event within 95 days after the end of each fiscal year of the U.S. Borrower, a copy of the audited consolidated balance sheet of the U.S. Borrower and its consolidated Subsidiaries as at the end of such year and the related consolidated statements of income and cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by independent certified public accountants of nationally recognized standing;

(b) as soon as available, but in any event not later than 50 days after the end of each of the first three quarterly periods of each fiscal year of the U.S. Borrower, the unaudited consolidated balance sheet of the U.S. Borrower and its consolidated Subsidiaries as at the end of each such quarter and the related unaudited consolidated statements of income and cash flows of the U.S. Borrower and its consolidated Subsidiaries for such quarter and the portion of the fiscal year through such date, setting forth in each case in comparative form the figures for the corresponding quarterly period of the previous year, certified by a Responsible Officer (subject to normal year-end audit adjustments).

The U.S. Borrower covenants and agrees that all such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP (subject, in the case of interim statements, to normal year-end adjustments and to the fact that such financial statements may be abbreviated and may omit footnotes or contain incomplete footnotes) applied consistently throughout the periods reflected therein (except as approved by such accountants or officer, as the case may be, and disclosed therein).

13.2 Certificates; Other Information. Furnish to each Lender:

(a) concurrently with the delivery of the financial statements referred to in subsection 13.1(a), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate;

(b) concurrently with the delivery of the financial statements referred to in subsection 13.1(a) and (b), a certificate of a Responsible Officer of the U.S. Borrower (i) stating that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate, (ii) stating, to the best of such Responsible Officer's knowledge, that all such financial statements are complete and correct in all material respects (subject, in the case of interim statements, to normal year-end audit adjustments) and have been prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein (except as disclosed therein) and (iii) showing in detail the calculations supporting such statements in respect of subsection 14.1;

(c) promptly upon receipt thereof, copies of all final reports submitted to the U.S. Borrower by independent certified public accountants in connection with each annual, interim or special audit of the books of the U.S. Borrower made by such accountants, including, without limitation, any management letter commenting on the U.S. Borrower's internal controls submitted by such accountants to management in connection with their annual audit;

(d) promptly after the same are sent, copies of all financial statements and reports which the U.S. Borrower sends to its public equity holders, and within five days after the same are filed, copies of all financial statements and reports which the U.S. Borrower may make to, or file with, the Securities and Exchange Commission or any successor or analogous Governmental Authority; and

(e) promptly, subject to reasonable confidentiality requirements, such additional financial and other information as any Lender may from time to time reasonably request.

13.3 Performance of Obligations. Perform in all material respects all of its obligations under the terms of each material mortgage, indenture, security agreement and other debt instrument by which it is bound or to which it is a party and pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except when the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided for on the books of the U.S. Borrower or its Subsidiaries, as the case may be.

13.4 Conduct of Business, Maintenance of Existence and Compliance with Obligations and Laws. Continue to engage in business of the same general type as now conducted by it and preserve, renew and keep in full force and effect its corporate existence and take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business except as otherwise permitted pursuant to subsection 14.5 and except if the Board of Directors of the U.S. Borrower shall determine in good faith that the preservation or maintenance thereof is no longer desirable in the conduct of the business of the U.S. Borrower and its Subsidiaries; comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the business, operations, property or financial or other condition of the U.S. Borrower and its Subsidiaries taken as a whole and would not reasonably be expected to adversely affect the ability of the U.S. Borrower or any of its Subsidiaries to perform their respective obligations under any of the Loan Documents to which they are a party.

13.5 Maintenance of Property; Insurance. Keep each Property and all other property useful and necessary in its business in good working order and condition; maintain with financially sound and reputable insurance companies insurance coverage as is reasonable for the business activities of the U.S. Borrower and its Subsidiaries; and furnish to the General Administrative Agent, upon written request, full information as to the insurance carried.

13.6 Inspection of Property; Books and Records; Discussions. Keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities; and permit representatives of any Lender (subject to reasonable confidentiality requirements) to visit and inspect any of its properties and examine and make abstracts from any of its books and records upon reasonable notice and at any reasonable time and as often as may reasonably be desired, and to discuss the business, operations, properties and financial and other condition of the U.S. Borrower and its Subsidiaries with officers and employees of the U.S. Borrower and its Subsidiaries and, provided the U.S. Borrower is given an opportunity to participate, with its independent certified public accountants.

13.7 Notices. Promptly give notice to the General Administrative Agent and each Lender:

(a) of the occurrence of any Default or Event of Default;

(b) of any (i) default or event of default under any Contractual Obligation of the U.S. Borrower or any of its Subsidiaries or (ii) litigation, investigation or proceeding which may exist at any time between the U.S. Borrower or any of its Subsidiaries and any Governmental Authority, which in the case of either clause (i) or (ii) above, would reasonably be expected to have a material adverse effect on the business, operations, property or financial condition of the U.S. Borrower and its Subsidiaries taken as a whole or would reasonably be expected to adversely affect the ability of the U.S. Borrower or any of its Subsidiaries to perform their respective obligations under any of the Loan Documents to which they are a party;

(c) of any litigation or proceeding affecting the U.S. Borrower or any of its Subsidiaries in which the then reasonably anticipated exposure of the U.S. Borrower and its Subsidiaries is $10,000,000 or more and not covered by insurance, or in which injunctive or similar relief is sought which is then reasonably anticipated to have an adverse economic effect on the U.S. Borrower and its Subsidiaries of $10,000,000 or more;

(d) of the following events, as soon as possible and in any event within 30 days after the U.S. Borrower knows or has reason to know thereof: (i) the occurrence or expected occurrence of any Reportable Event with respect to any Single Employer Plan, a failure to make any required contribution to any Single Employer Plan, unless such failure is cured within such 30 days or does not involve an amount in excess of $1,000,000, any Lien under the Code or ERISA in favor of the PBGC or a Single Employer Plan, or any withdrawal from, or the termination, Reorganization or Insolvency of any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the U.S. Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Single Employer or Multiemployer Plan, where, in connection with any of the events described in clauses (i) or (ii), the resulting liability would reasonably be expected to cause a material adverse change in the business, assets,

operations or financial condition of the U.S. Borrower and its Subsidiaries taken as a whole;

(e) of any Environmental Complaint which would reasonably be expected to have a material adverse effect on the business, operations, property or financial condition of the U.S. Borrower and its Subsidiaries, taken as a whole, and any notice from any Person of (i) the occurrence of any release, spill or discharge of any Hazardous Material that is reportable under any Environmental Law, (ii) the commencement of any clean up pursuant to or in accordance with any Environmental Law of any Hazardous Material at, on, under or within the Property or any part thereof or (iii) any other condition, circumstance, occurrence or event, any of which would reasonably be expected to have a material adverse effect on the business, operations, property or financial condition of the U.S. Borrower and its Subsidiaries, taken as a whole, under any Environmental Law;

(f) of (i) the incurrence of any Lien (other than Liens permitted pursuant to subsection 14.3) on, or claim asserted against any of the collateral security in the Security Documents or (ii) the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the collateral under any Security Document; and

(g) of a material adverse change in the business, operations, property or financial or other condition of the U.S. Borrower and its Subsidiaries taken as a whole.

Each notice pursuant to this subsection 13.7 shall be accompanied by a statement of a Responsible Officer of the U.S. Borrower setting forth details of the occurrence referred to therein and stating what action the U.S. Borrower proposes to take with respect thereto.

13.8 Maintenance of Liens of the Security Documents. Promptly, upon the reasonable request of any Lender, at the U.S. Borrower's expense, execute, acknowledge and deliver, or cause the execution, acknowledgement and delivery of, and thereafter register, file or record, or cause to be registered, filed or recorded, in an appropriate governmental office, any document or instrument supplemental to or confirmatory of the Security Documents or otherwise deemed by the General Administrative Agent necessary or desirable for the continued validity, perfection and priority of the Liens on the collateral covered thereby.

13.9 Environmental Matters. (a) Comply in all material respects with, and use all reasonable efforts to ensure compliance in all material respects by all tenants and subtenants, if any, with, all Environmental Laws and all requirements existing thereunder and obtain and comply in all material respects with and maintain, and use all reasonable efforts to ensure that all tenants and subtenants obtain, comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by Environmental Laws.

(b) Promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws, other than such orders and directives as to which an appeal has been taken in good faith and the pendency of any and all

such appeals does not materially and adversely affect the U.S. Borrower or any Subsidiary or the operations of the U.S. Borrower or any Subsidiary.

(c) Defend, indemnify and hold harmless the General Administrative Agent and the Lenders and their Affiliates, and their respective employees, agents, officers and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature known or unknown, contingent or otherwise, arising out of, or in any way relating to the violation of, noncompliance with or liability under any Environmental Laws applicable to the U.S. Borrower or its Subsidiaries or the Properties, or any orders, requirements or demands of Governmental Authorities related thereto, including, without limitation, attorney's and consultant's fees, investigation and laboratory fees, response costs, court costs and litigation expenses, except to the extent that any of the foregoing arise solely out of the gross negligence or willful misconduct of the party seeking indemnification therefor. This indemnity shall continue in full force and effect regardless of the termination of this Agreement.

13.10 Security Documents; Guarantee Supplement. (a) Promptly at the request of the Majority Lenders (and in any event no later than 45 days after the date of such request), at its own expense, (i) pledge 65% of the capital stock of Lear Italia to the General Administrative Agent, for the ratable benefit of the Lenders, pursuant to a pledge agreement in form and substance satisfactory to the General Administrative Agent, and (ii) cause the General Administrative Agent to receive, with a counterpart for each Lender, a legal opinion of Italian counsel acceptable to the General Administrative Agent covering such matters in respect of such pledge agreement as the General Administrative Agent shall reasonably request.

(b) As soon as possible and in no event later than 45 days after the delivery of any financial statements under subsection 13.1(a) or (b), cause (i) all of the capital stock owned directly or indirectly by the U.S. Borrower of each of the U.S. Borrower's direct or indirect Domestic Subsidiaries which on the date of such financial statements constituted at least 10% of Consolidated Assets or for the twelve month period ended on the date of such financial statements represented at least 10% of Consolidated Revenues to be pledged to the General Administrative Agent, for the ratable benefit of the Lenders, pursuant to a pledge agreement in form and substance satisfactory to the General Administrative Agent, (ii) 65% of the capital stock (or such lesser amount as may be owned by the U.S. Borrower) of each of the U.S. Borrower's direct Foreign Subsidiaries which on the date of such financial statements constituted at least 10% of Consolidated Assets or for the twelve month period ended on the date of such financial statements represented at least 10% of Consolidated Revenues to be pledged to the General Administrative Agent, for the ratable benefit of the Lenders, pursuant to a pledge agreement in form and substance satisfactory to the General Administrative Agent, and (iii) the General Administrative Agent to receive, with a counterpart for each Lender, legal opinions of counsel to the U.S. Borrower acceptable to the General Administrative Agent covering such matters in respect of such pledges as the General Administrative Agent shall reasonably request.

(c) As soon as possible and in no event later than 45 days after the delivery of any financial statements under subsection 13(a) or (b), cause (i) each of the U.S. Borrower's direct and indirect Domestic Subsidiaries which on the date of such financial statements constituted 10% of Consolidated Assets or for the twelve month period ended on the date of such

financial statements represented at least 10% of Consolidated Revenues to execute and deliver a Guarantee Supplement to the General Administrative Agent and (ii) the General Administrative Agent to receive, with a counterpart for each Lender, opinions of counsel to the U.S. Borrower, in form and substance satisfactory to the General Administrative Agent, covering the matters expressed in Exhibit S.

SECTION 14. NEGATIVE COVENANTS

The U.S. Borrower hereby agrees that, so long as the Commitments (or any of them) remain in effect, any Loan, Acceptance Reimbursement Obligation, Acceptance Note, Reimbursement Obligation or Subsidiary Reimbursement Obligation remains outstanding and unpaid or any other amount is owing to any Lender or either Administrative Agent hereunder or under any other Loan Document, the U.S. Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

14.1 Financial Covenants.

(a) Consolidated Net Worth. Permit Consolidated Net Worth to be less than $675,000,000 on the last day of any fiscal quarter.

(b) Interest Coverage. Permit the ratio of (i) Consolidated Operating Profit for any four consecutive fiscal quarters ending during any period set forth below to (ii) Consolidated Interest Expense for such four consecutive fiscal quarters, to be less than the ratio set forth opposite such period below:

Period	Ratio
The first day of the third fiscal quarter of 1996 through the last day of the fourth fiscal quarter of 1996	3.00 to 1
The first day of the first fiscal quarter of 1997 and thereafter	3.50 to 1

(c) Leverage Ratio. Permit the ratio of (i) Consolidated Indebtedness at the end of any fiscal quarter ending during any period set forth below to (ii) Consolidated Operating Profit for the four consecutive fiscal quarters then ended to be greater than the ratio set forth opposite such period below:

Period	Ratio
Closing Date - 12/31/97	4.50 to 1
1/1/98 - 12/31/98	4.00 to 1
1/1/99 - thereafter	3.75 to 1

14.2 Limitation on Indebtedness. Permit any Subsidiary to create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness in respect of the Extensions of Credit and other obligations arising under this Agreement and, without duplication, Indebtedness of any Subsidiary backed by Letters of Credit issued under this Agreement;

(b) Indebtedness under the Subsidiary Guarantee and the Additional Subsidiary Guarantee;

(c) Indebtedness in respect of Interest Rate Agreement Obligations and Currency Agreement Obligations entered into to protect against fluctuations in interest rates or exchange rates and not for speculative reasons;

(d) Indebtedness incurred by a Special Purpose Subsidiary in connection with a Receivable Financing Transaction;

(e) Acquired Indebtedness, and any refinancings thereof;

(f) Indebtedness incurred by Foreign Subsidiaries; provided that the aggregate amount of such Indebtedness which is guaranteed by the U.S. Borrower or any of its Domestic Subsidiaries (including Indebtedness in respect of the Extensions of Credit) shall not exceed an amount equal to 15% of Consolidated Assets (as of the end of the fiscal quarter of the U.S. Borrower most recently ended prior to the date of determination under this clause (f));

(g) Indebtedness in respect of Financing Leases; provided that the aggregate amount of Indebtedness incurred under this clause (g) shall not exceed $25,000,000 at any time outstanding;

(h) Indebtedness in respect of documentary letters of credit (other than Letters of Credit under this Agreement) in an aggregate face amount not exceeding $50,000,000;

(i) Indebtedness in respect of letters of credit (other than Letters of Credit under this Agreement and Letters of Credit permitted under subsection 14.2(h)) in an aggregate face amount not exceeding $80,000,000; provided that such letters of credit are used solely to (i) provide credit support in respect of leased property or (ii) provide credit support for the benefit of Foreign Subsidiaries;

(j) Indebtedness incurred to finance the purchase price of property in an aggregate amount not exceeding $25,000,000 at any one time outstanding;

(k) intercompany Indebtedness permitted by subsection 14.9; and

(l) additional Indebtedness of Domestic Subsidiaries not otherwise permitted by paragraphs (a) through (k) above; provided that the aggregate amount of such Indebtedness does not exceed $100,000,000 at any one time outstanding.

14.3 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, except for:

(a) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings; provided that adequate reserves with respect thereto are maintained on the books of the U.S. Borrower or its Subsidiaries, as the case may be, in conformity with GAAP (or, in the case of Foreign Subsidiaries, generally accepted accounting principles in effect from time to time in their respective jurisdictions of organization);

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's, suppliers or other like Liens arising in the ordinary course of business relating to obligations not overdue for a period of more than 60 days or which are bonded or being contested in good faith by appropriate proceedings;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation, including any Lien securing letters of credit issued in the ordinary course of business in connection therewith and deposits securing liabilities to insurance carriers under insurance and self-insurance programs;

(d) Liens (other than any Lien imposed by ERISA) incurred on deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds, utility payments and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, restrictions and other similar encumbrances incurred which, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the U.S. Borrower or such Subsidiary;

(f) Liens in favor of the General Administrative Agent and the Lenders created pursuant to the Security Documents and Liens securing Reimbursement Obligations and Subsidiary Reimbursement Obligations;

(g) Liens (including, without limitation, Liens incurred in connection with Financing Leases, operating leases and sale-leaseback transactions) securing Indebtedness of the U.S. Borrower and its Subsidiaries permitted by subsection 14.2(j) incurred to finance the acquisition of property; provided that (i) such Liens shall be created substantially simultaneously with the purchase of such property, (ii) such Liens do not at any time encumber any property other than the property financed by such Indebtedness, (iii) the amount of Indebtedness secured thereby is not increased and (iv)

the principal amount of Indebtedness secured by any such Lien shall at no time exceed 100% of the purchase price of such property;

(h) Liens securing the Indebtedness permitted by subsection 14.2(f) and (i) and Liens securing obligations with respect to government grants, provided that such Liens permitted by this subsection 14.3(h) do not at any time encumber any property located in the United States except for, in the case of Indebtedness permitted by subsection 14.2(i), Liens that encumber leasehold interests supported by such Indebtedness;

(i) Liens securing Indebtedness permitted by subsection 14.2(c) and any other Indebtedness in respect of Interest Rate Agreement Obligations or Currency Agreement Obligations of the U.S. Borrower entered into to protect against fluctuations in interest rates or exchange rates and not for speculative reasons, provided that such Liens run in favor of a Lender;

(j) attachment, judgment or other similar Liens arising in connection with court or arbitration proceedings fully covered by insurance or involving individually or in the aggregate, no more than $25,000,000 at any one time, provided that the same are discharged, or that execution or enforcement thereof is stayed pending appeal, within 60 days or, in the case of any stay of execution or enforcement pending appeal, within such lesser time during which such appeal may be taken;

(k) Liens securing reimbursement obligations with respect to documentary letters of credit permitted hereunder which encumber documents and other property relating to such letters of credit;

(l) Liens securing Acquired Indebtedness permitted by subsection 14.2, provided that (i) such Liens existed at the time such corporation became a Subsidiary or such assets were acquired and were not created in anticipation thereof, (ii) any such Lien does not by its terms cover any property or assets after the time such corporation became or becomes a Subsidiary or such assets were acquired which were not covered immediately prior thereto (and improvements and attachments thereto) and (iii) any such Lien does not by its terms secure any Indebtedness other than Indebtedness existing immediately prior to the time such corporation became or becomes a Subsidiary or such assets were acquired;

(m) Liens securing Indebtedness of Domestic Subsidiaries permitted under subsection 14.2(l); provided that such Indebtedness being so secured does not exceed $50,000,000 at any one time outstanding;

(n) Liens securing obligations (other than obligations representing Indebtedness for borrowed money) under operating, reciprocal easement or similar agreements entered into in the ordinary course of business;

(o) statutory Liens and rights of offset arising in the ordinary course of business of the U.S. Borrower and its Subsidiaries;

(p) Liens in connection with leases or subleases granted to others and the interest or title of a lessor or sublessor (other than the U.S. Borrower or any Subsidiary of the U.S. Borrower) under any lease;

(q) Liens arising in connection with Industrial Development Bonds or other industrial development, pollution control or other tax favored financing transactions, provided that such liens do not at any time encumber any property, other than the property financed by such transaction and other property, assets or revenues related to the property so financed on which Liens are customarily granted in connection with such transactions (in each case, together with improvements and attachments thereto);

(r) Liens on receivables subject to a Receivable Financing Transaction; and

(s) extensions, renewals and replacements of any Lien described in subsections 14.3(a) through (r) above, provided that the principal amount of the Indebtedness secured thereby is not increased and such extension or renewal is limited to the property so encumbered (and improvements or attachments thereto).

14.4 Limitation on Guarantee Obligations. Create, incur, assume or suffer to exist any Guarantee Obligation except:

(a) Guarantee Obligations of the U.S. Borrower under this Agreement and of the Domestic Subsidiaries under the Subsidiary Guarantee and the Additional Subsidiary Guarantee;

(b) Guarantee Obligations in respect of obligations of Domestic Subsidiaries permitted to be incurred pursuant to subsection 14.2;

(c) Guarantee Obligations in respect of obligations of Foreign Subsidiaries permitted to be incurred pursuant to subsection 14.2(f);

(d) Guarantee Obligations in respect of obligations of the U.S. Borrower and Special Affiliates in an aggregate principal amount not to exceed $60,000,000; and

(e) other Guarantee Obligations in respect of obligations not exceeding $10,000,000.

14.5 Limitations on Fundamental Changes. Unless expressly permitted under this Agreement, enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease, assign, transfer or otherwise dispose of, all or substantially all of its property, business or assets, or make any material change in its present method of conducting business, except:

(a) any Subsidiary of the U.S. Borrower may be merged or consolidated with or into the U.S. Borrower (provided that the U.S. Borrower shall be the continuing or surviving corporation) or with or into any one or more Wholly Owned Subsidiaries of the

U.S. Borrower that are Domestic Subsidiaries (provided that a Wholly Owned Subsidiary shall be the continuing or surviving corporation);

(b) any Foreign Subsidiary may be merged or consolidated with or into any one or more Wholly Owned Subsidiaries that are Foreign Subsidiaries (provided that a Wholly Owned Subsidiary shall be the continuing or surviving corporation);

(c) any Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the U.S. Borrower or any Wholly Owned Subsidiary of the U.S. Borrower that is a Domestic Subsidiary;

(d) any Foreign Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to a Wholly Owned Subsidiary; and

(e) any Subsidiary of the U.S. Borrower which is not a Material Subsidiary and is not a party to the Subsidiary Guarantee or the Additional Subsidiary Guarantee may be merged, consolidated or amalgamated with or into any Person, or may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to any Person or may liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution).

Notwithstanding any provision contained in paragraphs (a) and (c) of this subsection, no Subsidiary of the U.S. Borrower may (i) be merged or consolidated with or into either Lear Operations Corporation or NAB Corporation or any Subsidiary thereof or (ii) sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to either Lear Operations Corporation or NAB Corporation or any Subsidiary thereof unless, in each case, (A) the Additional Subsidiary Guarantee shall have been amended in writing to remove the limitation on such transferee's liability thereunder contained in clause (ii) of paragraph 2(b) of the Additional Subsidiary Guarantee or (B) the General Administrative Agent shall have received a certificate of a Responsible Officer of the U.S. Borrower in form and substance satisfactory to the General Administrative Agent describing such sale, lease, transfer or other disposition and certifying the fair market value of the assets to be so sold, leased, transferred or otherwise disposed. Upon the General Administrative Agent's approval of the certificate described in clause (B) of the preceding sentence, the limitation on the transferee's liability under clause (ii) of paragraph 2(b) of the Additional Subsidiary Guarantee shall automatically increase by an amount equal to the fair market value of the assets described in such certificate. For purposes of the preceding two sentences, if the transferee is a Subsidiary of either Lear Operations Corporation or NAB Corporation, the term transferee in such two sentences shall refer to either Lear Operations Corporation or NAB Corporation, whichever is the parent of such Subsidiary.

14.6 Limitation on Sale of Assets. Convey, sell, lease, assign, transfer or otherwise dispose of, any of its property, business or assets (including, without limitation, receivables and leasehold interests) whether now owned or hereafter acquired, or, in the case of any Subsidiary, issue or sell any shares of such Subsidiary's capital stock to any Person other

than the U.S. Borrower or any Wholly Owned Subsidiary (or to qualify directors if required by applicable law or similar de minimis issuances of capital stock to comply with Requirements of Law), except:

(a) the sale or other disposition of obsolete or worn out property or other property not necessary for operations disposed of in the ordinary course of business; provided that (i) the Net Proceeds of each such transaction are applied to obtain a replacement item or items of property within 120 days of the disposition thereof or (ii) the fair market value of any property not replaced pursuant to clause (i) above shall not exceed $10,000,000 in the aggregate in any one fiscal year of the U.S. Borrower;

(b) the sale of inventory or Cash Equivalents in the ordinary course of business;

(c) the sale of any property in connection with any sale and leaseback transaction;

(d) the sale by any Foreign Subsidiary of its accounts receivable; provided that the terms of each such sale are satisfactory in form and substance to the General Administrative Agent;

(e) the sale by any Domestic Subsidiary of its accounts receivable; provided that the terms of each such sale are satisfactory in form and substance to the General Administrative Agent;

(f) any sale or other disposition permitted under subsections 14.5 or 14.9;

(g) any operating lease entered into in the ordinary course of business;

(h) any assignments or licenses of intellectual property in the ordinary course of business;

(i) any sale, contribution or transfer to a Special Purpose Subsidiary in connection with a Receivable Financing Transaction; and

(j) any sale or other disposition of assets if (A) after giving effect thereto and the application of the proceeds therefrom, no Default or Event of Default is in existence and (B) if such sale or other disposition had occurred on the first day of the period of four full final quarters most recently ended prior to the date of such sale or other disposition, the U.S. Borrower would have been in compliance with subsection 14.1 during such period of four full fiscal quarters.

14.7 Limitation on Dividends. Declare or pay any dividend on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any shares of any class of capital stock of the U.S. Borrower or any warrants or options to purchase any such Stock, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or

indirectly, whether in cash or property or in obligations of the U.S. Borrower or any Subsidiary, except for (a) (i) payment by the U.S. Borrower of amounts then owing to management personnel of the U.S. Borrower pursuant to the terms of their respective employment contracts or under any employee benefit plan, (ii) mandatory purchases by the U.S. Borrower of its common stock from management personnel pursuant to the terms of their respective employment agreements or any employee benefit plan, (iii) additional repurchases by the U.S. Borrower of its common stock from management personnel, and other officers or employees of the U.S. Borrower or any Subsidiary in an amount not to exceed $35,000,000 in the aggregate and (iv) the purchase, redemption or retirement of any shares of any capital stock of the U.S. Borrower or options to purchase capital stock of the U.S. Borrower in connection with the exercise of outstanding stock options, (b) if no Default or Event of Default has occurred and is continuing (or would occur and be continuing after giving effect thereto) when any such dividend is declared by the Board of Directors of the U.S. Borrower, cash dividends on the U.S. Borrower's capital stock not to exceed in any fiscal quarter (the "Payment Quarter") an amount equal to the greater of (i) $25,000,000 and (A) 50% of Consolidated Net Income of the U.S. Borrower and its consolidated Subsidiaries for the period of four consecutive fiscal quarters ended immediately prior to the Payment Quarter (such period of four quarters being the "Calculation Period" in respect of such payment Quarter), less (B) the cash amount of all dividends paid and redemptions made by the U.S. Borrower during such Calculation Period in respect of capital stock, but only to the extent permitted by the terms of the Subordinated Debt and (c) dividends or distributions in the form of additional shares of such capital stock or in options, warrants or other rights to purchase capital stock.

14.8 Limitation on Capital Expenditures. Until such time as Investment Grade Status has been attained and for as long as it is maintained, make or commit to make any Capital Expenditures during any fiscal year exceeding, in the aggregate for the U.S. Borrower and its Subsidiaries, $250,000,000 per fiscal year; provided that any amount permitted to be expended pursuant to this subsection 14.8 which is not expended in any fiscal year may be carried over for expenditure in any subsequent fiscal year, and provided, further, that any available amount permitted to be expended pursuant to this subsection 14.8 for any subsequent fiscal year may be carried back for expenditure in any fiscal year.

14.9 Limitation on Investments, Loans and Advances. Make or suffer to exist any advance, loan, extension of credit or capital contribution to, or purchase any stock, bonds, notes, debentures or other securities of or any assets constituting a business unit of, or make any other investment in, any Person, or acquire any interest in any Person, except:

(a) extensions of trade credit in the ordinary course of business;

(b) investments in Cash Equivalents;

(c) investments by Foreign Subsidiaries in high quality investments of a type similar to Cash Equivalents made outside of the United States of America;

(d) capital contributions and equity investments made prior to the date hereof in any Subsidiary or Special Entity and any recapitalization thereof not increasing the amounts thereof;

(e) (i) loans, advances, and extensions of credit by any Subsidiary to the U.S. Borrower and (ii) loans, advances, extensions of credit, capital contributions and other investments by the U.S. Borrower or any Subsidiary to or in any other Domestic Subsidiary or Foreign Subsidiary that is organized under the laws of any country that is a member of the Organization for Economic Cooperation and Development either on the date hereof or on the date of any such loan, advance, extension of credit, capital contribution or other investment;

(f) any Foreign Subsidiary may make advances, loans, extensions of credit, capital contributions and other investments to any other Foreign Subsidiary or any Domestic Subsidiary;

(g) any Wholly Owned Subsidiary which is a Domestic Subsidiary may make advances, loans, extensions of credit, capital contributions and other investments to or in any other Wholly Owned Subsidiary which is a Domestic Subsidiary;

(h) the purchase by the U.S. Borrower or any Subsidiary of participating interests in loans to Foreign Subsidiaries; provided that the amount of each such participating interest does not exceed the amount which the U.S. Borrower or such Subsidiary would otherwise be permitted to lend or contribute to such Foreign Subsidiaries pursuant to this subsection 14.9;

(i) the U.S. Borrower and its Subsidiaries may acquire any Special Entities or the assets constituting a business unit of any Person that would be a Special Entity, provided that the aggregate purchase price of such acquisitions after the date hereof does not exceed $400,000,000 (less, in the case such Special Entities that become Subsidiaries of the U.S. Borrower, the aggregate amount of Indebtedness of such Special Entities at the time such Special Entities are acquired) per fiscal year; and provided, further, that up to $100,000,000 of such permitted amount which is not expended in any fiscal year may be carried over for such acquisitions in any subsequent fiscal year; and provided, still further, that no more than $150,000,000 per fiscal year of any such permitted amount may be expended to acquire stock or other evidence of beneficial ownership of Special Entities that do not become Subsidiaries of the U.S. Borrower;

(j) advances to employees in the ordinary course of business for travel, relocation and related expenses;

(k) investments received in connection with the bankruptcy or reorganization of suppliers, customers and other Persons having obligations in favor of the U.S. Borrower or any Subsidiary in settlement of delinquent obligations of, and other disputes with, customers, suppliers and such other Persons arising in the ordinary course of business;

(l) advances, loans, extensions of credit or other investments held by a Person at the time it becomes a Subsidiary of the U.S. Borrower in connection with an acquisition permitted hereunder; provided, that such advances, loans, extensions of credit or other investments have not been made in anticipation of such acquisition; and

(m) other investments, advances, loans, extensions of credit and capital contributions by the U.S. Borrower and its Subsidiaries not exceeding $125,000,000 in the aggregate at any one time outstanding.

14.10 Limitation on Optional Payments and Modification of Debt Instruments. (a) Prepay, purchase, redeem, retire, defease or otherwise acquire, or make any payment on account of any principal of, interest on, or premium payable in connection with the prepayment, redemption or retirement of any outstanding Subordinated Debt, except that the U.S. Borrower may prepay, purchase or redeem Subordinated Debt with the proceeds of the issuance of other subordinated Indebtedness of the U.S. Borrower or capital stock of the U.S. Borrower; provided that, in the case of the issuance of subordinated Indebtedness, either (i) the principal terms of such other subordinated Indebtedness are no more restrictive, taken as a whole, to the U.S. Borrower and its Subsidiaries than the principal terms of the Subordinated Debt being repaid, purchased or redeemed or (ii) the terms and conditions of the other subordinated Indebtedness are reasonably satisfactory to the General Administrative Agent; provided, further, that, notwithstanding any provision contained in this subsection 14.10, if no Default or Event of Default has occurred and is continuing or would occur and be continuing as a result of the following, the Subordinated Debt may be prepaid at any time without restriction or (b) without the consent of the General Administrative Agent, amend, modify or change, or consent or agree to any amendment, modification or change to any of the terms of any Subordinated Debt (except that without the consent of the General Administrative Agent or any Lender, the terms of the Subordinated Debt may be amended, modified or changed if such amendment, modification or change would extend the maturity or reduce the amount of any payment of principal thereof, would reduce the rate or extend the date for payment of interest thereon, would eliminate covenants (other than covenants with respect to subordination to Indebtedness under this Agreement) or defaults in such Subordinated Debt or would make such covenants or defaults less restrictive or make any other change that would not require the consent of the holders of such Subordinated Debt).

14.11 Transactions with Affiliates. Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate unless such transactions are otherwise permitted under this Agreement, or such transactions are in the ordinary course of the U.S. Borrower's or such Subsidiary's business and are upon fair and reasonable terms no less favorable to the U.S. Borrower or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person not an Affiliate; provided, however, that the U.S. Borrower may engage Lehman Brothers Inc., The Cypress Group, LLC or any Affiliate of Lehman Brothers Inc. or The Cypress Group, LLC as financial advisor, underwriter, broker, dealer-manager or finder in connection with any transaction at the then customary market rates for similar services.

14.12 Corporate Documents. Amend its Certificate of Incorporation or By-Laws, each as in effect on the Closing Date, if such amendment would reasonably be expected to impair the ability of the U.S. Borrower and the Subsidiaries to perform their respective obligations under the Loan Documents to which they are a party.

14.13 Fiscal Year. Permit the fiscal year of the U.S. Borrower to end on a day other than December 31.

14.14 Limitation on Restrictions Affecting Subsidiaries. Enter into any agreement with any Person other than the Lenders pursuant hereto which prohibits or limits the ability of any Subsidiary to (a) pay dividends or make other distributions or pay any Indebtedness owed to the U.S. Borrower or any Subsidiary, (b) make loans or advances to the U.S. Borrower or any Subsidiary or (c) transfer any of its properties or assets to the U.S. Borrower or any Subsidiary, except (i) prohibitions or restrictions under applicable law, (ii) agreements and instruments governing or evidencing secured Indebtedness otherwise permitted to be incurred under this Agreement that limits the right of the borrower to (A) dispose of the assets securing such Indebtedness or (B) in the case of any Foreign Subsidiary, to make dividends or distributions, (iii) customary non-assignment provisions of any lease governing a leasehold interest of any Subsidiary, (iv) customary net worth provisions contained in leases and other agreements entered into by a Subsidiary in the ordinary course of business, (v) customary restrictions with respect to a Subsidiary pursuant to an agreement that has been entered into for the sale or disposition of the assets or stock of such Subsidiary, (vi) any such restrictions existing by reasons of Contractual Obligations listed on Schedule 14.14, (vii) any restrictions on a Special Purpose Subsidiary and (viii) any restrictions contained in any instrument or agreement that refinances any Indebtedness which contains similar restrictions.

14.15 Special Purpose Subsidiary. Permit (a) any Special Purpose Subsidiary to engage in any business other than Receivable Financing Transactions and activities directly related thereto or (b) at any time the U.S. Borrower or any of its Subsidiaries (other than a Special Purpose Subsidiary) or any of their respective assets to incur any liability, direct or indirect, contingent or otherwise, in respect of any obligation of a Special Purpose Subsidiary whether arising under or in connection with any Receivable Financing Transaction or otherwise.

14.16 Interest Rate Agreements. Enter into, or become a party to, any Interest Rate Agreement that is speculative in nature.

SECTION 15. GUARANTEE

15.1 Guarantee. (a) The U.S. Borrower hereby unconditionally and irrevocably guarantees to the General Administrative Agent, for the ratable benefit of the Administrative Agents and the Lenders and their respective successors, indorsees, transferees and assigns, the prompt and complete payment and performance by each of the other Borrowers when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations.

(b) The U.S. Borrower further agrees to pay any and all expenses (including, without limitation, all reasonable fees and disbursements of counsel, provided that the U.S. Borrower shall only be required to pay the fees and disbursements of (i) one counsel for the General Administrative Agent, (ii) one counsel for the Canadian Administrative Agent, (iii) one counsel for the Canadian Lenders, (iv) one counsel for the U.S. Lenders and (v) one counsel for the General Administrative Agent and the Multicurrency Lenders in the jurisdiction of each Foreign Subsidiary Borrower) which may be paid or incurred by the Administrative Agents, or any Lender in enforcing, or obtaining advice of counsel in respect of, any rights with respect to, or collecting, any or all of the Obligations and/or enforcing any rights with respect to, or collecting against, the U.S. Borrower under this Section. This Section shall remain in full force and effect until the Obligations are paid in full and the Commitments are terminated, notwithstanding that from time to time prior thereto any Borrower may be free from any Obligations.

(c) No payment or payments made by any Borrower or any other Person or received or collected by the Administrative Agents or any Lender from any Borrower or any other Person by virtue of any action or proceeding or any set-off or appropriation or application, at any time or from time to time, in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of the U.S. Borrower hereunder which shall, notwithstanding any such payment or payments, remain liable hereunder for the Obligations until the Obligations are paid in full and the Commitments are terminated.

(d) The U.S. Borrower agrees that whenever, at any time, or from time to time, it shall make any payment to any Administrative Agent or any Lender on account of its liability hereunder, it will notify such Administrative Agent and such Lender in writing that such payment is made under this Section for such purpose.

15.2 No Subrogation. Notwithstanding any payment or payments made by the U.S. Borrower hereunder, or any set-off or application of funds of the U.S. Borrower by any Administrative Agent or any Lender, the U.S. Borrower shall not be entitled to be subrogated to any of the rights of any Administrative Agent or any Lender against the other Borrowers or against any collateral security or guarantee or right of offset held by any Administrative Agent or any Lender for the payment of the Obligations, nor shall the U.S. Borrower seek or be entitled to seek any contribution or reimbursement from the other Borrowers in respect of payments made by the U.S. Borrower hereunder, until all amounts owing to the Administrative Agent and the Lenders by the other Borrowers on account of the Obligations are paid in full and the Commitments are terminated. If any amount shall be paid to the U.S. Borrower on account of such subrogation rights at any time when all of the Obligations shall not have been paid in full, such amount shall be held by the U.S. Borrower in trust for the Administrative Agents and the Lenders, segregated from other funds of the U.S. Borrower, and shall, forthwith upon receipt by the U.S. Borrower, be turned over to the General Administrative Agent in the exact form received by the U.S. Borrower (duly indorsed by the U.S. Borrower to the General Administrative Agent, if required), to be applied against the Obligations, whether matured or unmatured, in such order as the General Administrative Agent may determine.

15.3 Amendments, etc. with respect to the Obligations; Waiver of Rights. The U.S. Borrower shall remain obligated hereunder notwithstanding that, without any reservation of rights against the U.S. Borrower, and without notice to or further assent by the U.S. Borrower, any demand for payment of any of the Obligations made by any Administrative Agent or any Lender may be rescinded by such Administrative Agent or such Lender, and any of the Obligations continued, and the Obligations, or the liability of any other party upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by any Administrative Agent or any Lender, and any Loan Documents and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, in accordance with the provisions thereof as the General Administrative Agent or the Lenders (or the Majority Lenders, as the case may be) may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by any Administrative Agent or any Lender for the payment of the Obligations may be sold, exchanged, waived, surrendered or released. None of any Administrative Agent or any Lender shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Obligations or for this Agreement or any property subject thereto. When making any demand hereunder against the U.S. Borrower, any Administrative Agent or any Lender may, but shall be under no obligation to, make a similar demand on any other Borrowers or any other guarantor, and any failure by any Administrative Agent or any Lender to make any such demand or to collect any payments from any such Borrower or any such other guarantor or any release of such Borrower or such other guarantor shall not relieve the U.S. Borrower of its obligations or liabilities hereunder, and shall not impair or affect the rights and remedies, express or implied, or as a matter of law, of any Administrative Agent or any Lender against the U.S. Borrower. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

15.4 Guarantee Absolute and Unconditional. The U.S. Borrower waives any and all notice of the creation, renewal, extension or accrual of any of the Obligations and notice of or proof of reliance by any Administrative Agent or any Lender upon this Agreement or acceptance of this Agreement; the Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon this Agreement; and all dealings between the Borrowers and the U.S. Borrower and the other Borrowers, on the one hand, and the Administrative Agents and the Lenders, on the other, shall likewise be conclusively presumed to have been had or consummated in reliance upon this Agreement. The U.S. Borrower waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the other Borrowers and the U.S. Borrower with respect to the Obligations. This Section 15 shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity or enforceability of this Agreement, any other Loan Document, any of the Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by any Administrative Agent or any Lender, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by the Borrowers (other than the U.S. Borrower) against any Administrative Agent or any Lender, or (c) any other circumstance whatsoever (with or without notice to or knowledge of the

Borrowers or the U.S. Borrower) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrowers for the Obligations, or of the U.S. Borrower under this Section 15, in bankruptcy or in any other instance. When pursuing its rights and remedies hereunder against the Borrower, any Administrative Agent and any Lender may, but shall be under no obligation to, pursue such rights and remedies as it may have against the other Borrowers or any other Person or against any collateral security or guarantee for the Obligations or any right of offset with respect thereto, and any failure by any Administrative Agent or any Lender to pursue such other rights or remedies or to collect any payments from such other Borrowers or any such other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the other Borrowers or any such other Person or of any such collateral security, guarantee or right of offset, shall not relieve the U.S. Borrower of any liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of any Administrative Agent or any Lender against the U.S. Borrower. This Section 15 shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon the U.S. Borrower and its successors and assigns, and shall inure to the benefit of the Administrative Agents and the Lenders, and their respective successors, indorsees, transferees and assigns, until all the Obligations and the obligations of the U.S. Borrower under this Agreement shall have been satisfied by payment in full and the Commitments shall be terminated, notwithstanding that from time to time during the term of this Agreement the Borrowers may be free from any Obligations.

15.5 Reinstatement. This Section 15 shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be restored or returned by any Administrative Agent or any Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of any Borrower or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, any Borrower or any substantial part of its property, or otherwise, all as though such payments had not been made.

15.6 Payments. The U.S. Borrower hereby agrees that all payments required to be made by it hereunder will be made to the General Administrative Agent, for the benefit of the Administrative Agents and the Lenders, as the case may be, without set-off or counterclaim in accordance with the terms of the Obligations, including, without limitation, in the currency in which payment is due.

SECTION 16. EVENTS OF DEFAULT

Upon the occurrence of any of the following events:

(a) Any Borrower shall fail to pay (i) any principal of any Loans or any Acceptance Reimbursement Obligations when due (whether at the stated maturity, by acceleration or otherwise) in accordance with the terms thereof or hereof or (ii) any interest on any Loans, any Reimbursement Obligations or Subsidiary Reimbursement Obligations, or any fee or other amount payable hereunder, within five days after any such interest, fee or other amount becomes due in accordance with the terms hereof; or

(b) Any representation or warranty made or deemed made by the U.S. Borrower or any other Loan Party herein or in any other Loan Document or which is contained in any certificate, document or financial or other statement furnished at any time under or in connection with this Agreement or any other Loan Document shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

(c) The U.S. Borrower or any other Loan Party shall default in the observance or performance of any negative covenant contained in Section 14 or in any Security Document to which it is a party; or

(d) The U.S. Borrower or any other Loan Party shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document other than as provided in (a) through (c) above, and such default shall continue unremedied for a period of 30 days; or

(e) Any Loan Document shall cease, for any reason, to be in full force and effect, or the U.S. Borrower or any other Loan Party shall so assert; or any security interest created by any of the Security Documents shall cease to be enforceable and of the same effect and priority purported to be created thereby, except, in each case, as provided in subsection 18.18; or

(f) Either the Subsidiary Guarantee or the Additional Subsidiary Guarantee shall cease, for any reason, to be in full force and effect, or any guarantor thereunder shall so assert; or

(g) The subordination provisions contained in any instrument pursuant to which the Subordinated Debt was created or in any instrument evidencing such Subordinated Debt shall cease, for any reason, to be in full force and effect or enforceable in accordance with their terms; or

(h) The U.S. Borrower or any of its Subsidiaries shall (i) default in any payment of principal of or interest on any Indebtedness (other than Indebtedness under this Agreement), in the payment of any Guarantee Obligation or in the payment of any Interest Rate Agreement Obligation, in any case where the principal amount thereof then outstanding exceeds $20,000,000 beyond the period of grace (not to exceed 60 days), if any, provided in the instrument or agreement under which such Indebtedness, Guarantee Obligation or Interest Rate Agreement Obligation was created; or (ii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness, Guarantee Obligation or Interest Rate Agreement Obligation or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness or, beneficiary or beneficiaries of such Guarantee Obligation (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or such Guarantee Obligation to become payable; or

(i) (i) The U.S. Borrower or any Material Subsidiary shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the U.S. Borrower or any Material Subsidiary shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the U.S. Borrower or any Material Subsidiary any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against the U.S. Borrower or any Material Subsidiary any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) the U.S. Borrower or any Material Subsidiary shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) the U.S. Borrower or any Material Subsidiary shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(j) (i) Any Person shall engage in any non-exempt "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Single Employer Plan, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Majority Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the U.S. Borrower or any Commonly Controlled Entity shall, or in the reasonable opinion of the Majority Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist, with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, would reasonably be expected to subject the U.S. Borrower or any of its Subsidiaries to any tax, penalty or other liabilities in the aggregate material in relation to the business, operations, property or financial or other condition of the U.S. Borrower and its Subsidiaries taken as a whole; or

(k) One or more judgments or decrees shall be entered against the U.S. Borrower or any of its Subsidiaries involving in the aggregate a liability (not paid or fully covered

by insurance) of $20,000,000 or more and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof; or

(l) (i) Any Person or "group" (within the meaning of Section 13(d) or 15(d) of the Exchange Act) (A) shall have acquired beneficial ownership of 35% or more of any outstanding class of capital stock of the U.S. Borrower having ordinary voting power in the election of directors or (B) shall obtain the power (whether or not exercised) to elect a majority of the U.S. Borrower's directors or (ii) the Board of Directors of the U.S. Borrower shall not consist of a majority of Continuing Directors;

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (i) above with respect of the U.S. Borrower or the Canadian Borrower, automatically the Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement (including, without limitation, all Reimbursement Obligations, Subsidiary Reimbursement Obligations and Acceptance Reimbursement Obligations, regardless of whether or not such Reimbursement Obligations, Subsidiary Reimbursement Obligations and Acceptance Reimbursement Obligations are then due and payable) shall immediately become due and payable, and (B) if such event is any other Event of Default, any of the following actions may be taken: (i) with the consent of the Majority Lenders, the General Administrative Agent may, or upon the request of the Majority Lenders, the General Administrative Agent shall, by notice to the U.S. Borrower declare the Commitments to be terminated forthwith, whereupon the Commitments shall immediately terminate; (ii) with the consent of the Majority Lenders, the General Administrative Agent may, or upon the direction of the Majority Lenders, the General Administrative Agent shall, by notice of default to the U.S. Borrower, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement (including all amounts payable in respect of Letters of Credit whether or not the beneficiaries thereof shall have presented the drafts and other documents required thereunder) and the Notes to be due and payable forthwith, whereupon the same shall immediately become due and payable and (iii) the General Administrative Agent may, and upon the direction of the Majority Lenders shall, exercise any and all remedies and other rights provided pursuant to this Agreement and/or the other Loan Documents.

With respect to all outstanding Reimbursement Obligations and Subsidiary Reimbursement Obligations which have not matured at the time of an acceleration pursuant to the second preceding paragraph, the U.S. Borrower shall at such time deposit in a cash collateral account opened by and maintained by the General Administrative Agent an amount equal to the aggregate amount of all such Reimbursement Obligations and Subsidiary Reimbursement Obligations. Amounts held in such cash collateral account shall be applied by the General Administrative Agent to the payment of Reimbursement Obligations and Subsidiary Reimbursement Obligations when drawings under the related Letters of Credit are made, and any balance in such account shall be applied to repay other obligations of the U.S. Borrower hereunder. After all Reimbursement Obligations and Subsidiary Reimbursement Obligations shall have been satisfied and all other obligations of the U.S. Borrower hereunder shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the U.S. Borrower.

With respect to all outstanding Acceptance Reimbursement Obligations in respect of Acceptances which have not matured at the time of an acceleration pursuant to the second preceding paragraph, the Canadian Borrower shall at such time deposit in a cash collateral account opened by and maintained by the Canadian Administrative Agent an amount equal to the aggregate undiscounted face amount of all such unmatured Acceptances. Amounts held in such cash collateral account shall be applied by the Canadian Administrative Agent to the payment of maturing Acceptances, and any balance in such account shall be applied to repay other obligations of the Canadian Borrower hereunder and under any Canadian Revolving Credit Notes. After all Acceptance Reimbursement Obligations shall have been satisfied and all other obligations of the Canadian Borrower hereunder and under any Canadian Revolving Credit Notes shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Canadian Borrower.

Except as expressly provided above in this Section, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

SECTION 17. THE ADMINISTRATIVE AGENTS; THE MANAGING AGENTS, CO-AGENTS AND LEAD MANAGERS

17.1 Appointment. Each Lender hereby irrevocably designates and appoints (a) Chase as the General Administrative Agent and (b) The Bank of Nova Scotia as the Canadian Administrative Agent of such Lender under this Agreement and the other Loan Documents, and each such Lender irrevocably authorizes (a) Chase to act as the General Administrative Agent of such Lender, and (b) The Bank of Nova Scotia to act as the Canadian Administrative Agent, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the General Administrative Agent and the Canadian Administrative Agent, respectively, by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agents shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against either Administrative Agent.

17.2 Delegation of Duties. Each Administrative Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Neither Administrative Agent shall be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

17.3 Exculpatory Provisions. Neither Administrative Agent nor any of its respective officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except for its or such Person's gross

negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Borrower or other Person or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by such Administrative Agent under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of a Borrower or any other Person to perform its obligations hereunder or thereunder. Neither Administrative Agent shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document or to inspect the properties, books or records of the Borrowers.

17.4 Reliance by Administrative Agent. Each Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrowers or any of them), independent accountants and other experts selected by such Administrative Agent. Each Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment or transfer thereof shall have been filed with such Administrative Agent. Each Administrative Agent shall be fully justified as between itself and the Lenders in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Majority Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Each Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Majority Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans and the Acceptance Reimbursement Obligations.

17.5 Notice of Default. Neither Administrative Agent shall be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless such Administrative Agent has received notice from a Lender or a Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the General Administrative Agent receives such a notice, such Administrative Agent shall give notice thereof to the Lenders. The General Administrative Agent shall take such action reasonably promptly with respect to such Default or Event of Default as shall be reasonably directed by the Majority Lenders; provided that unless and until the General Administrative Agent shall have received such directions, such Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

17.6 Non-Reliance on Administrative Agents and Other Lender. Each Lender expressly acknowledges that neither Administrative Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by such Administrative Agent hereinafter taken, including any review of the affairs of any Borrower, shall be deemed to constitute any representation or warranty by such Administrative Agent to any Lender. Each Lender represents to each Administrative Agent that it has, independently and without reliance upon such Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrowers and made its own decision to make its Extensions of Credit hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon either Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrowers. Except for notices, reports and other documents expressly required to be furnished to the Lenders by an Administrative Agent hereunder, such Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Borrowers which may come into the possession of such Administrative Agent or any of its respective officers, directors, employees, agents, attorneys-in-fact or affiliates.

17.7 Indemnification. Each U.S. Lender (together with, in the case of a U.S. Common Lender, its Counterpart Lender on a joint and several basis) agrees to indemnify each Administrative Agent in its capacity as such (to the extent not reimbursed by the Borrowers and without limiting the obligation of the Borrowers to do so), ratably according to its U.S. Revolving Credit Commitment Percentage in effect on the date on which indemnification is sought from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Loans and the Acceptance Reimbursement Obligations) be imposed on, incurred by or asserted against such Administrative Agent in any way relating to or arising out of this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Administrative Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or willful misconduct of such Administrative Agent. The agreements in this subsection shall survive the payment of the Loans, the Acceptance Reimbursement Obligations and all other amounts payable hereunder.

17.8 Administrative Agents in their Individual Capacity. Each Administrative Agent and its respective affiliates may make loans to, accept Drafts, accept deposits from and generally engage in any kind of business with the Borrowers as though such Administrative

Agent was not an Administrative Agent hereunder and under the other Loan Documents. With respect to the Loans made or renewed by such Administrative Agent, any Acceptances created by such Administrative Agent and any Note or Acceptance Note issued to it, such Administrative Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not an Administrative Agent, and the terms "Lender" and "Lenders" shall include each Administrative Agent in its individual capacity.

17.9 Successor Administrative Agents. The General Administrative Agent may resign as General Administrative Agent, and the Canadian Administrative Agent may resign as Canadian Administrative Agent, in each case upon 30 days' notice to the Lenders and the other Administrative Agent. If either Administrative Agent shall resign as General Administrative Agent or Canadian Administrative Agent, as the case may be, under this Agreement and the other Loan Documents, then the Majority Lenders shall appoint from among the U.S. Lenders (in the case of a resignation of the General Administrative Agent) or the Canadian Lenders (in the case of a resignation of the Canadian Administrative Agent) a successor administrative agent for the Lenders, which successor administrative agent shall be approved by the U.S. Borrower (such approval not to be unreasonably withheld), whereupon such successor administrative agent shall succeed to the rights, powers and duties of the resigning Administrative Agent, and the terms "General Administrative Agent" or "Canadian Administrative Agent", as the case may be, shall mean such successor administrative agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as either General Administrative Agent or Canadian Administrative Agent, as the case may be, shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. After any resigning Administrative Agent's resignation as either General Administrative Agent or Canadian Administrative Agent, as the case may be, the provisions of this subsection shall inure to its benefit as to any actions taken or omitted to be taken by it while it was either General Administrative Agent or Canadian Administrative Agent, as the case may be, under this Agreement and the other Loan Documents.

17.10 The Managing Agents, Co-Agents and Lead Managers. Each Lender and each Co-Agent, Managing Agent and Lead Manager acknowledge that the Managing Agents, Co-Agents and Lead Managers, in such capacities, shall have no duties or responsibilities, and shall incur no liabilities, under this Agreement or the other Loan Documents in their respective capacities as such.

SECTION 18. MISCELLANEOUS

18.1 Amendments and Waivers. (a) Neither this Agreement or any other Loan Document, nor any terms hereof or thereof may be amended, supplemented, waived or modified except in accordance with the provisions of this subsection 18.1. The Majority Lenders may, or, with the written consent of the Majority Lenders, the Administrative Agents may, from time to time, (i) enter into with the U.S. Borrowers written amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights or obligations of

the Lenders or of the U.S. Borrowers hereunder or thereunder or (ii) waive at the U.S. Borrowers' request, on such terms and conditions as the Majority Lenders or the Administrative Agents, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall:

(A) reduce the amount or extend the scheduled date of maturity of any Loan or any Acceptance or any Acceptance Note or of any scheduled installment thereof, or reduce the stated rate of any interest or fee payable hereunder or extend the scheduled date of any payment thereof or increase the amount or extend the expiration date of any Lender's Canadian Revolving Credit Commitment, Multicurrency Commitment or U.S. Revolving Credit Commitment, in each case without the consent of each Lender affected thereby;

(B) amend, supplement, modify or waive any provision of this subsection 18.1 or reduce the percentages specified in the definition of "Majority Lenders" or consent to the assignment or transfer by any Borrower of any of its rights and obligations under this Agreement and the other Loan Documents, in each case without the consent of all the Lenders or reduce the percentages specified in the definitions of (I) "Majority U.S. Lenders" without the consent of all of the U.S. Lenders or (II) "Majority Canadian Lenders" without the consent of all of the Canadian Lenders;

(C) amend, supplement, modify or waive any provision of Section 17 or any other provision of this Agreement governing the respective rights or obligations of the General Administrative Agent or the Canadian Administrative Agent without the consent of the then Administrative Agents, respectively;

(D) amend, supplement, modify or waive any provision of Section 3 or any other provision of this Agreement governing the rights and obligations of the Swing Line Lender; or the definitions used therein without the consent of the Swing Line Lender;

(E) extend the expiring date on any Letter of Credit beyond the Revolving Credit Termination Date without the consent of each Lender;

(F) increase the aggregate amount of the U.S. Revolving Credit Commitments of all Lenders to an amount in excess of $2,500,000,000 without the consent of each Lender;

(G) amend, modify or waive any provision of subsection 10.8 without the consent of each Lender; or

(H) release all or substantially all of the guarantees contained in Section 15 and under the Subsidiary Guarantee or the Additional Subsidiary Guarantee or all or substantially all of the Collateral under, and as defined in, the Security Documents

without the consent of each Lender other than as permitted under subsections 14.5, 14.6 and 18.18.

Any waiver and any amendment, supplement or modification pursuant to this subsection 18.1 shall apply to each of the Lenders and shall be binding upon the Borrowers, the Lenders, the General Administrative Agent, the Canadian Administrative Agent and all future holders of the Loans and the Reimbursement Obligations, Subsidiary Reimbursement Obligations and Acceptance Reimbursement Obligations. In the case of any waiver, the Borrowers, the Lenders, the General Administrative Agent and the Canadian Administrative Agent shall be restored to their former positions and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

(b) In addition to amendments effected pursuant to the foregoing paragraph (a), Schedules II and III may be amended as follows:

(i) Schedule II will be amended to add Subsidiaries of the U.S. Borrower as additional Foreign Subsidiary Borrowers upon (A) execution and delivery by the U.S. Borrower, any such Foreign Subsidiary Borrower and the General Administrative Agent, of a Joinder Agreement providing for any such Subsidiary to become a Foreign Subsidiary Borrower, and (B) delivery to the General Administrative Agent of (I) a Foreign Subsidiary Opinion in respect of such additional Foreign Subsidiary Borrower and (II) such other documents with respect thereto as the General Administrative Agent shall reasonably request.

(ii) Schedule II will be amended to remove any Subsidiary as a Foreign Subsidiary Borrower upon (A) execution and delivery by the U.S. Borrower of a written amendment providing for such amendment and (B) repayment in full of all outstanding Loans of such Foreign Subsidiary Borrower.

(iii) Schedule III will be amended (A) to change administrative information contained therein (other than any interest rate definition, funding time, payment time or notice time contained therein) or (B) to add Available Foreign Currencies (and related interest rate definitions and administrative information) with the approval of the Majority Multicurrency Lenders, in each case, upon execution and delivery by the U.S. Borrower and the General Administrative Agent of a written amendment providing for such amendment.

(iv) Schedule III will be amended to conform any funding time, payment time or notice time contained therein to then-prevailing market practices, upon execution and delivery by the U.S. Borrower and the General Administrative Agent of a written amendment providing for such amendment.

(v) Schedule III will be amended to change any interest rate definition contained therein, upon execution and delivery by the U.S. Borrower, all the

Multicurrency Lenders and the General Administrative Agent of a written amendment providing for such amendment.

(c) The General Administrative Agent shall give prompt notice to each U.S. Lender of any amendment effected pursuant to subsection 18.1(b).

(d) Notwithstanding the provisions of this subsection 18.1, any Alternate Currency Facility may be amended, supplemented or otherwise modified in accordance with its terms so long as after giving effect thereto either (i) such Alternate Currency Facility ceases to be an "Alternate Currency Facility" and the U.S. Borrower so notifies the General Administrative Agent or (ii) the Alternate Currency Facility continues to meet the requirements of an Alternate Currency Facility set forth herein.

18.2 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by facsimile transmission) and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or five days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, or, in the case of delivery by a nationally recognized overnight courier, when received, addressed as follows in the case of the U.S. Borrowers, the Canadian Borrower, the General Administrative Agent and the Canadian Administrative Agent, and as set forth in Schedule I in the case of the other parties hereto, or to such other address as may be hereafter notified by the respective parties hereto and any future holders of the Notes:

The U.S. Borrower:	Lear Corporation 21557 Telegraph Road Southfield, Michigan 48034 Attention: Donald J. Stebbins Telecopy: (810) 746-1593
The Canadian Borrower:	Lear Corporation Canada Ltd. c/o 21557 Telegraph Road Southfield, Michigan 48034 Attention: Donald J. Stebbins Telecopy: (810) 746-1593
The Foreign Subsidiary Borrowers:	Lear Corporation 21557 Telegraph Road Southfield, Michigan 48034 Attention: Donald J. Stebbins Telecopy: (810) 746-1593
The General Administrative Agent:	The Chase Manhattan Bank 270 Park Avenue

New York, New York 10017
Attention: Rosemary Bradley
Telecopy: (212) 972-9854

The Canadian
Administrative Agent: The Bank of Nova Scotia
44 King Street West, 14th Floor
Toronto, Ontario
M5H1H1

Attention: IBP Loan Administration and
Agency Services Manager
Telecopy: (416) 866-5991

provided that any notice, request or demand to or upon (i) the Administrative Agents or the Lenders pursuant to subsection 2.3, 3.2, 4.2, 5.3, 6.2, 7.3, 9.2, 10.2, 10.4 or 10.7 or (ii) the Swing Line Lender pursuant to Section 3, shall not be effective until received.

18.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of any Borrower, the General Administrative Agent, the Canadian Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

18.4 Survival of Representations and Warranties. All representations and warranties made hereunder and in the other Loan Documents (or in any amendment, modification or supplement hereto or thereto) and in any certificate delivered pursuant hereto or such other Loan Documents shall survive the execution and delivery of this Agreement and the Notes and the making of the Loans hereunder.

18.5 Payment of Expenses and Taxes. The U.S. Borrower agrees (a) to pay or reimburse each Administrative Agent for all its reasonable out-of-pocket costs and reasonable expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement, the Notes and the other Loan Documents (other than documents relating to any Alternate Currency Facility) and any other documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to each Administrative Agent, (b) to pay or reimburse each Lender and each Administrative Agent for all their costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the Notes and any such other documents, including, without limitation, fees and disbursements of counsel to each Administrative Agent and the reasonable fees and disbursements of counsel to the several Lenders, and (c) to pay, indemnify, and hold each Lender and each Administrative Agent and

their respective directors, officers, employees and agents harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the Notes and any such other documents, and (d) to pay, indemnify, and hold each Lender and each Administrative Agent harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the Notes and the other Loan Documents, the use or proposed use by the Borrowers of the proceeds of the Loans (all the foregoing, collectively, the "indemnified liabilities"); provided that the U.S. Borrower shall have no obligation hereunder to any Administrative Agent or any Lender with respect to indemnified liabilities arising from the gross negligence or willful misconduct of such Administrative Agent or any such Lender as finally determined by a court of competent jurisdiction; provided, however, that nothing in this subsection shall be construed as requiring the Canadian Borrower to so indemnify in amounts that would be in violation of, and its obligations to so indemnify are subject to, the restrictions on financial assistance set out in the Business Corporations Act (Ontario); and, provided, further, that the preceding proviso shall not be construed in any way as limiting or derogating from the obligations of the other Borrowers set out in this subsection. The agreements in this subsection shall survive repayment of the Loans, the Acceptance Reimbursement Obligations and all other amounts payable hereunder.

18.6 Successors and Assigns; Participations and Assignments. (a) This Agreement shall be binding upon and inure to the benefit of the Borrowers, the Lenders, the Administrative Agents, all future holders of the Loans, the Reimbursement Obligations, the Subsidiary Reimbursement Obligations and the Acceptance Reimbursement Obligations and their respective successors and assigns, except that Borrower assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Lender.

(b) Any Lender may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Loan owing to such Lender, any Commitment of such Lender or any other interest of such Lender hereunder and under the other Loan Documents; provided that, in the case of participations granted by a Canadian Lender, such Participant must be a resident of Canada for purposes of the Tax Act unless such participation is granted pursuant to subsection 18.8. In the event of any such sale by a Lender of a participating interest to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Loan for all purposes under this Agreement and the other Loan Documents, and the Borrowers and the Administrative Agents shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents. Any agreement pursuant to which any Lender shall sell any such participating interest shall provide that such Lender shall retain the sole right and responsibility to exercise such Lender's rights and enforce the Borrowers' obligations hereunder, including the right to consent to any amendment,

supplement, modification or waiver of any provision of this Agreement or any of the other Loan Documents, provided that such participation agreement may provide that such Lender will not agree to any amendment, supplement, modification or waiver described in clause (A) or (B) of the proviso to the second sentence of subsection 18.1(a) without the consent of the Participant. Each Borrower agrees that if amounts outstanding under this Agreement are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement; provided that, in purchasing such participating interest, such Participant shall be deemed to have agreed to share with the Lenders the proceeds thereof as provided in subsection 18.7(a) as fully as if it were a Lender hereunder. Each Borrower agrees that each Participant shall be entitled to the benefits of subsections 10.10, 10.11, 10.12 and 18.6 with respect to its participation in the Commitments and the Loans outstanding from time to time hereunder as if it was a Lender; provided, that no Participant shall be entitled to receive any greater amount pursuant to such subsections than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Any Lender may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time and from time to time assign to any Lender or any Affiliate thereof or, with the prior written consent of the U.S. Borrower (such consent not to be unreasonably withheld) and the Administrative Agents (such consent not to be unreasonably withheld), to an additional bank or financial institution (an "Assignee") all or any part of its rights and obligations under this Agreement and the other Loan Documents including, without limitation, its Commitments, Loans and Acceptance Reimbursement Obligations, pursuant to an Assignment and Acceptance, substantially in the form of Exhibit K, executed by such Assignee, such assigning Lender (and, in the case of an Assignee that is not then a Lender or an Affiliate thereof, by the U.S. Borrower and the Administrative Agents) and delivered to the Administrative Agents for their acceptance and recording in the Register; provided that (i) if any Lender assigns a part of its rights and obligations in respect of Revolving Credit Loans and/or Revolving Credit Commitment under this Agreement to an Assignee, such Lender and such Lender's Counterpart Lender (if any) shall each assign proportionate interests in their respective Revolving Credit Commitment and Revolving Credit Loans and other related rights and obligations hereunder to such Assignee and a Counterpart Lender for such Assignee designated by it, (ii) if any U.S. Lender assigns a part of its rights and obligations under this Agreement in respect of its U.S. Revolving Credit Loans and/or U.S. Revolving Credit Commitment to an Assignee, such U.S. Lender shall assign proportionate interests in (A) its participations in the Swing Line Loans and other rights and obligations hereunder in respect of the Swing Line Loans to such Assignee and (B) Multicurrency Loans and Multicurrency Commitments, (iii) in the case of any such assignment to an additional bank or financial institution, the aggregate amount of any U.S. Revolving Credit Commitment (or, if the U.S. Revolving Credit Commitments have terminated or expired, the aggregate principal amount of any U.S. Revolving Credit Loans) being assigned, or the U.S. Dollar Equivalent of the aggregate amount of the Canadian Revolving Credit Commitment (or, if the Canadian Revolving Credit Commitments have terminated or expired, the aggregate amount of Canadian Revolving Credit Loans and

Acceptance Reimbursement Obligations) being assigned shall not be less than $15,000,000 (or (i) if less, the then outstanding amount of such Commitments, Loans and/or Acceptance Reimbursement Obligations or (ii) such lesser amount as may be agreed by the U.S. Borrower and the Administrative Agents), and after giving effect to such assignment such assignor Lender, if it retains any U.S. Revolving Credit Commitment, shall retain a U.S. Revolving Credit Commitment of at least $15,000,000 and (iv) in the case of any such assignment made by a Canadian Lender, such Assignee must be a resident of Canada for purposes of the Tax Act unless such assignment is made pursuant to 18.8. Upon such execution, delivery, acceptance and recording, from and after the closing date determined pursuant to such Assignment and Acceptance, (I) the Assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder with Commitments, rights in respect of Acceptance Reimbursement Obligations and Loans as set forth therein, and (II) the assigning Lender thereunder shall be released from its obligations under this Agreement to the extent that such obligations shall have been expressly assumed by the Assignee pursuant to such Assignment and Acceptance (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such assigning Lender shall cease to be a party hereto). Notwithstanding the foregoing, no consent of the Borrower shall be required for any assignment effected while an Event of Default under Section 16(i) is in existence.

(d) The Administrative Agents, on behalf of the Borrowers, shall maintain at their respective addresses referred to in subsection 18.2 a copy of each Assignment and Acceptance delivered to it and a register (the "Register") for the recordation of (i) the names and addresses of the Lenders and the Commitments of, and principal amounts of the Loans and Acceptances owing to, each Lender from time to time and (ii) the other information required from time to time pursuant to subsection 3.1 in respect of Swing Line Loans. The entries in the Register shall constitute prima facie evidence of the information recorded therein, and the Borrowers, the Administrative Agents and the Lenders may (and, in the case of any Loan, Acceptance or other obligation hereunder not evidenced by a Note, shall) treat each Person whose name is recorded in the Register as the owner of a Loan, Acceptance or other obligation hereunder as the owner thereof for all purposes of this Agreement and the other Loan Documents, notwithstanding any notice to the contrary. Any assignment of any Loan, Acceptance or other obligation hereunder not evidenced by a Note shall be effective only upon appropriate entries with respect thereto being made in the Register. The Register shall be available for inspection by the U.S. Borrowers or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an Assignee (and, in the case of an Assignee that is not then a Lender or an Affiliate thereof, executed by the Borrowers and the Administrative Agents), together with payment to the Administrative Agents of a registration and processing fee of $2,500, the Administrative Agents shall (i) promptly accept such Assignment and Acceptance and (ii) on the effective date determined pursuant thereto record the information contained therein in the Register and give prompt notice of such acceptance and recordation to the Lenders and the Borrowers.

(f) Each Borrower authorizes each Lender to disclose to any Participant or Assignee (each, a "Transferee") and any prospective Transferee any and all financial information in such Lender's possession concerning such Borrower and its Affiliates which has been delivered to such Lender by or on behalf of such Borrower pursuant to this Agreement or which has been delivered to such Lender by or on behalf of such Borrower in connection with such Lender's credit evaluation of such Borrower and its Affiliates prior to becoming a party to this Agreement; provided, that any such Transferee is advised of the confidential nature of such information, if applicable, such Lender takes reasonable steps, in accordance with customary practices, to ensure that any such information is not used in violation of federal or state securities laws and such Lender otherwise complies with subsection 18.20.

(g) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this subsection concerning assignments of Loans and Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by a Lender of any Loan or Note to any Federal Reserve Bank in accordance with applicable law.

(h) If, pursuant to this subsection, any interest in this Agreement or any Loan is transferred from a U.S. Lender to any Transferee which is organized under the laws of any jurisdiction other than the United States or any state thereof, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, to agree (for the benefit of the transferor Lender, the General Administrative Agent and the U.S. Borrower) to provide the transferor Lender (and, in the case of any Transferee registered in the Register, the General Administrative Agent and the U.S. Borrower) the tax forms and other documents required to be delivered pursuant to subsection 10.12(b) or (c) and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(i) If, pursuant to this subsection, any interest in this Agreement or any Loan is transferred from a Lender (other than a U.S. Lender) to any Transferee, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, to agree (for the benefit of the transferor Lender, the General Administrative Agent and the Foreign Subsidiary Borrowers) to provide the transferor Lender, the General Administrative Agent and the Foreign Subsidiary Borrowers the tax forms and other documents required to be delivered pursuant to subsection 10.12(c) and (e) and to comply from time to time with all applicable laws and regulations with regard to such withholding tax exemption.

18.7 Adjustments; Set-Off. (a) If any Lender (a "Benefitted Lender") shall at any time receive any payment of all or part of its Extensions of Credit then due and owing to it from any Borrower, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 16(i), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Extensions of Credit then due and owing to it from such Borrower, or interest thereon, such Benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Extensions of Credit owing to it from such Borrower, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to

cause such Benefitted Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to any Borrower, any such notice being expressly waived by the Borrowers to the extent permitted by applicable law, upon any amount becoming due and payable hereunder (whether at the stated maturity thereof, by acceleration or otherwise) to set-off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch, agency or Affiliate thereof to or for the credit or the account of such Borrower. Each Lender agrees promptly to notify the Borrowers and the Administrative Agents after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application.

18.8 Loan Conversion/Participations. (a) (i) On any Conversion Date, to the extent not otherwise prohibited by a Requirement of Law or otherwise, all Loans outstanding in any currency other than U.S. Dollars ("Loans to be Converted") shall be converted into U.S. Dollars (calculated on the basis of the relevant Exchange Rates as of the Business Day immediately preceding the Conversion Date) ("Converted Loans"), (ii) on each date on or after the Conversion Date on which any Acceptances or Acceptance Notes shall mature such Acceptances and Acceptance Notes ("Acceptances to be Converted") shall be converted into Canadian Revolving Credit Loans denominated in U.S. Dollars (calculated on the basis of the Exchange Rate as of the Business Day immediately preceding such maturity date) ("Converted Acceptances") and (iii) on the Conversion Date (with respect to Loans described in the foregoing clause (i)), and on the respective maturity date (with respect to Acceptances and Acceptance Notes described in the foregoing clause (ii)) (A) each U.S. Lender severally, unconditionally and irrevocably agrees that it shall purchase in U.S. Dollars a participating interest in such Converted Loans and Converted Acceptances in an amount equal to its Conversion Sharing Percentage of (x) the outstanding principal amount of the Converted Loans and (y) the face amount of matured Acceptances and Acceptance Notes, as applicable, and (B) to the extent necessary to cause the Committed Outstandings Percentage of each U.S. Lender, after giving effect to the purchase and sale of participating interests under the foregoing clause (iii), to equal its U.S. Revolving Credit Commitment Percentage (calculated immediately prior to the termination or expiration of the U.S. Revolving Credit Commitments), each U.S. Lender severally, unconditionally and irrevocably agrees that it shall purchase or sell a participating interest in U.S. Revolving Credit Loans then outstanding. Each U.S. Lender will immediately transfer to the appropriate Administrative Agent, in immediately available funds, the amounts of its participation(s), and the proceeds of such participation(s) shall be distributed by such Administrative Agent to each Lender from which a participating interest is being purchased in the amount(s) provided for in the preceding sentence. All Converted Loans and Converted Acceptances (which shall have

been converted into Canadian Revolving Credit Loans denominated in Dollars) shall bear interest at the rate which would otherwise be applicable to ABR Loans.

(b) If, for any reason, the Loans to be Converted or Acceptances to be Converted, as the case may be, may not be converted into U.S. Dollars in the manner contemplated by paragraph (a) of this subsection 18.8, (i) the General Administrative Agent shall determine the U.S. Dollar Equivalent of the Loans to be Converted or Acceptances to be Converted, as the case may be, (calculated on the basis of the Exchange Rate as of the Business Day immediately preceding the date on which such conversion would otherwise occur pursuant to paragraph (a) of this subsection 18.8), (ii) effective on such Conversion Date, each Lender severally, unconditionally and irrevocably agrees that it shall purchase in U.S. Dollars a participating interest in such Loans to be Converted or Acceptances to be Converted, as the case may be, in an amount equal to its Conversion Sharing Percentage of such Loans to be Converted or Acceptances to be Converted, as the case may be, and (iii) each U.S. Lender shall purchase or sell participating interests as provided in paragraph (a)(iii) of this subsection 18.8. Each U.S. Lender will immediately transfer to the appropriate Administrative Agent, in immediately available funds, the amount(s) of its participation(s), and the proceeds of such participation(s) shall be distributed by such Administrative Agent to each relevant Lender in the amount(s) provided for in the preceding sentence.

(c) To the extent any Taxes are required to be withheld from any amounts payable by a Lender (the "First Lender") to another Lender (the "Other Lender") in connection with its participating interest in any Converted Loan or Converted Acceptance, each Borrower, with respect to the relevant Loans made to it, shall be required to pay increased amounts to the Other Lender receiving such payments from the First Lender to the same extent they would be required under subsection 10.12 if such Borrower were making payments with respect to the participating interest directly to the Other Lender.

(d) To the extent not prohibited by any Requirement of Law or otherwise, at any time after the actions contemplated by paragraphs (a) or (b) of this subsection 18.8 have been taken, upon the notice of any U.S. Lender to the Borrowers the following shall occur: (i) the U.S. Borrower (through the guarantee contained in Section 15) shall automatically be deemed to have assumed the Converted Loans and Converted Acceptances in which such U.S. Lender holds a participation, (ii) any Acceptances and Loans outstanding in any currency other than U.S. Dollars shall be converted into U.S. Dollars on the dates of such assumption (calculated on the basis of the Exchange Rate on the Business Day immediately preceding such date of assumption) and such Loans shall bear interest at the rate which would otherwise be applicable to ABR Loans and (iii) such Loans and obligations in respect of Acceptances shall be assigned by the relevant Lender holding such Loans or obligations to the U.S. Lender who gave the notice requesting such assumption by the U.S. Borrower.

18.9 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by facsimile transmission), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be delivered to the Borrowers and the Administrative Agents.

18.10 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

18.11 Integration. This Agreement and the other Loan Documents represent the agreement of the Borrowers, the Administrative Agents and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Borrowers, the Administrative Agents or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

18.12 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

18.13 Submission to Jurisdiction; Waivers. (a) Each Borrower hereby irrevocably and unconditionally:

(i) submits for itself and its property in any legal action or proceeding relating to this Agreement or any other Loan Document to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(ii) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(iii) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Borrower at its address set forth in subsection 18.2 or at such other address of which the General Administrative Agent shall have been notified pursuant thereto; and

(iv) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction.

(b) Each of the Canadian Borrower and each Foreign Subsidiary Borrower hereby irrevocably appoints the U.S. Borrower as its agent for service of process in any proceeding referred to in subsection 18.13(a) and agrees that service of process in any such proceeding may be made by mailing or delivering a copy thereof to it care of U.S. Borrower at its address for notice set forth in subsection 18.2.

18.14 Acknowledgements. Each Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) none of the Administrative Agents or any Lender has any fiduciary relationship with or duty to such Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Administrative Agents and the Lenders, on the one hand, and the U.S. Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Borrowers and the Lenders.

18.15 WAIVERS OF JURY TRIAL. EACH OF THE BORROWERS, THE ADMINISTRATIVE AGENTS AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

18.16 Power of Attorney. Each Foreign Subsidiary Borrower hereby grants to U.S. Borrower an irrevocable power of attorney to act as its attorney-in-fact with regard to matters relating to this Agreement and each other Loan Document, including, without limitation, execution and delivery of any amendments, supplements, waivers or other modifications hereto or thereto, receipt of any notices hereunder or thereunder and receipt of service of process in connection herewith or therewith. Each Foreign Subsidiary Borrower hereby explicitly acknowledges that the Administrative Agents and each Lender have executed and delivered this Agreement and each other Loan Document to which it is a party, and has performed its obligations under this Agreement and each other Loan Document to which it is a party, in reliance upon the irrevocable grant of such power of attorney pursuant to this subsection. The power of attorney granted by each Foreign Subsidiary Borrower hereunder is coupled with an interest.

18.17 Existing Letters of Credit. (a) On the Closing Date, all outstanding letters of credit under the 1995 Agreement set forth on Schedule V shall be converted into Letters of Credit hereunder on the terms and conditions set forth in this Agreement.

18.18 Release of Collateral. (a) The Lenders hereby agree with the U.S. Borrower, and hereby instruct the General Administrative Agent, that if (i) the U.S. Borrower attains Investment Grade Status, (ii) the General Administrative Agent has no actual knowledge of the existence of a Default and (iii) the U.S. Borrower shall have delivered a certificate of a Responsible Officer stating that such Responsible Officer has obtained no knowledge of any Default or Event of Default, the General Administrative Agent shall, at the request and expense of the U.S. Borrower, take such actions as shall be reasonably requested by the U.S. Borrower to release its security interest in all collateral held by it pursuant to the Security Documents.

(b) The Lenders hereby agree with the U.S. Borrower and hereby instruct the General Administrative Agent, at the request of and expense of the U.S. Borrower, the General Administrative Agent will, promptly after the Closing Date, release its security interest in any collateral under the Existing Agreements other than stock pledged under the Pledge Agreements.

18.19 Judgment. (a) If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in one currency into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the General Administrative Agent could purchase the first currency with such other currency in the city in which it normally conducts its foreign exchange operation for the first currency on the Business Day preceding the day on which final judgment is given.

(b) The obligation of each Borrower in respect of any sum due from it to any Lender hereunder shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by such Lender of any sum adjudged to be so due in the Judgment Currency such Lender may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency; if the amount of Agreement Currency so purchased is less than the sum originally due to such Lender in the Agreement Currency, such Borrower agrees notwithstanding any such judgment to indemnify such Lender against such loss, and if the amount of the Agreement Currency so purchased exceeds the sum originally due to any Lender, such Lender agrees to remit to such Borrower such excess.

18.20 Confidentiality. Each Lender agrees to take normal and reasonable precautions to maintain the confidentiality of information designated in writing as confidential and provided to it by the U.S. Borrower or any Subsidiary in connection with this Agreement; provided, however, that any Lender may disclose such information (a) at the request of any bank regulatory authority or in connection with an examination of such Lender by any such authority, (b) pursuant to subpoena or other court process, (c) when required to do so in accordance with the provisions of any applicable law, (d) at the discretion of any other Governmental Authority, (e) to such Lender's Affiliates, independent auditors and other professional advisors or (f) to any Transferee or potential Transferee; provided that such Transferee agrees to comply with the provisions of this subsection 18.20.

18.21 Effect of Amendment and Restatement of the Existing Credit Agreements. On the Closing Date, the Existing Credit Agreements shall be amended, restated and superseded in their entirety. The parties hereto acknowledge and agree that (a) this Agreement and the other Loan Documents, whether executed and delivered in connection herewith or otherwise, do not constitute a novation, payment and reborrowing, or termination of the "Obligations" (as defined in the Existing Credit Agreements) under the Existing Credit Agreements as in effect prior to the Closing Date; (b) such "Obligations" are in all respects continuing (as amended and restated hereby) with only the terms thereof being modified as provided in this Agreement; (c) except to the extent released pursuant to subsection 18.18(b), the Liens and security interests as granted under the Security Documents securing payment of such "Obligations" are in all respects

continuing and in full force and effect and secure the payment of the Obligations (as defined in this Agreement), and to the extent necessary to effect the foregoing, each such Security Document is hereby deemed amended accordingly; and (d) upon the effectiveness of this Agreement all loans of Lenders outstanding under the Existing Credit Agreements immediately before the effectiveness of this Agreement will be converted into U.S. Revolving Credit Loans of such Lenders hereunder and all outstanding letters of credit under the 1995 Agreement will be converted into Letters of Credit hereunder, in each case on the terms and conditions set forth in this Agreement.

18.22 Conflicts. In the event that there exists a conflict between provisions in this Agreement and provisions in any other Loan Document, the provisions of this Agreement shall control.

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

LEAR CORPORATION

By:/s/ Donald J. Stebbins

Title: Treasurer

LEAR CORPORATION CANADA LTD.

By:/s/ Donald J. Stebbins

Title: Treasurer

LEAR CORPORATION SWEDEN AB

By:/s/ William A. Reaume

Title: Managing Director

THE CHASE MANHATTAN BANK, as General Administrative Agent and as a Lender

By:/s/ Andris Kalnins

Title: Vice President

THE BANK OF NOVA SCOTIA,
as Canadian Administrative Agent
and as a Lender

By:/s/ Claude Ashby

Title: Lender

CHASE MANHATTAN BANK DELAWARE, as an Issuing Lender

By:/s/ Richard J. Nolan

Title: President & CEO

ABN AMRO BANK N.V. CHICAGO BRANCH, as a
Co-Agent and as a Lender

By: /s/ Laurie D. Flom

Title: Vice President

By: /s/ David G. Sagers

Title: Vice President

THE ASAHI BANK, LTD., as a Lead Manager and
as a Lender

By: /s/ Shinichi Furukawa

Title: Senior Deputy General Manager

BANCA NAZIONALE DEL LAVORO S.P.A.
NEW YORK BRANCH

By: /s/ Giuliano Violetta

Title: Vice President

By: /s/ Giulio Giovine

Title:Vice President

BANK AUSTRIA AKTIENGESELLSCHAFT

By: /s/ Jeanine Ball

Title: Associate Vice President

By:/s/ James A. Scay

Title: Vice President

BANK OF AMERICA NT & SA, Co-Agent

By:/s/ Steve Ahrenholz

Title: Vice President

BANK OF MONTREAL, as a Co-Agent and as a Lender

By: /s/ Marc R. Heyden

Title: Director

THE BANK OF NEW YORK, as a Co-Agent and as a Lender

By:/s/ William M. Barnum

Title: Vice President

BANK OF NOVA SCOTIA, as a Managing Agent and as a Lender

By:/s/ A.S. Norsworth

Title: Sr. Team Leader-Loan

THE BANK OF TOKYO-MITSUBISHI LTD., NEW YORK BRANCH, as a Co-Agent and as a Lender

By:/s/ Elizabeth A. Joel

Title: Assistant Vice President

By:/s/ E.A. Tocchini

Title: Assistant Vice President

BANKERS TRUST COMPANY, as a Managing Agent and as a Lender

By:/s/ Mary Zadroga

Title: Vice President

BANQUE NATIONALE DE PARIS, as a Lead Manager and as a Lender

By:/s/ Arnaud Collin du Bocage

Title: Executive Vice President

BANQUE PARIBAS, as a Lead Manager and as a Lender

By:/s/ Nicholas C. Masi

Title: Vice President

By:/s/ Karen E. Coons

Title: Vice President

CAISSE NATIONALE DE CREDIT AGRICOLE, as a Lead Manager and as a Lender

By:/s/ David Bouhl, F.V.P.

Title: Head of Corporate Banking

CANADIAN IMPERIAL BANK OF COMMERCE

By:/s/ Doug Zinkiewich

Title: Director

CIBC INC., as a Co-Agent and as a Lender

By:/s/ Kent Davis

Title: Director

CITICORP USA, INC., as a Managing Agent and as a Lender

By:/s/ Judith Fishlow Minter

Title: Attorney-in-Fact

COMERICA BANK, as a Co-Agent and as a Lender

By: /s/ Barbara J. Palazzo

Title: Account Representative

COOPERATIVE CENTRALE
RAIFFEISEN-BOERENLEENBANK B.A., "RABOBANK
NEDERLAND", NEW YORK BRANCH

By:/s/ W. Jeffrey Vollack

Title: Vice President, Manager

By:/s/ Michal de Konkoly Thegs

Title: Deputy General Manager

CREDITO ITALIANO S.P.A.

By:/s/ Hamon P. Butler

Title: SVP & Deputy Manager

By:/s/ Umberto Seretti

Title: Vice President

CREDIT LYONNAIS CHICAGO BRANCH, as a
Co-Agent and as a Lender

By:/s/ Michel Buysschaert

Title: Vice President

DAI-ICHI KANGYO BANK, LTD.,
CHICAGO BRANCH

By:/s/ Seiichiro Ino

Title: Vice President

DRESDNER BANK AG NEW YORK AND GRAND CAYMAN
BRANCHES, as a Co-Agent and as a Lender

By: /s/ Thomas J. Nadramia

Title: Vice President

By: /s/ John S. Runnion

Title: Vice President

FIRST AMERICAN NATIONAL BANK

By:/s/ Andrew S. Zimberg

Title: Vice President

FIRST BANK NATIONAL ASSOCIATION

By:/s/ Christopher H. Patton

Title: Commericial Banking Officer

THE FIRST NATIONAL BANK OF BOSTON, as a Lead Manager and as a Lender

By: /s/ C.M. Holtz

Title: Vice President

FIRST UNION NATIONAL BANK OF NORTH CAROLINA, as a Co-Agent and as a Lender

By:/s/ Mark M. Harden

Title: Vice President

FLEET NATIONAL BANK

By:/s/ Robert J. Lord

Title: Vice President Operations

THE FUJI BANK, LIMITED, as a Co-Agent and as a Lender

By:/s/ Hidehiko Ide

Title: General Manager

GULF INTERNATIONAL BANK B.S.C.

By:/s/ Abdel-Fattah Tahoun

Title: Senior Vice President

By:/s/ Haytham F. Khalil

Title: Assistant Vice President

THE INDUSTRIAL BANK OF JAPAN, LIMITED, as a Co-Agent and as a Lender

By:/s/ Hiroaki Nakamura

Title: Joint General Manager

INSTITUTO BANCARIO SAN PAOLO DI TORINO SPA

By:/s/ Robert Wurster

Title: First Vice President

By:/s/ Ettore Viazzo

Title: Vice President

KEYBANK NATIONAL ASSOCIATION

By:/s/ Thomas A. Crandell

Title: Assistant Vice President

KREDIETBANK N.V.

By: /s/ John F. Thierfelder

Title: Vice President

By:/s/ Robert Snauffer

Title: Vice President

LEHMAN COMMERCIAL PAPER INC.

By:/s/ Michelle Swanson

Title: Authorized Signatory

THE LONG-TERM CREDIT BANK OF JAPAN, LTD. CHICAGO BRANCH, as a Lead Manager and as a Lender

By:/s/ Richard E. Stahl

Title: Senior Vice President

THE MITSUBISHI TRUST AND BANKING CORPORATION, CHICAGO BRANCH, as a Lead Manager and as a Lender

By:/s/Masaaki Yamagishi

Title: Chief Manager

THE MITSUI TRUST AND BANKING COMPANY, LIMITED

By:/s/ Margaret Holloway

Title: Vice President & Manager

NATIONSBANK N.A., as a Co-Agent and as a Lender

By:/s/ Wallace Harris, Jr.

Title: Vice President

NBD BANK, as a Co-Agent and as a Lender

By:/s/ Thomas A. Lakocy

Title: Vice President

ROYAL BANK OF CANADA, as a Lead Manager and as a Lender

By:/s/ Glen D. Carter

Title: Senior Manager

THE ROYAL BANK OF SCOTLAND PLC, as a
Lead Manager and as a Lender

By:/s/ Derek Bonnar

Title: Vice President

THE SAKURA BANK, LTD.,
as a Lead Manager and as a Lender

By:/s/ Shunji Sakurai

Title: Joint General Manager

THE SANWA BANK LIMITED,
CHICAGO BRANCH, as a Co-Agent and as a
Lender

By: /s/ Richard H. Ault

Title: Vice President

SOCIETE GENERALE

By:/s/ Gilles Demeulenaere

Title: Vice President

THE SUMITOMO BANK, LIMITED
CHICAGO BRANCH, as a Lead Manager and as a
Lender

By:/s/ H. Iwami

Title: Joint General Manager

THE SUMITOMO TRUST AND BANKING CO., LTD.,
NEW YORK BRANCH

By:/s/ Hidehiko Asai

Title: Deputy General Manager

THE TOKAI BANK, LTD.,
CHICAGO BRANCH, as a Lead Manager and as a
Lender

By:/s/ Hiroshi Tanaka

Title: General Manager

THE TOYO TRUST & BANKING CO.,
LTD

By:/s/ Takao Shida

Title: Deputy General Manager

YASUDA TRUST AND BANKING COMPANY, LIMITED,
as a Lead Manager and as a Lender

By:/s/ Joseph C. Meek

Title: Deputy General Manager

SCHEDULE I

COMMITMENTS; ADDRESSES

A. U.S. Revolving Credit Commitment and Multicurrency Commitment Amounts (U.S. Dollars)

U.S. Lender	U.S. Revolving Credit Commitment	Counterpart Lender	Multicurrency Commitment
ABN AMRO Bank N.V., Chicago Branch	$ 50,000,000		$ 35,000,000
The Asahi Bank, Ltd.	$ 35,000,000		
Banca Nazionale del Lavoro S.p.A., New York Branch	$ 15,000,000		
Bank Austria Aktiengesellschaft	$ 20,000,000		
Bank of America NT & SA	$ 50,000,000		$ 35,000,000
Bank of Montreal	$ 50,000,000	Bank of Montreal	
The Bank of New York	$ 50,000,000		$ 35,000,000
The Bank of Nova Scotia	$ 55,000,000	The Bank of Nova Scotia	
The Bank of Tokyo-Mitsubushi Ltd., New York Branch	$ 50,000,000		
Bankers Trust Company	$ 55,000,000		
Banque Nationale de Paris	$ 35,000,000		$ 30,000,000
Banque Paribas	$ 35,000,000		$ 15,000,000

U.S. Lender	U.S. Revolving Credit Commitment	Counterpart Lender	Multicurrency Commitment
Caisse Nationale de Credit Agricole	$ 35,000,000		$ 10,000,000
Chase Manhattan Bank	$ 61,000,000		$ 50,000,000
CIBC, Inc.	$ 50,000,000	Canadian Imperial Bank of Commerce	
Citicorp USA, Inc.	$ 55,000,000		$ 40,000,000
Comerica Bank	$ 50,000,000		$ 10,000,000
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., "Rabobank Nederland", New York Branch	$ 25,000,000		$ 5,000,000
Credito Italiano S.p.A.	$ 15,000,000		
Credit Lyonnais Chicago Branch	$ 45,000,000		$ 10,000,000
The Dai-Ichi Kangyo Bank, Ltd., Chicago Branch	$ 30,000,000		
Dresdner Bank	$ 35,000,000		$ 35,000,000
First American National Bank	$ 15,000,000		
First Bank National Association	$ 25,000,000		$ 15,000,000
The First National Bank of Boston	$ 35,000,000		$ 30,000,000

U.S. Lender	U.S. Revolving Credit Commitment	Counterpart Lender	Multicurrency Commitment
First Union National Bank of North Carolina	$ 50,000,000		$ 20,000,000
Fleet National Bank	$ 20,000,000		
The Fuji Bank, Limited	$ 50,000,000		
Gulf International Bank B.S.C.	$ 15,000,000		
The Industrial Bank of Japan, Limited	$ 50,000,000		
Instituto Bancario Sao Paolo Di Torino SpA	$ 19,000,000		
KeyBank National Association	$ 25,000,000		
Kredietbank N.V.	$ 25,000,000		$ 15,000,000
Lehman Commercial Paper Inc.	$ 25,000,000		
The Long Term Credit Bank of Japan, Ltd. Chicago Branch	$ 35,000,000		
The Mitsubishi Trust & Banking Corporation, Chicago Branch	$ 35,000,000		
The Mitsui Trust & Banking Company, Limited	$ 30,000,000		
NationsBank, N.A.	$ 50,000,000		$ 35,000,000
NBD Bank	$ 50,000,000		$ 35,000,000

U.S. Lender	U.S. Revolving Credit Commitment	Counterpart Lender	Multicurrency Commitment
Royal Bank of Canada	$ 35,000,000	Royal Bank of Canada	
The Royal Bank of Scotland plc	$ 35,000,000		$ 30,000,000
The Sakura Bank, Ltd.	$ 35,000,000		
The Sanwa Bank, Limited, Chicago Branch	$ 50,000,000		
Societe Generale	$ 30,000,000		$ 10,000,000
The Sumitomo Bank, Limited Chicago Branch	$ 35,000,000		
The Sumitomo Trust & Banking Co., Ltd., New York Branch	$ 25,000,000		
The Tokai Bank, Ltd., Chicago Branch	$ 35,000,000		
The Toyo Trust & Banking Co., Ltd.	$ 30,000,000		
Yasuda Trust & Banking Company, Limited	$ 35,000,000		
TOTAL	$1,800,000,000		$500,000,000

B. Canadian Commitment Amounts (U.S. Dollars)

Canadian Lender	Canadian Revolving Credit Commitment	Counterpart Lender
Bank of Montreal	$ 5,000,000	Bank of Montreal
The Bank of Nova Scotia	$15,000,000	The Bank of Nova Scotia
Canadian Imperial Bank of Commerce	$20,000,000	CIBC, Inc.
Royal Bank of Canada	$10,000,000	Royal Bank of Canada
TOTAL	$50,000,000	

C. ADDRESSES FOR NOTICES

ABN AMRO BANK N.V., CHICAGO BRANCH
135 South LaSalle Street
Suite 625
Chicago, IL 60674
Attn: Laurie D. Flom
Tel: (312) 904-2682
Fax: (312) 606-8425

THE ASAHI BANK, LTD.
One World Trade Center
Suite 6011
New York, NY 10048-0476
Attn: Ms. Annabelle Vibar
Tel: (212) 912-7036
Fax: (212) 432-1135

BANCA NAZIONALE DEL LAVORO S.P.A. - NEW YORK BRANCH
25 West 51st Street
New York, NY 10019
Attn: Giulio Giovine
Tel: (212) 581-0710
Fax: (212) 765-2978

BANK AUSTRIA AKTIENGESELLSCHAFT
565 Fifth Avenue, 26th Floor
New York, NY 10017
Attn: Jeanine Ball
Tel: (212) 880-1075
Fax: (212) 880-1080

BANK OF AMERICA NT & SA
231 South LaSalle Street
Chicago, IL 60693
Attn: Steve Ahrenholz
Tel: (312) 828-1291
Fax: (312) 987-7384

BANK OF MONTREAL
115 South LaSalle Street, 11th Floor
Chicago, IL 60603
Attn: Marc Heyden
Tel: (312) 750-3760
Fax: (312) 750-4314

BANK OF NEW YORK
One Wall Street, 22nd Floor
New York, NY 10286
Attn: William M. Barnum
Tel: (212) 635-1019
Fax: (212) 635-6434

BANK OF NOVA SCOTIA
181 West Madison Street, Suite 3700
Chicago, IL 60602
Attn: Brian Hewett
Tel: (312) 201-4145
Fax: (312) 201-4108

THE BANK OF TOKYO-MITSUBUSHI LTD., NEW YORK BRANCH
1251 Avenue of the Americas, 12th Floor
New York, NY 10020-1104
Attn: Friedrich N. Wilms
Tel: (212) 782-4341
Fax: (212) 782-6445

BANKERS TRUST COMPANY
130 Liberty Street, 14th Floor
New York, NY 10006
Attn: Ariana Boer
Tel: (312) 993-8051
Fax: (212) 250-7351/6030

BANQUE NATIONALE DE PARIS
209 South LaSalle Street, 5th Floor
Chicago, IL   60604
Attn: Christine L. Howatt
Tel: (312) 977-1383
Fax: (312) 977-1380

BANQUE PARIBAS
227 West Monroe, Suite 3300
Chicago, IL 60606
Attn: Nicholas C. Mast
Tel: (312) 853-6038
Fax: (312) 853-6020

CAISSE NATIONALE DE CREDIT AGRICOLE
55 East Monroe Street, Suite 4700
Chicago, IL 60603-5702
Attn: Richard Drennan
Tel: (312) 917-7441
Fax: (312) 372-3724

CIBC INC. (U.S. BORROWINGS)
Atlanta Agency
Two Paces West
Atlanta, GA 30339
Attn: Ken Auchter
Tel: (770) 319-4814
Fax: (770) 319-4950

CANADIAN IMPERIAL BANK OF COMMERCE (CANADIAN BORROWINGS)
Commerce Court West- 50th Floor
Toronto, Ontario M5L 1A2
Attn: Rick DeGrys
Tel: (416) 214-8411
Fax: (416) 980-5855

CITICORP USA, INC.
One Court Square, 7th Floor
Long Island City, NY 11120
Attn: Angela Valentin
Tel: (718) 248-8618
Fax: (718) 248-7393

COMERICA BANK
Comerica Tower at Detroit Center
500 Woodward Avenue
Detroit, MI 48226
Attn: Andrew Anderson
Tel: (313) 222-9129
Fax: (313) 222-3776

COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.,
"RABOBANK NEDERLAND", NEW YORK BRANCH
245 Park Avenue
New York, NY 10167
Attn: Debra Rivers
Tel: (212) 916-7930
Fax: (212) 916-7845

CREDITO ITALIANO S.P.A.
375 Park Avenue
New York, NY 10152
Attn: Harmon P. Butler
Tel: (212) 546-9611
Fax: (212) 546-9675

CREDIT LYONNAIS CHICAGO BRANCH
227 West Monroe Street, Suite 3800
Chicago, IL 60606
Attn: Joce Cote
Tel: (312) 220-7303
Fax: (312) 641-0527

THE DAI-ICHI KANGYO BANK, LTD., CHICAGO BRANCH
10 South Wacker Drive, 26th Floor
Chicago, IL 60606
Attn: Michael D. Pleasants
Tel: (312) 715-6361
Fax: (312) 876-2011

DRESDNER BANK
190 South LaSalle St. Suite 2700
Chicago, IL 60603

Notices:
Attn: Brian Brodeur
Tel: (312) 444-1319
Fax: (312) 444-1305

Funding:
75 Wall Street-Credit Services 33rd Floor
New York, NY 10005
Attn: Lora Lam
Tel: (212) 429-2288
Fax: (212) 429-2130

FIRST AMERICAN NATIONAL BANK
Fourth & Union Street., NA-0310
Nashville, TN 37238
Attn: Andrew Zimberg
Tel: (615) 748-1401
Fax: (615) 748-6072

FIRST BANK NATIONAL ASSOCIATION
First Bank Place
601 Second Avenue South
Minneapolis, MN 55447

Notices:
Attn: Chris Patton
Tel: (612) 973-0555
Fax: (612) 973-0825

THE FIRST NATIONAL BANK OF BOSTON
100 Federal Street, MS-01-09-05
Boston MA, 02110
Attn: Christopher M. Holtz
Tel: (617) 434-7690
Fax: (617) 434-6685

Funding:
Attn: Denise Dowd
Tel: (617) 434-7462
Fax: (617) 434-0630

FIRST UNION NATIONAL BANK OF NORTH CAROLINA
One First Union Center, DC-5
Charlotte, NC 28288-0745
Attn: Glenn Edwards
Tel: (704) 383-3810
Fax: (704) 314-2802

FLEET NATIONAL BANK
One Federal Street
Boston, MA 02211
Attn: Robert J. Lord
Tel: (617) 346-0597
Fax: (617) 346-0145

THE FUJI BANK, LIMITED
225 West Wacker Drive, Suite 2000
Chicago, IL 60606
Attn: James R. Fayen
Tel: (312) 621-0397
Fax: (312) 621-0539

GULF INTERNATIONAL BANK B.S.C.
380 Madison Avenue, 21st Floor
New York, NY 10017
Attn: Irene Wong
Tel: (212) 922-2325
Fax: (212) 922-2309

THE INDUSTRIAL BANK OF JAPAN, LIMITED
227 West Monroe Street, Suite 2600
Chicago, IL 60606
Attn: John Bowin
Tel: (312) 855-8264
Fax: (312) 855-8200

INSTITUTO BANCARIO SAO PAOLO DI TORINO SPA
245 Park Avenue
New York, NY 10167

Notices:
Attn: Luca Sergio
Tel: (212) 692-3180
Fax: (212) 599-5303

Funding:
Attn: William Coleman
Tel: (212) 692-3193
Fax: (212) 599-5303

KEYBANK NATIONAL ASSOCIATION
Large Corporate Group
127 Public Square
Cleveland, OH 44114
Attn: Thomas A. Crandell
Tel: (216) 689-3589
Fax: (216) 689-3589

KREDIETBANK N.V.
125 West 55th Street, 10th Floor
New York, NY 10019
Attn: John E. Thierfelder
Tel: (212) 541-0727
Fax: (212) 956-5580

LEHMAN COMMERCIAL PAPER INC.
3 World Financial Center, 10th Floor
New York, NY 10285
Attn: Michelle Swansen
Tel: (212) 526-0330
Fax: (212) 528-0819

THE LONG TERM CREDIT BANK OF JAPAN, LTD. CHICAGO BRANCH
190 South LaSalle Street, Suite 800
Chicago, IL 60603

Notices:
Attn: Mark Thompson
Tel: (312) 704-5459
Fax: (312) 704-8505

Funding:
Attn: David Miller
Tel: (312) 704-5459
Fax: (312) 704-8717

THE MITSUBISHI TRUST & BANKING CORPORATION, CHICAGO BRANCH
311 South Wacker Drive, Suite 6300
Chicago, IL 60606
Attn: Vicki Kamm
Tel: (312) 408-6014
Fax: (312) 663-0863

THE MITSUI TRUST & BANKING COMPANY, LIMITED
One World Financial Center, 21st Floor
200 Liberty Street
New York, NY 10281
Attn: Paul Verdi
Tel: (212) 341-0470
Fax: (212) 945-4170/4171

NATIONSBANK, N.A.
233 South Wacker Drive, Suite 2800
Chicago, IL 60606

Notices:
Attn: Wallace W. Harris, Jr.
Tel: (312) 234-5626
Fax: (312) 234-5601

Funding:
Attn: Jennifer Sawdey
Tel: (704) 386-5181
Fax: (704) 381-8694

NBD BANK
611 Woodward Avenue
Detroit, MI 48226
Attn: Thomas A. Lakocy
Tel: (313) 225-2884
fax: (313) 225-2290

ROYAL BANK OF CANADA
One North Franklin Street, #700
Chicago, IL 60606
Attn: Patrick K. Shields
Tel: (312) 551-1612
Fax: (312) 551-0805

Notices:
32 Old Slip,
One Financial Square, 23rd Floor
New York, NY 10005-3531
Attn: Linda Smith
Tel: (212) 428-6323
Fax: (212) 428-2372

THE ROYAL BANK OF SCOTLAND PLC
Wall Street Plaza
88 Pine Street, 26th Floor
New York, NY 10005-1801
Attn: Derek Bonnar
Tel: (212) 269-1718
Fax: (212) 480-0791

THE SAKURA BANK, LTD.
227 West Monroe Street, Suite 4700
Chicago, IL 60606
Attn: David Wuertz
Tel: (312) 782-3144
Fax: (312) 580-3268

THE SANWA BANK, LIMITED, CHICAGO BRANCH
10 South Wacker Drive, 31st Floor
Chicago, IL 60606
Attn: Richard H. Ault, Vice President
Tel: (312) 368-3011
Fax: (312) 346-6677

SOCIETE GENERALE
181 West Madison Street, Suite 3400
Chicago, IL 60602
Attn: Gilles Demeulenaere
Tel: (312) 578-5056
Fax: (312) 578-5099

THE SUMITOMO BANK, LIMITED CHICAGO BRANCH
233 South Wacker Drive, Suite 4800
Chicago, IL 60606-6448

Notices:
Attn: James C. Beckett
Tel: (312) 876-7794
Fax: (312) 876-6436

Funding:
Attn: Kwang Park
Tel: (312) 876-6429
Fax: (312) 876-1490

THE SUMITOMO TRUST & BANKING CO., LTD., NEW YORK BRANCH
527 Madison Avenue
New York, NY 10022
Attn: Mr. Tony Yamada
Tel: (212) 326-0751
Fax: (212) 418-4848

THE TOKAI BANK, LTD., CHICAGO BRANCH
181 West Madison Street, Suite 3600
Chicago, IL 60602
Attn: Cary Shinsako
Tel: (312) 456-3433
Fax: (312) 977-0003

THE TOYO TRUST & BANKING CO., LTD.
666 Fifth Avenue, 33rd Floor
New York, NY 10103
Attn: Barry S. Wadler
Tel: (212) 307-3409
Fax: (212) 307-3498

YASUDA TRUST & BANKING COMPANY, LIMITED
181 West Madison Street, Suite 4500
Chicago, IL 60602
Attn: Nicholas E. Walz
Tel: (312) 683-3836
Fax: (312) 683-3899

SCHEDULE II

FOREIGN SUBSIDIARY BORROWER

Name and Address	Jurisdiction of Incorporation
Lear Corporation Sweden AB c/o Lear Corporation 21557 Telegraph Road Southfield, Michigan 48034 Attention: Donald J. Stebbins Telecopy: (810) 746-1593	Sweden

SCHEDULE III

ADMINISTRATIVE SCHEDULE

I. MULTICURRENCY LOANS

A. Interest Rates for Each Currency

Deutsche Marks:

for any Interest Period in respect of any Tranche, the rate for deposits in Deutsche Marks for a period beginning on the first day of such Interest Period and ending on the last day of such Interest Period which appears on the Telerate Page 3750 (or, if no such quotation which appears on such Telerate Page, on the appropriate Reuters Screen) as of 11:00 a.m., London time, on the Quotation Day for such Interest Period.

French Francs:

for any Interest Period in respect of any Tranche, the rate for deposits in French Francs for a period beginning on the first day of such Interest Period and ending on the last day of such Interest Period which appears on the Telerate Page 3740 (or, if no such quotation appears on such Telerate Page, on the appropriate Reuters Screen) as of 11:00 a.m., London time, on the Quotation Day for such Interest Period.

Sterling:

for any Interest Period in respect of any Tranche, the rate per annum equal to the average (rounded upward to the nearest 1/16th of 1%) of the rates at which Chase is offered deposits in Sterling in the Paris interbank market at or about 11:00 A.M., Paris time, on the Quotation Day for such Interest Period for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to Chase's Multicurrency Commitment Percentage of the applicable Multicurrency Loan.

Swedish Kroner:

for any Interest Period in respect of any Tranche, the rate per annum equal to the average (rounded upward to the nearest 1/16th of 1%) of the rates at which Chase is offered deposits in Swedish Kroner in the London

interbank market at or about 11:00 A.M., London time, on the Quotation Day for such Interest Period for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to Chase's Multicurrency Commitment Percentage of the applicable Multicurrency Loan.

Italian Lire:

for any Interest Period in respect of any Tranche, the rate for deposits in Italian Lire for a period beginning on the first day of such Interest Period and ending on the last day of such Interest Period which appears on the Telerate Page 3740 (or, if no such quotation appears on such Telerate Page, on the appropriate Reuters Screen) as of 11:00 a.m., London time, on the Quotation Day for such Interest Period.

Austrian Schillings:

for any Interest Period in respect of any Tranche, the rate per annum equal to the average (rounded upward to the nearest 1/16th of 1%) of the rates at which Chase is offered deposits in Austrian Schillings in the London interbank market at or about 11:00 A.M., London time, on the Quotation Day for such Interest Period for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to Chase's Multicurrency Commitment Percentage of the applicable Multicurrency Loan.

B. Funding Office, Funding Time, Payment Office, Payment Time for Each Currency.

Deutsche Marks:

1. Funding Office:
   Account of: Chase Manhattan International Limited
   Account No: 101-080002101
   Chase Bank AG Frankfurt

2. Funding Time: 11:00 A.M., local time.

3. Payment Office:
   Account of: Chase Manhattan International Limited
   Account No: 101-080002101
   Chase Bank AG Frankfurt

4. Payment Time: 11:00 A.M., local time.

French Francs:

1. Funding Office:
   Account of: Chase Manhattan International Limited
   Account No: 020.359.541100
   Credit Commercial deFrance, Paris

2. Funding Time: 11:00 A.M., local time.

3. Payment Office:
   Account of: 020.359.541100
   Credit Commercial deFrance, Paris

4. Payment Time: 11:00 A.M., local time.

Sterling:

1. Funding Office:
   Account of: Chase Manhattan International Limited
   Account No: CHAPS 40 52 06
   Chase Manhattan Bank
   125 London Wall
   London EC2Y 5AJ

2. Funding Time: 11:00 A.M., local time.

3. Payment Office:
   Account of: Chase Manhattan International Limited
   Account No: CHAPS 40 52 06
   Chase Manhattan Bank
   125 London Wall
   London EC2Y 5AJ

4. Payment Time: 11:00 A.M., local time.

Swedish Kroner:

1. Funding Office:
   Account of: Chase Manhattan International Limited
   Account No: 52018519395

2. Funding Time: 11:00 A.M., local time.

3. Payment Office:
Account of: Skandinaviska Enskilda Banken, Stockholm
Account No: 52018519395

4. Payment Time: 11:00 A.M., local time.

Italian Lire:

1. Funding Office:
Account of: Chase Manhattan International Limited
Account No: 6010073267

2. Funding Time: 11:00 A.M., local time.

3. Payment Office:
Account of: Chase Manhattan Bank, Milan
Account No: 6010073267

4. Payment Time: 11:00 A.M., local time.

Austrian Schillings:

1. Funding Office:
Account of: Chase Manhattan International Limited
Account No: 0101-07530/01

2. Funding Time: 11:00 A.M., local time.

3. Payment Office:
Account of: Creditanstalt, Bankverein, Vienna
Account No: 0101-07530/01

4. Payment Time: 11:00 A.M., local time.

C. Notice of Multicurrency Loan Borrowing:

1. Deliver to: Chase Manhattan International Limited
Trinity Tower
9 Thomas More Street
London E1 9YT
Attention: Steve Clark
Telephone No: 44-171-777-2353

Fax No: 44-171-777-2360/2085

2. Time:
Not later than 11:00 A.M., London time, on the last Business Day preceding the Quotation Day in respect of such Borrowing Date.

3. Information Required:
Name of Foreign Subsidiary Borrower, amount to be borrowed, and Interest Periods.

D. Notice of Multicurrency Loan Continuation; Notice of Prepayment:

1. Deliver to: Chase Manhattan International Limited
Trinity Tower
9 Thomas More Street
London E1 9YT
Attention: Steve Clark
Telephone No: 44-171-777-2353
Fax No: 44-171-777-2360/2085

2. Time:
Not later than 11:00 A.M., London time, on the last Business Day preceding the Quotation Day for the next Interest Period.

3. Information Required:
Name of Foreign Subsidiary Borrower, amount to be continued or prepaid, as the case may be, and Interest Periods.

II. NOTICE OF ALTERNATE CURRENCY OUTSTANDINGS

1. Deliver to: Chase Manhattan International Limited
Trinity Tower
9 Thomas More Street
London E1 9YT
Attention: Steve Clark
Telephone No: 44-171-777-2353
Fax No: 44-171-777-2360/2085

with a copy to:

The Chase Manhattan Bank
140 East 45th Street
29th Floor
New York, New York 10017
Attention: Chris Consomer
Telephone No.: 212-622-8779
Fax No.: 212-622-0122

2. Delivery time: By close of business in London on the date of making of each Alternate Currency Loan and having a fixed maturity of 30 or more days and on the last Business Day of each month on which the applicable Alternate Currency Borrower has outstanding any Alternate Currency Loans.

3. Information to be set forth:
Name of Foreign Subsidiary Borrower
Amount and currency of outstanding Alternate Currency Loans of each Alternate Currency Lender

SCHEDULE IV

SECURITY DOCUMENTS

I. Pledge Agreements

1. Second Amendment and Restated Domestic Pledge Agreement, dated as of the date hereof, made by the U.S. Borrower, pledging 100% of the stock of Lear Tooling Corporation, Lear Corporation Mendon, LS Acquisition Corporation No. 24, Lear Corporation Holdings Corp. No. 50, Automotive Industries Manufacturing Inc., Masland Industries, Inc., Lear Operations Corporation, NAB Corporation and Lear Corporation (Germany) Ltd. in favor of the General Administrative Agent, substantially in the form of Exhibit Q to the Agreement.

2. Second Amendment and Restated Fair Haven Pledge Agreement, dated as of the date hereof, made by LS Acquisition Corporation No. 24, pledging 100% of the stock of Fair Haven Industries, Inc., in favor of the General Administrative Agent, substantially in the form of Exhibit R to the Agreement.

3. Lear Corporation Canada Ltd. Share Pledge Agreement made by the U.S. Borrower, pledging 65% of the stock of Lear Corporation Canada Ltd., in favor of the General Administrative Agent, together with the related Acknowledgment and Confirmation, in form and substance satisfactory to the General Administrative Agent.

SCHEDULE V

EXISTING LETTERS OF CREDIT

L/C NUMBER	FACE AMOUNT	BENEFICIARY	EXPIRATION DATE
T-235091	$9,617,436.17	NBD Bank N.A.	October 31, 1996
T-237709	$7,000,000.00	Zurich Insurance Corporation	September 30, 1997
T-248499	$ 1,350,000.0	Employees Insurance Casualty	December 30,1997
T-250234	$1,567,847.00	Zurich Insurance Company	October 31, 1997
T-256694	$ 183,357.00	Lumberman's Mutual Casualty Company	October 1, 1997
G-137608	$ 490,750.00	National Union Fire Insurance	September 28, 1997
T-216189	$ 750,000.00	Zurich Insurance Company	September 30, 1997
T-219868	$4,800,000.00	Zurich Insurance Company	September 30, 1997
T-220133	$5,500,000.00	Citibank N.A.	October 31, 1997
T-232745	$9,592,779.25	NBD Bank N.A.	October 31, 1997
T-256695	$1,000,000.00	Lumberman's Mutual Casualty Company	October 1, 1997
T-256696	$ 188,635.00	Lumberman Mutual	October 1, 1997
T-256698	$ 709,800.00	Capital Blue Cross	October 31, 1997
T-293944	$3,000,000.00	Zurich Insurance	June 30, 1997
T-294933	$3,291,250.00	National Union Fire Insurance	August 13, 1997

SCHEDULE VI

SUBSIDIARIES

DOMESTIC SUBSIDIARIES:

Name of Entity	Jurisdiction of Incorporation	Stock Ownership	Record Holder
Lear Corporation (Germany) Ltd.	Delaware	100%	Lear Corporation
Lear Seating Holdings Corp. No. 50	Delaware	100%	Lear Corporation
Lear Tooling Corporation	Delaware	100%	Lear Corporation
LS Acquisition Corporation No. 24	Delaware	100%	Lear Corporation
Fair Haven Industries, Inc.	Michigan	100%	LS Acquisition Corporation No. 24
Lear Corporation Mendon	Delaware	100%	Lear Corporation
Lear Operations Corporation	Delaware	100%	Lear Corporation
NAB Corporation	Delaware	100%	Lear Corporation
Masland Industries, Inc.	Delaware	100%	Lear Corporation
LJA, Inc.	Delaware	100%	Lear Corporation
Masland Specialty Technologies, Inc.	Delaware	100%	Masland Industries, Inc.
Masland International, Inc.	Delaware	100%	Masland Industries, Inc.
Masland Transportation, Inc.	Delaware	100%	Masland Industries, Inc.
Masland Acoustics Components, Inc.	Delaware	100%	Masland Industries, Inc.
Masland Technologies Corporation	Delaware	100%	Masland Industries, Inc.
Masland of Wisconsin, Inc.	Delaware	100%	Masland Industries, Inc.
General Panel B.V.	Delaware	100%	ASAA International, Inc.
Automotive Industries Manufacturing Inc.	Delaware	100%	Lear Corporation
Capital Plastics of Ohio, Inc.	Ohio	100%	Automotive Industries Manufacturing Inc.
ASAA International, Inc.	Delaware	100%	Automotive Industries Manufacturing Inc.
ASAA, Inc.	Wisconsin	100%	General Panel B.V.
American Wood Stock Company, Inc.	Wisconsin	100%	ASAA, Inc.
ASAA Technologies, Inc.	Wisconsin	100%	ASAA, Inc.
Fibercraft/DESCon Engineering, Inc.	Delaware	100%	Automotive Industries Manufacturing Inc.
Automotive Industries Sales, Inc.	Michigan	100%	Automotive Industries Manufacturing Inc.
Surf City, Inc.	Michigan	100%	Automotive Industries Manufacturing Inc.

FOREIGN SUBSIDIARIES:

Name of Entity	Jurisdiction of Organization	Stock Ownership	Record Holder
Lear Corporation Sweden AB	Sweden	100%	Lear Corporation
Lear Holdings S.A. de C.V.	Mexico	81.4%	Lear Seating Holdings Corp. No. 50
Lear Holdings S.A. de C.V.	Mexico	18.6%	Lear Corporation
Lear Corporation Mexico S.A. de C.V.	Mexico	99%	Lear Holdings S.A. de C.V.
Lear Corporation Canada Ltd.	Canada	100%	Lear Corporation
Intertrim S.A. de C.V.	Mexico	99.5%	Lear Corporation
NS Beteiligungs GmbH	Germany	100%	Lear Corporation (Germany) Ltd.
NS Drahtfedern GmbH	Germany	100%	NS Beteiligungs GmbH
Lear Corporation GmbH	Germany	100%	NS Drahtfedern GmbH
Lear France SARL	France	100%	Lear Corporation
Societe No Sag Francaise	France	56%	Lear France SARL
Somby S.A.	France	100%	Societe No Sag Francaise
Automotive Industries (Holdings) Ltd.	U.K.	100%	Automotive Industries Manufacturing Inc.
Favesa S.A. de C.V.	Mexico	91.5%	Lear Holdings S.A. de C.V.
Favesa S.A. de C.V.	Mexico	8.5%	Lear Corporation
Lear Seating (SA)(Pty) Ltd.	South Africa	100%	Lear Corporation
Lear Seating Italia Holdings, S.r.L.	Italy	10%	Lear Corporation
Lear Corporation Italia Sud S.p.A.	Italy	100%	Lear Seating Italia S.p.A.
Lear Corporation Italia S.p.A.	Italy	100%	Lear Seating Italia Holdings, S.r.L.
Lear Services Ltda.	Brazil	100%	Lear Corporation
Lear Poland Z o.o.	Poland	100%	Lear Corporation
R D M Finance	Cayman Islands	100%	Lear Corporation
Plastifol Holding GmbH	Germany	100%	Automotive Industries Manufacturing Inc.
Plastifol Property GmbH	Germany	100%	Plastifol Holdings GmbH
Plastifol Verwaltungs GmbH	Germany	100%	Plastifol Property GmbH
Manfred Rothe Verwalungs GmbH	Germany	100%	Plastifol Property GmbH
Plastifol Manfred Rothe Iberia S.A.	Spain	71.4%	Plastifol Property GmbH
AVB Anlagen und Vorrichtungsban GmbH	Germany	55%	Plastifol Holding GmbH
Plastifol Beteiligungs GmbH	Germany	100%	Plastifol Holding GmbH

Name of Entity	Jurisdiction of Organization	Stock Ownership	Record Holder
Guildford Kast Plastifol Dynamics Ltd.	U.K.	33.3%	Plastifol Beteiligungen GmbH
Automotive Industries (U.K.) Ltd.	U.K.	100%	Automotive Industries (Holdings) Ltd.
Simplay Ltd.	U.K.	100%	Automotive Industries (U.K.) Ltd.
Davart Group Ltd.	U.K.	100%	Automotive Industries (U.K.) Ltd.
John Cotton (Plastics) Ltd.	U.K.	100%	Davart Group Ltd.
Interiores Automotrices Summa, S.A. de C.V.	Mexico	40%	ASAA, Inc.
AII Automotive Industries Canada, Inc.	Ontario	100%	Automotive Industries Manufacturing Inc.
Lear Corporation Australia Pty. Ltd.	Australia	100%	Lear Corporation
Interiores Para Autos, S.A. de C.V.	Mexico	100%	Interiores Auto Matricies Summa S.A. de C.V.
Autoriums S.A. de C.V.	Mexico	100%	Interiores Auto Metricies Summa S.A. de C.V.
Lear Corporation (U.K.) Ltd.	U.K.	100%	Automotive Industries (Holdings) Ltd.
Lear Corporation Austria GmbH	Austria	100%	NS Beteiligungs GmbH
Rael MabelsgmbH	Austria	100%	NS Beteiligungs GmbH
Ramco Investments Limited	India	100%	Lear Corporation
Lear Seating Private Limited	India	100%	Lear Corporation
Automotive Industries Export Ltd.	Barbados	100%	Automotive Industries Manufacturing Inc.
Masland Industries of Canada Limited	Canada	100%	Masland International, Inc.
Empresas Industriales Mexicanas de Autopartes, S.A. de C.V. ("EIMA")	Mexico	75%	Masland International, Inc.
Consorcio Industrial Mexicano de Autopartes, S.A. de C.V.	Mexico	98%	Masland International, Inc.
Consorcio Industrial Mexicano de Autopartes, S.A. de C.V.	Mexico	2%	EIMA
Consorcio Industrial Mexicano de Autopartes Toluca, S.A. de C.V.	Mexico	60%	EIMA
Consorcio Industrial Mexicano de Autopartes Toluca, S.A. de C.V.	Mexico	40%	Masland International, Inc.
Tapizados Lear S.A.	Argentina	79%	Lear Corporation
L.S. Servicos Ltda.		100%	Lear Corporation

SCHEDULE VII

HAZARDOUS MATERIAL

The facility at Mendon, Michigan was contaminated with Hazardous Materials in several areas.

1. Soil beneath one of the plant buildings was contaminated with heavy metals as the result of spills from the former electroplating operation and leaks in the floor. The U.S. Borrower excavated the most heavily contaminated soil and signed a "Declaration of Restrictions/Consent Agreement" with MDNR, which requires maintenance of an impermeable cap (i.e., the current concrete floor) over the contaminated area.

2. The U.S. Borrower believes that it has completed all of the capital expenditures necessary to remedy the soil and groundwater contamination identified at the Mendon plant. Monitoring wells indicate that there has been no migration of contamination toward a drinking water well located approximately one quarter of a mile from the plant, but it is remotely possible that MDNR will require the U.S. Borrower to undertake additional remediation actions as a precaution.

SCHEDULE VIII

CONTRACTUAL OBLIGATION RESTRICTIONS

1. Indenture, dated July 15, 1992, among Lear Corporation, as Issuer, The Bank of New York, as Trustee, relating to the U.S. Borrower's 11-1/4% Senior Subordinated Notes.

2. Indenture, dated February 1, 1994, between Lear Corporation, as Issuer and the State Street Bank & Trust Company (as successor to the First National Bank of Boston), as Trustee, relating to the U.S. Borrower's 8 1/4% Subordinated Notes.

3. Indenture, dated July 1, 1996 between Lear Corporation, as Issuer, and the Bank of New York, as Trustee, relating to the U.S. Borrower's 9-1/2% Subordinated Notes.

4. Loan Agreement between NS Beteilgungs GmbH and Industriekreditbank AG-Deutsch Industriek.

5. Agreement relating to working capital credit facility provided by SE Lenderen to Lear Seating Sweden AB.

6. Agreements and security instruments with respect to indebtedness assumed in connection with the Acquisition and the acquisition of the Fiat Seat Business and agreement governing indebtedness which refinances such indebtedness.

7. Loan Agreement between Lear Corporation and the Province of Ontario, Canada relating to indebtedness of up to $2,000,000 (Canadian).

8. Loan Agreement, dated January 27, 1993, between Lear Corporation and the Province of Ontario, Canada.

9. Term Loan Agreement between Lear Seating Italia and Istituto Bancario San Paolo di Torino S.p.A. entered into in connection with the acquisition of the Fiat Seat Business.

10. Industrial Facilities Agreement governing indebtedness of ASAA Technologies, Inc. to Cumberland Plateau Planning District Commission and Cumberland Plateau Company.

11. Mortgage loan agreements governing indebtedness and ASAA Technologies, Inc. to Associated Lender Lakeshore N.A.

12. Revolving Loan Agreement between Lear Canada Ltd. and The Bank of Nova Scotia.

13. Loan Agreement between NS Beteiligungs GmbH and IndustrieKreditbank AG-Deutsch Industriebank.

14. Agreements governing working capital Indebtedness of Lear Seating (Indonesia) Pty Ltd. and Lear Australia Pty Ltd.

EXHIBIT 10.2

[SCOTIABANK LETTERHEAD]

July 11, 1996

LEAR CORPORATION CANADA LTD. AND
AII AUTOMOTIVE INDUSTRIES CANADA, INC.
c/o Lear Corporation Canada Ltd.
536 Manitou Drive
Kitchener, Ontario
N2G 4C2

Attention: Mr. Donald J. Stebbins

Dear Sirs:

RE: ESTABLISHMENT OF REVOLVING TERM CREDIT FACILITY
IN FAVOUR OF LEAR CORPORATION CANADA LTD. AND
AII AUTOMOTIVE INDUSTRIES CANADA INC.

The Bank of Nova Scotia (the "Bank") is pleased to advise that, subject to your acceptance, the Bank will make available the revolving term credit facility described in this Agreement upon the following terms and conditions, and that this Agreement shall replace the existing loan agreement dated April 19, 1995 between Lear Corporation Canada Ltd. (formerly, Lear Seating Canada Ltd.) and the Bank, accordingly this Agreement shall constitute a refinancing of the prior facility and not a novation or termination, with outstanding availments thereunder constituting outstanding applicable Availments (as defined below) under this Agreement:

BORROWERS Lear Corporation Canada Ltd. ("Lear Canada") and/or AII Automotive Industries Canada Inc. ("Automotive Industries"). Each of Lear Canada and Automotive Industries shall be severally liable to the Bank for its obligations hereunder, provided that Lear Canada shall also be jointly and severally liable to the Bank for the obligations of Automotive Industries incurred to the Bank under or in connection with this Agreement. Lear Canada may obtain any Availment hereunder. Automotive Industries may obtain the overdraft advances described below only. For the purposes of this Agreement, Lear Canada and Automotive Industries may also be referred to individually as a "Borrower" and collectively as the "Borrowers".

CREDIT FACILITY — Revolving Term Credit.

$50,000,000 Cdn., under which are available, subject to the limitations applicable to the respective Borrowers as expressed in this Agreement, Canadian and U.S. dollar advances (by direct disbursement and overdraft), bankers' acceptances of Canadian dollar bills of exchange (each a "BA") and, up to a maximum aggregate principal amount of $2,000,000 Cdn. outstanding at any one time, standby and commercial letters of credit and letters of guarantee (each a "Documentary Instrument"), the terms and conditions of which are contained in Schedules "A" and "B" hereto;

(the "Credit", with each availment thereunder being an "Availment").

BOOKING POINT — Kitchener Main Branch
64 King Street West
Kitchener, Ontario
N2G 3X1

(the "Branch")

PURPOSES — General corporate purposes of the respective Borrowers, including loans to Affiliates of the Borrower.

INTEREST RATE/ FEE ADJUSTMENTS — The interest rate for LIBOR Advances, the issuance fees for BA's and Documentary Instruments and the stand-by fee shall all fluctuate in accordance with the Parent Company's Coverage Ratio, and such ratio shall be determinative as to the applicable "Pricing Level" in effect for certain interest rates and fees hereunder at any time and from time to time as follows:

Coverage Ratio	Pricing Level
Less than 3.25:1	Level 1
3.25 or greater but less than 4.0:1	Level 2
4.0:1 or greater but less than	Level 3

5.0:1

5.0:1 or greater Level 4

Subject to the limitations expressed in this section, any change in the interest rates and fees hereunder (a "Pricing Change") shall be effective on the second Business Day (as defined below in the section captioned NOTICE) following the earlier of:

(I) the Bank's receipt of a quarterly compliance certificate (as required by the REPORTING section hereof) indicating that a change has occurred in the above ratio such that the Pricing Level should be adjusted; and

(ii) the due date for a quarterly compliance certificate, if that certificate, whenever actually received by the Bank, discloses that a change has occurred in the above ratio such that the Pricing Level should be adjusted.

The interest rates and fees payable by virtue of any Pricing Change shall continue to be payable until the second Business Day following the earlier of the Bank's receipt and the due date for the next quarterly compliance certificate indicating that a further Pricing Change should occur as a result of changes in the above ratio as at the end of the applicable fiscal period.

No Pricing Change which results in a reduction of interest rates and fees hereunder shall be permitted at any time that an Event of Default has occurred and is continuing hereunder. Further, notwithstanding the foregoing, in the event that any compliance certificate is not provided to the Bank within 95 days of the end of any fiscal quarter of Lear Canada in any of its fiscal years, other than any last fiscal quarter, or within 150 days of any last fiscal quarter of Lear Canada in any of its fiscal years, a Pricing Change shall be deemed to have occurred on the second Business Day following such date, with all affected interest rates and fees increasing automatically to the next Pricing Level having higher interest rates and fees (unless Pricing Level 1 is already then in effect) and such increased interest rates and fees shall remain in effect subject to the terms of this section or until receipt by the Bank of the relevant overdue compliance certificate, whereupon, in the latter event only, a further Pricing Change shall occur on the second Business Day following the date of the Bank's receipt thereof if warranted by the particulars disclosed in such certificate.

For the purposes of this Agreement:

(a) "Parent Company" shall mean Lear Corporation, the U.S. parent company of Lear Canada;

(b) "Coverage Ratio", and all defined terms used in such definition shall have the respective meanings ascribed to them in the Syndicated Credit Agreement, provided that such term shall be read for the purposes of this Agreement as if to exclude the term "Adjustment Date" ; and

(c) "Syndicated Credit Agreement" shall mean the credit agreement dated as of August 17, 1995, as amended December 8, 1995 and May 28, 1996 by and among the Parent Company, as borrower, Chemical Bank, as administrative agent for the lenders, certain managing agents including the Bank (the Bank being a lender thereunder also) and the other lenders signatory thereto pursuant to which loan commitments currently in the maximum principal amount of $1,475,000,000 U.S. are available to the Parent Company, or any successor agreement entered into to refinance the Syndicated Credit Agreement..

CREDIT AVAILMENTS

Advances. Canadian and U.S. dollar advances may be obtained under the Credit by Lear Canada selecting in respect of each such advance one of the interest options as follows:

(1) Canadian dollars as Prime Rate Advances in whole multiples of $100,000 Cdn. bearing interest at Prime Lending Rate (as defined below).

(2) U.S. dollars as Base Rate Advances in whole multiples of $100,000 U.S. bearing interest at Alternate Base Rate (as defined below).

(3) U.S. dollars as LIBOR Advances in whole multiples of $100,000 U.S.: LIBO Rates (as defined below) for 1, 2, 3, 6 or 12 month LIBOR Periods (subject to availability) plus a per annum margin fluctuating in accordance with the applicable Pricing Level (determined above) as follows:

Pricing Level	Interest Rate Margin (%)
Level 1	1.0
Level 2	0.875
Level 3	0.75

Level 4 0.50

A conversion from a LIBOR Advance to another Availment may only be made on the expiry of the applicable LIBOR Period, unless Lear Canada indemnifies the Bank for the costs of the Bank resulting from the early termination of such LIBOR Period. No LIBOR Period may extend beyond the maturity date of the Credit as provided for below in the section captioned MATURITY, except as provided in paragraph (3) under the section captioned COVENANTS (Covenants of Lear Canada and Automotive Industries).

BA's. BA's may be obtained by Lear Canada under the Credit, provided that each such BA shall be denominated in a whole multiple of $100,000 Cdn. and shall have a term to maturity of 30 days to 1 year, subject to availability. Lear Canada shall pay, upon issuance of each BA, a per annum fee determined as set out below, calculated on the basis of a 365 day year on the face amount of such BA for the number of days to elapse to maturity (exclusive of days of grace), subject to a minimum fee of $100 Cdn. per BA transaction. Each BA may be converted to another Availment, but only on the maturity date of such BA. Any BA not paid by Lear Canada on its maturity date will be paid by the Bank and such payment shall constitute a Prime Rate Advance under the Credit. No term of a BA may extend beyond the maturity date of the Credit as provided for below in the section captioned MATURITY, except as provided in paragraph (3) under the section captioned COVENANTS (Covenants of Lear Canada and Automotive Industries). The issuance fee for BA's shall fluctuate in accordance with the applicable Pricing Level (determined above) as follows:

Pricing Level	Issuance Fee Per Annum (%)
Level 1	1.0
Level 2	0.875
Level 3	0.75
Level 4	0.50

Overdrafts.

(a) LEAR CANADA.

Upon presentment to the Bank for payment of any item drawn by Lear Canada or by any other Customer (as defined below)

on any Designated Account (as defined below) or upon any other demand for payment made in accordance with the provisions of any Mirror Netting Services Agreement (as defined below), which, when charged against a particular Pool Account (as defined below), creates or increases a net debit balance in such Pool Account, the Bank shall transfer such amounts as may be required to pay such item, provided that, after transferring the relevant amount, the aggregate amount of these funds transfers made to such Pool Account (and each of them, if more than one) and outstanding at any time shall constitute an Availment of the Credit outstanding to Lear Canada.

(b) AUTOMOTIVE INDUSTRIES.

Upon presentment to the Bank for payment of any item drawn by Automotive Industries or by any other Customer (as defined below) on any Designated Account (as defined below) or upon any other demand for payment made in accordance with the provisions of any Mirror Netting Services Agreement (as defined below), which, when charged against a particular Pool Account (as defined below), creates or increases a net debit balance in such Pool Account, the Bank shall transfer such amounts as may be required to pay such item, provided that, after transferring the relevant amount, the aggregate amount of these funds transfers made to such Pool Account (and each of them, if more than one) and outstanding at any time shall constitute an Availment of the Credit outstanding to Automotive Industries, and further provided however that the aggregate amount of all such transfers made and outstanding at any time and from time to time shall not exceed:

(I) $1,000,000 Cdn., in the case of one or more Canadian dollar Pool Accounts; and

(ii) $500,000 U.S., in the case of one or more U.S. dollar Pool Accounts.

If an applicable Mirror Netting Services Agreement entered into by either Borrower provides for a Pool Account which is a Canadian dollar account, the aggregate amount of overdrafts outstanding thereunder shall bear interest at the Prime Lending Rate. If an applicable Mirror Netting Services Agreement entered into by either Borrower provides for a Pool Account which is a U.S. dollar account, the aggregate amount of overdrafts outstanding thereunder shall bear interest at the Alternate Base Rate.

Notwithstanding any other term or condition hereof, if any Mirror Netting Services Agreement is terminated in accordance with the applicable provisions thereof, each Borrower hereby acknowledges and agrees that the borrowing privileges of Lear Canada or Automotive Industries, as the case may be, hereunder with respect to that particular Mirror Netting Services Agreement shall also be canceled automatically at the same time, without any additional requirement that notice of such cancellation be given to either Borrower and irrespective of whether or not notice of such cancellation is referred to in the notice of termination with respect to a particular Mirror Netting Services Agreement. Any such cancellation shall be without prejudice to the Bank's rights of repayment hereunder in respect of amounts transferred to a Pool Account affected by the termination of a particular Mirror Netting Services Agreement (provided that such amounts are transferred prior to the time that termination of the applicable Mirror Netting Services Agreement becomes effective and that such transfers occur in accordance with the provisions of this Agreement), and any such cancellation shall be without prejudice to any other right or remedy of the Bank hereunder.

To the extent that the provisions of this Agreement conflict with the provisions of any Mirror Netting Services Agreement (and, in particular, any provisions thereof and hereof relating to the maximum amount of credit which will be made available to a Borrower under a Mirror Netting Services Agreement and relating to the rate of interest applicable to funds transfers made by the Bank to fund net debit balances in any Pool Account), the provisions of this Agreement shall prevail to the extent necessary to remove the conflict.

For the purposes of this Agreement:

(1) "Mirror Netting Services Agreement" shall mean any Money Management Services Mirror Netting Service Agreement entered into among Lear Canada, any of its eligible Affiliates and the Bank or, as the case may be, entered into among Automotive Industries, any of its eligible Affiliates and the Bank, as such agreement may be amended, revised, replaced or otherwise modified in whole or in part from time to time, and each of the terms "Customer", "Designated Account" and "Pool Account" shall have the respective meanings ascribed to them in the applicable Mirror Netting Services Agreement; and

(2) "Affiliate" means an affiliated corporation as defined in the Ontario Business Corporations Act, as the same may be amended, re-enacted or substituted.

Documentary Instruments. Refer to the attached Schedules "A" and "B" to this Agreement.

STAND-BY FEE Lear Canada shall pay, on the last Business Day of each calendar quarter, a per annum stand-by fee determined as set out below, computed on the unused portion of the committed limit of the Credit as it may be reduced from time to time, calculated daily in arrears on the basis of a 365 day year for the actual number of days elapsed from and including July 11, 1996, to the Termination of the Credit. For purposes of calculating the amount of stand-by fee payable in respect of U.S. dollar Availments outstanding hereunder, the Canadian dollar exchange equivalent thereof shall be determined by the Bank on and for each Business Day in accordance with the spot rate of exchange for U.S. dollars as announced by the Bank of Canada not later than 12:00 noon (Toronto time) on such day, or, if such rate is not announced by the Bank of Canada by such time on any Business Day, the applicable rate of exchange for the relevant currency conversion shall be that which was last announced by the Bank of Canada. Lear Canada shall be entitled to cancel all or any of the unused portion of the committed limit of the Credit at any time and from time to time without penalty on not less than 30 days' written notice to the Bank and upon payment of all accrued stand-by fee to such date of cancellation, whereupon the committed limit of the Credit shall be permanently reduced accordingly. The stand-by fee shall fluctuate in accordance with the applicable Pricing Level (determined above) as follows:

Pricing Level	Stand-by Fee Per Annum (%)
Level 1	0.375
Levels 2 and 3	0.25
Level 4	0.20

MATURITY Termination. The Credit shall revolve and may be drawn down until the earlier of (a) March 31, 1998 inclusive and (b) the date of expiry of the loan commitments under the Syndicated Credit Agreement or any successor thereto, when all amounts then outstanding or accrued hereunder shall be payable. The term of the Credit may be extended for successive periods of up to one year in the absolute discretion of the Bank, upon Lear Canada's written request therefor received not later than January 31 of each year, provided that, in no event shall the term of the Credit be extended beyond September 30, 2001. If the Bank does not give written notice to Lear Canada of its

consent to any such requested extension on or before March 1 in any year, neither the requested extension nor any further extension shall be permitted thereafter and the term of the Credit shall expire as otherwise provided. No extension shall be effective if maturity of the Credit shall first occur for the reason specified above in clause (b) of this section or if the Bank terminates the Credit at any time prior to the commencement of any extended term upon the occurrence of any Event of Default hereunder. If any scheduled date of termination should not fall on a Business Day, then all amounts otherwise payable under this Agreement upon termination of the Credit shall instead be payable on the Business Day immediately preceding such date.

Outstanding BA's. If, at any time prior to the maturity date of any BA issued hereunder, the Credit is terminated, Lear Canada shall pay to the Bank, on demand, an amount with respect to each such BA equal to the total of amounts which would be required to purchase in the Canadian money market, as of 10:00 a.m. (Eastern time) on the date of payment of such demand, Government of Canada treasury bills in an aggregate amount equal to the face amount of such BA and having in each case a term to maturity similar to the period from such demand to maturity of such BA; provided that, subject to the provisions of paragraph (3) of the section below captioned COVENANTS (Covenants of Lear Canada and Automotive Industries), no such payment shall be required to be made by Lear Canada with respect to any BA prior to its date of maturity if such BA is outstanding at the time of Lear Canada's receipt of any notice of repayment given by the Bank to Lear Canada in accordance with the aforesaid paragraph (3) of the section captioned COVENANTS . Upon payment by Lear Canada as required under this paragraph, Lear Canada shall have no further liability in respect of each such BA and the Bank shall be entitled to all of the benefits of, and be responsible for all payments to third parties under, such BA and the Bank shall indemnify and hold harmless Lear Canada in respect of all amounts which Lear Canada may be required to pay under each such BA to any party other than the Bank.

Outstanding Documentary Instruments. Refer to the attached Schedule "A" to this Agreement.

CALCULATION & PAYMENT

Determination of Rates. "Prime Lending Rate" is a variable per annum reference rate of interest (as announced and adjusted by the Bank from time to time) for loans made by the Bank in Canada in Canadian dollars. "Alternate Base Rate" is a fluctuating interest rate per annum (as shall be in effect from time to time) (rounded to the nearest 1/100 of 1%) for loans made by the Bank in Canada in U.S. dollars equal to the greater of: (a) the annual rate of interest

announced from time to time by the Bank in Canada as its "Base Rate Canada"; and (b) 0.5% per annum above the rate set forth for such date opposite the caption "Federal Funds (Effective)" in the weekly statistical release designated as "H.15(519)", or any successor publication, published by the Federal Reserve System. If for any reason the Bank shall have determined (which determination shall be conclusive, absent manifest error) that it is unable to ascertain the Federal Funds (Effective) for any reason, including without limitation, the inability or failure of the Bank to obtain sufficient bids or publications in accordance with the terms hereof, the rate announced by the Bank in Canada as its "Base Rate Canada" shall be the Alternate Base Rate until the circumstances giving rise to such inability no longer exist. The "LIBO Rate" for each LIBOR Period (being the applicable interest period chosen by Lear Canada for a LIBOR Advance) means the rate of interest per annum at which the Bank is offered deposits by prime banks in the London interbank market, as at 11:00 a.m. (London, England time), on the second Business Day prior to the commencement of such LIBOR Period, in an amount of U.S. dollars similar to the amount of the applicable LIBOR Advance for a deposit period comparable to such LIBOR Period. LIBOR Advances are offered subject to the availability to the Bank of appropriate LIBO Rate quotations.

Interest Calculation and Payment. Interest computed with reference to Prime Lending Rate or Alternate Base Rate shall accrue from day to day for the actual number of days elapsed and shall be calculated and payable quarterly, not in advance, on the last Business Day of each calendar quarter. Interest computed with reference to a LIBO Rate shall accrue from day to day for the actual number of days elapsed and shall be calculated and payable at the end of the applicable LIBOR Period and, if such LIBOR Period is in excess of 3 months, at the end of each 3 month period during such LIBOR Period. If the last day of any LIBOR Period should not fall on a Business Day, then all interest payable in respect of the applicable advance upon maturity thereof shall instead be payable on the Business Day immediately preceding the last day of such LIBOR Period. Interest computed with reference to Prime Lending Rate shall be calculated on the basis of a 365 day year, but interest computed with reference to the Alternate Base Rate or a LIBO Rate shall be calculated on the basis of a year of 360 days.

Change In Margin. Whenever this Agreement calls for an increase or decrease on a certain date in a margin over a reference rate in respect of interest on an advance or the fees for issuance of a BA or for the issuance of a Documentary Instrument, Lear Canada shall pay interest or fees or shall be entitled to receive a refund from the Bank on interest or fees already paid, as applicable, calculated

proportionately with reference to the new margin effective from such date, notwithstanding that, in the case of an advance, such advance was made prior to such date and, in the case of a BA or Documentary Instrument, the applicable issuance fee is to be calculated and paid prior to such date.

LIBOR Periods. Lear Canada shall designate the LIBOR Period to apply to each LIBOR Advance in its notice of any drawdown of such advance, any conversion to such advance and any renewal of an existing LIBOR Period, provided that, upon failure of Lear Canada to give notice of any such designation, when applicable, as required under this Agreement, the Bank shall convert the affected LIBOR Advance to a Base Rate Advance for the purpose of determining the interest rate with respect to same.

Default of Payment. Amounts not paid when due in respect of a Prime Rate Advance or a Base Rate Advance shall bear interest at the rates applicable thereto, plus 2% per annum. Amounts not paid when due in respect of a LIBOR Advance may be constituted a Base Rate Advance by the Bank and the Bank may so convert such advance. Any other monetary obligation of either Borrower arising under this Agreement which is not paid when due shall be deemed to be an amount not paid when due in respect of a Prime Rate Advance or a Base Rate Advance, as applicable. Interest payable under this paragraph shall accrue from day to day for the actual number of days elapsed, shall be calculated and payable upon demand, and shall be compounded monthly until paid. The rights of the Bank under this paragraph shall continue to apply from the date of such default for so long as such default shall continue, both before and after demand and judgment.

Interest Act (Canada). Whenever a rate of interest hereunder is calculated on the basis of a year (the "deemed year") which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the Interest Act (Canada) by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.

REPAYMENTS Lear Canada may make any repayment of an advance in a whole multiple of $100,000 Cdn. in the case of Prime Rate Advances and of $100,000 U.S. in the case of a Base Rate Advance, but any repayment in respect of a LIBOR Advance may be made only in a whole multiple of $100,000 U.S. and shall be subject to the terms and conditions set out in the section below captioned INDEMNITY PROVISIONS. No repayment of any advance made by way of

overdraft to Automotive Industries shall be subject to any limitation that it be in a whole multiple or minimum of any amount.

SECURITY — Unsecured.

CONDITIONS TO UTILIZATION — Initial Drawdown. The right of either Borrower to obtain the initial drawdown of an Availment hereunder is subject to the conditions precedent that, to the extent that they have not already done so, the Borrowers have provided to the Bank, in form and substance satisfactory to the Bank, evidence of each Borrower's authority to borrow hereunder and to execute and deliver this Agreement, together with executed copies of such documentation and, if requested by the Bank, opinions of counsel as to the validity and enforceability of the same.

Each Utilization. The right of either Borrower to obtain at any time any drawdown of an Availment (including the initial drawdown) or any conversion from one Availment to another or any renewal of a LIBOR Period hereunder (each a "Utilization") is subject to the further conditions precedent that at the time of such Utilization:

(1) in the case where such Utilization is a drawdown, a conversion to a LIBOR Advance or a renewal of any LIBOR Advance, no event or circumstance has occurred and is continuing, or would result from the making of such Utilization, which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse, or both, or, which when considered by itself or together with other past or then existing events or circumstances, constitutes or would constitute a material adverse change in the business prospects or financial condition of Lear Canada and its subsidiaries on a consolidated basis; and

(2) the Bank has received such other information as the Bank may have reasonably requested upon giving prior reasonable notice thereof to Lear Canada.

NOTICE — Lear Canada shall give to the Bank 2 Business Days' notice of each Utilization or repayment in respect of a LIBOR Advance and same Business Day's notice of each Utilization (other than a drawdown by means of an overdraft advance) or repayment in respect of any other type of Availment. As used herein, a "Business Day" means any day other than a Saturday, or a Sunday, or a day that banks are lawfully closed for business in Toronto, Ontario, or, if in respect of a Base Rate Advance, New York City, or, if in respect of a LIBOR Advance,

any other day on which transactions cannot be carried out by and between banks in the London interbank market.

Any notice or communication shall be deemed to have been given to a party hereunder (I) upon delivery in writing to such party at its address as noted on page 1 hereof or at the address of which such party last notified the other, or (ii) upon oral (including telephone) transmission to an appropriate officer of such party, provided that such officer believed at such time in good faith that such notice or communication was given by an appropriate officer of the notifying or communicating party, or (iii) in the case of overdrafts (whether or not actually resulting in an Availment of the Credit hereunder in accordance with the provisions of the paragraph above entitled "Overdrafts"), upon receipt by the Bank of a Canadian or U.S. dollar cheque or wire transfer drawn on an eligible account of Lear Canada its affiliates, its subsidiaries or, if applicable, of Automotive Industries or its subsidiaries maintained with the Bank. Notice or communication to the Bank hereunder (other than notice given in the manner as set out in (iii) of this section) to be effective on a certain Business Day must be given prior to 11:00 a.m. (Eastern time) on that Business Day. Each notice or communication given by a party hereunder shall be binding on it and shall not be revocable without the other party's consent.

REPRESENTATIONS AND WARRANTIES Lear Canada and Automotive Industries.

Each Borrower represents and warrants that this Agreement is a legal, valid and binding obligation of such Borrower enforceable against it in accordance with its terms; is not contrary to any contractual restriction binding on it; and its execution and delivery of the same neither requires a third party consent nor would entitle any third party to accelerate any debt owing to it.

Lear Canada only.

Lear Canada hereby additionally represents and warrants that it does not have outstanding, as of the date hereof, any indebtedness for borrowed money, nor any liability for borrowed money (including, without limitation, contingent liability under any guarantee), other than indebtedness incurred to the Province of Ontario having a maximum aggregate principal amount of $4,500,000 Cdn. plus accrued interest, indebtedness and liability incurred to the Bank and contingent liability under a guarantee in a maximum principal amount of $15,000,000 Cdn. dated April 26, 1989, as amended on August 11, 1992, in respect of the indebtedness and liability of General Seating of Canada Ltd. incurred to Dai-Ichi Kangyo Bank (Canada) Ltd.

All of the representations and warranties of each Borrower contained herein shall survive the execution and delivery of this Agreement notwithstanding any investigation made at any time by or on behalf of the Bank.

COVENANTS Lear Canada and Automotive Industries.

Each Borrower hereby covenants:

(1) to maintain, and cause its material subsidiaries to maintain, their respective corporate existences and conduct their respective businesses in the normal course;

(2) to promptly notify the Bank of the occurrence of any event or circumstance which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both and to provide to the Bank a detailed statement of a senior officer of the applicable Borrower of the steps, if any, being taken to cure or remedy such default; and

(3) to repay all of its indebtedness and liability incurred or accrued under this Agreement if the Bank should at any time withdraw as a party to the Syndicated Credit Agreement, subject to the Bank giving Lear Canada not less than 60 days' prior written notice of the due date for any such repayment, the date thereof not to be earlier in any event than the date that the Bank's withdrawal from the Syndicated Credit Agreement becomes effective; provided that, if any Availment (excluding any Prime Rate Advance and any Base Rate Advance) is outstanding on the date of receipt by Lear Canada of any such notice and if the maturity or expiry date of such Availment should not occur until after the aforesaid 60-day period has expired, then, all payments in respect of such Availment, which, if not for the giving of the notice provided for in this Covenant (3), would otherwise be due after expiry of the 60-day period, shall instead be made as and when otherwise required by this Agreement, except that, in the case of any applicable Documentary Instrument, payments of principal, interest and other amounts arising from any drawing thereunder shall be made on the second Business Day following such drawing. Notwithstanding any other term or condition of this Agreement, each Borrower agrees that no further credit shall be available to it under this Agreement after the date of Lear Canada's receipt of the notice referred to above (and Automotive Industries hereby waives any requirement that the Bank provide any independent notice to it

under this paragraph (3) with respect to the repayment of credit extended to it under this Agreement or the suspension of its entitlement to obtain additional credit hereunder) and that, if all amounts payable under this Covenant (3) are received by the Bank within the aforesaid 60-day period, the Credit shall terminate on the date of final payment thereof; provided further that, the Borrowers' entitlement to obtain credit hereunder shall be re-instated and the Credit shall expire on the maturity date as otherwise provided, subject to the terms and conditions of this Agreement, if (I) at any time prior to the due date for repayment specified in any such notice by the Bank, Lear Canada provides an irrevocable standby letter of credit, in form and substance satisfactory to the Bank in its sole discretion, for a principal amount not less than the committed limit of the Credit at such time, plus interest, fees and other amounts outstanding and payable under this Agreement and (ii) no Event of Default or material adverse change in the financial condition of Lear Canada has occurred at any time prior to or upon the Bank's receipt of such letter of credit. The giving of any notice by the Bank under this Covenant (3) shall not affect the respective rights, privileges or obligations of the parties to this Agreement except as expressly set out in this Covenant (3).

Lear Canada only.

Lear Canada additionally hereby covenants:

(a) to maintain, or cause to be maintained, a minimum Consolidated Net Worth of $25,000,000 Cdn. at all times. For the purposes of this Agreement, "Consolidated Net Worth" shall mean, at any particular time, Shareholders' Equity, where "Shareholders' Equity" means all amounts which would be included under shareholders' equity on a consolidated balance sheet of Lear Canada and its subsidiaries determined on a consolidated basis plus inter-company indebtedness of Lear Canada and its subsidiaries which is postponed and subordinated to the Bank in a form and manner satisfactory to the Bank in its sole discretion, all calculated as at the date of determination in accordance with generally accepted accounting principles established by the Canadian Institute of Chartered Accountants or any successor thereto ("Canadian GAAP"); provided that any amortization of goodwill, deferred financing fees or license fees (including any write-offs of deferred financing fees and license fees) shall not be taken into account in determining Consolidated Net Worth; and

(b) not to incur, nor to permit its subsidiaries to incur, directly or indirectly, any indebtedness or liability for borrowed money after the date hereof, whether actual or contingent (including, without limitation, liability under any guarantee) other than the re-financing of any existing obligation of Lear Canada as disclosed above in the section hereof captioned REPRESENTATIONS AND WARRANTIES, amounts that the Bank is satisfied are incurred in the normal course of business and indebtedness and liability for borrowed money incurred to Affiliates.

EVENTS OF DEFAULT

Upon the occurrence and continuation of any Event of Default, the Bank may terminate the Credit and/or demand payment of all indebtedness and liability outstanding and accrued hereunder to the date of demand and proceed to take such steps as it deems fit. Each Borrower agrees that an Event of Default occurring with respect to the other Borrower shall constitute an Event of Default hereunder with respect to itself also, and, subject to the provisions of this Agreement, upon the occurrence of an Event of Default, the Bank shall not be limited in the remedies that may be legally available to it with respect to either Borrower.

An Event of Default shall occur if:

(1) either Borrower fails to pay any amount of principal within 3 Business Days of when due or fails to pay any amount of interest, fees or other amounts within 10 Business Days of when due under the Credit, or makes any representation or warranty hereunder which is incorrect in any material respect;

(2) either Borrower breaches any material covenant hereof (including, without limitation, any covenant made hereunder in the above section captioned COVENANTS) or fails to comply with any other material term or condition hereof and such breach of covenant or material non-compliance (other than a covenant to pay or a covenant impossible to remedy or a material breach of any representation or warranty) continues for 10 Business Days or more after notice to remedy same; or

(3) either Borrower or any subsidiary, where subsidiary is a majority owned company, of either Borrower admits its inability to pay its debts generally; becomes a bankrupt (voluntarily or involuntarily); or, becomes subject to any proceeding seeking liquidation, rearrangement, relief of creditors or the appointment of a receiver or trustee over, or any judgment or order which has or might have a material and

adverse effect on, any substantial part of its property or undertaking; unless, in the event of an involuntary bankruptcy or a proceeding for any of the remedies specified above in this section (other than a voluntary bankruptcy), the affected corporation has obtained a dismissal, permanent stay or other similar disposition not more than 60 days from (I) the date of the filing of a petition, in the case of an involuntary bankruptcy, or (ii) the date of service of the relevant statement of claim, application or other process, in the case of any other proceeding; or

(4) Lear Canada, any subsidiary or affiliate of Lear Canada (including, without limitation, Automotive Industries):

(a) fails to pay any of its (other) indebtedness or liability when due, such failure continues after any applicable grace period specified in an agreement or instrument relating to such (other) indebtedness or liability and, as a result thereof, Lear Canada or applicable subsidiary is then in default of payment of an aggregate principal amount of indebtedness and liability of $10,000,000 U.S. (or the Canadian dollar equivalent thereof) or more; or

(b) permits any material default under any agreement or instrument relating to its (other) indebtedness or liability, or any other event, to occur and to continue after any applicable grace period specified in such agreement or instrument and the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of that indebtedness or liability such that the aggregate principal amount of the indebtedness and liability incurred by Lear Canada or applicable subsidiary which then has been or may be accelerated by the relevant creditor(s) exceeds $10,000,000 U.S. (or the Canadian dollar equivalent thereof);

(irrespective of whether either of the aforesaid aggregate principal amounts, or any portion thereof, is incurred jointly, severally or jointly and severally, provided that the calculation of such aggregate principal amounts shall be made without duplication); or

(5) subject to the above paragraphs (1) and (4) of this section, an "Event of Default" within the meaning of the Syndicated Credit Agreement occurs thereunder as a result of any of the events or circumstances specified in Section 9 (h) thereof; or

(6) subject to the above paragraphs (1), (4) and (5) of this section, any other event of default occurs under the Syndicated Credit Agreement or any successor thereto which results in the acceleration of any amount of the Parent Company's indebtedness or liability outstanding thereunder and/or the termination of the lenders' commitments thereunder; or

(7) any course of action is undertaken by Lear Canada or any material subsidiary of Lear Canada, or with respect to such corporation or its capital stock by another party, which is intended to result in, or would result (in the reasonable opinion of the Bank) in, its reorganization or reconstruction, or its consolidation, amalgamation or merger with another corporation, except when Lear Canada may wish to amalgamate with Automotive Industries, or the transfer of all or substantially all of the undertaking and assets of such corporation; or

(8) there occurs or is announced or is scheduled any change in the ownership of Lear Canada such that the Parent Company or any wholly-owned subsidiary of the Parent Company ceases, or would cease, to beneficially own 100% of the issued and outstanding capital stock in Lear Canada at any time; or

(9) any Affiliate of Lear Canada (including, without limitation, Automotive Industries) or of a subsidiary of Lear Canada which is a party to a postponement and subordination agreement entered into with the Bank (a "Postponement and Subordination Agreement") fails to substantially perform, observe or otherwise comply with any material term or condition of that Postponement and Subordination Agreement and such failure continues for 15 Business Days or more after notice given by the Bank to the applicable Affiliate to remedy same; or any such Affiliate party to a Postponement and Subordination Agreement denies, to any extent, its obligations under such Postponement and Subordination Agreement or claims such Postponement and Subordination Agreement to be, with respect to itself or any other party thereto, invalid or withdrawn in whole or in part; or any Postponement and Subordination Agreement is invalidated in whole or in part by any Act, regulation or governmental action; or any Postponement and Subordination Agreement ceases to be the valid, binding and enforceable obligation of the applicable Affiliate(s).

CHANGE OF INTERPRETATION

No amendment or other modification, substitution, abolition or waiver to or of:

(I) any provision of the Syndicated Credit Agreement, or any portion of any provision of such agreement, which is specifically referenced in this Agreement, including, without limitation, any defined term of the Syndicated Credit Agreement referenced herein (each a "Referenced Term"); or

(ii) any defined term of the Syndicated Credit Agreement which is used in or is otherwise relevant to any Referenced Term but which is not specifically referenced in this Agreement (each a "Referenced Term" also)

shall be binding upon the Bank for the purposes of this Agreement unless the Bank gives its prior written consent thereto for the express purpose of the relevant amendment, modification, substitution, abolition or waiver, which consent may be evidenced by the Bank's execution of a consent pursuant to the Syndicated Credit Agreement. Each Referenced Term shall survive termination of or the Bank's withdrawal from the Syndicated Credit Agreement, any transfer of any or all of the rights and obligations of the Parent Company or any lender thereunder and shall survive the invalidity of the Syndicated Credit Agreement or any portion of any provision or defined term of such agreement which constitutes a Referenced Term for the purposes of this Agreement.

DETERMINATION

The Bank shall have the right to determine at any time, and in its discretion reasonably exercised, as to whether any event, circumstance or thing envisaged in this Agreement is or would be "material", "adverse" or "substantial", as such terms are used herein. Any accounting terms used and not specifically defined herein shall be construed in accordance with Canadian GAAP or, as applicable, generally accepted U.S. accounting principles, consistently applied, and except as may be otherwise provided herein all financial data and statements submitted pursuant to this Agreement shall be prepared in accordance with such principles.

JOINT AND SEVERAL LIABILITY

The obligation of the Borrowers hereunder with respect to the indebtedness and liability of Automotive Industries incurred under this Agreement shall be joint and several between the Borrowers, one for the other. The obligation of the Borrowers hereunder shall not be limited, lessened or discharged by any act on the part of the Bank or either or both of the Borrowers save due performance by the Borrowers and each of them.

INDEMNITY PROVISIONS

If the introduction or implementation of or any change in or in the interpretation of, or any change in its application to a Borrower of, any law or any regulation or guideline issued by any central bank or other governmental authority (whether or not having the force of law), including, without limitation, any reserve or special deposit requirement or any tax (other than tax on the Bank's general income) or any capital requirement, has due to the Bank's compliance the effect, directly or indirectly, of (I) increasing the cost to the Bank of performing its obligations hereunder or under any BA or Documentary Instrument; (ii) reducing any amount received or receivable by the Bank or its effective return hereunder or in respect of any BA or Documentary Instrument or on its capital; or (iii) causing the Bank to make any payment or to forgo any return based on any amount received or receivable by the Bank hereunder or in respect of any BA or Documentary Instrument, then upon receipt by Lear Canada of a certificate from the Bank setting forth in reasonable detail any additional costs, reduced amount receivable or foregone return, the applicable Borrower shall pay such amount as shall compensate the Bank for any such cost, reduction, payment or forgone return. Each Borrower shall further indemnify the Bank for all costs, losses and expenses which may at any time be imposed on, incurred by or asserted against the Bank in any way relating to or arising out of the execution, delivery or enforcement of this Agreement, the transactions contemplated hereby (including, without limitation, the making and maintaining of any Availment hereunder) and/or the early termination of any LIBOR Period and agrees that the Bank shall have no liability to either Borrower for any reason in respect of any Availment other than on account of the Bank's gross negligence or wilful misconduct. Any certificate of the Bank in respect of the foregoing will be conclusive and binding upon each Borrower, except for manifest error, provided that the Bank shall determine the amounts owing to it in good faith using any reasonable averaging and attribution methods.

INDEMNITY FOR ENVIRONMENTAL HAZARDS

Each Borrower hereby represents and warrants that its business and assets and those of its material subsidiaries are operated in substantial compliance with applicable environmental laws, rules,

regulations and orders ("Environmental Laws") and that no enforcement action in respect thereof is threatened or pending, to the best of the knowledge, information and belief, after due enquiry, of each and every senior officer of such Borrower who could reasonably be expected to have knowledge of such matters. Each Borrower covenants to and to cause its subsidiaries to continue to so operate and permit the Bank to conduct inspections and appraisals of all or any of its and its subsidiaries' records, business and assets at reasonable times upon prior written notice to the applicable Borrower at any time and from time to time at such Borrower's expense to ensure such compliance. If the Bank is required to expend any funds in compliance with Environmental Laws, the applicable Borrower shall indemnify the Bank in respect of such expenditures as if an advance had been made to such Borrower under this Agreement for such purpose; provided that the Bank shall have delivered to the applicable Borrower a certificate setting forth in reasonable detail the basis for its expenditures, including the Environmental Laws implicated and the amount and nature of such expenditures.

REPORTING Lear Canada shall provide to the Bank, to the attention of Unit Head, Corporate Banking - Ontario, 44 King Street West, Toronto, Ontario M5H 1H1:

(1) unaudited, quarterly, consolidated financial statements of Lear Canada within 75 days of the end of each of the first 3 quarters of each of its fiscal years;

(2) audited, annual, consolidated financial statements of Lear Canada within 150 days of each of its fiscal year-ends;

(3) quarterly certificates of compliance, supported by detailed calculations:

(i) demonstrating that Lear Canada has maintained all financial performance tests prescribed in this Agreement and confirming that no Event of Default has occurred or is continuing hereunder;

(ii) demonstrating that the Parent Company has maintained all financial performance tests prescribed in the Syndicated Credit Agreement and further confirming that no event of default has occurred or is continuing thereunder; and

(iii) to confirm the Coverage Ratio affecting the Pricing Levels for certain interest rates and fees hereunder (determined in accordance with the Interest Rate/Fee Adjustments section hereof) which will be in effect, subject to the terms of the Interest Rate/Fee

Adjustments section hereof, for the 90-day period commencing on the second Business Day immediately following the earlier of the Bank's receipt of a certificate and the due date therefor;

with each certificate to be signed by a senior executive officer of Lear Canada and the Parent Company and to be provided as soon as feasible after the end of each fiscal quarter of Lear Canada and in any event (if not already provided) within 60 days of the end of each of the first 3 quarters of each of Lear Canada's fiscal years and within 150 days of each of Lear Canada's fiscal year-ends; and

(4) such other information as the Bank may reasonably request.

EXPENSES All reasonable fees and out-of-pocket expenses of the Bank in respect of preparation and enforcement of this Agreement will be for the account of the applicable Borrower.

EXCHANGE EQUIVALENCIES Except as otherwise provided hereunder, the Canadian dollar exchange equivalent of U.S. dollars shall be determined by the Bank in accordance with its normal practices from time to time. The aggregate amount of Canadian dollar Availments and the Canadian dollar exchange equivalent of U.S. dollar Availments outstanding at any time under the Credit shall not exceed the Canadian dollar committed limit of the Credit at such time, and for such purposes the Bank may require any such excess resulting for any reason to be repaid within 30 days of notice thereof to the applicable Borrower and until such repayment may refuse to allow a drawdown under the Credit.

PAYMENTS Unless otherwise directed by the appropriate party, all disbursements to a Borrower shall be made into an account designated by such Borrower and all payments to the Bank shall be made in the currency in respect of which the obligations requiring such payment arose by depositing such payments (whether by wire transfer or otherwise) into an account designated by the Bank at the Branch for value on the due date. Upon the occurrence and continuation of any Event of Default hereunder, each Borrower hereby acknowledges that the Bank shall be entitled, from time to time and at any time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Bank to or for the credit or the account of the affected Borrower against any and all of the obligations of such Borrower now or hereafter

existing under this Agreement, irrespective of whether or not the Bank shall have made any demand under this Agreement. The currency of account of all payments contemplated hereunder shall be of the essence of this Agreement.

EVIDENCE OF INDEBTEDNESS

Each Borrower acknowledges that the actual recording of any Availment under the Credit and interest, fees and other amounts due therefor under this Agreement in an account of such Borrower maintained by the Bank in respect thereof and payments made under the Credit in accordance with this Agreement shall constitute, except for manifest error, conclusive evidence of such Borrower's indebtedness and liability from time to time under this Agreement in respect of the Credit; provided that the failure of the Bank to record the indebtedness and liability of such Borrower in such account shall not affect the obligation of such Borrower to pay or repay such indebtedness and liability in accordance with this Agreement.

JUDGEMENT CURRENCY

The obligation of each Borrower hereunder to make payments in U.S. dollars shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into Canadian dollars except to the extent to which such tender or recovery shall result in the effective receipt by the Bank of the full amount of U.S. dollars so payable hereunder. Accordingly, the obligation of each Borrower shall be enforceable as an alternative or additional cause of action for the purpose of recovery in Canadian dollars of the amount (if any) by which such effective receipt shall fall short of the full amount of U.S. dollars so payable hereunder and shall not be affected by any judgment being obtained for any other sums due hereunder.

SEVERABILITY

The invalidity or unenforceability of any particular provision of this Agreement shall not affect any other provision herein and the Agreement shall be construed as if the invalid or unenforceable provision had been omitted.

ASSIGNABILITY & GOVERNING LAW

Neither Borrower may assign this Agreement. The Bank may assign or grant participation in its rights and obligations hereunder to any of its subsidiaries or affiliates without the consent of either Borrower, and may assign or grant participation in its rights and obligations hereunder to any other third party with the prior written consent of Lear Canada (not to unreasonably withheld), with each such assignee or participant to be entitled to rely on the section headed INDEMNITY PROVISIONS as set out above. This Agreement shall be construed in accordance with the law of the Province of Ontario.

To: LEAR CORPORATION CANADA LTD. AND
ALL AUTOMOTIVE INDUSTRIES CANADA, INC.

By: _____
Name:_____

Title: _____

Please indicate your acceptance of this Agreement by signing and returning to the Bank the enclosed duplicate copy of this letter, together with Schedules "A" and "B" hereto, on or before July 11, 1996, failing which the provisions hereof shall be of no force or effect. By its execution hereof, Lear Canada also acknowledges, agrees and confirms to the Bank that, without limitation, it is and shall continue to be indebted or liable to the Bank, as the case may be, for the amount(s) as properly recorded in the loan account for the predecessor agreement hereto dated April 19, 1995 which were incurred under or in connection with that agreement, and that all amounts so recorded shall constitute indebtedness and liability outstanding under this Agreement, to be discharged in accordance with the provisions hereof.

Yours truly,

THE BANK OF NOVA SCOTIA

By: _____
B.J. Evans

By: _____
P.D. McNeill

LEAR CORPORATION CANADA LTD.

By: _____
Name: _____

Title: _____

By: _____
Name: _____

Title: _____

Accepted this ___ day of _____, 1996.

AII AUTOMOTIVE INDUSTRIES CANADA, INC.

By: _____
Name: _____

Title: _____

Accepted this ___ day of _____, 1996.

By: _____
Name: _____

Title: _____

SCHEDULE "A"

DOCUMENTARY INSTRUMENTS

This Schedule is part of the letter loan agreement (the "Agreement") dated as of July 11, 1996, among The Bank of Nova Scotia (the "Bank"), Lear Corporation Canada Ltd. (the "Applicant") and AII Automotive Industries Canada, Inc. Canadian and U.S. dollar denominated commercial and standby letters of credit and letters of guarantee (each a "Documentary Instrument"), up to a maximum aggregate amount outstanding at any time not exceeding $2,000,000 Cdn., shall be Availments which may be obtained by the Applicant under the Revolving Term Credit referred to in the Agreement, provided that each Documentary Instrument shall be in form satisfactory to the Bank and have a term to expiry of not more than 365 days and further provided that the issuance thereof will not contravene any law, regulation or order applicable to such Documentary Instrument in any jurisdiction. Each Commercial Documentary Instrument shall be issued subject to the additional terms set forth in Schedule "B" attached hereto. All other capitalized terms not defined herein shall have the respective meanings given to them in the Agreement.

IN CONSIDERATION of the Bank issuing each Documentary Instrument, the Applicant hereby agrees as follows:

1. The availability of the Credit shall be reduced by the face amount of each Documentary Instrument for and during the period of time that the Bank has a contingent liability thereunder. The Applicant shall pay, upon issuance of each Documentary Instrument, a per annum fee fluctuating in accordance with the applicable Pricing Level as follows:

Pricing Level	Issuance Fee Per Annum (%)
Level 1	0.75
Level 2	0.625
Level 3	0.50
Level 4	0.25

In each case, such fee shall be calculated in each case on the face amount of such Documentary Instrument for the actual number of days to elapse, based upon a year of 365 days, from and including the date of issuance thereof to the applicable date of expiry. The issuance fee shall be recalculated each time a particular Documentary Instrument is reduced and the Bank will refund to the Applicant any unearned issuance fee as a result of reductions in or cancellations or as a result of a change in the Pricing Level of the particular Documentary Instrument from the date of recalculation hereunder, provided that in no event shall the minimum issuance fee paid in respect of the particular Documentary Instrument be less than the greater of $100 Cdn. or U.S., as applicable, or 1/4 of 1% per annum of the face amount of the Documentary Instrument issued or renewed. Each

Documentary Instrument may be converted to another Availment, but only on the expiry or cancellation of such Documentary Instrument. All drafts, bills of exchange, receipts, acceptances, demands and other requests for payment drawn or issued under a Documentary Instrument (any such instrument being a "Draft") and all other amounts paid by the Bank under or in connection with any Documentary Instrument shall constitute under the Credit a Prime Rate Advance to the extent that such amounts are in Canadian dollars and a Base Rate Advance to the extent that such amounts are in U.S. dollars.

2. The Applicant shall pay to the Bank all of the Bank's contingent liability in respect of (I) any Documentary Instrument outstanding upon any termination of the Credit, and (ii) any Documentary Instrument which becomes the subject matter of any order, judgment, injunction or other such determination (an "Order"), or any petition or other application for any Order by the Applicant or any other party, restricting payment by the Bank under and in accordance with such Documentary Instrument or extending the Bank's liability under such Documentary Instrument beyond the expiration date stated therein, provided that payment in respect of each such Documentary Instrument shall be due forthwith upon demand and in the currency in which such Documentary Instrument is denominated (the "Instrument Currency"); provided that, subject to the provisions of paragraph (3) of the section below captioned COVENANTS (Covenants of Lear Canada and Automotive Industries), no such payment shall be required to be made by the Applicant with respect to any Documentary Instrument prior to its date of expiry if such Documentary Instrument is outstanding at the time of the Applicant's receipt of any notice of repayment given by the Bank to the Applicant in accordance with the aforesaid paragraph (3) of the section of the Agreement captioned COVENANTS.

3. The Bank hereby agrees that it will, with respect to each Documentary Instrument subjected to any such demand for payment under the preceding section, upon the later of:

(a) the date on which any final and non-appealable order, judgment or other such determination has been rendered or issued either terminating any applicable Order, or permanently enjoining the Bank from paying under such Documentary Instrument; and

(b) the earlier of:

(I) the date on which either the original counterpart of such Documentary Instrument is returned to the Bank for cancellation or the Bank is released by the beneficiary thereof from any further obligations in respect of such Documentary Instrument; and,

(ii) the expiry of such Documentary Instrument;

pay to the Applicant an amount in the applicable Instrument Currency equal to any excess of the amount received by the Bank hereunder in respect of the Bank's contingent liability under such Documentary Instrument (the "Received Amount") over the equivalent in such Instrument Currency of the total of amounts applied to reimburse the Bank for amounts paid by it under or in connection with such Documentary Instrument (the Bank having the right to so appropriate an aggregate sum equal to the amounts paid by it under the applicable Documentary Instrument), together with an additional amount in such

Instrument Currency computed by applying a per annum rate as set out below to the amount of such excess from time to time. The applicable per annum rate shall equal 3% per annum less than the Prime Lending Rate, if the applicable Documentary Instrument is denominated in Canadian dollars or 3% less than the Bank's Base Rate Canada, if the applicable Documentary Instrument is denominated in U.S. dollars. Such additional amount shall be calculated daily on the basis of a 365 day year for the actual number of days elapsed from and including the date of payment to the Bank of the Received Amount to (but not including) the date of return to the Applicant of the excess.

4. Amounts not paid when due hereunder shall, for the purposes of the Agreement, be deemed to be amounts not paid when due for Prime Rate Advances if in respect of Canadian dollars and Base Rate Advances if in respect of U.S. dollars.

5. The obligations of the Applicant hereunder shall be absolute, unconditional and irrevocable and shall not be reduced by any event or occurrence including, without limitation, any lack of validity or enforceability of a Documentary Instrument, or any Draft paid or acted upon by the Bank or any of its correspondents being fraudulent, forged, invalid or insufficient in any respect, or any claims which the Applicant may have against any beneficiary or transferee of any Documentary Instrument; provided that the Bank shall indemnify the Applicant for any cost, expense or other liability resulting from the Bank's negligence or wilful misconduct. The obligations of the Applicant hereunder shall remain in full force and effect and shall apply to any alteration to or extension of the expiration date of any Documentary Instrument or any standby letter of credit issued to replace, extend or alter any Documentary Instrument.

6. Any action, inaction or omission taken or suffered by the Bank or any of the Bank's correspondents under or in connection with a Documentary Instrument or any Draft made thereunder, if in good faith and in conformity with foreign or domestic laws, regulations or customs applicable thereto shall be binding upon the Applicant and shall not place the Bank or any of its correspondents under any resulting liability to the Applicant. Without limiting the generality of the foregoing, the Bank and its correspondents may receive, accept or pay as complying with the terms of a Documentary Instrument, any Draft thereunder, otherwise in order which may be signed by, or issued to, the administrator or any executor of, or the trustee in bankruptcy of, or the receiver for any property of, or other person or entity acting as the representative or in the place of, such beneficiary or its successors and assigns. The Applicant covenants that it will not take any steps against the Bank or any of its correspondents, issue any instructions to the Bank or any of its correspondents or institute any proceedings against the Bank or any of its correspondents intended to derogate from the right or ability of the Bank or its correspondents to honour and pay any Draft or Drafts.

7. The Applicant agrees to pay, upon 10 days' prior written notice thereof, all reasonable costs and expenses of the Bank incurred in the enforcement of the Bank's rights under this Agreement and, further, will indemnify the Bank on demand against all loss or damage to the Bank arising out of the issuance of or other action taken by the Bank in connection with any Documentary Instrument including, without limitation, the costs relating to any legal process instituted by any party restraining or seeking to restrain the Bank from accepting or paying any Draft; provided that the Bank shall have delivered to

the Applicant a certificate setting forth in reasonable detail all such costs, expenses or damages. The Applicant also agrees that the Bank shall have no liability to it for any reason in respect of the issuance or payment of or under any Documentary Instrument other than on account of the Bank's negligence or wilful misconduct. All payments to be made to the Bank hereunder shall be made for value on the date due and free of any withholding tax or levy, other than taxes imposed on the net income of the Bank, and such taxes or levies, other than as excepted, shall be paid by the Applicant. The provisions of this paragraph will survive payment in full hereunder.

8. This Schedule and Schedule "B" shall be binding upon the Applicant, its successors and assigns and shall enure to the benefit of the Bank, its successors, transferees and assigns. Any provision of this Schedule and any provision of Schedule "B" which is void or unenforceable shall be ineffective to the extent void or unenforceable and shall be severable from the other provisions of the applicable Schedule and this Schedule and Schedule "B" shall be interpreted as if such provision were not included in Schedule "A" or Schedule "B", as applicable. Time and the currency of payment hereunder shall be deemed to be of the essence hereof. None of the terms of this Schedule or of Schedule "B" shall be amended except in writing signed by the Bank and the Applicant and any waiver by the Bank shall not constitute any further waiver. The Uniform Customs and Practice for Documentary Credits as most recently published by the International Chamber of Commerce (the "UCP") shall in all respects apply to each standby or commercial letter of credit and shall be deemed for such purpose to be a part hereof as if fully incorporated herein. In the event of any conflict between the UCP and the governing law of the Agreement, the UCP shall prevail to the extent necessary to remove the conflict.

SCHEDULE "B"

COMMERCIAL DOCUMENTARY INSTRUMENTS

This Schedule is part of the letter loan agreement (the "Agreement") dated as of July 11, 1996, among The Bank of Nova Scotia (the "Bank"), Lear Corporation Canada Ltd. (the "Applicant") and Automotive Industries Canada, Inc. Canadian and U.S. dollar denominated commercial letters of credit (each a "Commercial Documentary Instrument") shall be Availments which may be obtained under the Revolving Term Credit referred to in the Agreement, provided that each Commercial Documentary Instrument shall be in form satisfactory to the Bank and have a term to expiry of not more than 365 days and further provided that the issuance thereof will not contravene any laws, regulations or orders applicable to such Documentary Instrument in any jurisdiction. All other capitalized terms not defined herein shall have the respective meanings given to them in the Agreement.

IN CONSIDERATION of the issue by the Bank from time to time of one or more Commercial Documentary Instruments prepared in accordance with an application or applications which have been or will be entered into by the Applicant from time to time during the term of the Agreement and in addition to the terms contained in Schedule "A" hereto, the Applicant hereby agrees with the Bank as follows:

1. If a Commercial Documentary Instrument does not specify the unit price of the goods, wares and merchandise and other commodities which may be purchased or shipped under or by virtue of such Commercial Documentary Instrument (the "Goods") and does not state that partial shipments are not permitted, the Bank shall be entitled to be paid the full amount of any Draft honoured in respect of a partial shipment notwithstanding that it is for an amount that is disproportionate to the relative partial shipment.

2. All users of a Commercial Documentary Instrument shall be deemed to be agents of the Applicant and neither the Bank nor its agents or correspondents shall be responsible for the negligence or fraudulence of any user of a Commercial Documentary Instrument, for the existence, nature, condition, description, value, quality or quantity of the Goods, for the packing, shipment, export, import, handling, storage or delivery thereof, or for the safety or preservation thereof at any time, and neither the Bank nor its agents or correspondents shall be liable for any loss resulting from the total or partial destruction of or damage to or deterioration or fall in value of the Goods, or from the delay in arrival or failure to arrive of either the Goods or of any of the documents relating thereto, or from the inadequacy or invalidity of any document or insurance, or from the default or insolvency of any insurer, carrier or other person issuing any document with respect to the Goods, or from failure to give or delay in giving notice of arrival of the Goods or any other notice, or from any error in or misinterpretation of or default or delay in the sending, transmission, arrival or delivery of any message, whether in cipher or not, by post, telegraph, cable, wireless or otherwise, and the obligations hereunder of the Applicant to the Bank shall not be in any way lessened or affected if any Draft or document accepted, paid or acted upon by the Bank or its agents or correspondents does not bear a reference or sufficient reference to a Commercial Documentary Instrument or if no note thereof is made on a Commercial Documentary Instrument.

Please indicate your acceptance of this Agreement by signing and returning to the Bank the enclosed duplicate copy of this letter, together with Schedules "A and "B" hereto, on or before July 11, 1996, failing which the provisions hereof shall be of no force or effect. By its execution hereof, Lear Canada also acknowledges, agrees and confirms to the Bank that, without limitation, it is and shall continue to be indebted or liable to the Bank, as the case may be, for the amount(s) as properly recorded in the loan account for the predecessor agreement hereto dated April 19, 1995 which were incurred under or in connection with that agreement, and that all amounts so recorded shall constitute indebtedness and liability outstanding under this Agreement, to be discharged in accordance with the provisions hereof.

Yours truly,

THE BANK OF NOVA SCOTIA

By: B.J. Evans

B.J. Evans

By: P.D. McNeill

P.D. McNeill

LEAR CORPORATION CANADA LTD.

By: [sig]

Name:

Title:

ACCEPTED THIS ___ DAY OF _____, 1996.

By:

Name:

Title:

AII AUTOMOTIVE INDUSTRIES CANADA, INC.

By:

Name:

Title:

ACCEPTED THIS ___ DAY OF _____, 1996.

EXHIBIT 10.6

March 20, 1995

Mr. Terrence E. O'Rourke
5181 Village Road
Saline, MI 48176

Dear Mr. O'Rourke:

Lear Seating Corporation (the "Company") considers it essential to its best interest and the best interests of its stockholders to foster the continuous employment of key management personnel.

The Board of Directors of the Company (the "Board") has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties. In order to induce you to remain in the employ of the Company, and in consideration of your agreement to the termination of any existing employment contract you may have with the Company or any predecessor; the Company agrees that you shall receive, upon the terms and conditions set forth herein, the compensation and benefits set forth in this letter agreement ("Agreement") during the Term hereof.

1. Term of Agreement. This Agreement shall commence as of the Effective Date (as defined on the signature page hereof) and shall continue in effect until the second anniversary of such date (the "Term"). The Term may be extended pursuant to paragraph 12, hereafter.

2. Terms of Employment. During the Term, you agree to be a full-time employee of the Company serving in the position of President -- Chrysler Division of the Company and to devote substantially all of your working time and attention to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities associated with your position as President -- Chrysler Division of the Company, to use your best efforts to perform faithfully and efficiently such responsibilities. In addition, you agree to serve in such other capacities or offices to which you may be assigned, appointed or elected from time to time by the Board. Nothing herein shall prohibit you from devoting your time to civic and community activities, serving as a member of the Board of Directors of other corporations who do not compete with the Company (provided that you have received prior written approval from the Company's Chairman), or managing personal investments, as long as the foregoing do not interfere with the performance of your duties hereunder.

3. Compensation.

(i) As compensation for your services, under this Agreement, you shall be entitled to receive an initial base salary of $275,000 per annum, to be paid in accordance with existing payroll practices for executives of the Company. Increases in your base salary, if any, shall be determined by the Compensation Committee of the Board of Directors. In addition, you shall be eligible to receive an annual incentive compensation bonus ("Bonus") to be determined from time to time by the Compensation Committee of the Board of Directors of the Company.

(ii) In addition to compensation provided for in Subsection (i) of this Section 3, the Company agrees (A) to provide the same or comparable benefits with respect to any compensation or benefit plan in which you participate as of the Effective Date which is material to your total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan; and (B) to maintain your ability to participate therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the opportunities provided and the level of your participation relative to other participants, than exists on the Effective Date.

(iii) The Company shall reimburse you for all reasonable travel, entertainment and other business expenses incurred by you in the performance of your responsibilities under this Agreement promptly upon receipt of written substantiation of such expenses. You shall also be paid all additional amounts necessary to discharge all federal and state tax liabilities incurred by you that are attributable to all deemed compensation arising as a consequence of your personal use of property owned or leased by the Company, excepting only your personal use of any Company aircraft, including federal and state taxes assessed against such additional compensation.

(iv) You shall be entitled to perquisites available to all other executives of the Company and shall be entitled to four weeks of vacation per year.

4. Termination of Employment. Your employment may be terminated by either the Company or you by giving a Notice of Termination, as defined in Subsection (iv) of this Section 4. If your employment should terminate during the Term, your entitlement to benefits shall be determined in accordance with Section 5 hereof.

(i) Disability. If, as a result of your incapacity due to physical or mental illness, you are unable to perform your duties hereunder for more than six consecutive months or six months aggregate during any twelve month period, your employment may be terminated for "Disability".

(ii) Cause. Termination of your employment for "Cause" shall mean termination

upon (A) the willful and continued failure by you to substantially perform your duties with the Company (other than any such failure resulting from your Disability), (B) the engaging by you in conduct which is significantly injurious to the Company, monetarily or otherwise, (C) your conviction of a felony, (D) your abuse of illegal drugs or other controlled substances or your habitual intoxication, or (E) the breach of any of your material obligations hereunder including without limitation any breach of Section 9 or 10 hereof. For purposes of this Subsection, no act or failure to act, on your part shall be deemed "willful" unless knowingly done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company.

(iii) Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence, without your express written consent, of any of the following circumstances unless such circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections (v) and (iv) of this Section 4, respectively, given in respect thereof:

(A) The permanent assignment to you of any duties inconsistent with your status as an executive officer of the Company, your physical relocation on a permanent basis to an area outside of the metropolitan Detroit area, a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to such assignment of duties, your removal from any office specified in Section 2 hereof;

(B) Any reduction by the Company in your base salary as in effect from time to time, except for across-the- board salary reductions similarly affecting all executive officers of the Company;

(C) The failure by the Company to pay or provide to you within seven (7) days of receipt by the Company of your written demand any amounts of base salary or Bonus or any benefits which are due, owing and payable to you pursuant to the terms hereof, except pursuant to an across-the-board compensation deferral similarly affecting all executive officers, or to pay to you any portion of an installment of deferred compensation due under any deferred compensation program of the Company;

(D) Except in the case of across-the-board reductions, deferrals or eliminations similarly affecting all executive officers of the Company, the failure by the Company to (i) continue in effect any compensation plan in which you participate which is material to your total compensation, including but not limited to the Company's plans currently in effect or hereafter adopted, and any plans adopted in substitution therefore, or (ii) continue to provide you with benefits substantially similar, in aggregate, to the Company's life insurance, medical, dental, health, accident or disability plans

in which you are participating at the date of this Agreement; or

(E) The failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 7 hereof.

Your continued employment with the Company shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

(iv) Notice of Termination. Any termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 8 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this agreement relied upon, if any, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(v) Date of Termination, Etc. "Date of Termination" shall mean (A) if your employment is terminated for Disability pursuant to Subsection (i) of this Section 4, thirty (30) days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such thirty (30) day period), (B) if your employment is terminated by reason of your death, the date of your death, (C) if by you for Good Reason or by either party for any other reason (other than Disability, death, or your voluntary resignation without Good Reason), the date specified in the Notice of Termination (which, in the case of a termination by you for Good Reason, shall not be less than thirty (30) nor more than sixty (60) days from the date such Notice of Termination is given), and (D) if your employment is terminated by your voluntary resignation without Good Reason (as defined in Subsection (iii) of this Section 4), the Date of Termination shall be forty- five (45) days from the date such Notice of Termination is given or such other date as may be identified by the Company. Unless the Company instructs you not to do so, you shall continue to perform services as provided in this Agreement through the Date of Termination.

5. Compensation Upon Termination or During Disability. Upon termination of your employment with the Company during the Term, you shall be entitled to the following compensation and benefits:

(i) If your employment is terminated for Disability, you shall receive until the end of the Term all compensation payable to you under the Company's disability and medical plans and programs, as in effect on the Date of Termination plus an additional payment from the Company (if necessary) such that the aggregate amount received by you in the nature of salary continuation from all sources equals your base

salary at the rate in effect on the Date of Termination. After the end of the Term, your benefits shall be determined under the Company's retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs, provided that such terms shall not be less advantageous to you than the terms of such programs in effect as of the Effective Date.

(ii) If your employment shall be terminated (A) by the Company for Cause, or (B) by you other than for Good Reason, the Company shall pay you your full base salary through the Date of Termination, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation or benefit plans of the Company at the time such payments are due, and the Company shall have no further obligations to you under this Agreement. Provided, however, that if your employment is terminated by your voluntary resignation without Good Reason, you shall be compensated per this Paragraph only to the extent that you actively performed your assigned responsibilities through the Date of Termination.

(iii) If your employment shall be terminated by reason of your death, the Company shall pay your estate or designated beneficiary (as designated by you by written notice to the Company, which designation shall remain in effect for the remainder of the Term and any extensions thereof until revoked or a new beneficiary is designated, in either case by written notice to the Company) your full base salary through the Date of Termination and for a period of 12 whole calendar months thereafter plus, if the Date of Termination shall not occur on the first day of a calendar month, the balance of the month in which the Date of Termination occurs, at the rate in effect at the time of your death, plus any Bonus earned, prorated for the portion of the Bonus measurement period occurring prior to the date of your death, plus all other amounts to which you are entitled under any compensation or benefit plans of the Company at the date of your death, and the Company shall have no further obligation to you, your beneficiaries or your estate under this Agreement.

(iv) If your employment shall be terminated (a) by the Company other than for Cause or Disability or (b) by you for Good Reason, then you shall be entitled to the benefits provided below:

(A) The Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given (or, if greater, at the rate in effect 30 days prior to the time Notice of Termination is given), plus all other amounts to which you are entitled under any compensation or benefit plans of the Company, including without limitation, any Bonus measurement period occurring prior to the Date of Termination, at the time such payments are due, except as otherwise provided below;

(B) in lieu of any further salary payment to you for periods subsequent to the Date of Termination, the Company shall pay to you your full base salary at the rate in effect immediately prior to the time Notice of Termination is given (or, if greater, at the rate in effect 30 days prior to the time Notice of Termination is given), payable periodically in accordance with past payroll practices, until the end of the Term;

(C) in lieu of any further Bonus payments to you for periods subsequent to the Date of Termination, the Company shall pay to you a Bonus payable in each March following the Date of Termination in respect of the previous plan fiscal year equal to the quotient obtained by aggregating the Bonuses received by you in respect of the two plan fiscal years ending prior to the Date of Termination (the "Bonus Period") and dividing such sum by two. Such Bonus shall be paid in respect of each plan fiscal year or portion thereof ending after the Date of Termination until the end of the Term, and shall be prorated for partial years, if any, including without limitation the portion of the calendar year occurring after the Date of Termination and the final plan fiscal year in respect of which any such March Bonus is payable pursuant to this Section 5(iv)(C). Provided, however, that the amount of bonus to be paid pursuant to this Paragraph shall not be greater than the amount of bonus that would have been paid in accordance with Bonus Plans, existing from time to time, had your employment not been terminated;

(D) until the end of the Term, you will continue to participate in all other compensation and benefit plans (including perquisites) in which you were participating immediately prior to the time Notice of Termination is given, or comparable plans substituted therefor; provided, however, that if you are ineligible, (e.g., by operation of law or the terms of the applicable plan to continue to participate in any such plan) the Company will provide you with a comparable level of compensation or benefits;

(E) the Company shall also pay to you all reasonable legal fees and expenses incurred by you in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement if such termination is determined by arbitration to have been for Good Reason or other than Cause or Disability; and

(F) if you should die after the Date of Termination and prior to the end of the period of payment provided for in paragraphs (B), (C), and (D) hereof, the Company shall pay your estate or your designated beneficiary any amounts that are or become payable pursuant to any of such paragraphs until the end of the Term.

(v) You shall be required to mitigate the amount of any payment provided for in

subsection (iv) of this Section 5 by seeking and accepting, if offered, other comparable employment, taking into consideration the provisions of Section 9 of this Agreement, and the amount of any payment provided for in this Section 5 shall be reduced by any compensation earned by you during the remainder of the Term as the result of your employment by another employer, or offset against any amount owed by you to the Company or as otherwise receivable by you pursuant to Subsection 5(iv)(D) shall be reduced to the extent a comparable benefit of the same type was made available to you during the applicable period of benefit continuation set forth in such Subsection. Any compensation and benefits actually received by you shall be promptly reported to the Company.

(vi) In addition to all other amounts payable to you under this Section 5, you shall be entitled to receive all benefits payable to you pursuant to the terms of any plan or agreement of the Company relating to retirement benefits.

6. Travel. You shall be required to travel to the extent necessary for the performance of your responsibilities under this Agreement.

7. Successors; Binding Agreement. The Company will, by Agreement in form and substance satisfactory to you, require any successor (whether direct or indirect, by purchase merger, consolidation or otherwise) to all or substantially all the business and/or assets of the Company, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled to hereunder if you terminate your employment for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as herein before defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

8. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Secretary of the Company (or, if you are the Secretary at the time such notice is to be given, to the Company's Board of Directors), or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

9. Noncompetition.

(i) Until the Date of Termination, you agree not to enter into competitive endeavors and not to undertake any commercial activity which is contrary to the best

interests of the Company or its affiliates, including becoming an employee, owner (except for passive investments of not more than one percent of the outstanding shares of, or any other equity interest in, any company or entity listed or traded on a national securities exchange or in an over-the-counter securities market), officer, consultant, agent or director of any firm or person which either directly competes with a line or lines of business of the Company accounting for ten percent (10%) or more of the Company's gross sales, revenues or earnings before taxes or derives ten percent (10%) or more of such firm's or person's gross sales, revenues or earnings before taxes from a line or lines of business which directly compete with the Company. Notwithstanding any provision of this Agreement to the contrary, you agree that your breach of the provisions of this Section 9(i) shall permit the Company to terminate your employment for Cause.

(ii) If you are terminated for Cause, until the later of one year after the Date of Termination and during any period that you continue to be paid your salary (including any other payments in lieu of salary) pursuant to Section 5 hereof and for one year thereafter, or if you resign or are terminated other than for Cause, until the later of the Date of Termination and during any period that you continue to be paid your salary (including any other payment in lieu of salary) pursuant to Section 5 hereof, you agree not to become an employee, owner (except for passive investments of not more than one percent of the outstanding shares of, or any other equity interest in, any company or entity listed or traded on a national securities exchange or in an over-the-counter securities market), consultant, officer, agent or director of any firm or person which directly competes with a business of the Company producing any class of products accounting for ten percent (10%) or more of the Company's gross sales, revenues or earnings before taxes. During the period of payment provided in Section 5 hereof, you will be available, consistent with other responsibilities that you may then have, to answer questions and provide advice to the Company. Notwithstanding anything in this Agreement to the contrary, you agree that, from and after any breach by you of the provisions of this Section 9(ii), the Company shall cease to have any obligations to make payments to you under this Agreement.

(iii) If you are terminated for Cause, until the later of one year after the Date of Termination and during any period that you continue to be paid your salary (including any other payments in lieu of salary) pursuant to Section 5 hereof and for one year thereafter, or if you resign or are terminated other than for Cause, until the later of the Date of Termination and during any period that you continue to be paid your salary (including any other payment in lieu of salary) pursuant to Section 5 hereof, you shall not directly or indirectly, either on your own account or with or for anyone else, (A) solicit or attempt to solicit any of the Company's customers (B) solicit or attempt to solicit for any business endeavor any employee of the Company or (C) otherwise divert or attempt to divert from the Company any business whatsoever or interfere with any business relationship between the Company and any other person.

(iv) You acknowledge and agree that damages for breach of the covenant not to compete in this Section 9 will be difficult to determine and will not afford a full and adequate remedy, and therefore agree that the Company, in addition to seeking actual damages pursuant to Section 11 hereof, may seek specific enforcement of the covenant not to compete in any court of competent jurisdiction, including, without limitation, by the issuance of a temporary or permanent injunction, without the necessity of a bond. You and the Company agree that the provisions of this covenant not to compete are reasonable. However, should any court or arbitrator determine that any provision of this covenant not to compete is unreasonable, either in period of time, geographical area, or otherwise, the parties agree that this covenant not to compete should be interpreted and enforced to the maximum extent which such court or arbitrator deems reasonable.

10. Confidentiality.

(i) You shall not knowingly use, disclose or reveal to any unauthorized person, during or after the Term, any trade secret or other confidential information relating to the Company or any of its affiliates, or any of their respective businesses or principals, such as, without limitation, dealers' or distributor's lists, information regarding personnel and manufacturing processes, marketing and sales plans, and all other such information; and you confirm that such information is the exclusive property of the Company and its affiliates. Upon termination of your employment, you agree to return to the Company on demand of the Company all memoranda, books, papers, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its affiliates, whether made by you or otherwise in your possession.

(ii) Any ideas, processes, characters, productions, schemes, titles, names, formats, adaptations, plots, slogans, catchwords, incidents, treatment, and dialogue which you may conceive, create, organize, prepare or produce during the period of your employment and which ideas, processes, etc. relate to any of the businesses of the Company, shall be owned by the Company and its affiliates whether or not you should in fact execute an assignment thereof or other instrument or document which may be reasonably necessary to protect and secure such rights to the Company.

(iii) Notwithstanding anything in this Agreement to the contrary, you agree that from and after any breach by you of the provisions of this Section 10 during any period of payment provided in Section 5 hereof, the Company shall cease to have any obligations to make payments to you under this Agreement.

11. Arbitration.

(i) Except as contemplated by Section 9 (iii), Section 9, (iv), and Section 11 (iii) hereof, any dispute or controversy arising under or in connection with this

Agreement that cannot be mutually resolved by the parties to this Agreement and their respective advisors and representatives shall be settled exclusively by arbitration in Southfield, Michigan before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by an individual to be designated by the Company and an individual to be selected by you, or if such two individuals cannot agree on the selection of the arbitrator, who shall be selected pursuant to the procedures of the American Arbitration Association.

(ii) The parties agree to use their best efforts to cause (a) the two individuals set forth in the preceding Section 11 (i), or, if applicable, the American Arbitration Association, to appoint the arbitrator within 30 days of the date that a party hereto notifies the other party that a dispute or controversy exists that necessitates the appointment of an arbitrator, and (b) any arbitration hearing to be held within 30 days of the date of selection of the arbitrator, and, as a condition to his or her selection, such arbitrator must consent to be available for a hearing at such time.

(iii) Judgment may be entered on the arbitrator's award in any court having jurisdiction, provided that you shall be entitled to seek specific performance of your right to be paid and to participate in benefit programs during the pendency of any dispute or controversy arising under or in connection with this Agreement. The Company and you hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific performance of the terms of this Agreement.

(iv) If you prevail in full or in substantial part, the Company shall bear all expenses of the arbitrator incurred in any arbitration hereunder. The Company agrees to pay your reasonable and documented legal fees and expenses in connection with any arbitration hereunder if you prevail in full or in substantial part.

12. Extension of Term. The Term of this Agreement shall be automatically extended for a period of one year on each anniversary of the Effective Date of this Agreement. There shall be no renewal of the Term after the Date of Termination.

13. Modifications. No provision of this Agreement may be modified, amended, waived or discharged unless such modification, amendment, waiver or discharge is agreed to in writing and signed by both you and such officer of the Company as may be specifically designated by the Board.

14. No Implied Waivers. Failure of either party at any time to require performance by the other party of any provision hereof shall in no way affect the full right to require such performance at any time thereafter. Waiver by either party of a breach of any obligation hereunder shall not constitute a waiver of any succeeding breach of the same obligation. Failure of either party to exercise any of its rights provided herein shall not constitute a waiver of such right.

15. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Michigan.

16. Payments Net of Taxes. Any payments provided for herein which are subject to Federal, State or local tax or other withholding requirements, shall have such amounts withheld prior to payment.

17. Survival of Obligations. The obligations of the Company under Section 5(iii) and your obligations under Sections 9 and 10 hereof shall survive the expiration of the Term of this Agreement.

18. Capacity of Parties. The parties hereto warrant that they have the capacity and authority to execute this Agreement.

19. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of the Agreement, which shall remain in full force and effect.

20. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

21. Entire Agreement. This Agreement and any attachments hereto, contain the entire agreement by the parties with respect to the matters covered herein and supersedes any prior agreement (including without limitation any prior employment agreement), condition, practice, custom, usage and obligation with respect to such matters insofar as any such prior agreement, condition, practice, custom, usage or obligation might have given rise to any enforceable right. No agreements, understandings or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject, effective on March 20, 1995 ("Effective Date").

Sincerely,

LEAR SEATING CORPORATION

BY:/s/ Joseph F. McCarthy

Vice President and Secretary

Agreed to this 20th day of March, 1995

BY: /s/ Terrence E. O'Rourke

EXHIBIT 10.7

March 20, 1995

Mr. Gerald G. Harris
6698 Emerald Lake Drive
Troy, MI 48098

Dear Mr. Harris:

Lear Seating Corporation (the "Company") considers it essential to its best interest and the best interests of its stockholders to foster the continuous employment of key management personnel.

The Board of Directors of the Company (the "Board") has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties. In order to induce you to remain in the employ of the Company, and in consideration of your agreement to the termination of any existing employment contract you may have with the Company or any predecessor; the Company agrees that you shall receive, upon the terms and conditions set forth herein, the compensation and benefits set forth in this letter agreement ("Agreement") during the Term hereof.

1. Term of Agreement. This Agreement shall commence as of the Effective Date (as defined on the signature page hereof) and shall continue in effect until the second anniversary of such date (the "Term"). The Term may be extended pursuant to paragraph 12, hereafter.

2. Terms of Employment. During the Term, you agree to be a full-time employee of the Company serving in the position of President - GM Division of the Company and to devote substantially all of your working time and attention to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities associated with your position as President - GM Division of the Company, to use your best efforts to perform faithfully and efficiently such responsibilities. In addition, you agree to serve in such other capacities or offices to which you may be assigned, appointed or elected from time to time by the Board. Nothing herein shall prohibit you from devoting your time to civic and community activities, serving as a member of the Board of Directors of other corporations who do not compete with the Company (provided that you have received prior written approval from the Company's Chairman), or managing personal investments, as long as the foregoing do not interfere with the performance of your duties hereunder.

3. Compensation.

(i) As compensation for your services, under this Agreement, you shall be entitled to receive an initial base salary of $275,000 per annum, to be paid in accordance with existing payroll practices for executives of the Company. Increases in your base salary, if any, shall be determined by the Compensation Committee of the Board of Directors. In addition, you shall be eligible to receive an annual incentive compensation bonus ("Bonus") to be determined from time to time by the Compensation Committee of the Board of Directors of the Company.

(ii) In addition to compensation provided for in Subsection (i) of this Section 3, the Company agrees (A) to provide the same or comparable benefits with respect to any compensation or benefit plan in which you participate as of the Effective Date which is material to your total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan; and (B) to maintain your ability to participate therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the opportunities provided and the level of your participation relative to other participants, than exists on the Effective Date.

(iii) The Company shall reimburse you for all reasonable travel, entertainment and other business expenses incurred by you in the performance of your responsibilities under this Agreement promptly upon receipt of written substantiation of such expenses. You shall also be paid all additional amounts necessary to discharge all federal and state tax liabilities incurred by you that are attributable to all deemed compensation arising as a consequence of your personal use of property owned or leased by the Company, excepting only your personal use of any Company aircraft, including federal and state taxes assessed against such additional compensation.

(iv) You shall be entitled to perquisites available to all other executives of the Company and shall be entitled to four weeks of vacation per year.

4. Termination of Employment. Your employment may be terminated by either the Company or you by giving a Notice of Termination, as defined in Subsection (iv) of this Section 4. If your employment should terminate during the Term, your entitlement to benefits shall be determined in accordance with Section 5 hereof.

(i) Disability. If, as a result of your incapacity due to physical or mental illness, you are unable to perform your duties hereunder for more than six consecutive months or six months aggregate during any twelve month period, your employment may be terminated for "Disability".

(ii) Cause. Termination of your employment for "Cause" shall mean termination

upon (A) the willful and continued failure by you to substantially perform your duties with the Company (other than any such failure resulting from your Disability), (B) the engaging by you in conduct which is significantly injurious to the Company, monetarily or otherwise, (C) your conviction of a felony, (D) your abuse of illegal drugs or other controlled substances or your habitual intoxication, or (E) the breach of any of your material obligations hereunder including without limitation any breach of Section 9 or 10 hereof. For purposes of this Subsection, no act or failure to act, on your part shall be deemed "willful" unless knowingly done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company.

(iii) Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence, without your express written consent, of any of the following circumstances unless such circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections (v) and (iv) of this Section 4, respectively, given in respect thereof:

(A) The permanent assignment to you of any duties inconsistent with your status as an executive officer of the Company, your physical relocation on a permanent basis to an area outside of the metropolitan Detroit area, a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to such assignment of duties, your removal from any office specified in Section 2 hereof;

(B) Any reduction by the Company in your base salary as in effect from time to time, except for across-the-board salary reductions similarly affecting all executive officers of the Company;

(C) The failure by the Company to pay or provide to you within seven (7) days of receipt by the Company of your written demand any amounts of base salary or Bonus or any benefits which are due, owing and payable to you pursuant to the terms hereof, except pursuant to an across-the-board compensation deferral similarly affecting all executive officers, or to pay to you any portion of an installment of deferred compensation due under any deferred compensation program of the Company;

(D) Except in the case of across-the-board reductions, deferrals or eliminations similarly affecting all executive officers of the Company, the failure by the Company to (i) continue in effect any compensation plan in which you participate which is material to your total compensation, including but not limited to the Company's plans currently in effect or hereafter adopted, and any plans adopted in substitution therefore, or (ii) continue to provide you with benefits substantially similar, in aggregate, to the Company's life insurance, medical, dental, health, accident or disability plans

in which you are participating at the date of this Agreement; or

(E) The failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 7 hereof.

Your continued employment with the Company shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

(iv) Notice of Termination. Any termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 8 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this agreement relied upon, if any, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(v) Date of Termination, Etc. "Date of Termination" shall mean (A) if your employment is terminated for Disability pursuant to Subsection (i) of this Section 4, thirty (30) days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such thirty (30) day period), (B) if your employment is terminated by reason of your death, the date of your death, (C) if by you for Good Reason or by either party for any other reason (other than Disability, death, or your voluntary resignation without Good Reason), the date specified in the Notice of Termination (which, in the case of a termination by you for Good Reason, shall not be less than thirty (30) nor more than sixty (60) days from the date such Notice of Termination is given), and (D) if your employment is terminated by your voluntary resignation without Good Reason (as defined in Subsection (iii) of this Section 4), the Date of Termination shall be forty-five (45) days from the date such Notice of Termination is given or such other date as may be identified by the Company. Unless the Company instructs you not to do so, you shall continue to perform services as provided in this Agreement through the Date of Termination.

5. Compensation Upon Termination or During Disability. Upon termination of your employment with the Company during the Term, you shall be entitled to the following compensation and benefits:

(i) If your employment is terminated for Disability, you shall receive until the end of the Term all compensation payable to you under the Company's disability and medical plans and programs, as in effect on the Date of Termination plus an additional payment from the Company (if necessary) such that the aggregate amount received by you in the nature of salary continuation from all sources equals your base

salary at the rate in effect on the Date of Termination. After the end of the Term, your benefits shall be determined under the Company's retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs, provided that such terms shall not be less advantageous to you than the terms of such programs in effect as of the Effective Date.

(ii) If your employment shall be terminated (A) by the Company for Cause, or (B) by you other than for Good Reason, the Company shall pay you your full base salary through the Date of Termination, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation or benefit plans of the Company at the time such payments are due, and the Company shall have no further obligations to you under this Agreement. Provided, however, that if your employment is terminated by your voluntary resignation without Good Reason, you shall be compensated per this Paragraph only to the extent that you actively performed your assigned responsibilities through the Date of Termination.

(iii) If your employment shall be terminated by reason of your death, the Company shall pay your estate or designated beneficiary (as designated by you by written notice to the Company, which designation shall remain in effect for the remainder of the Term and any extensions thereof until revoked or a new beneficiary is designated, in either case by written notice to the Company) your full base salary through the Date of Termination and for a period of 12 whole calendar months thereafter plus, if the Date of Termination shall not occur on the first day of a calendar month, the balance of the month in which the Date of Termination occurs, at the rate in effect at the time of your death, plus any Bonus earned, prorated for the portion of the Bonus measurement period occurring prior to the date of your death, plus all other amounts to which you are entitled under any compensation or benefit plans of the Company at the date of your death, and the Company shall have no further obligation to you, your beneficiaries or your estate under this Agreement.

(iv) If your employment shall be terminated (a) by the Company other than for Cause or Disability or (b) by you for Good Reason, then you shall be entitled to the benefits provided below:

(A) The Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given (or, if greater, at the rate in effect 30 days prior to the time Notice of Termination is given), plus all other amounts to which you are entitled under any compensation or benefit plans of the Company, including without limitation, any Bonus measurement period occurring prior to the Date of Termination, at the time such payments are due, except as otherwise provided below;

(B) in lieu of any further salary payment to you for periods subsequent to the Date of Termination, the Company shall pay to you your full base salary at the rate in effect immediately prior to the time Notice of Termination is given (or, if greater, at the rate in effect 30 days prior to the time Notice of Termination is given), payable periodically in accordance with past payroll practices, until the end of the Term;

(C) in lieu of any further Bonus payments to you for periods subsequent to the Date of Termination, the Company shall pay to you a Bonus payable in each March following the Date of Termination in respect of the previous plan fiscal year equal to the quotient obtained by aggregating the Bonuses received by you in respect of the two plan fiscal years ending prior to the Date of Termination (the "Bonus Period") and dividing such sum by two. Such Bonus shall be paid in respect of each plan fiscal year or portion thereof ending after the Date of Termination until the end of the Term, and shall be prorated for partial years, if any, including without limitation the portion of the calendar year occurring after the Date of Termination and the final plan fiscal year in respect of which any such March Bonus is payable pursuant to this Section 5(iv)(C). Provided, however, that the amount of bonus to be paid pursuant to this Paragraph shall not be greater than the amount of bonus that would have been paid in accordance with Bonus Plans, existing from time to time, had your employment not been terminated;

(D) until the end of the Term, you will continue to participate in all other compensation and benefit plans (including perquisites) in which you were participating immediately prior to the time Notice of Termination is given, or comparable plans substituted therefor; provided, however, that if you are ineligible, (e.g., by operation of law or the terms of the applicable plan to continue to participate in any such plan) the Company will provide you with a comparable level of compensation or benefits;

(E) the Company shall also pay to you all reasonable legal fees and expenses incurred by you in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement if such termination is determined by arbitration to have been for Good Reason or other than Cause or Disability; and

(F) if you should die after the Date of Termination and prior to the end of the period of payment provided for in paragraphs (B), (C), and (D) hereof, the Company shall pay your estate or your designated beneficiary any amounts that are or become payable pursuant to any of such paragraphs until the end of the Term.

(v) You shall be required to mitigate the amount of any payment provided for in

subsection (iv) of this Section 5 by seeking and accepting, if offered, other comparable employment, taking into consideration the provisions of Section 9 of this Agreement, and the amount of any payment provided for in this Section 5 shall be reduced by any compensation earned by you during the remainder of the Term as the result of your employment by another employer, or offset against any amount owed by you to the Company or as otherwise receivable by you pursuant to Subsection 5(iv)(D) shall be reduced to the extent a comparable benefit of the same type was made available to you during the applicable period of benefit continuation set forth in such Subsection. Any compensation and benefits actually received by you shall be promptly reported to the Company.

(vi) In addition to all other amounts payable to you under this Section 5, you shall be entitled to receive all benefits payable to you pursuant to the terms of any plan or agreement of the Company relating to retirement benefits.

6. Travel. You shall be required to travel to the extent necessary for the performance of your responsibilities under this Agreement.

7. Successors; Binding Agreement. The Company will, by Agreement in form and substance satisfactory to you, require any successor (whether direct or indirect, by purchase merger, consolidation or otherwise) to all or substantially all the business and/or assets of the Company, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled to hereunder if you terminate your employment for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as herein before defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

8. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Secretary of the Company (or, if you are the Secretary at the time such notice is to be given, to the Company's Board of Directors), or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

9. Noncompetition.

(i) Until the Date of Termination, you agree not to enter into competitive endeavors and not to undertake any commercial activity which is contrary to the best

interests of the Company or its affiliates, including becoming an employee, owner (except for passive investments of not more than one percent of the outstanding shares of, or any other equity interest in, any company or entity listed or traded on a national securities exchange or in an over-the-counter securities market), officer, consultant, agent or director of any firm or person which either directly competes with a line or lines of business of the Company accounting for ten percent (10%) or more of the Company's gross sales, revenues or earnings before taxes or derives ten percent (10%) or more of such firm's or person's gross sales, revenues or earnings before taxes from a line or lines of business which directly compete with the Company. Notwithstanding any provision of this Agreement to the contrary, you agree that your breach of the provisions of this Section 9(i) shall permit the Company to terminate your employment for Cause.

(ii) If you are terminated for Cause, until the later of one year after the Date of Termination and during any period that you continue to be paid your salary (including any other payments in lieu of salary) pursuant to Section 5 hereof and for one year thereafter, or if you resign or are terminated other than for Cause, until the later of the Date of Termination and during any period that you continue to be paid your salary (including any other payment in lieu of salary) pursuant to Section 5 hereof, you agree not to become an employee, owner (except for passive investments of not more than one percent of the outstanding shares of, or any other equity interest in, any company or entity listed or traded on a national securities exchange or in an over-the-counter securities market), consultant, officer, agent or director of any firm or person which directly competes with a business of the Company producing any class of products accounting for ten percent (10%) or more of the Company's gross sales, revenues or earnings before taxes. During the period of payment provided in Section 5 hereof, you will be available, consistent with other responsibilities that you may then have, to answer questions and provide advice to the Company. Notwithstanding anything in this Agreement to the contrary, you agree that, from and after any breach by you of the provisions of this Section 9(ii), the Company shall cease to have any obligations to make payments to you under this Agreement.

(iii) If you are terminated for Cause, until the later of one year after the Date of Termination and during any period that you continue to be paid your salary (including any other payments in lieu of salary) pursuant to Section 5 hereof and for one year thereafter, or if you resign or are terminated other than for Cause, until the later of the Date of Termination and during any period that you continue to be paid your salary (including any other payment in lieu of salary) pursuant to Section 5 hereof, you shall not directly or indirectly, either on your own account or with or for anyone else, (A) solicit or attempt to solicit any of the Company's customers (B) solicit or attempt to solicit for any business endeavor any employee of the Company or (C) otherwise divert or attempt to divert from the Company any business whatsoever or interfere with any business relationship between the Company and any other person.

(iv) You acknowledge and agree that damages for breach of the covenant not to compete in this Section 9 will be difficult to determine and will not afford a full and adequate remedy, and therefore agree that the Company, in addition to seeking actual damages pursuant to Section 11 hereof, may seek specific enforcement of the covenant not to compete in any court of competent jurisdiction, including, without limitation, by the issuance of a temporary or permanent injunction, without the necessity of a bond. You and the Company agree that the provisions of this covenant not to compete are reasonable. However, should any court or arbitrator determine that any provision of this covenant not to compete is unreasonable, either in period of time, geographical area, or otherwise, the parties agree that this covenant not to compete should be interpreted and enforced to the maximum extent which such court or arbitrator deems reasonable.

10. Confidentiality.

(i) You shall not knowingly use, disclose or reveal to any unauthorized person, during or after the Term, any trade secret or other confidential information relating to the Company or any of its affiliates, or any of their respective businesses or principals, such as, without limitation, dealers' or distributor's lists, information regarding personnel and manufacturing processes, marketing and sales plans, and all other such information; and you confirm that such information is the exclusive property of the Company and its affiliates. Upon termination of your employment, you agree to return to the Company on demand of the Company all memoranda, books, papers, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its affiliates, whether made by you or otherwise in your possession.

(ii) Any ideas, processes, characters, productions, schemes, titles, names, formats, adaptations, plots, slogans, catchwords, incidents, treatment, and dialogue which you may conceive, create, organize, prepare or produce during the period of your employment and which ideas, processes, etc. relate to any of the businesses of the Company, shall be owned by the Company and its affiliates whether or not you should in fact execute an assignment thereof or other instrument or document which may be reasonably necessary to protect and secure such rights to the Company.

(iii) Notwithstanding anything in this Agreement to the contrary, you agree that from and after any breach by you of the provisions of this Section 10 during any period of payment provided in Section 5 hereof, the Company shall cease to have any obligations to make payments to you under this Agreement.

11. Arbitration.

(i) Except as contemplated by Section 9 (iii), Section 9, (iv), and Section 11 (iii) hereof, any dispute or controversy arising under or in connection with this

Agreement that cannot be mutually resolved by the parties to this Agreement and their respective advisors and representatives shall be settled exclusively by arbitration in Southfield, Michigan before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by an individual to be designated by the Company and an individual to be selected by you, or if such two individuals cannot agree on the selection of the arbitrator, who shall be selected pursuant to the procedures of the American Arbitration Association.

(ii) The parties agree to use their best efforts to cause (a) the two individuals set forth in the preceding Section 11 (i), or, if applicable, the American Arbitration Association, to appoint the arbitrator within 30 days of the date that a party hereto notifies the other party that a dispute or controversy exists that necessitates the appointment of an arbitrator, and (b) any arbitration hearing to be held within 30 days of the date of selection of the arbitrator, and, as a condition to his or her selection, such arbitrator must consent to be available for a hearing at such time.

(iii) Judgment may be entered on the arbitrator's award in any court having jurisdiction, provided that you shall be entitled to seek specific performance of your right to be paid and to participate in benefit programs during the pendency of any dispute or controversy arising under or in connection with this Agreement. The Company and you hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific performance of the terms of this Agreement.

(iv) If you prevail in full or in substantial part, the Company shall bear all expenses of the arbitrator incurred in any arbitration hereunder. The Company agrees to pay your reasonable and documented legal fees and expenses in connection with any arbitration hereunder if you prevail in full or in substantial part.

12. Extension of Term. The Term of this Agreement shall be automatically extended for a period of one year on each anniversary of the Effective Date of this Agreement. There shall be no renewal of the Term after the Date of Termination.

13. Modifications. No provision of this Agreement may be modified, amended, waived or discharged unless such modification, amendment, waiver or discharge is agreed to in writing and signed by both you and such officer of the Company as may be specifically designated by the Board.

14. No Implied Waivers. Failure of either party at any time to require performance by the other party of any provision hereof shall in no way affect the full right to require such performance at any time thereafter. Waiver by either party of a breach of any obligation hereunder shall not constitute a waiver of any succeeding breach of the same obligation. Failure of either party to exercise any of its rights provided herein shall not constitute a waiver of such right.

15. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Michigan.

16. Payments Net of Taxes. Any payments provided for herein which are subject to Federal, State or local tax or other withholding requirements, shall have such amounts withheld prior to payment.

17. Survival of Obligations. The obligations of the Company under Section 5(iii) and your obligations under Sections 9 and 10 hereof shall survive the expiration of the Term of this Agreement.

18. Capacity of Parties. The parties hereto warrant that they have the capacity and authority to execute this Agreement.

19. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of the Agreement, which shall remain in full force and effect.

20. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

21. Entire Agreement. This Agreement and any attachments hereto, contain the entire agreement by the parties with respect to the matters covered herein and supersedes any prior agreement (including without limitation any prior employment agreement), condition, practice, custom, usage and obligation with respect to such matters insofar as any such prior agreement, condition, practice, custom, usage or obligation might have given rise to any enforceable right. No agreements, understandings or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject, effective on March 20, 1995 ("Effective Date").

Sincerely,

LEAR SEATING CORPORATION

BY: /s/ Joseph F. McCarthy

Vice President and Secretary

Agreed to this 20th day of March, 1995

BY: /s/ Gerald G. Harris

EXHIBIT 10.18

LEAR CORPORATION

LONG-TERM STOCK INCENTIVE PLAN

ARTICLE 1. ESTABLISHMENT, OBJECTIVES AND DURATION

1.1 Establishment of the Plan. Lear Corporation, a Delaware corporation (hereinafter referred to as the "Company"), hereby establishes a long-term incentive compensation plan to be known as the "Lear Corporation Long-Term Stock Incentive Plan" (hereinafter referred to as the "Plan"), as set forth in this document. The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Units, Performance Shares and Performance Units. In addition, the Plan provides the opportunity for the deferral of the payment of salary, bonuses and other forms of incentive compensation.

Subject to the approval of the Company's stockholders, the Plan shall become effective as of January 1, 1996 (the "Effective Date") and shall remain in effect as provided in Section 1.3 hereof.

1.2 Objectives of the Plan. The objectives of the Plan are to optimize the profitability and growth of the Company through long-term incentives which are consistent with the Company's objectives and which link the interests of Participants to those of the Company's stockholders; to provide Participants with an incentive for excellence in individual performance; and to promote teamwork among Participants; and to give the Company a significant advantage in attracting and retaining officers, key employees and directors.

The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of Participants who make significant contributions to the Company's success and to allow Participants to share in the success of the Company.

1.3 Duration of the Plan. The Plan shall commence on the Effective Date, as described in Section 1.1 hereof, and shall remain in effect, subject to the right of the Board of Directors to amend or terminate the Plan at any time pursuant to Article 15 hereof, until all Shares subject to it pursuant to Article 4 shall have been purchased or acquired according to the Plan's provisions. However, in no event may an Award be granted under the Plan on or after December 31, 2006.

ARTICLE 2. DEFINITIONS

Whenever used in the Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized:

2.1 "Affiliates" means the Company's subsidiaries within the meaning of Code Section 424(f) and, if any, the Company's parent within the meaning of Code Section 424(e).

2.2 "Award" means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Units, Performance Shares or Performance Units.

2.3 "Award Agreement" means an agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award or Awards granted under this Plan to such Participant or the terms and provisions applicable to an election to defer compensation under Section 8.2.

2.4 "Beneficial Owner" or "Beneficial Ownership" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

2.5 "Board" or "Board of Directors" means the Board of Directors of the Company.

2.6 "Cause" shall have the meaning set forth in any unexpired employment or severance agreement between the Participant and the Company and/or an Affiliate, and, in the absence of any such agreement, shall mean (i) the willful and continued failure of the Participant to substantially perform his or her duties

with or for the Company or an Affiliate, (ii) the engaging by the Participant in conduct which is significantly injurious to the Company or an Affiliate, monetarily or otherwise, (iii) the Participant's conviction of a felony, (iv) the Participant's abuse of illegal drugs or other controlled substances or (v) the Participant's habitual intoxication. Unless otherwise defined in the Participant's employment or severance agreement, an act or omission is "willful" for this purpose if such act or omission was knowingly done, or knowingly omitted to be done, by the Participant not in good faith and without reasonable belief that such act or omission was in the best interest of the Company or an Affiliate.

2.7 "Change in Control" of the Company shall be deemed to have occurred (as of a particular day, as specified by the Board) as of the first day any one or more of the following paragraphs shall have been satisfied:

(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 stockholders of the Company in substantially the same proportions as their ownership of stock of the Company) becomes the Beneficial Owner, 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; or

(b) During any period of twenty-six consecutive months (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board (and any new Directors, whose election by the Board or nomination for election by the company's stockholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was so approved) cease for any reason (except for death, Disability or voluntary Retirement) to constitute a majority thereof; or

(c) The stockholders 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.

2.8 "Code" means the Internal Revenue Code of 1986, as amended from time to time.

2.9 "Committee" means, as specified in Article 3 herein, the Compensation Committee of the Board or such other committee as may be appointed by the Board to administer the Plan.

2.10 "Company" means Lear Corporation, a Delaware corporation, and any successor thereto as provided in Article 18 herein.

2.11 "Director" means any individual who is a member of the Board of Directors of the Company.

2.12 "Disability" shall mean (a) long-term disability as defined under the Company's long-term disability plan covering that individual, or (b) if the individual is not covered by such a long-term disability plan, disability as defined for purposes eligibility for a disability award under the Social Security Act.

2.13 "Effective Date" shall have the meaning ascribed to such term in Section 1.1 hereof.

2.14 "Eligible Employee" means any officer or key employee of the Company or any of its Affiliates. Directors who are not employed by the Company or its Affiliates shall not be considered Eligible Employees under this Plan.

2.15 "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

2.16 "Exercise Price" means the price at which a Share may be purchased by a Participant pursuant to an Option.

2.17 "Fair Market Value" means:

(a) the average of the high and low prices of publicly traded Shares on the national securities exchange on which the Shares as listed (if the Shares are so listed) or on the NASDAQ National Market System (if the Shares are regularly quoted on the NASDAQ National Market System);

(b) if not so listed or regularly quoted, the mean between the closing bid and asked prices of publicly traded Shares in the over-the-counter market; and

(c) if such bid and asked prices are not available, as reported by any nationally recognized quotation service selected by the Committee or as determined by the Committee.

2.18 "Freestanding SAR" means an SAR that is granted independently of any Options, as described in Article 7 herein.

2.19 "Incentive Stock Option" or "ISO" means an option to purchase Shares granted under Article 6 herein which is designated as an Incentive Stock Option and that is intended to meet the requirements of Code Section 422.

2.20 "Nonemployee Director" means an individual who is a member of the Board of Directors of the Company but who is not an employee of the Company or any of its Affiliates.

2.21 "Nonqualified Stock Option" or "NQSO" means an option to purchase Shares granted under Article 6 herein that is not intended to meet the requirements of Code Section 422.

2.22 "Option" means an Incentive Stock Option or a Nonqualified Stock Option, as described in Article 6 herein.

2.23 "Participant" means an Eligible Employee who has been selected by the Committee to participate in the Plan pursuant to Section 5.2 and who has outstanding an Award granted under the Plan. The term "Participant" shall not include Nonemployee Directors.

2.24 "Performance-Based Exception" means the performance-based exception from the tax deductibility limitations of Code Section 162(m) and any regulations promulgated thereunder.

2.25 "Performance Share" means an Award granted to a Participant, as described in Article 9 herein.

2.26 "Performance Unit" means an Award granted to a Participant, as described in Article 9 herein.

2.27 "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof.

2.28 "Restriction Period" means the period during which the transfer of Shares of Restricted Stock/Units is limited in some way (based on the passage of time, the achievement of performance objectives, or upon the occurrence of other events as determined by the Committee, at its discretion), and/or the Restricted Stock/Units are not vested.

2.29 "Restricted Stock" means a contingent grant of stock awarded to a Participant pursuant to Article 8 herein.

2.30 "Restricted Stock Unit" means a Restricted Unit granted to a Participant, as described in Article 8 herein, which is payable in Shares.

2.31 "Restricted Unit" means a notional account established pursuant to an Award granted to a Participant, as described in Article 8 herein, which is (a) credited with amounts equal to Shares, or some other unit of measurement specified in the Award Agreement, (b) subject to restrictions and (c) payable in cash or Shares.

2.32 "Retirement" shall mean termination of employment on or after (a) attaining the age established by the Company as the normal retirement age in any unexpired employment agreement between the Participant and the Company and/or an Affiliate, or, in the absence of such an agreement, the normal retirement age under the tax-qualified defined benefit retirement plan or, if none, the tax-qualified defined contribution retirement plan, sponsored by the Company or an Affiliate in which the Participant participates, or (b) attaining age sixty-two with ten years of service with the Company and/or an Affiliate provided the retirement is approved by the Chief Executive Officer of the Company unless the Participant is an officer subject to Section 16 of the Exchange Act in which case the retirement must be approved by the Committee.

2.33 "Shares" means the shares of common stock, $.01 par value, of the Company.

2.34 "Stock Appreciation Right" or "SAR" means an Award, granted alone or in connection with a related Option, designated as an SAR, pursuant to the terms of Article 7 herein.

2.35 "Tandem SAR" means an SAR that is granted in connection with a related Option pursuant to Article 7 herein, the exercise of which requires forfeiture of the right to purchase a Share under the related Option (and when a Share is purchased under the Option, the Tandem SAR shall similarly be canceled).

ARTICLE 3. ADMINISTRATION

3.1 The Committee. The Plan shall be administered by the Compensation Committee of the Board, or by any other Committee appointed by the Board, which Committee (unless otherwise determined by the Board) shall satisfy the "nonemployee director" requirements of Rule 16b-3 under the Exchange Act and the regulations of Rule 16b-3 under the Exchange Act and the "outside director" provisions of Code Section 162(m), or any successor regulations or provisions. The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of, the Board of Directors. The Committee shall act by a majority of its members at the time in office and eligible to vote on any particular matter, and such action may be taken either by a vote at a meeting or in writing without a meeting.

3.2 Authority of the Committee. Except as limited by law and subject to the provisions herein, the Committee shall have full power to: select Eligible Employees who shall participate in the Plan; select Nonemployee Directors to receive Awards under Article 6; determine the sizes and types of Awards; determine the terms and conditions of Awards in a manner consistent with the Plan; construe and interpret the Plan and any agreement or instrument entered into under the Plan; establish, amend or waive rules and regulations for the Plan's administration; and (subject to the provisions of Article 15 herein) amend the terms and conditions of any outstanding Award to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan. Further, the Committee shall make all other determinations which may be necessary or advisable for the administration of the Plan. As permitted by law and consistent with Section 3.1, the Committee may delegate its authority as identified herein.

3.3 Decisions Binding. All determinations and decisions made by the Committee pursuant to the provisions of the Plan shall be final, conclusive and binding on all persons, including the Company, its Board of Directors, its stockholders, all Affiliates, employees, Participants and their estates and beneficiaries.

ARTICLE 4. SHARES SUBJECT TO THE PLAN AND MAXIMUM AWARDS

4.1 Number of Shares Available for Grants. Subject to adjustment as provided in Section 4.3 herein, the number of Shares that may be issued or transferred to Participants under the Plan shall be 2,200,000 Shares. The maximum numbers of Shares that may be issued or transferred to the Participants under Restricted Stock Units and Performance Units shall be 700,000.

The maximum number of Shares and Share equivalent units that may be granted during any calendar year to any one Participant, under Options, Freestanding SARs, Restricted Stock, Restricted Units or Performance Shares, shall be 50,000 Shares (on an aggregate basis for all such types of Awards), which limit shall apply regardless of whether such compensation is paid in Shares or in cash.

4.2 Lapsed Awards. If any Award granted under this Plan is canceled, terminates, expires or lapses for any reason, any Shares subject to such Award again shall be available for the grant of an Award under the Plan (other than for purposes of Subsection 4.1 above).

4.3 Adjustments in Authorized Shares.

(a) In the event the Shares, as presently constituted, shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, split, reverse split, combination of shares, or otherwise) or if the number of such Shares shall be increased through the payment of a stock dividend, then there shall be substituted for or added to each Share theretofore appropriated or thereafter subject or which may become subject to an Award under this Plan, the number and kind of shares of stock or other securities into which each outstanding Share shall be so changed, or for which each such Share shall be exchanged, or to which each such Share shall be entitled, as the case may be. Outstanding Awards shall also be appropriately amended as to price and other terms as may be necessary to reflect the foregoing events. In the event there shall be any other change in the number or kind of the outstanding Shares, or of any stock or other securities into which such Shares shall have been changed, or for which it shall have been exchanged, then, if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in any Award therefore granted or which may be granted under the Plan, such adjustments shall be made in accordance with such determination.

(b) Fractional Shares resulting from any adjustment in Awards pursuant to this section may be settled in cash or otherwise as the Committee shall determine. Notice of any adjustment shall be given by the Company to each Participant who holds an Award which has been so adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of the Plan.

ARTICLE 5. ELIGIBILITY AND PARTICIPATION

5.1 Eligibility. Persons eligible to participate in this Plan consist of all Eligible Employees, including Eligible Employees who are members of the Board, and Nonemployee Directors but only to the extent provided herein.

5.2 Actual Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from all Eligible Employees, those to whom Awards shall be granted and shall determine the nature and amount of each Award.

ARTICLE 6. STOCK OPTIONS

6.1 Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to Eligible Employees in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee. In addition, NQSO may be granted to Nonemployee Directors in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee.

6.2 Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Exercise Price, the duration of the Option, the number of Shares to which the Option pertains, the manner, time and rate of exercise or vesting of the Option, and such other provisions as the Committee shall determine. The Award Agreement also shall specify whether the Option is intended to be an ISO within the meaning of Code Section 422 or an NQSO which is not intended to qualify under the provisions of Code Section 422.

6.3 Exercise Price. The Exercise Price for each share subject to an Option granted under this Plan shall be at least equal to one hundred percent of the Fair Market Value of a Share on the date the Option is granted.

6.4 Duration of Options. Each Option granted to an Eligible Employee or a Nonemployee Director shall expire at such time as the Committee shall determine at the time of grant; provided, however, that no Option shall be exercisable later than the tenth anniversary of the date of its grant.

6.5 Dividend Equivalents. The Committee may grant dividend equivalents in connection with Options granted under this Plan. Such dividend equivalents may be payable in cash or in Shares, upon such terms as the Committee, in its sole discretion, deems appropriate.

6.6 Exercise of Options. Options granted under this Article 6 shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for each Award or for each Participant.

6.7 Payment. Options granted under this Article 6 shall be exercised by the delivery of a written notice of exercise to the Company, setting forth the number of Shares with respect to which the Option is to be exercised accompanied by full payment for the Shares and any withholding tax-relating to the exercise of the Option.

The Exercise Price, and any related withholding taxes, upon exercise of any Option shall be payable to the Company in full either: (a) in cash, or its equivalent, in United States dollars, or (b) if permitted in the governing Award Agreement, by tendering previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Exercise Price, or (c) if permitted in the governing Award Agreement, by a combination of (a) and (b). The Committee also may allow cashless exercise as permitted under Federal Reserve Board's Regulation T, subject to applicable securities law restrictions, or by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law.

6.8 Restrictions on Share Transferability. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 as the Committee deems necessary or advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

6.9 Termination of Employment. Each Option Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following termination of the Participant's employment with the Company and all Affiliates. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant or Nonemployee Director, need not be uniform among all Options issued pursuant to this Article 6, and may reflect distinctions based on the reasons for termination of employment.

6.10 Transferability of Options.

(a) Except as provided in paragraph (b), an Option shall be transferable only by will or the laws of descent and distribution, or pursuant to a domestic relations order (as defined in Code Section 414(p)).

(b) Notwithstanding anything contained herein to the contrary, the Committee may grant an Option pursuant to an Agreement that permits transfer of any portion of that Option by the Participant to (i) the Participant's spouse, children, step-children, grandchildren or step-grandchildren ("Immediate Family Members"), (ii) a trust or trusts for the exclusive benefit of Immediate Family Members, (iii) a partnership in which Immediate Family Members are the only partners or (iv) any other person as determined by the Committee. Such a transfer shall only be permitted if there is no consideration for the transfer, or the transfer is to a partnership in which Immediate Family Members are the only partners and the Participant's sole consideration for the transfer was an interest in the partnership. Such a transfer shall only become effective upon written notice to the Committee of the transfer. Following the transfer of an Option, it shall remain subject to the same terms and conditions that were applicable immediately prior to the transfer and the term "Participant" shall be deemed to refer to the transferee except that events concerning the continuation of employment shall continue to apply with respect to the original Participant not the transferee. A transferee of an Option may not transfer the Option except as provided in paragraph (a).

(c) Options shall be exercisable during the Participant's lifetime only by the Participant or a transferee pursuant to paragraph (b) hereof, or by the guardian or legal representative of the same. The Committee may, in its discretion, require a guardian or legal representative to supply it with such evidence as the Committee deems necessary to establish the authority of the guardian or legal representative to exercise the Option on behalf of the Participant or transferee, as the case may be.

ARTICLE 7. STOCK APPRECIATION RIGHTS

7.1 Grant of SARs. Subject to the terms and conditions of the Plan. SARs may be granted to Participants at any time and from time to time as shall be determined by the Committee. The Committee may grant Freestanding SARs, Tandem SARs or any combination of these forms of SAR.

The Committee shall have sole discretion in determining the number of SARs granted to each Participant (subject to Article 4 herein) and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs.

The grant price of a Freestanding SAR shall equal the Fair Market Value of a Share on the date of grant of the SAR. The grant price of Tandem SARs shall equal the Exercise Price of the related Option.

7.2 Exercise of Tandem SARs. Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable.

7.3 Exercise of Freestanding SARs. Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon them.

7.4 Award Agreement. Each SAR grant shall be evidenced by an Award Agreement that shall specify the grant price, the term of the SAR and such other provisions as the Committee shall determine.

7.5 Term of SARS. The term of an SAR granted under the Plan shall be determined by the Committee, in its sole discretion; provided, however, that such term shall not exceed ten years.

7.6 Payment of SAR Amount. Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

(a) The excess (or some portion of such excess as determined at the time of the grant by the Committee) if any, of the Fair Market Value of a Share on the date of exercise of the SAR over the grant price specified in the Award Agreement; by

(b) The number of Shares with respect to which the SAR is exercised.

At the sole discretion of the Committee, the payment upon SAR exercise may be in cash, in Shares of equivalent Fair Market Value or in some combination thereof.

7.7 Termination of Employment. Each SAR Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the SAR following termination of the Participant's employment with the Company and all Affiliates. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with Participants, need not be uniform among all SARs issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment.

7.8 Nontransferability of SARs. Except as otherwise provided in a Participant's Award Agreement, no SAR granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all SARs granted to a Participant under the Plan shall be exercisable during the Participant's lifetime only by such Participant or the Participant's guardian or legal representative. The Committee may, in its discretion, require a Participant's guardian or legal representative to

supply it with such evidence as the Committee deems necessary to establish the authority of the guardian or legal representative to act on behalf of the Participant.

ARTICLE 8. RESTRICTED STOCK, RESTRICTED STOCK UNITS AND RESTRICTED UNITS

8.1 Grant of Restricted Stock/Units. Subject to the terms and provisions of the Plan, the Committee may, at any time and from time to time, grant Restricted Stock and/or Restricted Units to Participants in such amounts as the Committee shall determine. Each grant of Restricted Stock shall be represented by the number of Shares to which the Award relates. Each grant of restricted Units shall be represented by the number of Share equivalent units to which the Award relates.

8.2 Deferral of Compensation into Restricted Stock Units. Subject to the terms and provisions of the Plan, the Committee may, at any time and from time to time, allow (or require with respect to bonuses) selected Eligible Employees to defer the payment of any portion of their salary and/or annual bonuses pursuant to this Section. A Participant's deferral under this Section shall be credited to the Participant in the form of Restricted Stock Units. The Committee shall establish rules and procedures for such deferrals as it deems appropriate.

In consideration for forgoing compensation, the dollar amount so deferred by a Participant shall be increased by twenty-five percent (or such lesser percentage as the Committee may determine) for purposes of determining the amount of Restricted Stock Units to credit to the Participant. If a Participant's compensation is so deferred, there shall be credited to the Participant as of the date specified in the Award Agreement a number of Restricted Stock Units (determined to the nearest 100th of a unit) equal to the amount of the deferral (increased as described above) divided by the Fair Market Value of a Share on such date.

8.3 Award Agreement. Each Restricted Stock/Unit grant shall be evidenced by an Award Agreement that shall specify the Restriction Periods, the number of Shares or Share equivalent units granted, and such other provisions as the Committee shall determine.

8.4 Nontransferability. Except as provided in this Article 8, the Restricted Stock/Units granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Restriction Period established by the Committee and as specified in the Award Agreement, or upon earlier satisfaction of any other conditions, as specified by the Committee in its sole discretion and as set forth in the Award Agreement. All rights with respect to Restricted Stock/Units granted to a Participant under the Plan shall be available during the Participant's lifetime only to such Participant or the Participant's guardian or legal representative. The Committee may, in its discretion, require a Participant's guardian or legal representative to supply it with such evidence as the Committee deems necessary to establish the authority of the guardian or legal representative to act on behalf of the Participant.

8.5 Other Restrictions. Subject to Article 11 herein, the Committee may impose such other conditions and/or restrictions on any restricted Stock/Units granted pursuant to the Plan as it deems advisable including, without limitation, restrictions based upon the achievement of specific performance objectives (Company-wide, business unit, and/or individual), time-based restrictions on vesting following the attainment of the performance objectives, and/or restrictions under applicable federal or state securities laws.

The Company shall retain the certificates representing Shares of restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied.

8.6 Payment of Awards. Except as otherwise provided in this Article 8, (i) Shares covered by each Restricted Stock grant made under the Plan shall become freely transferable by the Participant after the last day of the applicable Restriction Period and (ii) Share equivalent units covered by each Restricted Unit under Section 8.1 or 8.2 shall be paid out in cash or Shares to the Participant following the last day of the applicable Restriction Period or such later date as provided in the Award Agreement.

8.7 Voting Rights. During the Restriction Period, Participants holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares.

8.8 Dividends and Other Distributions. During the Restriction Period, Participants holding Shares of Restricted Stock/Units hereunder shall be credited with regular cash dividends or dividend equivalents paid with respect to the underlying Shares or Share equivalent units while they are so held. Such dividends may be paid currently, accrued as contingent cash obligations, or converted into additional Shares or units of Restricted Stock/Units, upon such terms as the Committee establishes.

The Committee may apply any restrictions to the crediting and payment of dividends and other distributions that the Committee deems advisable. Without limiting the generality of the preceding sentence, if the grant or vesting of Restricted Stock/Units is designed to qualify for the Performance-Based Exception, the Committee may apply any restrictions it deems appropriate to the payment of dividends declared with respect to such Restricted Stock/Units, such that the dividends and/or the Restricted Stock/Units maintain eligibility for the Performance-Based Exception.

8.9 Termination of Employment. Each Award Agreement shall set forth the extent to which the Participant shall have the right to retain unvested Restricted Stock/Units following termination of the Participant's employment with the Company or an Affiliate. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Awards of Restricted Stock/Units issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment.

ARTICLE 9. PERFORMANCE UNITS AND PERFORMANCE SHARES

9.1 Grant of Performance Units/Shares. Subject to the terms of the Plan, Performance Units and/or Performance Shares may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee.

9.2 Value of Performance Units/Shares. Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the date of grant. The Committee shall set performance objectives in its discretion which, depending on the extent to which they are met, will determine the number and/or value of Performance Units/Shares that will be paid out to the Participant. For purposes of this Article 9, the time period during which the performance objectives must be met shall be called a "Performance Period" and shall be set by the Committee in its discretion.

9.3 Earning of Performance Units/Shares. Subject to the terms of this Plan, after the applicable Performance Period has ended, the holder of Performance Units/Shares shall be entitled to receive payout on the number and value of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives have been achieved.

9.4 Award Agreement. Each grant of Performance Units and/or Performance Shares shall be evidenced by an Award Agreement which shall specify the material terms and conditions of the Award, and such other provisions as the Committee shall determine.

9.5 Form and Timing of Payment of Performance Units/Shares. Except as provided in Article 12, payment of earned Performance Units/Shares shall be made within seventy-five calendar days following the close of the applicable Performance Period in a manner determined by the Committee, in its sole discretion. Subject to the terms of this Plan, the Committee, in its sole discretion, may pay earned Performance Units/Shares in the form of cash or in Shares (or in a combination thereof). Such Shares may be paid subject to any restrictions deemed appropriate by the Committee.

9.6 Termination of Employment Due to Death, Disability, or Retirement. Unless determined otherwise by the Committee and set forth in the Participant's Award Agreement, in the event the employment of a Participant is terminated by reason of death, Disability or Retirement during a Performance Period, the Participant shall receive a payout of the Performance Units/Shares which is prorated, as specified by the Committee in its discretion in the Award Agreement. Payment of earned Performance Units/Shares shall be

made at a time specified by the Committee in its sole discretion and set forth in the Participant's Award Agreement.

9.7 Termination of Employment for Other Reasons. In the event that a Participant's employment terminates during a Performance Period for any reason other than those reasons set forth in Section 9.6 herein, all Performance Units/Shares shall be forfeited by the Participant to the Company, unless determined otherwise by the Committee in the Participant's Award Agreement.

9.8 Nontransferability. Except as otherwise provided in a Participant's Award Agreement, Performance Units/Shares may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, a Participant's rights under the Plan shall be exercisable during the Participant's lifetime only by such Participant or Participant's guardian or legal representative. The Committee may, in its discretion, require a Participant's guardian or legal representative to supply it with such evidence as the Committee deems necessary to establish the authority of the guardian or legal representative to act on behalf of the Participant.

ARTICLE 10. PERFORMANCE MEASURES

Unless and until the Committee proposes for shareholder approval and the Company's shareholders approve a change in the general performance measures set forth in this Article 10, the attainment of which may determine the degree of payout and/or vesting with respect to Awards which are designed to qualify for the Performance-Based Exception, the performance measure(s) to be used for purposes of such awards shall be chosen from among the following alternatives:

(a) return to shareholders (absolute or peer-group comparative);

(b) stock price increase (absolute or peer-group comparative);

(c) cumulative net income (absolute or competitive growth rates comparative);

(d) return on equity;

(e) return on capital;

(f) cash flow, including operating cash flow, free cash flow, discounted cash flow return on investment, and cash flow in excess of cost of capital;

(g) economic value added (income in excess of capital costs); or

(h) market share.

The Committee shall have the discretion to adjust the determinations of the degree of attainment of the preestablished performance objectives; provided, however, that Awards which are designed to qualify for the Performance-Based Exception may not be adjusted upward (the Committee shall retain the discretion to adjust such Awards downward), except to the extent permitted under Code Section 162(m) to reflect accounting changes or other events.

In the event that Code Section 162(m) or applicable tax and/or securities laws change to permit Committee discretion to alter the governing performance measures without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval. In addition, in the event that the Committee determines that it is advisable to grant Awards which shall not qualify for the Performance-Based Exception, the Committee may make such grants without satisfying the requirements of Code Section 162(m).

ARTICLE 11. BENEFICIARY DESIGNATION

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of the death of the Participant before he or she receives any or all of such benefit. Each such designation shall revoke all

prior designations by the same Participant, shall be in a form prescribed by the Committee during the Participant's lifetime. If the Participant's designated beneficiary predeceases the Participant or no beneficiary has been designated, benefits remaining unpaid at the Participant's death shall be paid to the Participant's spouse or if none, the Participant's estate.

ARTICLE 12. DEFERRALS

The Committee may permit or require a Participant to defer such Participant's receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant by virtue of the exercise of an Option or SAR, the lapse or waiver of restrictions with respect to Restricted Stock/Units, or the satisfaction of any requirements or objectives with respect to Performance Units/Shares. If any such deferral election is permitted or required, the Committee shall, in its sole discretion, establish rules and procedures for such deferrals. Notwithstanding the foregoing, the Committee in its sole discretion may defer payment of cash or the delivery of Shares that would otherwise be due to a Participant under the Plan if such payment or delivery would result in compensation not deductible by the Company or an Affiliate by virtue of Code Section 162(m). Such a deferral may continue until the payment or delivery would result in compensation deductible by the Company under Code Section 162(m).

ARTICLE 13. RIGHTS OF EMPLOYEES

13.1 Employment. Nothing in the Plan shall interfere with or limit in any way the right of the Company or any Affiliate to terminate any Participant's employment at any time, or confer upon any Participant any right to continue in the employ of the Company or any Affiliate.

13.2 Participation. No Eligible Employee shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

ARTICLE 14. CHANGE IN CONTROL

14.1 Treatment of Outstanding Awards. Upon the occurrence of a Change in Control, unless otherwise specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges:

(a) Any and all outstanding Options and SARs granted hereunder shall become immediately exercisable, and shall remain exercisable throughout their entire term.

(b) Any Periods of Restriction and restrictions imposed on Restricted Stock/Units shall lapse; provided, however, that the degree of vesting associated with Restricted Stock/Units which has been conditioned upon the achievement of performance conditions pursuant to Section 8.4 herein shall be determined in the manner set forth in Section 14.1(c) herein.

(c) Except as otherwise provided in the Award Agreement, the vesting of all Performance Units and Performance Shares shall be accelerated as of the effective date of the Change in Control, and there shall be paid out in cash to Participants within thirty days following the effective date of the Change in Control a pro rata amount based upon an assumed achievement of all relevant performance objectives at target levels, and upon the length of time within the Performance Period which has elapsed prior to the effective date of the Change in Control; provided, however, that in the event the Committee determines that actual performance to the effective date of the Change in Control exceeds target levels, the prorated payouts shall be made at levels commensurate with such actual performance (determined by extrapolating such actual performance to the end of the Performance Period), based upon the length of time within the Performance Period which has elapsed prior to the effective date of the Change in Control.

14.2 Termination, Amendment, and Modifications of Change in-Control Provisions. Notwithstanding any other provision of this Plan or any Award Agreement provision, the provisions of this Article 14 may not be terminated, amended, or modified on or after the effective date of a Change in Control to affect adversely any Award theretofore granted under the Plan without the prior written consent of the Participant with respect to said Participant's outstanding Awards.

ARTICLE 15. AMENDMENT, MODIFICATION AND TERMINATION

15.1 Amendment, Modification and Termination. Subject to Section 14.2 herein, the Board may at any time and from time to time, alter, amend, modify or terminate the Plan in whole or in part.

Subject to the terms and conditions of the Plan, the Committee may modify, extend or renew outstanding Awards under the Plan, or accept the surrender of outstanding Awards (to the extent not theretofore exercised) and grant new Awards in substitution therefor (to the extent not theretofore exercised). The Committee shall not, however, modify any outstanding Incentive Stock Option so as to specify a lower Exercise Price. Notwithstanding the foregoing, no modification of an Award shall, without the consent of the Participant, alter or impair any rights or obligations under any Award theretofore granted under the Plan.

15.2 Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.3 hereof) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, subject to the requirements of Code Section 162(m) for the Performance-Based Exception in the case of Awards designed to qualify for the Performance-Based Exception.

15.3 Awards Previously Granted. No termination, amendment or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award.

15.4 Compliance with Code Section 162(m). Awards relating to years after 1996, when Code Section 162(m) is applicable, shall comply with the requirements of Code Section 162(m); provided, however, that in the event the Committee determines that such compliance is not desired with respect to any Award or Awards available for grant under the Plan, then compliance with Code Section 162(m) will not be required. In addition, in the event that changes are made to Code Section 162(m) to permit greater flexibility with respect to any Award or Awards available under the Plan, the Committee may, subject to this Article 15, make any adjustments it deems appropriate.

ARTICLE 16. WITHHOLDING

16.1 Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount (either in cash or Shares) sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan.

16.2 Share Withholding. With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock, or upon any other taxable event arising as a result of Awards granted hereunder, the Company may satisfy the minimum withholding requirement for supplemental wages, in whole or in part, by withholding Shares having a Fair Market Value (determined on the date the Participant recognizes taxable income on the Award) equal to the withholding tax required to be collected on the transaction. The Participant may elect, subject to the approval of the Committee, to deliver the necessary funds to satisfy the withholding obligation to the Company, in which case there will be no reduction in the Shares otherwise distributable to the Participant.

ARTICLE 17. INDEMNIFICATION

Each person who is or been a member of the Committee, or of the Board, shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit, or proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in a settlement

approved by the Company, or paid by such person in satisfaction of any judgment in any such action, suit, or proceeding against such person, provided such person shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or By-Laws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

ARTICLE 18. SUCCESSORS

All obligations of the Company under the Plan or any Award Agreement with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase of all or substantially all of the business and/or assets of the Company, or a merger, consolidation, or otherwise.

ARTICLE 19. LEGAL CONSTRUCTION

19.1 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

19.2 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

19.3 Requirements of Law. The granting of Awards and the issuance of Share and/or cash payouts under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

19.4 Securities Law Compliance. With respect to any individual who is, on the relevant date, an officer, director or ten percent beneficial owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, all as defined under Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 under the Exchange Act, or any successor rule. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

19.5 Awards to Foreign Nationals and Employees Outside the United States. To the extent the Committee deems it necessary, appropriate or desirable to comply with foreign law of practice and to further the purposes of this Plan, the Committee may, without amending the Plan, (i) establish rules applicable to Awards granted to Participants who are foreign nationals, are employed outside the United States, or both, including rules that differ from those set forth in this Plan, and (ii) grant Awards to such Participants in accordance with those rules.

19.6 Unfunded Status of the Plan. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments or deliveries of Shares not yet made to a Participant by the Company, nothing contained herein shall give any rights that are greater than those of a general creditor of the Company. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Shares or payments hereunder consistent with the foregoing.

19.7 Governing Law. To the extent not preempted by federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Delaware.

EXHIBIT 10.21

LEAR CORPORATION
OUTSIDE DIRECTORS COMPENSATION PLAN

LEAR CORPORATION
OUTSIDE DIRECTORS COMPENSATION PLAN

ARTICLE 1. ESTABLISHMENT, OBJECTIVES AND DURATION

1.1 ESTABLISHMENT OF THE PLAN. Lear Corporation, a Delaware corporation, hereby establishes a compensation plan for outside directors to be known as the "Lear Corporation Outside Directors Compensation Plan" (hereinafter referred to as the "Plan"), as set forth in this document.

The Plan shall become effective as of July 1, 1997 (the " Effective Date") and shall remain in effect as provided in Section 1.3 hereof.

1.2 PLAN OBJECTIVES. The objectives of the Plan are to give the Company an advantage in attracting and retaining Directors and to link the interests of Outside Directors to those of the Company's stockholders.

1.3 DURATION OF THE PLAN. The Plan shall commence on the Effective Date, as described in Section 1.1 hereof, and shall remain in effect until the Board of Directors terminates the Plan pursuant to Section 6.1.

ARTICLE 2. DEFINITIONS

Whenever used in the Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized:

2.1 "AFFILIATES" means, with respect to any person, any other person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such person.

2.2 "ANNUAL RETAINER" means the retainer fee established by the Board in accordance with Section 5.1 and paid to an Outside Director for services performed as a member of the Board of Directors for a Plan Year.

2.3 "BOARD" or "BOARD OF DIRECTORS" means the Board of Directors of the Company.

2.4 "COMPANY" means Lear Corporation, a Delaware corporation, and any successor thereto as provided in Section 6.4 herein.

2.5 "DIRECTOR" means any individual who is a member of the Board of Directors.

2.6 "EFFECTIVE DATE" shall have the meaning ascribed to such term in Section 1.1 hereof.

2.7 "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

2.8 "FAIR MARKET VALUE" means:

(a) the price at which publicly traded Shares are purchased (pursuant to Sections 5.1 and 6.2) on the national securities exchange on which the Shares are listed; and

(b) if not so purchased, as determined by the Board of Directors.

2.9 "INSTALLMENT PAYMENT" shall have the meaning ascribed to such term in Section 5.1.

2.10 "MEETING FEE" means the fee established by the Board in accordance with Section 5.2 and paid to an Outside Director for attendance at meetings of (a) the Board of Directors and (b) any committee of the Board which is not held on the same day as a Board meeting.

2.11 "OUTSIDE DIRECTOR" means a Director who during his or her entire term as a Director was not an employee of the Company, Lehman Brothers, Inc. or any of their respective Affiliates.

2.12 "PLAN" shall have the meaning ascribed to such term in Section 1.1 hereof.

2.13 "PLAN YEAR" means (a) for 1997, the period beginning on July 1 and ending on December 31 and (b) after 1997, the twelve month period beginning on January 1 and ending on December 31.

2.14 "SHARES" means the shares of common stock, $.01 par value, of the Company.

ARTICLE 3. ADMINISTRATION

3.1 THE BOARD OF DIRECTORS. The Plan shall be administered by the Board of Directors. The Board of Directors shall act by a majority of its members at the time in office and eligible to vote on any particular matter, and such action may be taken either by a vote at a meeting or in writing without a meeting.

3.2 AUTHORITY OF THE BOARD OF DIRECTORS. Except as limited by law and subject to the provisions herein, the Board of Directors shall have full power to: construe and interpret the Plan and any agreement or instrument entered into under the Plan; establish, amend or waive rules and regulations for the Plan's administration; and amend the terms and conditions of the Plan. Further, the Board of Directors shall make all other determinations which may be necessary or advisable for the administration of the Plan. As permitted by law and consistent with Section 3.1, the Board of Directors may delegate its authority as identified herein.

3.3 DECISIONS BINDING. All determinations and decisions made by the Board of Directors pursuant to the provisions of the Plan shall be final, conclusive and binding on all persons, including the Company, its stockholders, all Affiliates, Outside Directors and their estates and beneficiaries.

ARTICLE 4. ELIGIBILITY

Each Outside Director of the Board during a Plan Year shall participate in the Plan for that year.

ARTICLE 5. COMPENSATION

5.1 ANNUAL RETAINER. Each Outside Director shall be entitled to receive an Annual Retainer in such amount as shall be determined from time to time by the Board. Until changed by resolution of the Board of Directors, the Annual Retainer shall be $24,000.

The Annual Retainer shall be paid in four equal installments (the "Installment Payments") as of the first business day of each calendar quarter to each Outside Director on that date. Each Installment Payment to an Outside Director shall equal the quotient of the Outside Director's Annual Retainer divided by four. Any Outside Director who first becomes an Outside Director during a calendar quarter shall be entitled to an Installment Payment for that calendar quarter. Such an Installment Payment shall be paid as soon as administratively feasible after the individual becomes an Outside Director.

Installment Payments shall be paid one-half in Shares, with the value of any fractional Shares paid in cash, and one-half in cash. Notwithstanding the foregoing, each Installment Payment to an Outside Director during a Plan Year shall be paid solely in Shares if either (a) the Outside Director elects in writing, or (b) the Outside Director fails on the last day of the preceding Plan Year to satisfy the stock ownership guidelines for Outside Directors established from time to time by the Board of Directors. The number of Shares delivered as an Installment Payment under this Section shall equal the quotient of (i) the portion of the Outside Director's Installment Payment for that quarter to be paid in Shares, divided by (ii) the Fair Market Value of a Share on the date the Installment Payment is made.

5.2 MEETING FEE. Each Outside Director shall be entitled to receive a Meeting Fee, in such amount as shall be determined from time to time by the Board, for each meeting he or she attends (including telephonic meetings but excluding execution of unanimous written consents) of the Board of Directors and each meeting of a Board committee, provided, that such meeting is not held on the same day as a Board meeting. Until changed by resolution by the Board of Directors, the Meeting Fee shall be $1,000. The Meeting Fee shall be paid in quarterly cash payments for the meetings, if any, attended during the previous quarter.

ARTICLE 6. MISCELLANEOUS

6.1 MODIFICATION AND TERMINATION. The Board may at any time and from time to time, alter, amend, modify or terminate the Plan in whole or in part.

6.2 SHARES SUBJECT TO THE PLAN. Unless determined otherwise by the Board of Directors, Shares subject to this Plan shall be made available from Shares purchased on the open market.

6.3 INDEMNIFICATION. Each person who is or has been a member of the Board shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit, or proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in a settlement approved by the Company, or paid by such person in satisfaction of any judgment in any such action, suit, or proceeding against such person, provided such person shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or By-Laws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

6.4 SUCCESSORS. All obligations of the Company under the Plan with respect to a current Plan Year shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase of all or substantially all of the business and/or assets of the Company, or a merger, consolidation, or otherwise.

6.5 RESERVATION OF RIGHTS. Nothing in this Plan shall be construed to limit in any way the Board's right to remove an Outside Director from the Board of Directors.

ARTICLE 7. LEGAL CONSTRUCTION

7.1 GENDER AND NUMBER. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

7.2 SEVERABILITY. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

7.3 REQUIREMENTS OF LAW. The issuance of Share and/or cash payouts under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

7.4 SECURITIES LAW COMPLIANCE. To the extent any provision of the Plan or action by the Board would subject any Outside Director to liability under Section 16(b) of the Exchange Act, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Board.

7.5 UNFUNDED STATUS OF THE PLAN. The Plan is intended to constitute an "unfunded" plan. With respect to any payments or deliveries of Shares not yet made to an Outside Director by the Company, nothing contained herein shall give any rights that are greater than those of a general creditor of the Company.

7.6 GOVERNING LAW. The Plan shall be construed in accordance with and governed by the laws of the State of Delaware, determined without regard to its conflict of law rules.

EXHIBIT 10.23

SHARE PURCHASE AGREEMENT

This Agreement as of 22 November, 1996, by and between

1. Borealis Holding AB, 556182-5174, 444 86 Stenungsund, Sweden
("Seller")

2. Lear Corporation Sweden AB, 556410-5673, Box 942,
461 29 Trollhattan, Sweden
("Buyer")

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BACKGROUND

Borealis Industrier AB (the "Company"), a company duly organized and validly existing under the laws of Sweden with Swedish corporate registration number 556034-7634, is on its own and through its Subsidiaries engaged principally in business related to developing, manufacturing and marketing polymer systems and components for the automotive industry.

Seller owns all of the issued and outstanding capital stock of the Company, which consists of 33,300 shares, each having a par value of SEK 1,000 (collectively, the "Shares").

Seller wishes to sell the Shares.

Buyer is inter alia engaged in business related to the automotive industry, principally the development, manufacturing and marketing of automotive seating, interior and similar products.

Buyer wishes to buy the Shares.

The parties have therefore entered into the following agreement.

2

DEFINITIONS

In this agreement, the following terms will have the following meanings (equally applicable to the singular and plural forms):

"Accounting Principles" means the accounting principles applied by Company and Subsidiaries, as defined below, which principles are reflected in the Audited Financial Statements and are in accordance with applicable laws and the generally accepted accounting principles in Sweden ("god redovisningssed").

"Accounts" means the consolidated balance sheets and profit and loss statements of the Group as of 30 June 1996, including the Auditors report 1996-07-11, prepared in accordance with the Accounting Principles and annexed as Appendix 1.

"Affiliates" means the companies listed in Appendix 2.

"Agreement" means this share purchase agreement including all appendices and exhibits, all as may be amended in writing from time to time.

"Audited Financial Statements" means the audited consolidated financial statements, including the balance sheet and profit and loss statement, with notes, of Company and each of Subsidiaries, except for Tanum Komponenter AB, as of 31 December 1995 prepared in accordance with the Accounting Principles and certified by the external auditors of Company, Appendix 3.

"Buyer" has the meaning set forth in the introductory paragraph.

"Closing" means the closing of the sale and the purchase of the Shares in accordance with section 2.

"Closing Date" means the tenth business day after the date on which the condition in section 2.2.c and 2.3 is met and provided that the conditions in section 2.2.a and 2.2.b are met on such date, or such later day as may be agreed in writing.

3

"Company" has the meaning set forth in the background paragraph.

"Force Majeure" means any event occurring outside the normal course of business which is (i) beyond the direct control of Company or Subsidiaries and (ii) not adequately covered by insurance, the consequence of which is so adverse to the financial condition, business or operations of the Group as to substantially frustrate the normal commercial activities of the Group including without limitation but subject to the foregoing qualifications an inadequately insured major and sudden environmental occurrence, explosion, fire or catastrophe at the premises of Company or any of Subsidiaries, the effect of which would decommission a substantial portion of the production for an extended period, war, hostilities, invasion, rebellion, general labour walkouts by the personnel of the Group or a significant proportion of them, not caused by an act of Buyer, contamination, or natural catastrophe such as earthquake or similar occurrence.

"Group" means Company and Subsidiaries.

"Lien" means any lien, security interest, charge, mortgage or other similar encumbrance.

"Material Adverse Effect" means any material adverse change in, or material adverse effect on, the financial condition, business or operations of the Group taken as a whole and for these purposes such a change or effect would be material if the resulting net loss or damage exceeds SEK 1,000,000.

"Material Agreements" has the meaning set forth in section 3.22.

"Parties" means Seller and Buyer.

"Purchase Price" has the meaning set forth in section 1.

"Seller" has the meaning set forth in the introductory paragraph.

"Seller Affiliates" means companies within the Borealis A/S group of companies, except the Group.

4

"Seller's knowledge" means the knowledge of the directors and management of Seller and the knowledge of the management team, the site managers, the environmental officers and the financial officers of the Group.

"Shares" has the meaning set forth in the background paragraph.

"Subsidiaries" means the direct and indirect owned subsidiaries of Company listed in Appendix 4.

"Taxes" has the meaning set forth in section 3.12.

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1. PURCHASE PRICE

1.1 The Purchase Price for the Shares shall be SEK four hundred sixty nine million (469,000,000)

The Purchase Price shall be paid at Closing in readily available funds in Swedish kronor to the bank account designated by Seller at the latest ten (10) days prior to the Closing and in accordance with section 2 below.

1.2 EQUITY

The Group's equity as per 27 October 1996 will be SEK two hundred fifty four million four hundred thousand (254,400,000) whereby the result for the period 1 January - 27 October 1996 will (independent whether a profit or a loss) be adjusted with a tax rate at 28 % on taxable profits and on tax deductible losses. Should the equity as of 27 October 1996 differ from the amount of SEK 254,400,000, the Purchase Price will be adjusted by such difference as set forth in paragraph 1.4 below.

Equity shall mean restricted equity consisting of share capital and restricted reserves as of 31 December 1995 to which shall be added profit/loss brought forward and profit/loss for 1996 up to and including 27 October 1996.

5

1.3 CLOSING AUDIT

1.3.1 Seller and Buyer will together with representatives from Company and in consultation with Company's auditors and the auditors nominated by Buyer establish a complete balance sheet for the Group as per 27 October 1996 ("Closing Audit") by the later of 27 November 1996 and thirty (30) days after Closing.

1.3.2 The Closing Audit - which forms the basis for the establishment of the Group's equity as per 27 October 1996 according to Section 1.2 above - will be established in accordance with the Accounting Principles.

If Company's costs for the period 1 January - 27 October 1996 includes costs incurred under the divestiture agreement with Applied Composites AB greater than MSEK 8.0 (which amount has been included in the calculation of the MSEK 254.4 amount) only 75 % of the excess amount shall be included in the result calculation for the said period forming part of the Closing Audit.

In the Company's costs for the period 1 January - 27 October 1996 will only be included costs incurred under the divestiture agreement with Seitz Skandinavien AB greater than SEK 300,000 (which amount has been included in the calculation of the MSEK 254.4 amount).

Any difference from the book value of the value of the real properties Granaten 28, Tidaholm, Sibbarp 24:1, Eslov and Assarebyn 1:15, Fargelanda, shall not affect the establishment of the Group's equity as per 27 October 1996.

1.3.3 The Closing Audit will be audited by the current auditors of Company and the auditors nominated by Buyer. The auditors will not later than 30 days after the establishment of the Closing Audit jointly render their opinion concerning the equity of the Group according to the Closing Audit. Should the auditors not be able to

6

render a joint opinion concerning the equity, the value will finally be established by a third party auditor nominated by the above mentioned auditors or if such auditors could not agree on a third party auditor, by an auditor appointed at either Party's request by the Stockholm Chamber of Commerce which auditor shall be a member of the Association of Authorised Auditors (FAR, Foreningen Auktoriserade Revisorer). The equity established by the third party auditor shall be presented no later than thirty (30) days after the appointment of such third party auditor.

1.3.4 Time limits provided for in 1.3.1 - 1.3.3 above shall be adjusted by such time as may be deemed reasonable by the auditors.

1.4 PURCHASE PRICE ADJUSTMENTS

1.4.1 The Purchase Price will be adjusted by an amount equal to the difference between the equity as per 27 October 1996 set forth according to the Closing Audit established under 1.3 above and the equity amount SEK 254,400,000 according to 1.2 above.

1.4.2 Settlement of the Purchase Price adjustment according to Section 1.4.1 above, will be carried out within ten (10) business days from the presentation of the established equity. The established adjustment amount will carry an interest from Closing in accordance with 5 Section the Swedish Interest Act up to the due date and in accordance with 6 Section thereafter.

7

2. CLOSING

2.1 On the terms and subject to the conditions set forth in the Agreement, Seller hereby agrees to sell the Shares on the Closing Date, and Buyer hereby agrees to purchase the Shares and to pay to Seller the Purchase Price.

On execution and delivery of this Agreement Seller will deliver to Buyer evidence reasonably satisfactory to Buyer of the authority of any person signing for Seller's behalf and Buyer will deliver to Seller evidence reasonably satisfactory to Seller of the authority of any person signing on its behalf.

On the delivery by Seller to Buyer of the stock certificates representing the Shares, Buyer will have full title to and ownership of the Shares, free and clear of any and all Liens other than Liens Buyer created.

The Closing will take place on the Closing Date in the offices of Lagerlof & Leman in Brussels, Belgium, at 11.00 am.

2.2 CONDITIONS TO BUYER'S OBLIGATIONS

Buyer's obligations to proceed to Closing in accordance with the terms of this Agreement will at Buyer's option be subject to the following conditions:

(a) no Force Majeure or other event has occured which fundamentally changes the conditions and the prerequisites for this Agreement, and which could not have been foreseen at signing hereof and which is not due to events caused by Buyer.

(b) no withdrawal has been made by a third party of its consent, comfort or quiet enjoyment required and given as agreed between the parties prior to signing, provided the withdrawal is not caused by Buyer.

(c) the Swedish Competition Authority (i) having issued an order declaring that it will not challenge the sale or any terms of

8

this Agreement, or (ii) having permitted 30 days to elapse after notification of the transaction(s) contemplated by this Agreement to it without initiating a special investigation provided that, for the avoidance of doubt, in the event of any challenge by the Swedish Competition Authority to any of the terms of this Agreement, the provisions of section 2.8 shall apply.

2.3 CONDITIONS TO SELLER'S OBLIGATIONS

Seller's obligations to proceed with the Closing in accordance with the terms of this Agreement will be subject to the Swedish Competition Authority (i) having issued an order declaring that it will not challenge the sale or any terms of this Agreement, or (ii) having permitted 30 days to elapse after notification of the transaction(s) contemplated by this Agreement to it without initiating a special investigation provided that, for the avoidance of doubt, in the event of any challenge by the Swedish Competition Authority to any of the terms of this Agreement, the provisions of section 2.8 shall apply.

2.4 BEST EFFORTS

Each party agrees to use its best efforts to cause the conditions precedent to its own obligations to be fulfilled as soon as possible.

2.5 NON-OCCURRENCE

If Closing has not occurred by 15 December 1996, due to the nonfulfillment of the conditions described in Sections 2.2 or 2.3 above, this Agreement will, on the expiry of the said date, and provided that none of the Parties is in breach of its obligations under section 2.4 above and that the other party does not waive such obligation in writing, terminate and become void without either party having any liability towards the other.

If Closing has not duly occurred by reason of Buyer's or Seller's breach of its obligations hereunder, the non-defaulting party may terminate the Agreement and such termination will be without prejudice to the rights of the non-defaulting party to recover

9

damages and/or, in its discretion, to obtain any other available remedies, such as specific performance.

2.6 AT CLOSING

At Closing;

(a) Seller will deliver to Buyer duly endorsed in blank share certificates in respect of the Shares and all shares of Subsidiaries and owned shares in Affiliates according to Appendix 2 with all dividend rights (if any) attached thereto.

(b) Seller will cause Company to make the share ledger of Company available to Buyer;

(c) A certificate in approved terms signed by Seller confirming that as far as Seller is aware all conditions to Closing are fulfilled.

(d) Each party will deliver to the other all certificates and other documents required to be delivered by such party under this Agreement.

2.7 SHAREHOLDERS MEETING

At Closing an Extraordinary General Meeting of Company's shareholders shall be held by Buyer in order to elect a new Board of Directors chosen by Buyer.

2.8 MODIFICATION

If the Swedish Competition Authority should request or require that any provision or part thereof of this Agreement or other documents hereunder be terminated, deleted or amended, the Parties will negotiate in good faith with each other and with that authority with a view to modifying any such provision in a manner which as closely as reasonably practicable reflects the commercial objectives and effect of the transaction contemplated hereby but for the avoidance of doubt, no party will have any legally binding obligation to so agree provided that Buyer or Seller, as the case

10

may be, will have the right to waive any provision, that is for the benefit of such waiving party, in order to satisfy the conditions of this Agreement.

3. REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer the following and acknowledges that Buyer has entered into this Agreement in reliance on the representations and warranties. All such representations and warranties are true, complete and accurate as of the date hereof and will be true, complete and accurate in all material respects on Closing Date as if each had been made as of the Closing Date. It is, however, understood that if a specific representation refers to a specific date such representation would apply to such date only. The warranties are continuing warranties and will not merge on Closing but will remain in full force and effect.

3.1 SELLERS TITLE TO THE SHARES; SUBSIDIARIES

Seller owns and has good and marketable title to the Shares, free and clear of all Liens. The Shares are fully transferable to Buyer.

Company owns directly or indirectly and has good and marketable title directly or indirectly to all the outstanding shares of Subsidiaries and to the number of shares of Affiliates, as set forth in Exhibit 3.1 a.

The Shares and the outstanding shares of Subsidiaries and Affiliates directly or indirectly owned by Company have been duly authorized, legally and validly issued and are fully paid. No convertible debentures, warrants or other securities of Company or any Subsidiary or Affiliate are issued and outstanding.

Other than set forth in Exhibit 3.1.b there is no legal, audit or any other requirement for Seller or any shareholder in the Group to pay any additional capital into Company, Subsidiaries or Affiliates.

11

3.2 NO CONFLICT

Subject to section 7, the execution of this Agreement, the consummation of the transaction(s) contemplated and the fulfilment of its terms will not result in a breach of any applicable law, any judgement, decree or order of any court, governmental body or authority applicable to Seller, Company, any Subsidiary or any Affiliate, or the articles of association of Seller, Company, any Subsidiary or any Affiliate, or, to the best of Seller's knowledge, any applicable competition rules.

3.3 NO VIOLATION/CHANGE OF CONTROL

Except as disclosed in Exhibit 3.3, neither this Agreement, nor the transaction(s) contemplated herein are in violation of the articles of association or other organizational instruments of Company or Subsidiaries or will, in accordance with the terms of any Material Agreement, constitute a breach of or an event of default under such agreement to which Seller or Company or any Subsidiary is a party or to which any of its assets are bound, or will, in accordance with its terms modify in any way the rights and obligations of any of the parties thereto.

3.4 ORGANIZATION AND EXISTENCE

Each of Company, Subsidiaries and Affiliates is duly organized and validly existing under the laws of its jurisdiction, and has the legal capacity and corporate authority to own its property and carry on its business as now conducted and is not in breach of its articles of association.

3.5 ASSETS

Each of Company and Subsidiaries has right of use of the material assets and properties used in and necessary for the conduct of its business either as owner, holder of customer owned tools or as lessee and such assets and properties are in good working condition for their intended use, normal wear and tear excluded and are free and clear of any Lien, other than reservations of title provided for in contracts or the relevant invoices for the purchase

12

of goods entered into in the ordinary course of business and other than Liens reflected in the Accounts and the Audited Financial Statements.

There is no cancellation or other material obstacle to the deliveries to be made to and from the Group under existing undertakings and the stocks of the Group are in good marketable condition and saleable at prices recorded in the books of the Group.

3.6 REAL PROPERTY

Exhibit 3.6.a sets forth a true and complete list of all real property and interests in real property owned or otherwise held, directly or indirectly (including sale and leaseback transactions entered into), by Company Subsidiaries. The Property owned by Company and Subsidiaries, is held free and clear of all Liens or rights of third parties except as set forth in Exhibit 3.6.a.

Exhibit 3.6.b is a complete list of all leases to third parties by Company and Subsidiaries.

Exhibit 3.6.c attached hereto is a true and complete list of all leases, subleases, and other agreements under which Company and Subsidiaries use or occupy or have the right to use and/or occupy any real property.

No real estate or leasehold interest, owned, leased, occupied or used by Company, any Subsidiary or any Affiliate, is subject to any official or governmental complaint or notice of violation of any applicable zoning or building code.

Except as set forth in Exhibit 3.6.b and c, neither Company nor Subsidiaries whether as tenant or landlord is in default in any material respect under any real property lease and no written claim of any default thereunder has been received by Seller which has not been cured.

13

3.7 INSURANCE

Each of Company and Subsidiaries is fully insured according to normal business practice either by way of global policy held by Seller or a Seller Affiliate or by policies listed in Exhibit 3.7.

Nothing has been done or omitted to be done which reasonably would or might make the policies listed in Exhibit 3.7 void or voidable and all premiums due have been duly paid and, as of the date of this Agreement, there is no claim outstanding under such policies.

In addition to the policies listed in Exhibit 3.7, Company and Subsidiaries are insured under a policy held by Seller or Seller Affiliate, covering inter alia property damage, interruption and product liability. Seller will cause this insurance to be maintained up to and including 30 days after the Closing Date.

Neither Seller nor Company nor Subsidiaries have been notified by any insurer that it will discontinue the insurance or materially change the conditions in the insurances listed in Exhibit 3.7 or that Seller, Company or any Subsidiary is required to or that it is advisable for any of them to carry out any maintenance, repairs or other work in relation to any of the assets of Company or Subsidiaries.

3.8 EMPLOYMENT MATTERS

a) Exhibit 3.8.a lists all employees and officers of Company with a salary in excess of SEK 500.000 per annum including all benefits.

b) Except as set forth in Exhibit 3.8.b or expressly provided for in the general and local collective bargaining agreements applicable to Company and Subsidiaries and their respective employees, or established or required by Swedish law, there are no deferred compensation agreements, bonus plans, profit sharing plans, pension plans, severance or retirement plans, employees stock option or purchase plans, private life insurance plans or hospitalization insurance plans in effect

14

with respect to any current or former director, officer or other employee of Company or any Subsidiary.

Neither Company nor any Subsidiary has, effective after 1 July 1996, granted any general wage increase, or adopted any bonus, profit sharing, pension, savings or other employee benefit plan or amendment thereto or entered into any employment contracts except in the ordinary course of business.

Neither Company nor any Subsidiary has any current, future or contingent liability in respect of current or past employees in respect of pension or related retirement benefits that are not either fully insured by a third party, fully funded or fully provisioned in the Audited Financial Statements and the Accounts except as indicated in Exhibit 3.8.b.

c) As of signing of this Agreement there is no pending claim by any current or former Company or Subsidiary director, officer or employee against Company or any Subsidiary or labour or union litigation in respect of Company or any Subsidiary. As of signing, Company and Subsidiaries have not received notice of any outstanding labour disputes including go-slows, stoppages or grievances with respect to Company and Subsidiary employees which would have or result in a Material Adverse Effect. Neither Company nor any Subsidiary has received notice of any claim that it has not complied with any employment-, labour- or related laws.

d) Neither Company nor any of Subsidiaries has entered into reemployment undertakings other than as set forth in Exhibit 3.8.d. The reemployment undertakings related to Applied Composites AB and to Seitz Skandinavien AB will not cause Company to incur costs which would otherwise not be incurred, provided that Company takes all appropriate measures in case of the execution by a beneficiary of a reemployment undertaking.

15

3.9 FINANCIAL STATEMENTS

Except as otherwise provided in this Agreement and in Exhibit 3.9, and except for the values of the real estates Granaten 28, Tidaholm, Sibbarp 24:1, Eslov and Assarebyn 1:15, Fargelanda, the Accounts and the Audited Financial Statements, give an accurate and complete view of Company's and Subsidiaries' financial condition as of the respective date and the results of their operations during the respective periods. The Accounts and the Audited Financial Statements have been prepared in accordance with the Accounting Principles.

3.10 BOOKS AND RECORDS

All Company and Subsidiary books and records have been properly maintained in accordance with the legal requirements of Company's and Subsidiaries' jurisdiction and are, together with all company minutes, agreements, permits, etc., kept with Company and Subsidiaries respectively.

3.11 SHAREHOLDER CONTRIBUTIONS

Neither Company nor any Subsidiary has debt or obligation to make a payment of any kind to Seller or any Seller Affiliate, other than in the ordinary course of business.

3.12 TAXES

The Audited Financial Statement and the Accounts are correct and contain adequate reserves for all unpaid real property, personal property, income, social security, customs, duties and all other taxes and governmental or authority charges (collectively the "Taxes") for Company and Subsidiaries, including interest and penalties in respect thereof, for the financial year ended December 31, 1995, and all fiscal periods ended prior thereto and for the period 1 January through 30 June 1996.

Company and Subsidiaries have timely and accurately filed all required returns and reports covering the Taxes and paid all Taxes fallen due.

16

3.13 LITIGATION AND CLAIMS

As of signing of this Agreement and except as disclosed in Exhibit 3.13, there are no civil, criminal or administrative actions or investigations, litigation or arbitration proceedings pending irrespective of its kind or, to the best of Seller's knowledge, threatened, or any claim asserted against Company which individually or in aggregate could result in a Material Adverse Effect.

3.14 DIVIDENDS

Since 31 December 1995 up to and including Closing, Company has not declared any dividends, paid any management charges or group contributions to Seller or Seller Affiliate or made any other distribution of its profits or unrestricted equity to Seller or Seller Affiliate or made any disposition to such effect.

3.15 INTELLECTUAL PROPERTY

The conduct by Company and each of Subsidiaries of their present business activities does not to the best of Seller's knowledge infringe upon or violate the proprietary rights of any third party.

All know-how, business secrets and other intellectual property rights which Company and Subsidiaries use or require for the proper conduct of their business as currently pursued are either vested in Company or licenced to Company or its Subsidiaries as the case may be.

Neither Company nor any Subsidiary has granted licences or other rights other than as set forth in Exhibit 3.15.

There is no claim, litigation or legal action as to any such knowhow, business secret or intellectual property right pending or to the best of Seller's knowledge anticipated.

17

3.16 ENVIRONMENT

At Closing,

a) Company and Subsidiaries have obtained all material permits, licenses and other authorizations which are required for operation of their business under any applicable laws, statutes, directives and regulations ("Environmental Laws") relating to pollution or protection of public health and the environment, including laws, rules, regulations, policies or guidelines relating to emissions, discharges, releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment (including without limitation ambient air, surface water, ground water or land), or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, industrial, toxic or hazardous substances or wastes or any other material, the presence of which required investigation or disclosure under Environmental Laws. (Buyer is aware that the Ljungby plant is under present application for extended trial period and the plant in Aviken is consented to by the local authorities but not formally applied for to such authorities.);

b) Except as provided for above, each of Company and Subsidiaries is in compliance in all material respects with all required permits, licenses, decrees, judgments, orders, authorizations and Environmental Laws. Neither Seller nor Company nor any of Subsidiaries has received written notice of, any claim, action, demand, suit, proceeding, hearing, study or investigation, based on or related to the manufacture, processing, distribution, storage, disposal, transport, or handling, the emission, discharge or release into the environment, of any pollutant, contaminant, chemical, or industrial, toxic or hazardous substance or waste or any other material, the presence of which requires investigation or disclosure under Environmental Laws, which have not been properly discharged of under Environmental Laws applicable as of signing of this Agreement and which

18

could reasonably be expected to have a Material Adverse Effect on Company and Subsidiaries. There is no civil, criminal or administrative action, suit, demand, claim, hearing, notice or demand letter, notice of violation, investigation or proceeding pending or threatened against Company or Subsidiaries relating to Environmental Laws or any regulation, code, plan, order, decree, judgment or injunction promulgated or approved thereunder;

c) All measures required in relation to any pollution created by any company in the Group has been undertaken in as far as such measures results from pollution and/or contamination caused by any company in the Group prior to Closing, and no unsettled claims by third parties exist for environmental damage caused by a company in the Group prior to Closing or due to such event which existed at the time of Closing and which could not have been remedied by Buyer.

d) As to claims made under this section 3.16 Seller shall be invited at its own cost to participate in any such investigations and procedures related thereto and shall at Buyer's request grant such reasonable assistance as may be deemed required. In addition, provided that such defense is reasonable, Buyer shall exercise any defense Seller would ask Buyer to exercise together with Seller against such investigations and claims.

3.17 BUSINESS ARRANGEMENT

Except as set forth in Exhibit 3.17, neither Company nor any Subsidiary is bound by any agreement that restrict its business activity or its disposition of its assets.

3.18 INDEBTEDNESS

Accurate descriptions of (i) all material loan, credit, overdraft facilities agreements and (ii) other indebtedness, incurred outside the ordinary course of business, and (iii) Company and Subsidiary securities pledged therefor, are set forth in Exhibit 3.18.

19

3.19 ACCOUNT RECEIVABLE

Except as set forth in Exhibit 3.19, all accounts receivable shown in the Accounts are good and collectible in the ordinary course of business.

3.20 COMPLIANCE WITH LAW

In respect of issues other than environmental which have been specifically addressed under section 3.16, Company and Subsidiaries are in compliance with, and are not in default or violation in any respect of any applicable law, regulation, permit or ordinance affecting its properties or the operation of its businesses, where such non-compliance individually or in the aggregate could have a Material Adverse Effect.

3.21 INTER-COMPANY ARRANGEMENTS

As of Closing, all amounts owed to Company or Subsidiaries by Seller or any Seller Affiliate, except for those relating to purchases of products under market terms and contractual conditions normal in the ordinary course of business, will have been paid. All guarantees given by or binding on Company or any Subsidiaries in respect of any or obligations of Seller or any Seller Affiliate will have been fully and effectively released without any payment or other consideration for such release by Company or Subsidiaries. Except as set forth in Exhibit 3.21, there are no agreements, guarantees, indemnity arrangements or other rights, obligations or debts between Company or any Subsidiary on the one hand and Seller, any Seller Affiliate or any Affiliate on the other hand other than in the ordinary course of business.

3.22 MATERIAL AGREEMENTS

3.22.1 In this Agreement "Material Agreement" means all binding contracts, agreements, understandings or obligation as amended, supplemented or modified, whether oral or written, (in this Section "Contracts") which fulfil any of the criteria described below to which any of Company and Subsidiaries

20

(in this Section "the Companies") is a party, and provided the loss of such Contract would have a Material Adverse Effect.

(i) Each Contract which involves performance of service or delivery of goods and/or materials by any of the Companies of an amount or value in excess of SEK 1,000,000;

(ii) Each finance or equipment lease, rental agreement, licence, instalment and conditional sale agreement in relation to any property, except such Contracts having a value per item or aggregate payments in any one year of less than SEK 1,000,000.

(iii) Each joint venture contract, partnership arrangement, research and development agreement or other Contract involving a sharing of profits, losses, costs, or liabilities by any of the Companies with any other person which Contract accounts for more than SEK 1,000,000.

(iv) Those agreements listed in Exhibit 3.18 under section 3.18.

(v) Each written warranty, guarantee or other similar undertaking with respect to contractual performance extended by any of the Companies other than in the ordinary course of business.

3.22.2 Neither Company nor any Subsidiary is liable or potentially liable under any binding guarantee other than guarantees within the Group and guarantees listed in the Audited Financial Statement and in Tanum Komponenter AB's financial statements as of 31 December 1995, which would if called have a Material Adverse Effect.

3.22.3 All Material Agreements are valid and in full force and effect and constitute legal, valid and binding obligations of Company and/or the Subsidiaries and no notice of cancellation or renegotiation has been given to or received by Company or any of Subsidiaries with respect to any Material Agreement.

21

3.22.4 Except as described in Exhibit 3.22.4 there are no supply or purchase contracts which are Material Agreements and which cannot be terminated in accordance with their terms by notice of twelve months or less.

3.22.5 There are no existing defaults by any party to any Material Agreements.

3.23 CHANGES SINCE 31 DECEMBER 1995

Except as set forth in Exhibit 3.23, since 31 December 1995 through 30 June 1996 there has not occurred, arisen or been created, any material change in the business operations or internal conditions (financial or otherwise) of Company or any Subsidiary, which is not reflected in the Accounts.

The discontinuation of the manufacturing of mobile cold storages will not cause the company to incur costs due to the discontinuation of the production, including but not limited to unnecessary investments, corresponding to not yet depreciated investments, lay offs and other closing costs to be taken in direct relation to the cessation of the production.

Since 30 June 1996 through the date hereof and except as set forth in Exhibit 3.23.

a) the business and affairs of Company and Subsidiaries have been conducted and carried on only in the ordinary course of business;

b) Company and Subsidiaries have not made any change in any method of accounting practice or policy;

c) there has been no change in the share capital of Company and Subsidiaries;

d) the Group has not surrendered to Seller or any Seller Affiliate any of its tax reserve credits and benefits as of January 1, 1996; and

22

e) the Group has not entered into any non arms length employment or consultant contract(s).

3.24 INTERIM OPERATION

During the period starting on the date of signing of this Agreement and up to Closing, Seller will cause Company and each of Subsidiaries to be operated in a prudent manner, in the normal course of its business and in accordance with the following (except as otherwise authorized in writing by Buyer):

(i) No dispositions of any significant assets other than in the ordinary course of business;

(ii) No major expenditures, transactions, commitments, undertaking or actions outside the normal course of business.

Seller will cause Company and each of Subsidiaries to keep Buyer contemporaneously informed of any business decisions within the ordinary course of business, (except for day to day matters) and of other not insignificant events.

Seller further undertakes to keep Buyer informed of the development of Company's business by providing Buyer with copies of the Company's management reports.

Seller will advice Buyer without delay of any anticipated material adverse change.

Until Closing, Seller will give Buyer and its representatives access during normal business hours to Company premises and to all relevant Group books, records and documents and provide to Buyer copies thereof as requested by Buyer in consultation with the managing director of Company.

3.25 AFFILIATES

All material information regarding the Affiliates and their businesses known to Company and Subsidiaries has been

23

disclosed to Buyer.

4. INDEMNIFICATION BY SELLER

4.1 SELLER'S INDEMNIFICATION OBLIGATION

a) Subject to the terms of this section, Seller hereby agrees to indemnify and hold harmless Buyer, Company and each Subsidiary from any losses, damages, claims, liabilities or expenses directly or indirectly suffered or incurred by Buyer, Company or any Subsidiary as a result of or on account of any of Seller's representation, warranty or covenant ("Losses") however caused provided that Seller shall not be liable under this section in respect of any claim arising out of facts or circumstances expressly stated in this Agreement with its appendices and exhibits or excepted from Seller's liability as provided hereinafter.

b) Seller will pay to Buyer any amounts to which Buyer is entitled as indemnification hereunder as soon as practicable and in no event later than 30 days after a claim for such indemnification has been submitted by Buyer to Seller, or if such claim is disputed by Seller, as soon as practicable but not later than 30 days after a valid and final judgement in respect of such claim has been entered.

In the event of a claim by Buyer for indemnification by Seller hereunder, in respect of a matter which in Seller's reasonable opinion is capable of cure, Seller will have the right, exercisable upon written notice within seven days to Buyer, to attempt to cure the breach of representation or warranty in question for a period of 30 days following the date of notice by Buyer to Seller claiming indemnification with respect thereto.

c) The amount of any Loss shall be calculated taking into account any tax benefits which can be realized under any applicable law by Buyer, Company, or any Subsidiary on account of the Loss.

24

The amount of any Loss related to the divestiture agreement with Applied Composites AB shall be reduced to 75 % of the actual Loss.

The amount of any Loss related to the specific environmental matters referred to in Section 3.16 c shall be reduced to 50 % of the actual Loss, if such Loss is due to new legislation enacted after Closing and which new legislation gives rise to obligations ordered by authorities under such laws.

d) The payment of indemnification claims under this Agreement will be deemed to be in the nature of reduction of the Purchase Price.

e) Interest will be calculated on the indemnifiable Loss as from Closing Date or, if the Loss is related to a payment after Closing by Company or any Subsidiary, as from the date of such payment.

The interest rate will be in accordance with 5 Section , the Swedish Interest Act up to 30 days after the date of Buyer's claim and in accordance with 6 Section thereafter until payment is made.

f) In the event of a claim by Buyer for indemnification in respect of accounts receivable other than due by Seller, which claim is paid by Seller, Buyer will cause Company or the respective Subsidiary to assign to Seller, the accounts receivable in question.

4.2 INDEMNIFICATION LIMITATION

Seller will not be obligated to indemnify Buyer for any Loss for which the Purchase Price has been adjusted pursuant to Section 1.4.

a) Save as for claims related to the divestiture agreement with Applied Composites AB and to the discontinuation of the manufacturing of mobile cold storages, Seller will not be obliged to indemnify Buyer for any Loss unless the aggregate amount of all Losses is greater than SEK 3,000,000 (it is

25

understood that if the Losses exceed such SEK 3,000,000, the Buyer shall be entitled to indemnification for the aggregate amount of all Losses).

It is further understood that Losses for which Seller's liability has expired as set forth in subsection b) and c) below will neither be subject to any payment obligation of Seller nor included in the of the aggregate amount except if the aggregate amount of Losses, for which claims have been duly made on and before 28 February 1998 and of Losses under subsection c) (iii) below, for which claims have been duly made within the time limit set out therein, exceeds SEK 3,000,000, then the cumulative amount of such Losses will be recoverable.

b) Except as provided in subsection 4.2.c below, any claims for indemnification hereunder will be made in writing not later than 60 days after Buyer becomes aware of the breach in question, describing in reasonable detail the nature of the claim and a good faith estimate of the amount claimed. Seller's obligation to indemnify Buyer in respect of such claim will only apply to claims made on or before 28 February 1998.

c)(i) Any claims for indemnification in respect of liabilities for taxes and social charges will be made by Buyer in writing as soon as possible after liability has been claimed with Buyer, Company or any Subsidiary by the relevant authority, and Seller's obligation to indemnify Buyer in respect of such liability terminate on the earlier of three months thereafter or three months after valid and final judgment with respect to such liability has been entered by a court or tax authority of competent jurisdiction.

(ii) Any claims for indemnification in respect of environmental matters will be made by Buyer in writing not later than 60 days after Buyer becomes aware of the breach in question, describing in reasonable detail the nature of the claim and a good faith estimate of the amount claimed. Seller's obligation

26

to indemnify Buyer in respect of such claim will only apply to claims made on or before 1 March 2004.

(iii) Any claims for indemnification in respect of the representation and warranty given under the last sentence of section 3.8 d and for environmental claims in relation to the divestiture agreements with Seitz Skandinavien AB, Hagglunds Vehicle AB and Applied AB will be made by Buyer in writing not later than 60 days after Buyer becomes aware of the breach in question, describing in reasonable detail the nature of the claim and a good faith estimate of the amount claimed. Seller's obligation to indemnify Buyer in respect of such claim will only apply to claims made on or before the original expiry date of the respective reemployement undertaking and the expiry of the environmental representations and warranties under the said divestiture agreements, as the case may be.

d) The aggregate amount for which Seller may be liable under this section shall in no case exceed the Purchase Price.

4.3 THIRD PARTY CLAIMS

When Buyer becomes aware of any claim, suit, action or proceeding by a third party - including tax authorities - against Company or any Subsidiary which may give rise to a Loss which may be indemnifiable under this section, Buyer will, unless it is evident that time will not allow such procedure:

a) not make any admission of liability, agreement or compromise to or with any person or entity in respect thereto without the Seller's prior written consent, which consent will not be unreasonably withheld;

b) permit Seller and its professional advisors to have reasonable access to Company's and Subsidiaries' personnel and to any relevant accounts, documents and records within the possession and control of Company or any Subsidiary to enable Seller and its professional advisors to assess the merits and potential liability in respect of its claim,

27

suit, action or proceeding and to take copies of such relevant accounts, documents and records at their own expense; provided, however, that Seller will have no rights under this section if Buyer agrees to discharge and release Seller from its indemnification obligation hereunder in of the Loss or portion thereof which arises out of the claim, action or proceeding;

c) give prompt notice to Seller, and Seller will have the right at its election to cooperate in the defense of such third-party claim at its own expense by giving prompt notice to Buyer. Buyer will, in handling the defense, do so acting in good faith and taking into consideration the reasonable interests of Seller.

5. REPRESENTATIONS AND WARRANTIES OF BUYER AND SELLER

Each of Buyer and Seller warrants that it is a corporation duly organized, validly existing and in good standing under the laws of its respective jurisdiction and has all corporate power and authority to make and perform its respective obligations under this Agreement.

This Agreement has been duly authorized and, upon execution and delivery by Buyer and Seller, is a valid and binding obligation of Buyer and Seller enforceable against them in accordance with its terms.

6. JOINT COVENANTS

6.1 PUBLICITY

No press release or other announcement concerning the transaction contemplated by this Agreement or any auxiliary matter will be made by either party except on prior notice to and with the consent of the other party, provided that nothing in this Agreement prevents either party or any affiliated company from making, in consultation with the other party, any announcement of filing

28

required by applicable law or regulation or by the rules and regulations of any Stock Exchange on which it is listed.

6.2 CONFIDENTIALITY

Seller covenants up to and including the fifth anniversary of Closing not to make use of or disclose any confidential information which is a business or trade secret in Company's existing business as of Closing. The non-disclosure obligation will not, however, apply to any information which was generally avilable to the public or has become - through no act or failure of Seller - public information or generally available to the public, or which may be required by law or called for by the requirements of any Stock Exchange.

6.3 NON COMPETE

Seller and Seller's Affiliates will neither directly nor indirectly through third parties for a period of three years from Closing enter into business arrangements in direct competition with Company's or Subsidiaries' business as pursued as of the Date of Closing including but not limited to, in Europe, Canada, United States, Mexico, China, India, Singapore, Thailand, Korea, Malaysia or Indonesia and will not, during a period of two years from Closing, solicit for employment or offer employment to the employees listed in Exhibit 3.8.a.

6.4 REMEDIES

The remedies being the representations and warranties herein given and indemnifications being the reduction in Purchase Price and interest provided for in this Agreement shall be exclusive.

7. COMPLIANCE WITH COMPETITION REGULATIONS

The Parties shall immediately upon effectivity of this Agreement jointly notify the Swedish Competition Authority of the acquisition by Buyer.

29

8. RELEASE OF SELLER'S PARENT GUARANTEE

As to the parent guarantee by Seller set forth in Exhibit 3.21 Buyer undertakes to procure the release of the guarantor from such guarantee as of the Closing Date.

As to the parent guarantee by Borealis A/S to FR Fastighetsrenting AB set forth in Exhibit 3.21 Buyer undertakes to procure the release of Borealis A/S from the guarantee not later than 30 June 1998. The Buyer and the Buyer's Swedish subsidiary - Lear Corporation Sweden AB - will on the Closing Date issue to Borealis A/S a joint and several undertaking to reimburse Borealis A/S for any payments made by Borealis A/S under its gurantee to FR Fastighetsrenting AB related to the time after Closing Date (including any costs incurred by Borealis A/S in connection herewith). Such undertaking will be in the format provided for in Appendix 8. Further Borealis A/S will have full recourse against the Company for any such payment or cost.

Seller shall assist Buyer and Company in defending itself against any challenge or claim instituted by FR Fastighetsrenting AB against Company provided Company continues to fulfill its current obligations under the Lease Contracts in connection with the leases and options as to the real estate Granaten 28, Tidaholm and Assarebyn 1:15, Fargelanda.

Buyer will cause Company to keep Borealis A/S contemporaneously informed on its payment to FR Fastighetsrenting AB and on any request by FR Fastighetsrenting AB for changes to the payment scheme or to its agreement with FR Fastighetsrenting AB

9. NAME CHANGE

Buyer shall cause Company and each Subsidiary to delete the word "Borealis" from its respective corporate name and trade marks and trade names without undue delay after Closing and not later than 31 December 1996.

30

Buyer shall further cause Company and Subsidiaries within the same time period to cease to use the logotypes of "Borealis" presently used by Company and Subsidiaries.

10. DISCHARGE OF DIRECTORS LIABILITY

Buyer shall as soon as possible, at the ordinary shareholders meeting of Company and each Subsidiary, cause the directors and managing directors of Company and each Subsidiary to be discharged from liability for their administration of Company and each Subsidiary as from 1 January 1996 up to and including the Closing Date, provided that the respective external auditors of Company and Subsidiaries recommend such discharge from liability.

11. EFFECTIVITY

This Agreement is effective upon the signing of both Parties and the approval hereof by the respective board of directors of the Parties.

12. MISCELLANEOUS

12.1 ENTIRE AGREEMENT

This Agreement, including all appendices and exhibits, supersedes any other agreements, oral or written, between the parties, including Seller's Affiliates - except for the confidentiality agreement entered into 14 May 1996, which however shall cease to be valid on Closing - with respect to the subject matter.

12.2 AMENDMENTS

This Agreement may be amended only in writing by both parties.

31

12.3 NOTICES

Any notice, consent and other communication to be provided under this Agreement shall be provided in accordance with the following notice information:

If to Seller; to Borealis Holding AB, S- 444 86 Stenungsund, Sweden, with copy to Mr Bjarne Mitts, Borealis Coordination Center N.V., Woluwe Garden, Woluwedal 26, B-1932 Sint-Stevens-Woluwe, Belgien.

If to Buyer; to Lear Corporation, att: General Counsel and head of the legal Department, Southfield, MI 48086, USA, telefax: 1-810-7461677.

Messages shall be submitted by courier or telefax, courier to be deemed received two business days after remittance and telefax the business day of the remittance subject to confirmed telefax receipt.

12.4 COSTS

Seller and Buyer will each bear its own fees and expenses, including legal fees and expenses, incurred in connection with the negotiation, preparation and execution of this Agreement and the transactions contemplated.

12.5 NO WAIVER

Save as provided for as to the right to grant specific waivers, the failure of any party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of any right hereunder, nor shall it deprive that party of the right thereafter to insist upon the strict adherence to that term or any other of this Agreement.

32

12.6 EXECUTION

This Agreement shall be executed in two counterparts.

12.7 LANGUAGE

This Agreement is executed in the English language and shall be construed and interpreted in accordance with the English language text.

12.8 ILLEGALITY

Save as provided for in article 2.8, in the event any provision of this Agreement is declared illegal or unenforceable, it is the intent of the parties that the remaining provisions shall continue in full force and effect, provided that the fundamental considerations which induced the parties to enter this Agreement remain valid.

12.9 FURTHER ASSISTANCE

Seller shall do everything reasonably required of it upon notice from Buyer to carry out and give full effect to this Agreement.

12.10 GOVERNING LAW AND JURISDICTION

This Agreement shall be governed by and construed in accordance with the laws of Sweden (excluding the law 1987:822 on International Sales).

All disputes arising in connection with this Agreement shall be finally settled under the Rules of Conciliation and Arbitration of the International Chamber of Commerce by three arbitrators appointed in accordance with the said Rules. The arbitration shall take place in London, UK, and the language to be used in the proceedings

33

shall be English.

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The Parties and the undersigned guarantors confirm that this agreement was entered into as of 22 November 1996.

the 9 December 1996	the 9 December 1996
BOREALIS HOLDING AB	LEAR CORPORATION SWEDEN AB
/s/ Bjarne Mitts	/s/ William A. Reaume
- ----------	----------

Borealis A/S hereby guarantees as for its own debt for the undertakings by Borealis Holding AB set forth in sections 3, 4 and 8 of this Agreement above. Borealis A/S hereby submits itself to arbitration in accordance with section 12.10 above and accepts irrevocably and unconditionally the nomination of arbitrator by Borealis Holding AB as a nomination of its own and hence to be deemed as jointly nominated by them.

the 9 December 1996

BOREALIS A/S

/s/ Bjarne Mitts
- ----------

Lear Corporation hereby guarantees as for its own debt for the undertakings by Buyer set forth in sections 1, 2, 5, 8 and 9 of this Agreement above. Lear Corporation hereby submits itself to arbitration in accordance with section 12.10 and accepts irrevocably and unconditionally the nomination of arbitrator by Buyer as a nomination of

34

its own and hence to be deemed as jointly nominated by them.

the 9 December 1996

LEAR CORPORATION

/s/ William A. Reaume

EXHIBIT 11.1

COMPUTATION OF NET INCOME (LOSS) PER SHARE
(In millions, except share information)

	For the Year Ended December 31, 1996		For the Year Ended December 31, 1995		For the Year Ended December 31, 1994	
	Primary	Fully Diluted	Primary	Fully Diluted	Primary	Fully Diluted
Income (loss) before extraordinary items	$ 151.9	$ 151.9	$ 94.2	$ 94.2	$ 59.8	$ 59.8
Extraordinary items	-	-	(2.6)	(2.6)	-	-
Net income (loss)	$ 151.9	$ 151.9	$ 91.6	$ 91.6	$ 59.8	$ 59.8
Weighted Average Shares:						
Common shares outstanding	60,485,696	60,485,696	48,944,181	48,944,181	42,602,167	42,602,167
Exercise of stock options (1)	3,275,938	3,279,914	3,544,757	3,698,491	3,321,954	3,443,913
Exercise of warrants (2)	-	-	-	-	1,514,356	1,514,356
Common and equivalent shares outstanding	63,761,634	63,765,610	52,488,938	52,642,672	47,438,477	47,560,436
Per Common and Equivalent Share:						
Income (loss) before extraordinary items	$ 2.38	$ 2.38	$ 1.79	$ 1.79	$ 1.26	$ 1.26
Extraordinary items	-	-	(0.05)	(0.05)	-	-
Net income (loss) per share	$ 2.38	$ 2.38	$ 1.74	$ 1.74	$ 1.26	$ 1.26

	For the Year Ended December 31, 1993		For the Six Months Ended December 31, 1993		For the Year Ended June 30, 1993	
	Primary	Fully Diluted(3)	Primary	Fully Diluted(3)	Primary	Fully Diluted
Income (loss) before extraordinary items	$ (2.1)	$ (2.1)	$ (23.0)	$ (23.0)	$ 10.1	$ 10.1
Extraordinary items	(11.7)	(11.7)	(11.7)	(11.7)	-	-
Net income (loss)	$ (13.8)	$ (13.8)	$ (34.7)	$ (34.7)	$ 10.1	$ 10.1
Weighted Average Shares:						
Common shares outstanding	35,500,014	35,500,014	35,500,014	35,500,014	35,166,747	35,166,747
Exercise of stock options (1)	-	2,801,372	-	2,801,372	1,582,317	1,582,317
Exercise of warrants (2)	-	3,300,000	-	3,300,000	3,300,000	3,300,000
Common and equivalent shares outstanding	35,500,014	41,601,386	35,500,014	41,601,386	40,049,064	40,049,064
Per Common and Equivalent Share:						
Income (loss) before extraordinary items	$ (0.06)	$ (0.05)	$ (0.65)	$ (0.55)	$ 0.25	$ 0.25
Extraordinary items	(0.33)	(0.28)	(0.33)	(0.28)	-	-
Net income (loss) per share	$ (0.39)	$ (0.33)	$ (0.98)	$ (0.83)	$ 0.25	$ 0.25

	For the Year Ended June 30, 1992	
	Primary	Fully Diluted (3)
Income (loss) before extraordinary items	$ (17.1)	$ (17.1)
Extraordinary items	(5.1)	(5.1)
Net income (loss)	$ (22.2)	$ (22.2)
Weighted Average Shares:		
Common shares outstanding	27,768,312	27,768,312
Exercise of stock options (1)	-	1,582,317
Exercise of warrants (2)	-	3,300,000
Common and equivalent shares outstanding	27,768,312	32,650,629
Per Common and Equivalent Share:		
Income (loss) before		

extraordinary items	$ (0.62)	$ (0.52)
Extraordinary items	(0.18)	(0.16)
Net income (loss) per share	$ (0.80)	$ (0.68)

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(1) Amount represents the number of shares issued assuming exercise of stock options, reduced by the number of shares which could have been purchased with the proceeds from the exercise of such options.

(2) Amount represents the number of common shares issued assuming exercise of warrants outstanding.

(3) This calculation is submitted in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 14 of the APB Opinion No. 15 because of the antidilutive effect on net loss per share.

EXHIBIT 21.1

SUBSIDIARIES OF THE COMPANY

AB Extruding (Sweden)
AB Trelleborgplast (Sweden)
AII Automotive Industries Canada Inc. (Canada)
American Woodstock Company, Inc. (Wisconsin)
AVB Anlagen und Vorrichtungsbau GmbH (55%) (Germany)
ASAA International Inc. (Delaware)
ASAA Technologies, Inc. (Wisconsin)
ASAA Inc. (Wisconsin)
Automotive Industries Export Ltd (Barbados)
Automotive Industries (Holdings) Ltd. (U.K.)
Automotive Industries (U.K.) Ltd.
Automotive Industries Manufacturing, Inc. (Delaware)
Automotive Industries Sales, Inc. (Michigan)
Autotrim, S.A. de C.V. (Mexico)
Aviken Plast AB (Sweden)
Capitol Plastics of Ohio, Inc. (Ohio)
Celluloid Gislaved AB (Sweden)
Consorcio Industrial Mexicana de Auto Partes S.A. de C.V. (85%) (Mexico)
Consorcio Industrial Mexicana de Auto Partes Toluca S.A. de C.V. (99.5%) (Mexico)
Davart Group Ltd. (U.K.)
Detroit Automotive Interiors L.L.C. (Michigan)
Empresas Industrial Mexicanos de Auto Partes S.A. de C.V. (75%) (Mexico)
Fair Haven Industries, Inc. (Michigan)
Favesa S.A. de C.V. (Mexico)
Fibercraft/DESCon Engineering, Inc. (Michigan)
General Panel B.V. (Delaware)
General Panel B.V. (Netherlands)
General Seating of America, Inc. (35%) (Delaware)
General Seating of Canada Ltd. (35%) (Canada)
General Seating (Thailand) Company, Ltd (50%) (Thailand)
Guildford Kast Plastifol Ltd. (33%) (U.K.)
Industrias Cousin Freres, S.L. (49.9%) (Spain)
Industrias Lear de Argentina, S.A. (50%) (Argentina)
Interiores Automotrices Summa S.A. de C.V. (40%) (Mexico)
Interiores Para Autos, S.A. de C. V. (40%) (Mexico)
Intertrim S.A. de C.V. (99.5%) (Mexico)
John Cotton (Plastics) Ltd. (U.K.)
LCT, Inc. (Michigan)
Lear Corporation Australia Pty., Ltd. (Australia)
Lear Corporation Austria Autositze GmbH (Austria)
Lear Corporation Austria Autositze GmbH & Co. KG (Austria)
Lear Corporation Canada Ltd. (Canada)
Lear Corporation do Brasil Ltda (98%) (Brazil)
Lear Corporation Germany Ltd. (Delaware)
Lear Corporation GmbH (Germany)
Lear Corporation GmbH & Co. KG (Germany)
Lear Corporation (U.K.) Ltd. (United Kingdom)
Lear Corporation Italia S.p.A. (Italy)
Lear Corporation Italia Sud S.p.A. (Italy)
Lear Corporation (S.A.)(Pty.) Ltd. (South Africa)
Lear Corporation Mendon (Delaware)
Lear Corporation Mexico S. A. de C. V. (99.6%) (Mexico)
Lear Corporation Poland Sp. z o.o. (Poland)
Lear Corporation Sweden, AB (Sweden)
Lear Corporation Sweden Gnosjvplast AB (Sweden)
Lear Corporation Sweden Interior Systems, AB (Sweden)
Lear Corporation Sweden Tanuum Components AB (Sweden)
Lear Corporation Verwaltungs GmbH (Germany)
Lear de Venezuela, C.A. (Venezuela)
Lear France S.A.R.L (France)
Lear Holding S.A. de C.V. (Mexico)
Lear Inespo Comercial de Industrial Ltda. (50%) (Brazil)
Lear Operations Corporation (Delaware) (1)
Lear Seating (Thailand) Corp., Ltd. (49%) (Thailand)
Lear Seating Holdings Corp. No. 50 (Delaware)
Lear Corporation Italia Holdings S.r.L. (Italy)
Lear Seating Private Limited (80.4%)(India)
LECA Sp. z o.o. (Poland)
LS Acquisition Corporation No. 24 (Delaware)
LS Servicos Ltda (Brazil)
Manfred Rothe Verwaltungs GmbH (Germany)
Markol Otomotiv Yan Sanayi VE Ticaret A.S. (35%) (Turkey)
Masland Acoustic Components, Inc. (Delaware)
Masland Industries Foreign Sales Corp. (US Virgin Islands)
Masland Industries, Inc, (Delaware)
Masland Industries of Canada Limited (Canada)
Masland International, Inc. (Delaware)
Masland of Wisconsin, Inc. (Wisconsin)
Masland Specialty Technologies, Inc. (Delaware)
Masland Technologies Corporation (Delaware)
Masland Transportation, Inc. (Delaware)
Masland (U.K.) Limited (U.K.)
NAB Corporation (Delaware) (2)
No Sag Drahtfedern GmbH (Germany)
No Sag Drahtfedern Spitzer & Co. KG (62.5%) (Austria)
NS Beteilgungs GmbH (Germany)
Pacific Trim Corporation Ltd. (20%) (Thailand)
Plastifol Beteiligungs GmbH (Germany)
Plastifol GmbH & Co. KG(Germany)
Plastifol Holding GmbH (Germany)
Plastifol Manfred Rothe Iberia S.A. (71.4%) (Spain)
Probel S.A. (30.86%) (Brazil)
Quadrestra Vermogensver Waltungs GmbH (Germany)
Rael Handels gmbH (Austria)
Ramco Investments Limited (60%) (Mauritius)
Rolloplast Fornsprutning AB (Sweden)
Simplay Ltd. (U.K.)
Societe No Sag Francaise (56%) (France)
Sommer Masland (U.K.) Limited (50%) (U.K.)
Spitzer GmbH (62.5%) (Austria)
SWECA Sp. z o.o. (Poland)
Tapizados Lear S.A. (55%)(Argentina)
Teknoseating S.A. (50%) (Argentina)

(1) Lear Opeartions Corporation also conducts business under the names Lear Corporation, Lear Corporation of Georgia, Lear Corporation of Kentucky, and Lear Corporation of Ohio.
(2) NAB Corporation also conduct business under the name Lear Corporation.
All Subsidiaries are wholly-owned unless otherwise indicated.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into Lear Corporation's (formerly known as Lear Seating Corporation) previously filed Registration Statements on Form S-8 File Nos. 33-55783, 33-57237, 33-59943, 33-61739, 33-62209, 333-01353, 333-03383, 333-06209, 333-10753, 333-16413, 333-16415, 333-16341, and Form S-3 File Nos. 33-51317, 33-47867, 33-61583, 333-05807 and 333-05809.

ARTHUR ANDERSEN LLP

Detroit, Michigan
March 24, 1997.

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YEAR	
	DEC-31-1996
	JAN-01-1996
	DEC-31-1996
	26
	0
	910
	9
	200
	1,347
	1,176
	310
	3,817
	1,499
	1,055
	0
	0
	1
	1,018
	3,817
	6,249
	6,249
	5,629
	5,629
	264
	3
	103
	253
	101
	152
	0
	0
	0
	152
	2.38
	2.38